



**Contracting people for
performance and business success!**

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Do you battle to get the best out of your people? Do you struggle to get everyone focused on achieving the same business goal? Do you battle to measure performance? Do you know who your best performers are ... and your average performers ... and your poor performers? Do you know who to recognize and who to reprimand? Does everyone's productivity translate into achieving the companies overall strategy? Does everyone know what their purpose is in the bigger picture of the organization?

If you struggle to give a clear and definite answer to the above questions, then maybe it is because your people are not clear about what is expected of them. Maybe it is because you are not clear in how to measure your people in an objective manner. Maybe it is because people are not contracted against outcomes that drive the overall success of the business. Remember, people can only perform when they know what it expected of them. Added to this, we find that people do what you inspect and not what you expect! "But what does this mean in practice?" you might say. Let me explain.

Contracting is the future way of directing a business, a way to manage the focus of everyone. This entails that everyone, from the CEO to the clerk, needs to have a performance contract that focuses their energy and performance on the overall success of the business. To ensure that every employee in the business contributes to achieving the overall strategy of the business, every employee needs a clearly defined performance contract, stipulating the critical outcomes towards focused performance. Following is a brief description of how this can be achieved: The shareholders or board of investors need to clearly stipulate the high level strategy that would result in the successful performance of the business. The shareholders or board of investors now need to contract with the CEO by taking the high level strategy and translate it into measurable performance outcomes. To ensure that the CEO successfully executes this strategy, his/her measurables need to translate into a performance contract for each of the EXCO members. In order for the EXCO members to successfully achieve their performance outcomes, they need to cascade these outcomes down to the next level of management in each of the divisions. In the same way the management team of each division would have to take their performance outcomes and translate it into measurable objectives for each and every staff member. In this way the entire business focuses on achieving one goal namely the strategy as painted by the shareholders or board of investors. Everyone in the business ultimately works towards achieving the same objective – business success!

The following paragraphs will describe contracting and performance in more detail.

In order for people to do their job and successfully serve the business, they need to be very clear of what is expected of them on a day-to-day basis. It is important that the organization signs a performance contract with each employee. In other words, a contract which outlines the Key Performance Areas (KPA's) of the employee – the critical areas necessary for successful job performance. Such a contract gives the employee clear guidelines as to what to focus on in his/her job and it allows the manager to measure the employee's performance in an objective manner. A performance contract ensures that both parties are clear as to the performance expectation.

All good and well, but what does a performance contract look like? What does it consist of? How detailed should it be?

For performance contracts to have meaning in business, they must be living documents. This means:

1. They must be defined at the highest level. Performance contracts are not detailed job descriptions, however they define the 4 – 7 critical outcomes necessary for the success of the job.
2. They must be used regularly.
3. They must be reviewed regularly.
4. They must be continually aligned with the strategy of the business.
5. They must carry incentives for top performers.
6. They must carry performance consequences for poor performers.
7. They must be for all employees in the business.

Contracting your employees must take three critical aspects into account:

1. The Contracting Phase:

During the contracting phase the performance contract document is compiled. The document needs to contain the following important aspects:

- The Key Performance Areas, in other words, what must be delivered?
- How the respective KPA's will be measured?
- The time-frames, targets and deadlines of each KPA.
- The review period of the performance contract.

The contract needs to be agreed upon by both the staff member and his/her superior.

2. The Management Phase:

A performance contract is a living document. It is not something that you compile and then file away, only to review again in 12 month's time. No! A performance contract needs to be reviewed on a regular basis. An employee's daily, weekly and monthly targets need to be clearly outlined in the contract.

The performance contract needs to focus people on the task at hand, motivate them to exceed the expectations and work towards ongoing business success.

It is the task of the leader to manage the performance by meeting with the employee on a regular basis in order to review the actual performance against the agreed contract.

3. The Implications:

Consequences need to be attached to the outcomes of performance. Employees that meet and exceed their daily, weekly and monthly targets need to be recognized for exceptional performance. Employees that perform below the expected targets need to be performance managed. This is done by supporting poor performers by setting small achievable targets and assisting them in reaching the stipulated targets. During the phase of performance managing

a poor performer, it is important to provide the necessary training, coaching and management support. Failure in performing according to expectation will ultimately lead to corrective behaviour and reprimanding.

In conclusion, a clearly defined and documented performance contract benefits both the employee and his/her superior. Performance contracts enable employees to focus on the specific outcomes of the job and it enables the manager to objectively measure people against a clear, pro-actively agreed upon framework. Performance contracts also allow managers to translate the company's as well as the division's strategy into an executable operational framework.

By relentlessly using performance contracts as an active management tool, you will ensure maximum results from your people through minimum frustration for all!

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