



PERFORMANCE MANAGEMENT

Effective performance management is important for small businesses to ensure employees are aligned with company goals, develop their skills, and contribute to overall success.

By focusing on clear objectives, continuous feedback, and fair evaluations, you can create a system that drives growth for both employees and your business.

Four Key Components of a Performance Management System

1. Planning

Begin by setting clear objectives aligned with company goals. Involving employees in this process ensures buy-in and fairness, making the team more committed and helping to avoid blind spots.

2. Monitoring (Continuous Feedback)

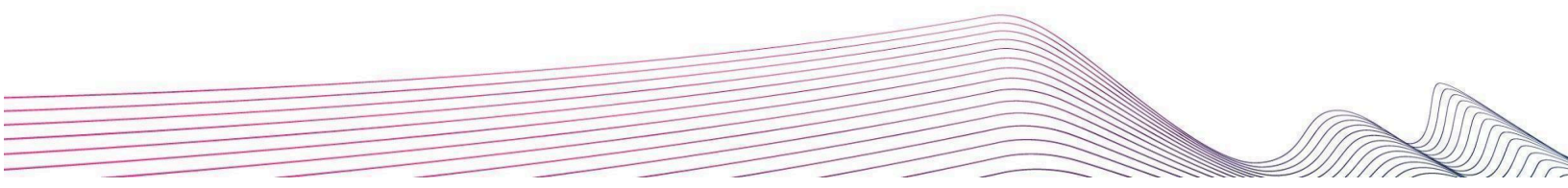
Track progress regularly and provide timely feedback. This helps address challenges as they arise, and coaching can guide employees toward their full potential.

3. Developing

Use performance data from monitoring to identify growth opportunities. Offer training, new challenges, or support to help employees improve and take on greater responsibilities.

4. Rating & Rewarding

Compare actual outcomes to initial objectives. Celebrate achievements, offer rewards, and make necessary adjustments for the next performance cycle.





Best Practices for Performance Management

Collaborative Goal Setting and Objective Criteria

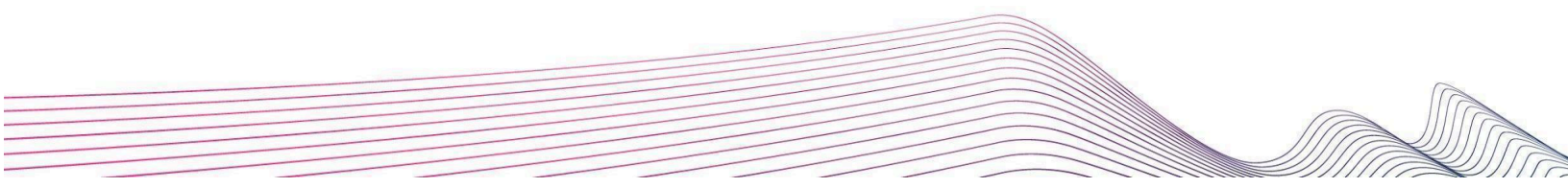
Involve employees in setting goals to ensure alignment with their strengths and commitment to success. Use the [SMART](#) framework (Specific, Measurable, Achievable, Relevant, Time-bound) to define clear, measurable objectives, which reduces bias and ensures consistency.

Aligning Goals with Organizational Success and Multiple Perspectives

Ensure individual objectives connect to broader company goals, helping employees understand their impact. Gather feedback from various sources, such as supervisors and peers, to provide balanced evaluations that minimize bias.

Regular Check-ins, Recognition, and Ongoing Feedback

Hold frequent one-on-one and team meetings to review progress and set new goals. Incorporate employee recognition programs to celebrate achievements, and keep an open-door policy so employees feel comfortable seeking feedback. Offer continuous reviews throughout the year to maintain alignment and adjust goals as needed.





How to Address Underperformance

Addressing underperformance is tough, but it is key to maintaining a productive team. With the right approach, small businesses can handle it constructively by focusing on the following:

Open Communication with Specific Examples

Address underperformance in a direct, private conversation, focusing on specific, concrete behaviors or instances, and avoid making assumptions or generalizations.

Focus on Improvement and Provide Support

Collaborate with the employee to set clear, actionable goals for improvement, and offer the necessary support, such as training or mentorship, to help them succeed.

Ongoing Feedback and Positive Reinforcement

Maintain continuous feedback to prevent surprises during formal reviews. Recognize the employee's strengths and celebrate progress, reinforcing positive behaviors while addressing areas for improvement.

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