

# Agreeing a personal performance contract

**Conor Hannaway** says that the time spent developing performance contracts is richly rewarded

At this time of year most organisations in the health sector prepare budgets, business plans and service plans. Planning individual performance should be a vital, integral part of the jigsaw. However for many managers, it is a separate, sometimes optional, part of the process. One reason for this break in the chain of performance planning is that managers associate individual planning with personal development and view it as a HR rather than as an operational activity.

There is another problem. Organisational planning is often completed on a top-down rather than bottom-up basis. Individual employees are concerned that they can be accountable for high-level goals which are unrealistic and are passed onto them without the assurance that they have the support of their manager. Some individuals resist the top-down process and develop Personal Development Plans that do not reflect organisational priorities.

There is a better way to plan performance which addresses individual concerns about top-down planning and at the same time ensures that individual plans reflect organisational priorities. It involves developing performance contracts between managers and members of their teams. Although it is recorded, it is best to think of it as a mindset of working together towards a set of common goals. The fundamental reasoning behind a performance contract is a recognition that successful performance by an individ-

uals is often dependant on the active support of their managers.

In a performance contract, the individual agrees to focus his or her efforts on specified activities with a view to achieving certain goals based on the business plan. On the other hand, the performance contract also includes agreement on the resources required to achieve the goals and the support which the individual needs from his or her manager, to perform effectively. The contract also sets out the processes used to review performance on an on-going basis.

There are two final elements which an individual may want included in the process. Firstly, there are the consequences of good performance and, finally, the way in which training and development needs will be addressed.

There is no short cut in preparing a performance contract. In fact, one of the benefits of this approach is that the manager and team member take the time to discuss what is to be achieved as well as the conditions for success. It usually takes a couple of hours to cover all the issues.

The main steps in the process are:

1. The manager and the individual establish the key result areas (KRAs) for the planning period. KRAs are those areas of a job which are most important in terms of performance delivery. Although these will often be the same as the previous year's, there may be some differences.
2. They then agree the goals associat-



ed with each KRA based the requirements of the business plan. The SMART (Specific, measurable, achievable, relevant and time-based) formula for goal-setting remains a useful guide to this step.

3. The manager undertakes to support the individual as required and this discussion may include areas such as:
  - a. Facilities and resources
  - b. Personal support for initiatives
  - c. Training and development
4. He or she may set out the consequences of goal achievement in terms of recognition and work-related rewards such as the opportunity to work on specific projects.

Finally, they agree the process (monitoring and discussion) and timing of on-going reviews of performance against plan. Interim reviews should take place at least quarterly and, for some performance goals, review should be more frequent.

There is an old maxim that says that good contracts make good friends. Spending the time developing performance contracts is richly rewarded in terms of mutual understanding, performance delivery and individual satisfaction. **HM**

**CONOR HANNAWAY**, Director, Shrc Limited  
conor@shrc.ie