



I work with technically and intellectually brilliant entrepreneurs who are frustrated with leadership and people issues

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Performance Agreements

A performance agreement defines accountability for specific personal and organizational goals. It defines the individual's expectations. It establishes and agrees results-oriented goals that are aligned with the overall objective you want to achieve. And it concludes with the individual's formal, signed commitment to the agreement.

When establishing performance expectations, the overall objective is to come to an agreement that supports your organization's strategy. For individual performance goals, the objective is real, measurable improvement so that the person is in a position to help move the company forward.

Performance agreements must clearly state agreed-upon objectives and how these will be measured. Document these things to help you avoid future disagreements about exactly what you expected the person to accomplish.

Without an agreement founded on the organization's objectives, you may have to rely on defending your directives with "Because I'm the boss." This will probably do nothing to build trust and respect with the person whose performance you're trying to improve. However, with formal agreements in place, managing and leading your staff can become more objective, and simpler.

These are some of the many benefits you can achieve by using performance agreements:

- Aligns personal and organizational goals.
- Improves trust and understanding.
- Encourages communication and feedback.
- Assists career planning and development.
- Ensures that what you agree upon is relevant and achievable.
- Provides an objective and fair way to evaluate performance.
- Holds staff members accountable for their performance.
- Makes performance a shared responsibility between you and your staff.
- Establishes a process to follow up on performance and development plans.



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Putting Together an Agreement

An effective performance agreement:

- Reflects business needs.
- Is achievable and relevant.
- Outlines authority and accountability.
- Can be evaluated or measured.
- Is fair.
- Holds people to account.

Follow these steps to put an effective performance agreement in place for your staff:

1. Start With Expectations

Clearly identify the behaviour that you want to see, explain why that behaviour is needed, and identify the goals that need to be achieved.

2. Build in Milestones

Identify specific points along the way to ensure that the goal is still relevant and that the person is still on track. The main reason for executing a performance agreement is to maximize success. Do what you can to make success as achievable as possible.

For example, someone needing to improve communication skills may need to start by attending an interpersonal communication workshop, and this may have a milestone of completing it by a certain date. After attending the workshop, the person can move on to one-on-one coaching.

If the person doesn't attend the workshop, then the milestone provides an opportunity to ask why. Was there a scheduling problem, or is there a deeper issue to address? Either way, the person can't move on to one-on-one coaching, so the second goal needs to be adjusted.

With a routine performance goal, you need milestones to ensure that things are progressing smoothly. You don't want a surprise when it's time to evaluate a person's overall performance, so build in checkpoints to stay on top of performance before it gets too far off track.

3. Agree on the Terms

Performance agreements are a two-way street. If you simply dictate what the person will do, you may be disappointed with the outcome. When goals are



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agreed upon mutually, you're more likely to see progress. Take time to develop goals together, and be prepared to discuss the "whys" at length. This is a joint process – it needs acceptance from both parties for it to work.

4. Schedule Accountability Meetings

Milestones form the basis for accountability. When people know you'll be following up, they'll be much more likely to quickly get to work on the goal. If they think you'll simply forget about it, they probably will too. Schedule regular meeting times to review goals, discuss what's happening, and make adjustments as necessary.

This is the communication benefit of performance agreements. You're much more likely to be involved in your staff's development and performance when you agree to, and commit to, regular performance meetings.

5. Establish Outcome Results and Consequences

Whenever you put together a contract, the other person probably expects to get something for fulfilling the terms of that contract. With performance contracts, this may be a bonus or reward, or it may simply be continued employment.

Whatever the case, clearly state what happens if the goal is or is not met. This is especially critical for performance improvement agreements, because you need a next step if the person fails to improve within an agreed upon, and reasonable, amount of time.

Make the performance agreement transparent – everyone should understand the consequences of action or inaction. When a formal agreement outlines specific and measurable expectations, it doesn't leave much room for argument. If the person fails to live up to the agreement, then you have a process in place that you can follow.

Tip 1:

Because performance agreements are intended to help staff with their development, put in place at least one more chance to meet the expectation. Agreements that are too harsh can seem unreasonable, and they may contradict the spirit of supporting staff efforts to improve and contribute value to your organization.



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Of course, if the person fails to meet these agreements, you may have fair and defensible grounds for dismissal. This can make the termination process cleaner for everyone involved – however, that's judged on a case-by-case basis.

6. Sign and Date It (*Optional*)

All that's left is for the member of staff and you to sign the agreement and date it. Well, almost all. Now you have to monitor and enforce the agreement, as well as hold up your responsibilities in terms of follow-up and support.

Tip:

Here we're talking about using performance agreements to correct people's behaviour. Essentially, we're balancing the benefits of using performance agreements to orient people towards desired goals, with the considerable managerial effort needed to draw them up and manage them, and suggesting that they're used only in the most important situations.

However, in some circumstances (possibly in high risk situations, or where a great deal of unsupervised work is needed) it may be worth making performance agreements with all members of your team. If you're thinking of doing this, make sure that members of your team are comfortable with the approach, and ensure that you don't rely on them exclusively to manage performance. Everyone needs good levels of trust, respect, and communication from their boss!

Key Points

Performance agreements are a great addition to a performance management system. They enhance accountability for both workers and managers, and they establish clear expectations that staff can use to take responsibility for their own performance.

That's really what good performance is all about – providing people with the understanding they need to do a good job and achieve the results that are expected of them. By identifying this information and setting up a contract, you can create a system for success.