TULOS-ohjaus

Fact Sheet no. 13

Management agreements in support of performance management

13.5.2013

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A management agreement is drawn up between the ministry and its department, or between the ministry and the executive management of its subordinate agency or other operational unit. Such an agreement is drawn up when a person is assigned to a management role, usually for the duration of the task, for example for five or seven years. It can also be signed by a director previously assigned to the task.

The management agreement creates a link between leadership development and performance management. As the agreement forms part of the unit's steering process, it must comply with the performance agreement and budgeted spending limits. The management agreement lays down provisions pertaining to matters which directors can influence through their own actions, such as the optimal use of the available resources (but not, for example, the amount of resources).

The management agreement should explain the steering organisation's views on the state and development needs of the administrative branch units and the prioritisation of key targets. The agreement should also describe how the unit needs to be developed and what the director is expected to do in order to achieve the desired development.

The management agreement is based on an effective dialogue between the director and his or her supervisor. Monitoring and assessment of operational effectiveness, alongside any consequent development measures, are agreed upon during annual performance appraisals. An effective dialogue includes support given by the supervisor to the director.

Management and performance agreements are also important tools for promoting the objectives common to central government, and for considering horizontal, cross-sectoral perspectives during preparation.

Corporate-level targets form part of management work. These should be evident in the targets set for the director within the management agreement and in the director's actions. At their best, management agreements promote administrative reform and support the management in its efforts to implement changes.

Management agreement vs. performance agreement

Management agreements should not repeat points that have already been presented in the performance agreement: the performance agreement steers the organisation, while the management agreement steers the director's actions. The management agreement is therefore a development tool for leadership and directors, with a strong link to the organisation's operations, steering and management. The performance agreement determines the operational unit's targets ('what will be done?'), whereas the management agreement defines what the director should do in order to achieve those targets ('how will this be done?').

Performance-related pay

The steering effect and attractiveness of management agreements can be increased by linking them to performance bonuses, which are dependent on the degree to which the agreed targets have been attained. Performance bonuses are paid out of the resources freed up by effective operations. They form part of the unit's appropriation for operating expenses. Performance bonuses cannot be paid without a written management agreement. Attainment of the targets agreed for the entire agreement term is assessed annually by comparing the results to the annual targets.

Further information on management agreements in Finnish:

- For a guide to drawing up management agreements, including an indicative timetable and template forms (4 templates), visit: http://www.vm.fi/vm/fi/12_Valtio_tyonantajana/13_Johtaminen/06_onnistuminen/index.jsp