

Performance Management

Best Practices

Rev 6

By Russel Horwitz



TABLE OF CONTENTS

Introduction	4
Purpose	4
A generalized model	5
Signs of a working performance management system	5
What the research says	6
Performance Management Best Practices	8
1. Including developmental plans for the future	8
2. Providing training to managers	8
3. Measuring the quality of performance appraisals	9
4. Resolving poor performance.....	10
5. Getting beyond the judgment of managers.....	11
6. Making it consistent across the organization	11
7. Ensuring that feedback happens regularly.....	12
8. Using 360 reviews to support the performance evaluation process...	12
9. Including ongoing goal review and feedback.....	13
Some links to other HR processes	13
Compensation.....	13
Job Descriptions	14
Competency Models	14
Leadership development and succession planning.....	15
Conclusion	16
About the Author	16

INTRODUCTION

One of the ironies of performance management systems is that so many people find they do not perform very well. A survey by People IQ, a company that provides Web-based performance appraisal systems, reported that only 13% of U.S. managers and workers and just 6% of CEO's believe their organization's PM system is useful! ¹

PURPOSE

The term "Performance Management System" is often used synonymously with "performance appraisal". Actually, thinking this way is one of the things that get organizations into trouble, because the yearly appraisal process, no matter how well designed, is not enough to ensure that employees perform at their best.

The purpose of a performance management system is essentially to link people's individual actions and behaviours to organizational strategy, and it does this by:

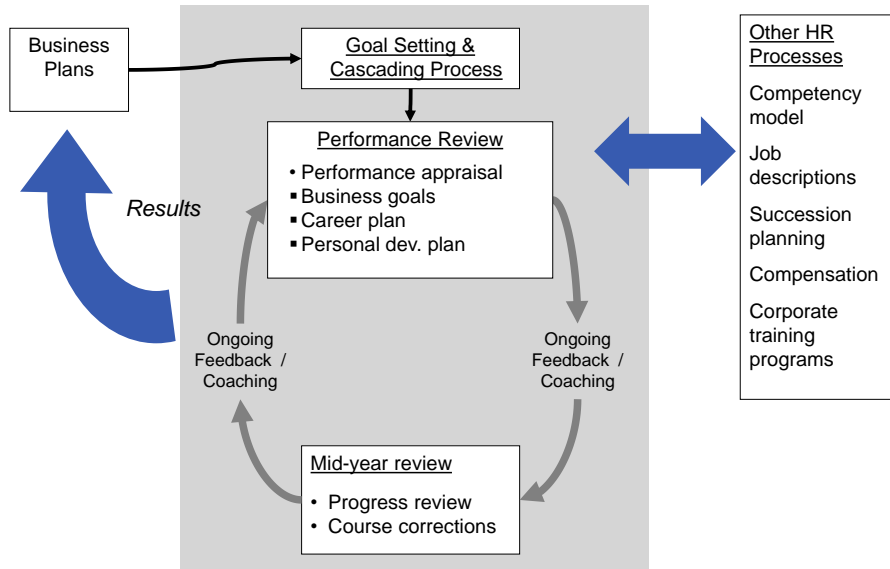
- Getting employees focused on doing the right things
- Helping employees overcome performance barriers
- Consistently answer three questions for each employee:
 1. What am I doing well?
 2. What do I need to do differently?
 3. What does the organization need to do differently to help me perform at my best?

An acid test of a good performance management system is the answer to the question: "are employees performing at their best?"

¹ Brown, David. "Performance Management Systems Need Fixing: Survey." Canadian HR Reporter. ProQuest. April 11, 2005, pp. 1-2.

A GENERALIZED MODEL

Refer to the following general model as a basis for discussion in this document:



SIGNS OF A WORKING PERFORMANCE MANAGEMENT SYSTEM

In order to understand how well your organization's performance management system is working, look beyond the forms, processes and structures. If you see most or all of the following things in place, then your system is probably working well:

1. High morale / low turnover
2. High levels of teamwork, even across departments
3. Great promotion decisions
4. Organizational goals are typically met
5. People understand how they need to improve
6. Appraisals are done consistently, and on time
7. Process differentiates high/low performers
8. Terminated employees have consistently received written feedback specifying that their performance was below par

WHAT THE RESEARCH SAYS

A recent study² surveyed more than 550 individuals, primarily senior-level HR professionals, representing finance and insurance, health care, higher education, manufacturing, professional services, public sector and utilities. The organizations represented in the study range in size from fewer than 100 employees to more than 100,000 employees. Their findings, in a nutshell were that:

- Performance management techniques for effective and less effective organizations are not very different.
- The greatest difference is the level of active leadership support and championing of the process.

This is supported by our own observations – i.e. a strong organizational culture with respect to setting goals, giving feedback and coaching, starting from the CEO is the largest determinant of high-performance.

Backing up this assertion, research from the Institute for Corporate Productivity (formerly the Human Resource Institute) indicates that there are several well-defined steps that can make performance management an effective process in any organization. Their study, “Finding the Keys to Performance Management: A Study of Current Trends and Future Possibilities”, surveyed more than 1,000 HR professionals representing various industries and company sizes.

Nine key practices for effective performance management were found, and are listed below:

1. The performance management process includes developmental plans for the future.
2. Training is provided to managers on how to conduct a performance evaluation meeting.
3. The quality of performance appraisals is measured.
4. There is a system in place to address and resolve poor performance.
5. The performance appraisal includes information other than that based on the judgment of managers.
6. The performance review process is consistent across the organization.
7. Employees can expect feedback on their performance more than once a year.
8. 360 reviews are used to support the performance evaluation process.
9. The performance management process includes ongoing goal review and feedback from managers.

According to the research team, it is not necessary to have all nine key practices, however the more practices an organization implements, the more effective the program. It doesn't matter which of the nine practices are implemented as much as how many are implemented. Additionally, the order of implementation does not have any significant impact.³

² 2007 WorldatWork and Sibson State of Performance Management Study

³ Quoted on www.insala.com

The focus of the remainder of this white paper is to present our point of view of how to actually implement these 9 key practices.

PERFORMANCE MANAGEMENT BEST PRACTICES

1. INCLUDING DEVELOPMENTAL PLANS FOR THE FUTURE

Feedback alone won't get people to where they need to be. The performance management system should ensure that a development goal (preferably one) is identified for each individual, and a forward-looking action plan is documented for how to get there.

This may not come naturally for managers, many of whom are more accustomed to providing feedback on the past during an evaluation versus focusing on the future.

Here is an example of what a development goal and action plan may look like:

Example:

Development goal: Adapting to a high workload

Action plan:

- Take an assertiveness or conflict resolution training course by June
- Maintain an updated priority list, review with the boss every 2 weeks
- If an urgent request cannot be met in regular work hours, either say "no" or deprioritize something else, consulting the boss if necessary
- Stay focused when doing work that requires time and concentration (avoid constant checking of email and other interruptions)
- Hold monthly 1-on-1's with the team, and ask them about their workload. Ensure that each member is comfortable with expectations
- Develop a simple and objective way to measure the workload of the group by next month and begin monitoring it
- Begin advocating for a new hire immediately

The development planning process can be institutionalized by doing two things:

- a. Ensure that your process and forms incorporate this step
- b. Ensure that managers are adequately trained to hold coaching conversations. People are far more likely to implement a development plan that they helped create, versus one they were ordered to do.

2. PROVIDING TRAINING TO MANAGERS

Great managers are more able to realize the potential of their staff because:

- They constantly look for and work with each person's set of unique talents, pattern of behaviours and passions. Great managers strive to sculpt each employee's job in way that ensures that they are working on things that come naturally to them.

- They know that persistence directed at a non-talent is self-destructive.

The key skills which are required to achieve the above throughout the performance management cycle can be summarized as:

- Goal setting
- Giving feedback
- Listening & conflict resolution skills
- Coaching skills
- Career management skills
- Holding performance appraisals

All of these skills can be gained through training. Instead of focusing training on how to use the appraisal process, make the process simple and self-documenting (i.e. by putting instruction right into the forms), and instead focus training on the broader set of skills shown above.

The famous Gallup Q12 questions (see www.gallup.com) show the extent to which managers can affect motivation and engagement through coaching.

3. MEASURING THE QUALITY OF PERFORMANCE APPRAISALS

Here are some tried and tested ways that managers can be measured and held accountable for conducting great performance conversations:

Adding people management as a core competency

The performance management system itself can include coaching as a core competency, meaning that managers will be measured on how well they perform in this area, when they receive a performance review. This competency might be described as follows:

Competency: People Management

- Sets clear expectations of others
- Provides timely recognition on a job well done
- Provides timely and effective corrective feedback
- Delegates decisions and tasks to others
- Gives freedom and authority to people in situations where they are both capable and committed
- Encourages team members to think and solve problems for themselves
- Develops employees in a way that is consistent with their strengths / career aspirations

360 feedback

360-feedback is a valuable development tool for anyone in a management position. By using the tool, and by including questions that ask about how managers hold conversations with their employees, this skill can be objectively measured and improved. Please see our white paper “360-feedback Best Practices” at www.kwelaleadership.com.

Focus groups

One of the easiest ways to evaluate the quality of performance appraisals in general is to hold focus group sessions to ask what is working and what is not. When you do this it is important to involve a good cross-section of people in terms of departments and hierarchy (including managers and front-line employees).

Employee surveys

Employee satisfaction surveys are another great way to measure the extent to which managers are able to hold great performance conversations with employees. You will need to include the right questions in the surveys, and individual senior managers can often be evaluated by reporting by departmental area. Sample questions might include:

- My immediate supervisor positively motivates employees.
- My immediate supervisor clearly communicates goals or assignments to me.
- I am recognized for a job well done.
- My immediate supervisor gives me regular feedback on my performance.
- Other employees are held accountable for their work.
- I am given encouragement and guidance on how to further my development.
- My immediate supervisor does a good job of reviewing my overall performance at appraisal time.

4. RESOLVING POOR PERFORMANCE

The best weapon in resolving poor performance is ensuring that managers provide *regular and constructive feedback*, and hold conversations about goals and careers. This is always the place to start when there is a poor performance problem, and once again relates back to manager skills and training.

In many, if not most cases, a well-trained manager will be able to rectify the situation just by providing the right support. For example, a manager confronted with poor performance must provide feedback in a timely fashion, stating what he/she observed without passing judgement, and should be ready to listen and probe for root causes that he/she was unaware of. The conversation must then focus on the future.

When all else fails, the obvious alternative is disciplinary procedures. Unfortunately few managers actually understand these procedures, which are dictated by company policy, the law and in some cases collective bargaining agreements. As a result, poor performers languish, affecting the performance and morale of others too. Ensure that managers are trained on how to use the disciplinary process, and that it is documented in simple terms.

5. GETTING BEYOND THE JUDGMENT OF MANAGERS

The “judgement” of the manager in evaluating performance is very often the reason for stress and negativity surrounding the performance management process. One should keep in mind that the manager only has one view of an employee. Others may experience something different. Here are some steps that can be taken to mitigate this problem:

1. Ensure that any performance targets are measurable and well worded. It must be clear to the employee what the performance standard is (i.e. “Improve xyz” is not good enough), and what constitutes a job well done. The SMART method (Specific, Measurable, Attainable, Relevant, and Time-bound) is typically used. It is surprising how many senior leaders know the mnemonic but don’t actually apply it!
2. Ensure that before a manager evaluates an employee, that they practice some “walk-around” evaluations. They should talk to the employee’s team-mates, internal & external clients and others that the employee works with to develop a full picture.

We suggest avoiding having others submit written feedback documents because it eliminates essential dialog, takes too much time and creates paper trails that may break confidentiality. An exception to this recommendation would be a well-designed 360-feedback system.

3. Consider using 360-feedback. This formalizes the gathering of information from multiple perspectives, and greatly mitigates any biases in the judgement of the manager. To work well the process needs to short, and should ideally be done anonymously online.
4. ⁴Consider using a talent review process to evaluate employees, particularly those in management. Talent reviews are where senior individuals collaborate to evaluate more junior employees, and the outcome is typically far more objective than the opinion of the direct manager. This also makes the process an ideal forum to do succession planning as well. The grid shown is a sample talent review matrix that can be used to compare individuals for leadership roles in a succession planning application.



The process of populating the grid through discussion between senior managers has the effect of bringing a great deal of objectivity to the assessment of how people are performing, and what their potential is.

6. MAKING IT CONSISTENT ACROSS THE ORGANIZATION

Consistency matters. Any senior leader that does not endorse the performance management system will tend to result in an entire department that does not endorse it.

Here are some things that will help with consistency:

⁴ Source: Gallup. Graphic by Tommy McCall

1. **Start at the top.** The CEO must model the way with his/her direct reports. Furthermore, he/she must hold them accountable to endorse the performance management system with respect to managing their reports. If training is provided to managers on how to set goals, give feedback and coach, the senior team should attend too.
2. **Understand the limitation of ratings.** Too often performance evaluations degenerate into arguments about ratings. Don't expect managers to consistently apply the difference between "good", "very good" and "outstanding" – they won't, no matter how well you document it. The result is frequently hurt feelings, arguments and difficulty getting managers to complete their performance appraisals

Consider not using a rating scale at all – we find that a short written explanation is a good alternative. If you must use a rating scale, keep it to just 3 categories, e.g.: "Does not meet expectations", "Meets expectations" and "Exceeds expectations".

7. ENSURING THAT FEEDBACK HAPPENS REGULARLY

The once a year review, while good for evaluation, is unlikely to improve performance in any meaningful way. Feedback has to be far more regular for people to break old habits and learn new behaviours. There are a few things that can be done to ensure that feedback happens regularly

- Institutionalize quarterly or mid-year reviews. If you do this, provide an abbreviated procedure so that reviews are not perceived as time consuming. An example of a highly effective abbreviated procedure is Marshall Goldsmith's "Six Question Process":⁵
 1. Where are we going?
 2. Where are you going?
 3. What is going well?
 4. What are key suggestions for improvement?
 5. How can I help?
 6. What suggestions do you have for me?
- Hold managers accountable for coaching regularly. As we mentioned earlier this can be done by making it a core competency, measuring it through tools such as 360-feedback, as well as by providing training on how to recognize and use everyday opportunities to coach.

8. USING 360 REVIEWS TO SUPPORT THE PERFORMANCE EVALUATION PROCESS

360-feedback is not a replacement for the essential manager – employee conversations. However it does add a powerful element of objectivity, particularly for employees that are themselves managers.

⁵ For more information, please see www.marshallgoldsmithlibrary.com and search on "The Six-Question Process"

The best practices for implementing 360-feedback are:

1. Ensure that the organization is ready
2. Make the purpose clear
3. Start at the top
4. Select the right tool
5. Ensure confidentiality
6. Give participants input into reviewer selection
7. Eliminate destructive Feedback
8. Provide reports that facilitate easy synthesis
9. Provide support for interpreting the data
10. Provide support to develop practical action plans
11. Ensure that participants involve others
12. Follow-up

These practices are described in detail in our white paper “360-Feedback Best Practices”, available on Kwela’s website.

9. INCLUDING ONGOING GOAL REVIEW AND FEEDBACK

Too many performance management systems make the incorrect assumption that relevant goals can be set once a year and measured 12 months later. The reality is that the business environment is typically more fluid than that. Goals that were relevant 3 months ago become less important, while other goals become more important over time. If the system does not account for this reality, disappointment results when employees have done a great job but not met their original goals, or they have met their original goals but more important things were allowed to slip.

The performance management process should ensure that goals are continuously reviewed and updated.

This can be ensured by institutionalizing quarterly or mid-year reviews, and by making sure that the process includes goal review.

SOME LINKS TO OTHER HR PROCESSES

COMPENSATION

As CEO of GE, Jack Welch stated that “It’s a sin to lose a top performer”. Most organizations that we know are concerned about keeping top performers, and many pay them more – some substantially more. While this is an excellent idea, the devil is in the details... some pay-for-performance systems can actually have the effect of reducing overall engagement, along with performance!

- A compensation system is set up that rewards high performers based on a rating (often within a number of pay scales that are set up for various positions/levels)
- At performance management time, the manager assigns a rating to the employee
- The rating determines the salary / merit increase for that employee

At face value the above seems to work, yet when we talk to managers and employees alike that work in these systems, they frequently despise the performance appraisal. It becomes viewed as a burden for both sides, and does little to motivate. Instead the appraisal degenerates into an argument about the rating. Essentially, the tail (compensation) begins to wag the dog (the performance discussion).

We suggest that the performance evaluation, rather than being the single determinant of compensation, be used as just one input instead. Other inputs include cultural fit, risk to lose, future potential, market conditions with respect to pay for a given role, and overall company performance. While this may appear to be partly subjective, keep in mind that any evaluations are partly subjective too.

Direct pay-performance links can work well in:

- Roles requiring mostly individual effort (vs. team)
- Easily measurable & and objective outputs

Some examples where direct links between pay and performance work well include certain sales and professional service delivery roles, provided the above criteria are met.

A word of caution: you will get the behaviour you reward. If you reward individualistic behaviour you will get it – poorly designed pay for performance schemes can lead to competitiveness / reduced synergies between employees that need to work as a team to succeed.

JOB DESCRIPTIONS

If you have a job description in place, consider reviewing it as part of the performance appraisal. Two key questions to ask are:

- a) How is the employee performing the role as described by the job description?
- b) What changes to the job description might be appropriate to reflect future business needs?

COMPETENCY MODELS

A good competency model will describe the behaviours that are required by individuals to make the organization successful, and can be used as a basis for performance management. Here is a high-level summary of a general competency model (for leaders):

Competency	Explanation
Customer Relations	The extent to which leaders understand and respond to the needs of their customers

Critical Thinking	The extent to which leaders are able to properly diagnose problems and opportunities and develop innovative responses
Strategic Planning	The extent to which leaders are able to think far into the future and develop effective vision and action plans in response
Communications and Conflict resolution	The ability of leaders to practice effective advocacy and inquiry with others and resolve conflict
Influencing without Authority	The extent to which leaders are able to influence others towards needed change without reliance on positional power
Teamwork	The extent to which leaders are able to work collaboratively with individuals outside of their immediate area for the greater good
Managing People	The ability of leaders to get work done through others
Time Management	The ability of leaders to stay organized in terms of management of their time and commitments
Personal Growth	The willingness of leaders to invite feedback, learn from mistakes and seek to build their own skills

LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING

The ultimate objective of the performance management system is to provide guidance to employees on how to improve. Leadership development programs also do this (from a leadership perspective). In addition, good succession planning systems also provide guidance to high-potentials on the steps they need to take to reach a certain level.

Remember that behaviour change is hard, and people struggle to develop themselves on too many fronts simultaneously. If employees are receiving multiple inputs that relate to development goals, ensure that the most important one is clear.

With respect to succession planning, it also makes sense to make promotion decisions contingent on progress towards development goals, since high potentials will tend to achieve them to a greater extent.

CONCLUSION

Do you know how your employees feel about the performance management system that they operate with? What do they say in the hallways? Do you have trouble getting managers to complete them, and if so, why? People tend to procrastinate when they don't like something.

Before you set about redesigning your forms, processes or automating things, ask yourself if senior leaders make it their business to coach and give feedback to their employees. If the answer to this question is partly no, it is a good place to start your efforts to rectify things. Develop your system so that above all else, it facilitates great manager-employee discussions and you will never look back.

ABOUT THE AUTHOR

Russel is one of Kwela's two founders and his expertise includes leadership development, team development, executive coaching and training. He has worked extensively as a leadership consultant / trainer since 2004 across a wide variety of sectors, including government, publically-held, private and non-profit. Russel's experience also includes 14 years in the high technology/engineering sector, where he held management roles in product development, marketing, customer service and training. Russel holds a Master's degree in Engineering from the University of Cape Town, South Africa.

Russel can be contacted at (604) 839-8916 or russelh@kwelaleadership.com