

# USING PERFORMANCE MANAGEMENT TO GAIN A COMPETITIVE ADVANTAGE

## **“IT’S NOT YOUR FATHER’S OLDSMOBILE”- TODAY’S BUSINESSES REQUIRED NEW PERFORMANCE APPRAISAL SOLUTIONS**

In today’s environment, products and services are often obsolete in 6 months, average employee tenure is 3.4 years, and organizations are pressed to do everything faster, better, and cheaper. The U.S. Department of Labor (DOL) estimates that 70% of American workers currently hold jobs that were technically nonexistent 15 years ago. The result is that companies are forced to continually compete to attract and keep talented employees.

## **“IF YOU DON’T KNOW WHERE YOU’RE GOING YOU WON’T KNOW IF YOU GET THERE”- USING APPRAISALS STRATEGICALLY**

An increasing number of organizations are beginning to utilize performance appraisals and compensation as strategic tools to:

- Compete in this highly competitive, warp-speed business environment
- Attract and retain talented, effective employees
- Support company strategy, goals, and values
- Develop employee skills and talents
- Align employee performance with company goals

## **THE PERFORMANCE APPRAISAL PROCESS HAS OFTEN BEEN A LOT LIKE GOING TO THE DENTIST**

If asked, most managers and employees enjoy the evaluation process about as much as having dental work. Most realize it has to be done but would just as soon avoid it. While most agree that appraisals should be extremely important to organizational success they are often viewed as threatening, meaningless, unfair, or simply a waste of time. Clearly, in many environments the evaluation process needs to become more credible and effective.

## **HAVE YOU EVER HAD A “ONE SIZE FITS ALL” APPROACH REALLY WORK FOR YOU?**

Just as a “one size fits all” clothing item rarely fits anyone very well, such a performance appraisal system is generally equally unsuccessful. Accountants and sales reps don’t perform the same types of duties and clearly have hugely different functions. They should be appraised differently.

A “one size fits all” performance appraisal system in which all employees, regardless of position, are evaluated on the same factors, frequently using vague or undefined performance standards, are being replaced. Today’s appraisals are more likely to incorporate factors that are specific to a particular job and to an individual company’s needs. Customized annual goals are developed to address the specific needs of each employee as

related to his/her position, department, and the organization. Base compensation systems, incentive plans, and bonuses can then be more closely tied to an employee's actual performance and success in meeting established goals. A clear "line of sight" between performance and compensation can be established.

### **WHILE "HISTORY'S NOT QUITE BUNK"....**

While Henry Ford had a great idea with the Model T, most would disagree with his notions that "history is bunk." Past performance is important. However, traditional appraisals that simply measure what did or did not occur in the past don't meet current business needs. The appraisal process should also be prospective to meet changing demands in an employee's position and evolving company goals.

### **MOST OF US ARE NOT BEAVER CLEAVER**

While the "Beav" always listened intently and wide-eyed to a lecture from Mom or Dad, most of us resent a "one-sided" discussion. A lecture from a manager with no opportunity for input is probably not very effective. However, traditional appraisals have typically been manager-driven and one-way. This "top-down" approach fails to gather valuable employee input, minimizes employee "buy-in," and fails to convey that employees are intelligent and valuable members of the organization. Most employers now seek greater employee involvement in evaluations. Many have implemented employee self-appraisals to be used in conjunction with the "regular" appraisal process.

### **A "NEW AND IMPROVED" APPROACH IS NEEDED**

Most organizations find appraisals to be more successful if they:

- Evaluate past performance and are also prospective
- Encourage communication between manager and employee
- Provide meaningful opportunity for employee input
- Are differentiated by function and individual employee needs
- Support departmental and organizational goals & strategies
- Are measurable with factors and goals clearly defined, thereby increasing employee understanding and reducing the possibility of unfairness

Note: A Summary Chart detailing the differences between traditional and more recent approaches to performance appraisal is included later in these materials.

## DESIGNING A STRATEGIC PERFORMANCE APPRAISAL SYSTEM

### Developing Effective Performance Factors and Goals

#### STEP 1 BEGIN AT THE CORPORATE LEVEL.

- Identify the values, behaviors, and goals that support your company's strategic mission and promote the success of your business
- Align performance factors and goals with the company strategy
- Ensure that employees and managers really understand corporate goals and strategies; otherwise, how can they focus on what matters? Greater communication "top-down" and "bottom-up" is required.

EXAMPLE: Bigbucks.com (a young Silicon Valley tech firm...one of the few successful ones left)

#### A. Determine Corporate Goals

Bigbucks' Organization-Wide Corporate Goals

- To be renown for our customer service
- To have the reputation as being the most reliable service provider in the industry
- To be a "learning organization" where employee growth and development are key

#### B. Determine Corporate Values. Remember, They Must Support Established Goals

Bigbucks' Values

- Customers are our #1 priority
- The drive for excellence never ends
- Employee knowledge and skills are key to our success
- Teamwork is critical

#### C. Identify Employee Behaviors that Support Goals & Values

Bigbucks' Desired Behaviors

- Open communication (top-down, bottom-up & sideways) is critical
- Employees must take initiative and problem solve
- Performance standards are high and ever changing
- Professionalism and integrity are expected in all internal and external interactions

#### D. Determine Organization-Wide Factors and Goals

Based on the company goals, values, and desired behaviors determine the Factors and/or Goals that should appear on everyone's appraisal organization-wide.

## **STEP 2 MOVE TO THE DEPARTMENTAL LEVEL.**

Managers should identify the critical departmental performance results and behaviors that are necessary to support corporate goals and values.

EXAMPLE: Big Bucks Customer Support Department

### **A. Determine Desired Departmental Results:**

- Customer support reps are able to resolve 98% of customer questions at the first point of contact
- All customer issues are resolved within 24 hours
- Customers perceive Bigbucks as friendly, knowledgeable, available, and professional
- Cross-sell opportunities are used whenever possible

### **B. Determine Desired Departmental Behaviors:**

- Reps continually upgrade their product knowledge as products change
- An effective team environment is maintained by sharing information with others, providing suggestions for departmental improvements, and assisting others with workload or problems
- Employees “step up” to solve problems or gather information as is required, with minimal management direction

### **C. Determine Common Department Factors and Goals:**

Based on the desired departmental results and behaviors, determine the common Factors and Goals that may be assigned and evaluated on every employee’s appraisal within this department.

## **STEP 3 MOVE TO THE POSITION LEVEL**

Identify the critical success Factors for each position in the department. Ensure that they support the desired departmental results and behaviors discussed above.

Remember, a Lead Customer Service Rep’s duties may be significantly different from a Customer Rep I’s, or a Technical Customer Service Rep. Therefore, Factors to be evaluated may be different for each position. Most observers believe that no more than 5-7 Factors should be assigned to each position.

EXAMPLE: Customer Service Rep I

Each organization would define its Factors differently, but common Factors assigned to a Customer Service Rep I position might include: Communication, Initiative, Problem-Solving, Customer Orientation, Attendance/Punctuality, and Job Knowledge.

## **STEP 4 CONSIDER THE INDIVIDUAL EMPLOYEE**

Consider the individual employee in each position and his/her particular strengths and weaknesses. Determine Goals in conjunction with the employee. Remember, the assigned goals may differ from employee to employee but they should be supportive of organizational, departmental, and position goals. To ensure that employees are able to focus on priorities, we suggest that only 3-5 goals be assigned.

**EXAMPLE:** Customer Service Supervisor

- Develop a Help Desk resource file in conjunction with Customer Support Reps to assist in the support of the new Turbo Bizarro XBP product, which is targeted for release on 10/2. Design and deliver a training session to all Reps to inform them of the new resource. Design follow-up to ensure effective implementation.
- Design and deliver 3-hour quarterly training sessions to Reps to include such topics as: “Handling Unhappy Customers,” “Professionalism in Customer Communication,” “Effectively Utilizing Help Software,” and “Making E-mail Work For You.”
- Implement a reinforcement and reward program for supervised employees that provides employee focus on corporate, departmental, and individual goals. Design quarterly programs. Program outline to be completed by 1/30.

**THE APPRAISAL RESULT**

The result is an appraisal that incorporates:

- Critical organizational and departmental success factors
- Key position duties and functions
- Individual employee developmental goals

and that:

- Better enables the employee to focus on priorities and success factors
- Assists Managers in more effectively managing, reinforcing, rewarding, and coaching – as behaviors and results are clear. Even something as simple (and free) as praise can be used more effectively and specifically. (See attached sheet that can be used by managers to identify and reinforce critical success factors.)

## T R A D I T I O N A L   A P P R A I S A L S   V S .   S T R A T E G I C   A P P R A I S A L S

	Traditional Appraisals	Strategic Appraisals
<b>Objective</b>	<ul style="list-style-type: none"> <li>• Legal Defense, Pay Decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Development, Supporting Strategic Objectives, Legal Defense, Pay Decisions</li> </ul>
<b>Focus</b>	<ul style="list-style-type: none"> <li>• On Employee</li> </ul>	<ul style="list-style-type: none"> <li>• On Performance (both behaviors and outcomes)</li> </ul>
<b>Responsibility</b>	<ul style="list-style-type: none"> <li>• Supervisor's</li> </ul>	<ul style="list-style-type: none"> <li>• Employee's and Supervisor's</li> </ul>
<b>Time Frame</b>	<ul style="list-style-type: none"> <li>• Past</li> </ul>	<ul style="list-style-type: none"> <li>• Past and Future</li> </ul>
<b>Communication Direction</b>	<ul style="list-style-type: none"> <li>• At Employee</li> </ul>	<ul style="list-style-type: none"> <li>• With Employee</li> </ul>
<b>Mode</b>	<ul style="list-style-type: none"> <li>• Parent to Child</li> </ul>	<ul style="list-style-type: none"> <li>• Adult to Adult</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>• Often critical, sometimes meaningless</li> </ul>	<ul style="list-style-type: none"> <li>• Problem solving, focused, constructive</li> </ul>
<b>Climate</b>	<ul style="list-style-type: none"> <li>• Authoritarian (top down), often negative, threatening</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborative, Two-way</li> </ul>

## MANAGER'S WORKSHEET

### POSITIONS IN DEPARTMENT

### CRITICAL SUCCESS FACTORS TO REINFORCE

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2. \_\_\_\_\_

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3. \_\_\_\_\_

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### DEPARTMENT GOALS

### CRITICAL SUCCESS FACTORS TO REINFORCE

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2. \_\_\_\_\_

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3. \_\_\_\_\_

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### ORGANIZATIONAL GOALS

### CRITICAL SUCCESS FACTORS TO REINFORCE

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2. \_\_\_\_\_

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3. \_\_\_\_\_

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