The Why, What and How of Effective Performance Management

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& ASSOCIATES INC.

Strategy-Driven Organization Development ^{SM}

Business Strategy → **Organization Demand** / **Talent Supply** → **Talent Management Plan**
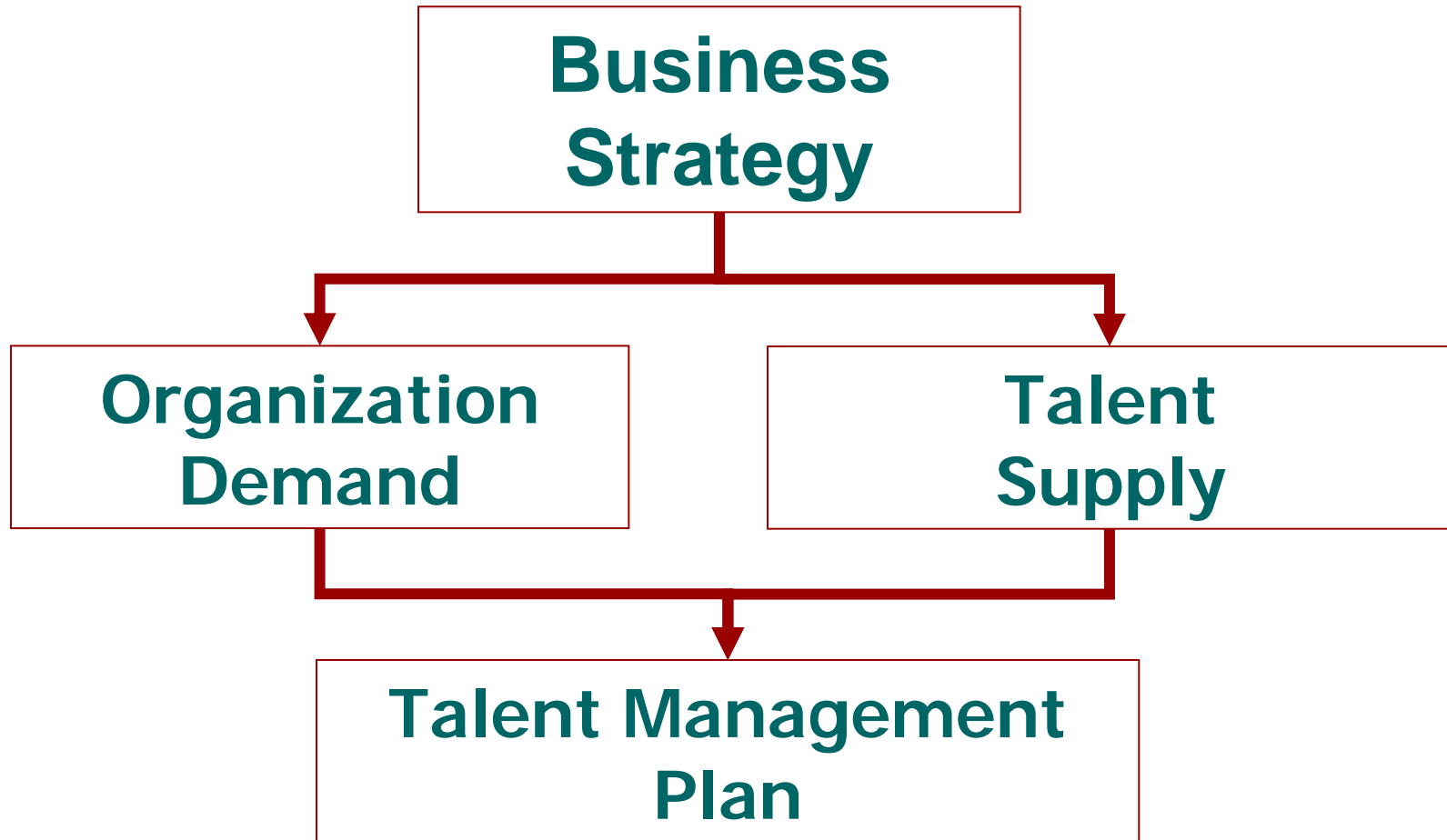
Putting Talent Management into Perspective

Why?

The Business Case for Performance Management

Achieve the short and long term objectives of the business

The Business Case

"Companies that more closely aligned goals across their organization enjoyed much higher levels of financial success"

How Smart HCM Drives Financial Performance
Workforce Intelligence Institute & SuccessFactors, 2006

Employees understand the connection between their efforts and overall goals

The Business Case

> ## *"Companies that increase employee engagement see improvement in operating margins."*
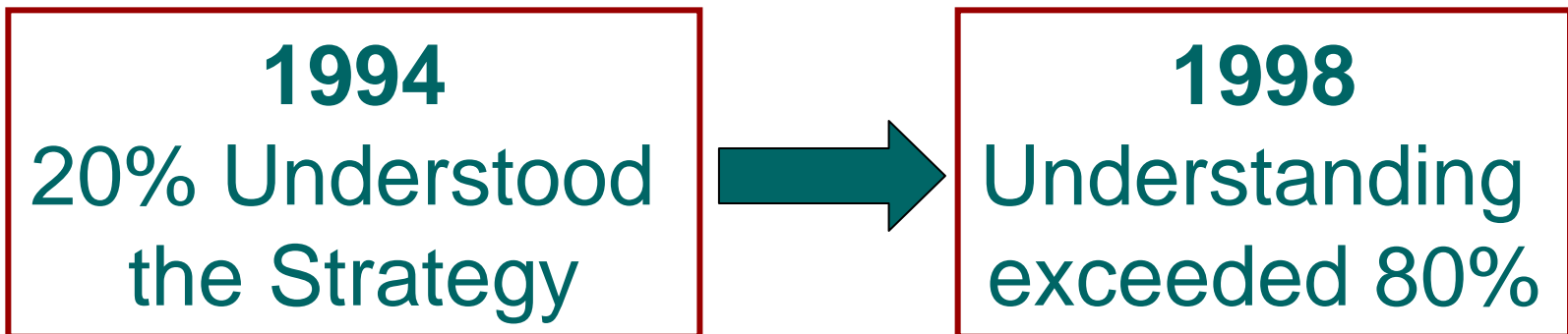>
> Towers Perrin
> *New Realities in Today's Workforce 2007*

Effective performance management is an engagement driver.

The Business Case

Mobil

- Strategy Alignment Process
  - 20% cost reduction
  - Yield losses were reduced by 70%
  - Revenue growth exceeded industry >2%

| **1994**
20% Understood the Strategy | → | **1998**
Understanding exceeded 80% |

The Business Case

" . . . only **7%** of employees today fully understand their company's business strategies and what's expected of them in order to help achieve company goals."

Robert S. Kaplan and David P. Norton
"The Strategy-Focused Organization," Harvard Business School Press, 2001

The Business Case

"Research shows that a full 37% of employee activity is not aligned with overall business strategy ."

Harvard Business Review
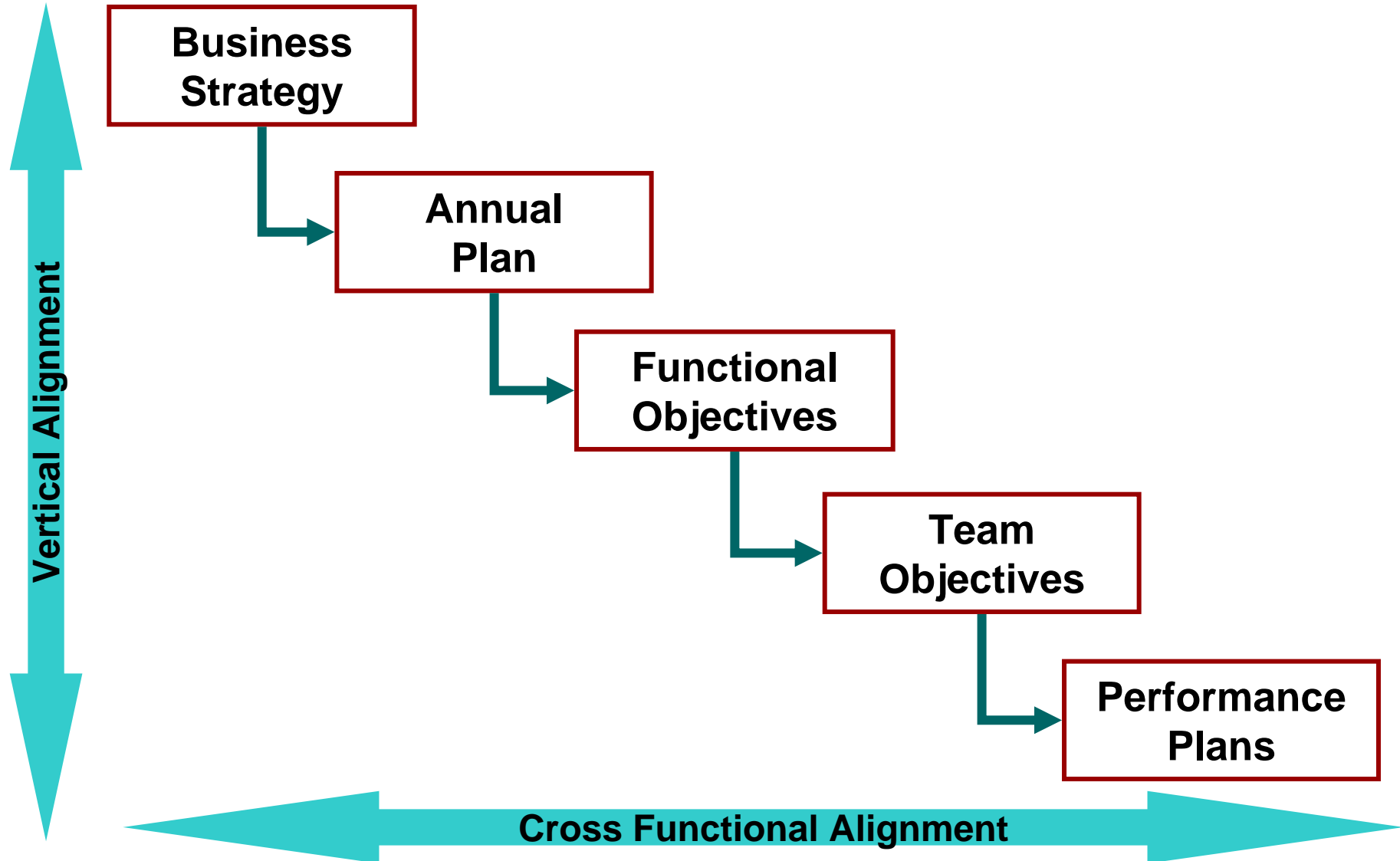
Performance Management Goals

<table>
<tr><th>Company</th><th>Employee</th></tr>
<tr><td>

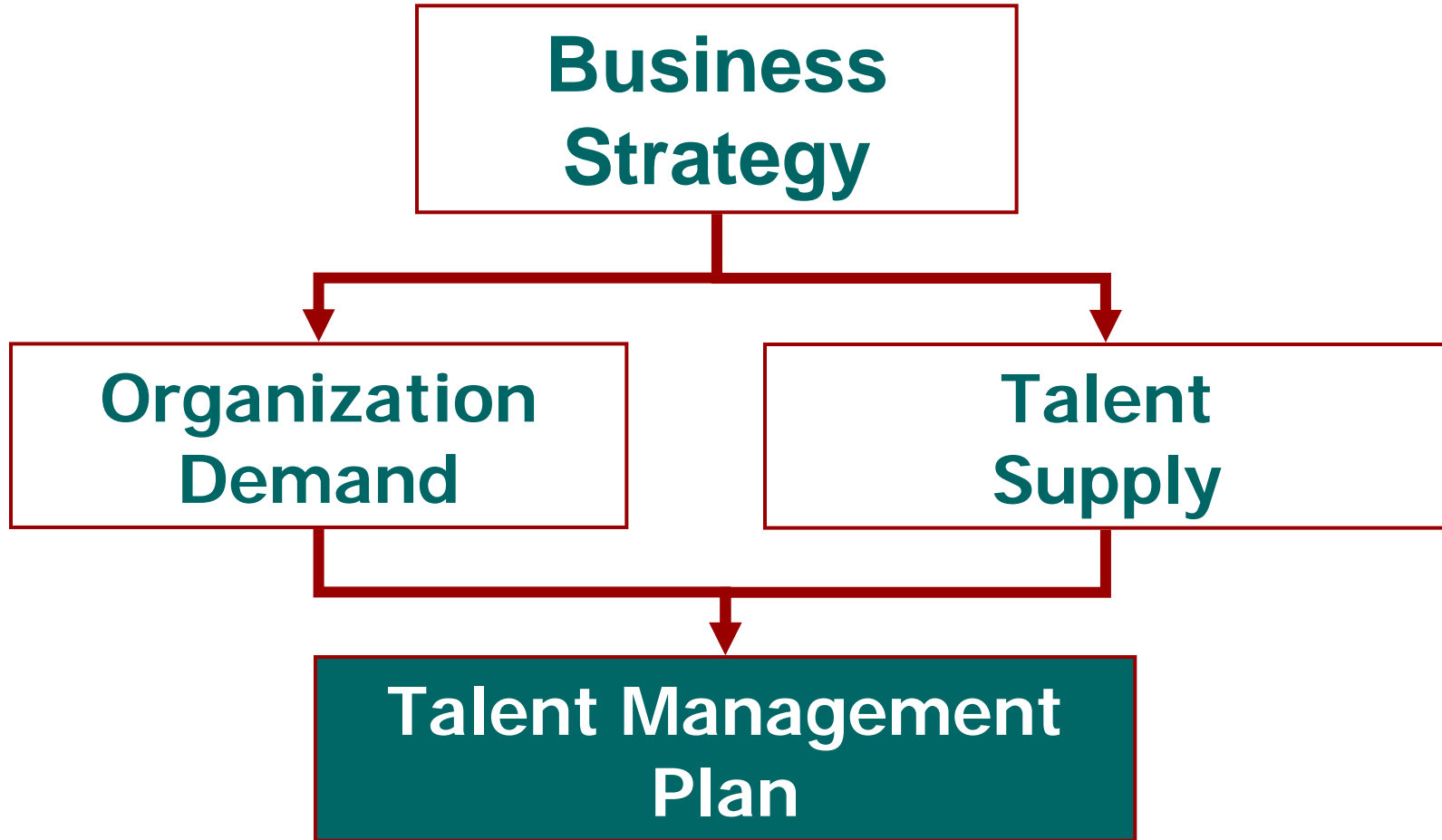- Linked to Strategy

- Aligned to Objectives

- Impact

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- Clear, objective goals

- Engaged

- Regular feedback
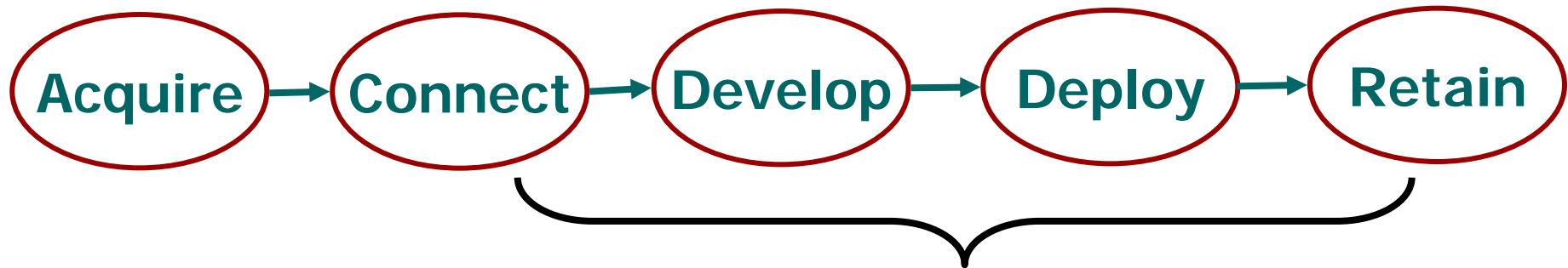
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</table>

Alignment

Vertical Alignment

- Business Strategy
- Annual Plan
- Functional Objectives
- Team Objectives
- Performance Plans

Cross Functional Alignment

Strategic Talent Management

Business Strategy

Organization Demand

Talent Supply

Talent Management Plan

Talent Management Link

Historical HR Processes

Acquire → Develop → Retain

Talent Management Process

Acquire → Connect → Develop → Deploy → Retain
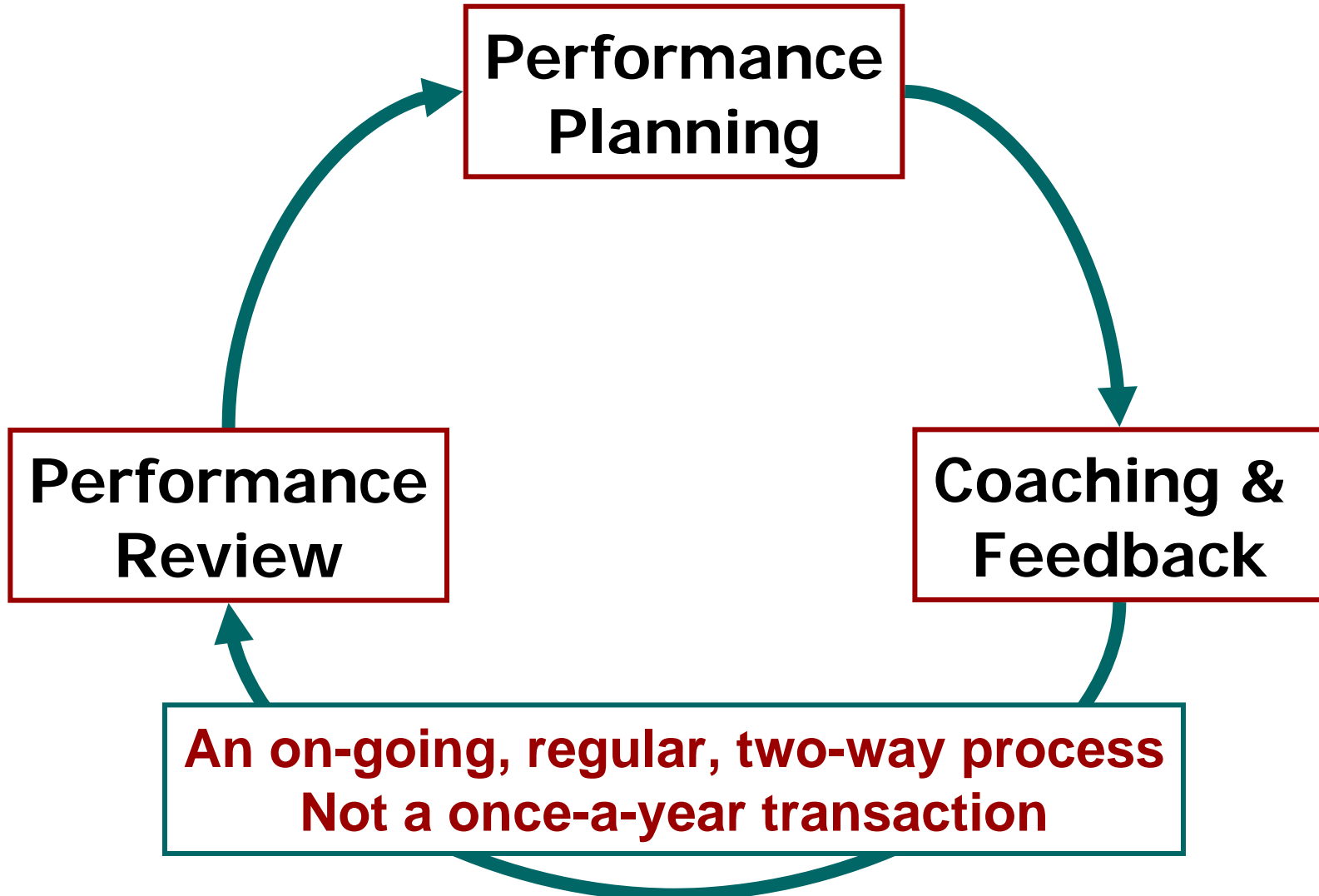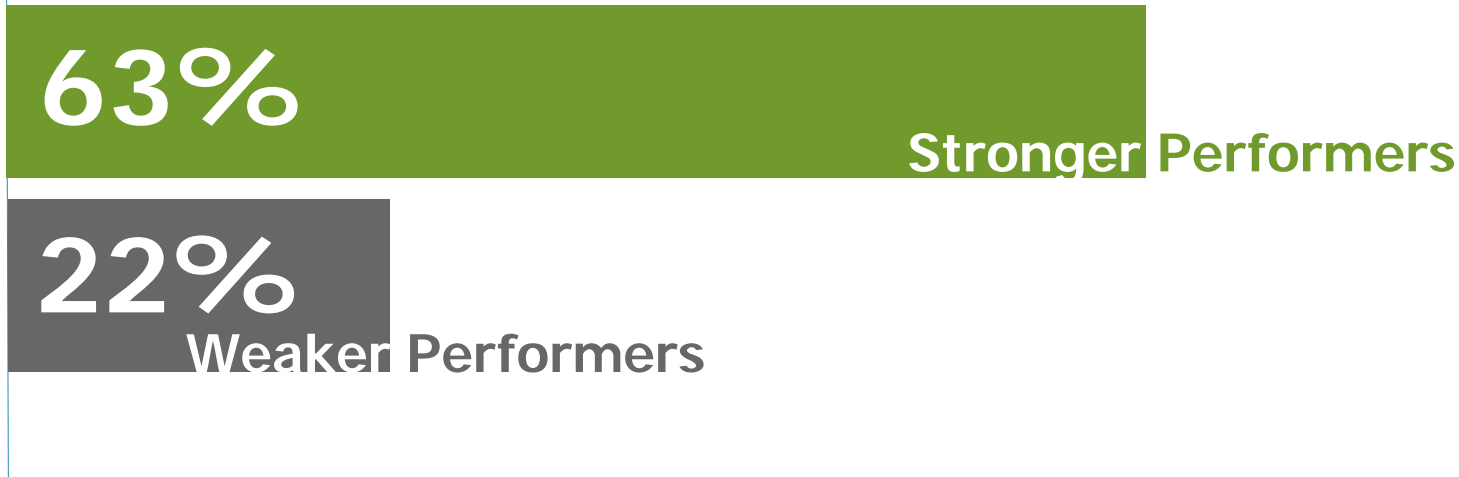
Performance Management

Keys to Success

- A Process, Not a Transaction

- Two-Way

- Coaching vs. Counseling or Confrontation

- What & How

Performance Management Process

Performance Planning

Coaching & Feedback

Performance Review

**An on-going, regular, two-way process
Not a once-a-year transaction**

Impact of Regular Discussions

% Conducting Multiple Reviews

63%
Stronger Performers

22%
Weaker Performers

"Conducting multiple performance reviews each year is a characteristic of high performing organizations."

Berggren & Fitz-enz, How Smart HCM Drives Financial Performance, 2006

Performance Management Process

Performance
Planning

- Tied to Annual Business Objectives

- Timed with Business Planning Process

- Includes What & How

Performance Components

Performance Planning

What + **How** = **Results**

SMART Goals

Behaviors/
Competencies

SMART Goals

Specific ➜ Clear accountability, results, priority

Measurable ➜ Expected impact, On track

Attainable ➜ Resources

Relevant ➜ Linked to Company, Boss, & Team

Time-Based ➜ Milestones and Target

Performance Management Process

Coaching & Feedback

- Regular

- Employee or Manager Initiated

- Update Objectives (What)

- Development Progress (How)

Performance Management Process

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Performance Review

</div>

- Multiple Inputs

- Two-Way

- No Surprises

- Separate from Rewards

Performance Management Process

Performance Planning

Rewards

Performance Review

Coaching & Feedback

Counseling Confrontation
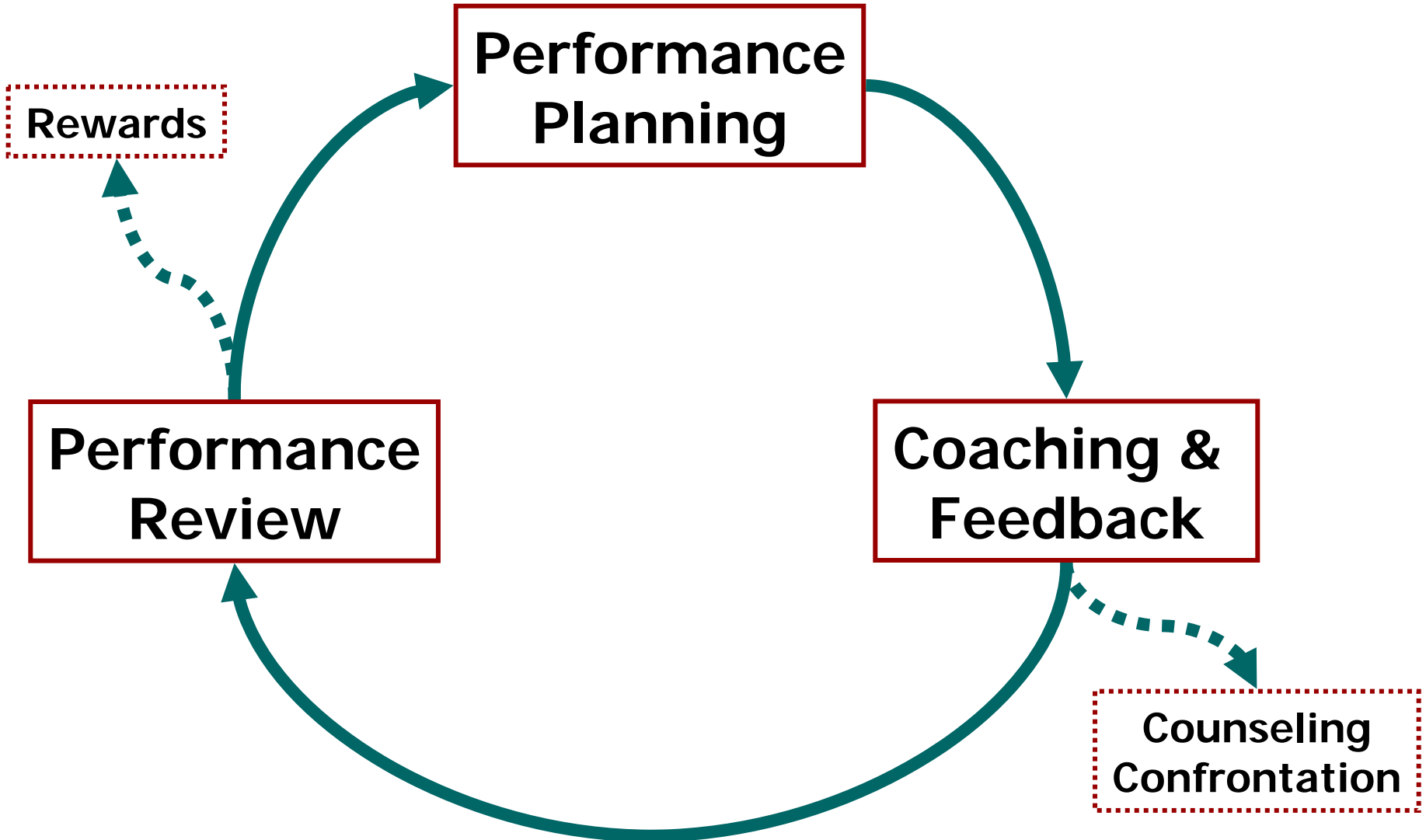
Linking Pay to Performance

- It's all about great conversations
  - Especially to link pay to performance
- Requires application of judgment
  - Not driven solely by the design, mechanical
  - Requires a good history of discussions
- Its all about signals
  - Expectations
  - Clear why?

Variable Pay Perspective

- Design system to make change easier in a "Built to Change" world
  - Not pay for the job – changes too fast
  - Increasing hunks of variable pay
  - More flexible over time
  - Requires collective behavior (teams) so should have collective rewards

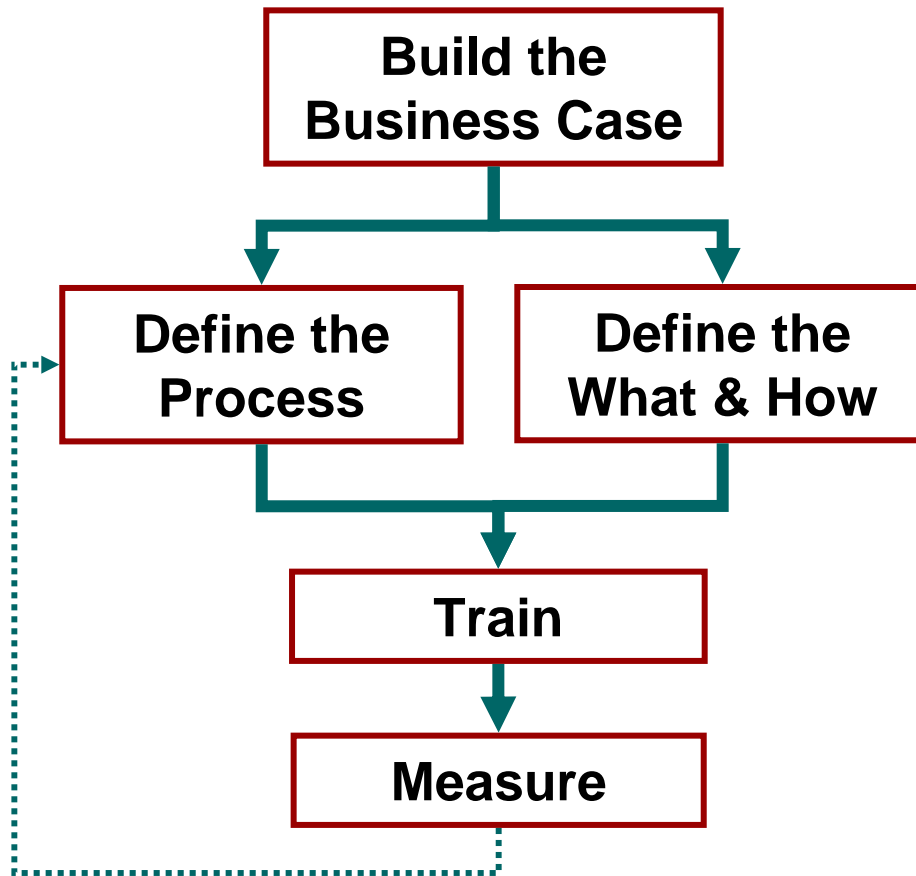   **"A Glimpse of the Future", Ed Lawler**

Steps to Develop a Process
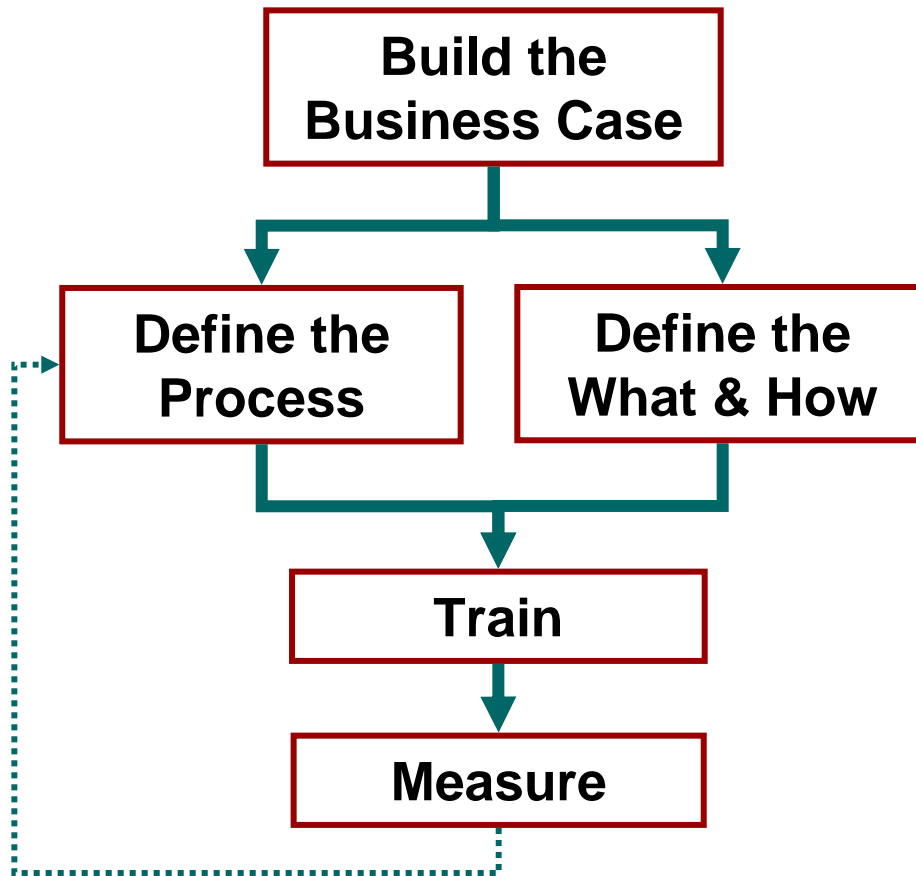
Build the Business Case

Define the Process

Define the What & How

Train

Measure

- Executive/Non-HR Owner
- Cross-Functional Team
- User Input
- Objectives, Measures, Value
- Employee & Manager Training
  - Coaching and Feedback Skills
- Future-Oriented, Game-Changer Competencies
- The Perfect Form
- Automate

The Perfect Form

Steps to Develop a Process

```
┌─────────────────────┐
│     Build the       │
│   Business Case     │
└─────────────────────┘
```

```
┌─────────────────┐   ┌─────────────────┐
│   Define the    │   │   Define the    │
│    Process      │   │   What & How    │
└─────────────────┘   └─────────────────┘
```

```
┌─────────────────────┐
│       Train         │
└─────────────────────┘
```

```
┌─────────────────────┐
│      Measure        │
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EPM Technology

EPM Technology

2006 Goal Plan for David Zamora   Switch Plan: **2006 Goal Plan**

Use this worksheet to add or update the goals. To quickly add a new goal, click the Add goal button. If you would like guidance click here for help.

[Cascade Selected...] [Delete Selected]   [Create a New Goal] [Copy From My Other Goal Plan]

□ Employee Hierarchy

🔍 John Baker (jbaker)   Find user: [   ] [Go] Advanced search

   ➡ **David Zamora**

    🔍 Martin Clements 🔲   🔍 Gina Walker 🔲   🔍 Ernest White 🔲

    🔍 Julie Wilson 🔲   🔍 Jennifer Woodard 🔲

□ Display Options

□ Aligned Up □ Aligned Down □ Alerts □ Last Modified □ Goal Description ☑ Start Date ☑ Due Date ☑ Status   [Update]

Displaying 1–4 of 4 Goals

Goals

	# ⬆ Goal Name*	Start Date	Due Date	Status	Action
□	🔧 **1.1** Increase Services Revenue per Account	01/01/2006	12/31/2006	On Track	📝
□	🔧 **1.2** Increase Referencability of Customer in my Territory	01/01/2006	12/31/2006	On Track	📝
□	🔧 **1.3** Develop Consistent Process for Lead Management	01/01/2006	12/31/2006	Postponed	📝
□	🔧 **1.4** Attend Key Financial Services Industry Conferences	01/01/2006	12/31/2006	Completed	📝

EPM Technology

Communication   select another competency…

Writing Assistant   Coaching Advisor

😞 **Improve**   😐 **Meets**   😊 **Exceeds**

- could improve listening skills
- could improve writing quality
- could prepare better for presentations
- could share information more often
- disorganized, verbose writing
- presentations too technical
- reports sometimes inaccurate
- reports sometimes submitted late
- spoken ideas not clear
- uses jargon, confusing terminology

- generally good communicator
- generally listens well
- generally shares information with team
- good verbal communicator
- good writer
- makes good presentations

- delivers outstanding presentations
- enthusiastic public speaker
- excellent listener
- excellent verbal communicator
- outstanding writer
- promotes candid and open atmosphere
- reports always accurate, punctual
- shares information with team

Positivity: ⊖ ━━━━━━━━ ⊕   Narrative: ○ I ○ You ● Marcus
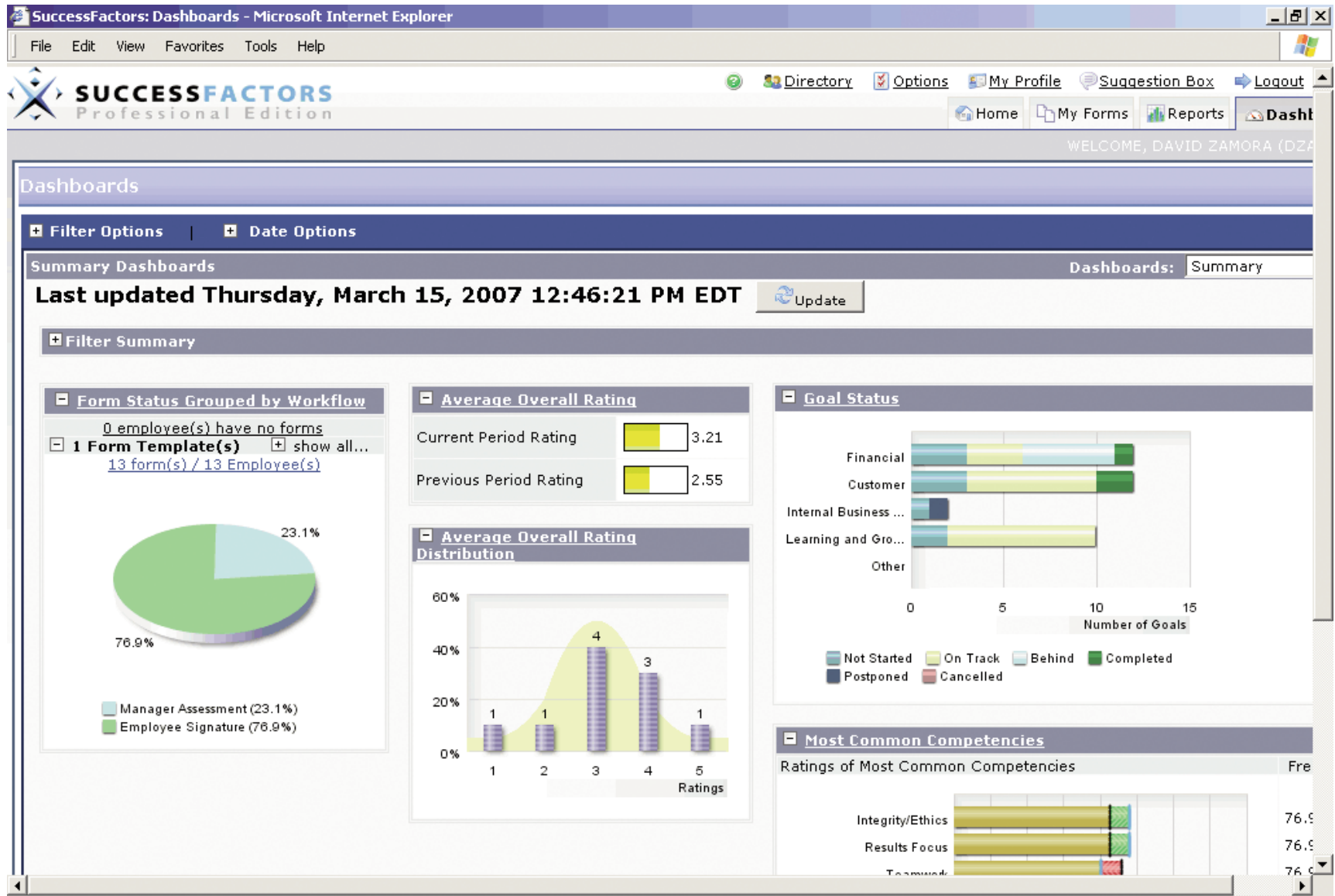
Marcus is a good writer and speaker who communicates well with others. He listens attentively and keeps team members informed.

Place Text   Close Window

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Assuring business success through people

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