

## Member's Quarterly

Spring 2018 Edition

### Feature

# Improve Your Performance Management System

*Top 10 Tools for Success (Part 2)*

In the Winter 2018 issue of the *Members Quarterly Newsletter*, we discussed the first five tools you should consider in your performance management toolbox. In this issue, let's examine the last five.



Julianna Cantwell

President, Juna  
Consulting Inc.

## 6. Cascading Goals

Also known as Management by Objective (MBO), to support a performance management system that strategically aligns with the larger business goals, each business unit should have goals that align with the larger departmental goals, which align with the overall organizational goals, including vision, mission and values. To ensure this happens:

Key Points:

- Plan the schedule to have the executive team create their goals and conduct their annual reviews first in the fiscal year, followed by their VPs/Directors, then Managers, followed by Supervisors and so on, down to the frontline folks.
- Use a validation process to ensure goals at the lower levels support the business goals/objectives above them.

## 7. No More than a Handful

For succession planning purposes, it is important to attach competencies to job profiles. Three to five competencies per position is recommended. More than this and it becomes overwhelming to:

- create goals (by the employee)
- measure progress (by the manager)
- track metrics (HR department)

If an organization has more than 12 competencies total across the business, then which ones become "priority" and get the focused attention? Senior leadership should prioritize which "capabilities" are most important for people to have and develop for your organization.

Key Points:

- If you are not the final decision-maker about which competencies matter most, then identify who can help you address the "too many" issue and influence them to create clarity for the organization.
- If you do not have competencies identified for your positions, then conduct focus groups to map out which competencies are required for employees to have to be successful in which positions.

## 8. To Rate or Not to Rate...that is the Question!

Rating employee performance has and always will be a contentious issue, especially if the ratings are tied to compensation (i.e., merit increases, bonuses, raises, etc.).

Key Points:

- General Rule: small organizations (1-100 employees), use a simpler system like a 2-point or 3-point scale; mid-sized to larger businesses usually have a more complex, trendable rating scale.

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- If you tie pay to performance, then make sure to vet your definitions of the ratings through all the stakeholders. Typically, cross-functional focus group sessions are a good way to get multiple and balanced perspectives.

### 9. Communicate Clearly About Calibration

Managers come in all shapes and sizes. One will rate you very highly for the same work another might rate you as average. For this reason, many organizations choose to do a "calibration" process with ratings. Once initial ratings are completed and submitted to HR, a panel of senior managers reviews and completes a final evaluation of the ratings to ensure fairness across divisions/departments. Naturally, there are many advantages and disadvantages to this process. So, particularly if favoritism is rampant in your organization, you should explore this option to equalize the ratings system.

#### Key Points:

- Do your research! This is an onerous step in the process and can be easily misunderstood by employees (e.g., "senior managers have 'veto' power, so what's the use in caring about the ratings anyway...?")
- Set well thought out decision-making criteria for calibration review and educate your senior managers on how to judge and negotiate ratings.
- If your organization has a balanced scorecard (dashboard metrics), it is easier to balance ratings across the organization.

### 10. It's All About...You!

Let's go back to basics. What's the point of a performance management system? It's about supporting employees in maintaining good (if not great) performance. So, it should be all about THEM! This message should be part of their training, part of the managers' training on how to coach their direct reports regularly throughout the year, as well as how to ensure the tone and focus of the formal review process is centred around helping SUPPORT the employee.

#### Key Points:

- There should never be negative surprises at the annual review meeting. HR professionals know this, but do your managers and supervisors know?
- Include a question or two on the review form asking the employees to suggest ways to improve the performance management system. Try asking them:
  - ◇ "What is the most valued part of the performance process here? Why?"
  - ◇ "What is one thing that would make the system better? Why?"

With a PMS toolkit like this in place, your organization will see the benefits of improved performance of individuals as well as groups of employees.

*Julianna Cantwell is President, Juna Consulting Inc. and can be reached via email at [julianna@junaconsulting.com](mailto:julianna@junaconsulting.com).*