Performance Planning & Management Toolkit
Grameen Foundation

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This toolkit should be used in conjunction with the corresponding supplemental materials.

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Introduction

One of Grameen Foundation’s areas of specialization involves helping microfinance institutions (MFIs) and other poverty- and development-focused organizations strengthen their capacity to attract, develop and retain talented employees.

Microfinance institutions, along with small and growing socially focused businesses, may face human capital challenges that can adversely impact their growth, ability to innovate, access capital, and manage risk. To address these challenges, we suggest you work to align your human capital management practices to your unique business strategy. As an integral part of this human capital system, a strong performance planning and management strategy is the thread that ties together organizational objectives with the employee experience.

Performance planning and management is a process to align employee goals to the organizational goals. The process allows for planning the alignment, providing management support, monitoring progress and evaluating milestones. This allows the organization to get the best performance results from all employees. Employees will be engaged and motivated to achieve your organization’s goals when they know how what they do affect the company’s overall performance. Performance management is critical for a organizational success.

This toolkit provides:

- An overview of performance planning and management
- A framework to define and implement a performance planning and management strategy that will help your organization build employee engagement and reach organizational objectives
- Tools and examples to enhance your implementation

This guide defines each component of performance planning and management, why it is important, and things to consider as you implement. There is also a set of handouts to correspond to the content within this guide. The handouts either offer more detail or can be easily adapted for use in your organization.

Note: This toolkit is designed to guide you through the adoption and implementation of a holistic performance planning and management process. We presume that the step of strategic human resources (HR) planning is complete and that there is agreement to improve your organization’s performance planning and management approach. Also, organizations must understand and comply with local laws and regulations. In some cases, this may require some adjustment to the steps outlined in this toolkit.

Performance Planning and Management Overview

Definition

Performance planning and management (PPM) is a process of creating an organizational environment conducive to high performing individuals that work together towards a common goal. The planning process focuses on objective goal setting so that every employee receives direction and communication about what they are expected to do. The management process focuses on action plans, personal development and ongoing discussions about organizational goals.

Effective staff management will propel both your employees' performance and the performance of your MFI and is essential to the success of the individual and the institution. Often the major share of an MFI's operating budget is spent on staff, so it is important that the organization and the managers are focused on increased productivity and ROI (Return on investment) from their human capital.

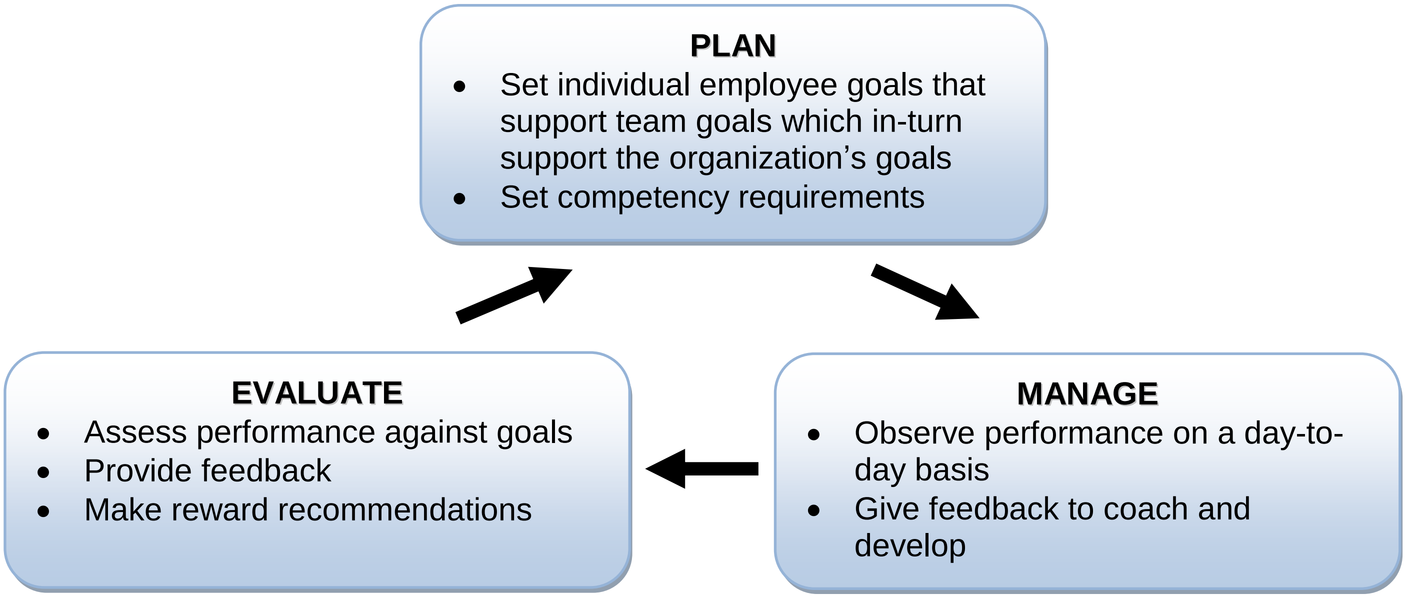
Performance planning and management is essential to building employee engagement and commitment. It ensures employees know what is expected of them and how they are tracking towards progress. It also eliminates surprises and misconceptions about an individual's performance and how it relates to the business. When employees know how their individual contribution impacts the organization's mission, it instills a sense of pride and purpose.

Think of this process like a road map for performance that is established at the beginning of the year to guide the individual's efforts (something he/she can follow, like a map), with course corrections that may be necessary along the way, and then a review of what was accomplished or where the individual ended up.

Performance planning and management sets the stage for differentiating levels of employee performance and a pay-for-performance strategy. Performance-based pay is intended to motivate employees to perform better and meet established goals, and rewards employees for doing so. It requires that clear goals and measures be established at the start of a specified period (e.g., start of the year). Evaluating against these goals and communicating the feedback to employees fosters a climate of open communication and fairness to all employees. Additional details can be found in the Total Rewards Toolkit.

Performance Planning & Management Is Not:	Performance Planning and Management Is:
A way to manage poorly performing employees	A broader approach to get the best out of *all* of your employees – even the top-performing ones
A process to be adhered to so that employees can be given salary or merit increases	A process that inputs to the total rewards process and ensures that employees are paid appropriately for the value to bring to the organization
Just an evaluation of performance at the end of the year	A continuous two-way process of planning, observation, conversation, and coaching that allows for improved performance that has a direct impact on the goals of the organization
A one-sided process	A robust approach that holds both the manager/supervisor and the employee accountable

Performance Planning and Management Approach



Focus On Employee Strengths

A discussion of planning for and assessing performance is not complete without addressing employees' strengths. Historically, performance management has focused on identifying weaknesses and exhorting the individual to "work harder" to overcome these. We now know that this focus on deficiencies does not result in improved performance. Rather it creates defensiveness and makes it even *less likely* that positive change will occur. While a basic level of competence in a particular area may be required, it's when people are able to do *what they're best at* that great performance occurs.[1]

It's not difficult to shift to a focus on strengths, but it requires a commitment from the top to help the organization learn how to do this. First line supervisors and managers must know their teams' capabilities well enough to be able to identify strengths, and have the flexibility to adjust responsibilities within the team in order to play to these. One tool that can help identify individual strengths is the Gallup Strengths Finder.[2]

Here's what it can look like in practice: consider a typical branch office with a branch manager, teller, MIS officer and five field officers. While there are core responsibilities that must be met by each field officer, there may be other aspects of the job that can be shifted between team members so that everyone is able to contribute *what they do best* to the team. Depending on an institution's customer base, field officer responsibilities can be segmented between loan types (group vs. individual) or between lines of business (agriculture lending vs. petty traders) and field officers who demonstrate expertise in supporting one type of customer over another can focus their client portfolio accordingly. Field officers with a particular interest in computers

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[1] Roberts, L. M. et al. *How to Play to Your Strengths*. Harvard Business Review, January 2005.
[2] http://www.gallupstrengthscenter.com

could be cross-trained to cover for the MIS officer. Senior field officers who have shown an exceptional ability in mentoring their more junior counterparts could be tasked with training responsibilities for new hires in the branch.

However, a critical component to any of the examples above is individualizing the performance targets and performance evaluations for each role accordingly. A field officer tasked with serving as a mentor for all new hires at the branch might not be expected to hold the same number of group meetings each day as someone without that additional responsibility. Similarly, a field officer responsible for individual loans might not be able to maintain the same number of clients in his or her portfolio as someone dedicated to group loans. By managing to each employee's strengths, managers have an opportunity to allow each person to do what they do best and subsequently provide added value to the team.

Involving Employees

Employees and managers both play an active role in the entire performance planning and management cycle. A participatory approach helps build employee understanding and commitment to the plan, ultimately motivating employees to work towards something they believe in. It demonstrates respect towards the employee, providing a feeling of value when contributing their opinions and ideas. This two-way conversation fosters open dialogue that allows managers to better understand their employees' strengths.

Involving employees in the planning process has many advantages. Given that the employee is performing the tasks, he/she will have a better understanding of what is working and what is not. Employees will often have ideas and solutions that may be implemented in a cost effective manner. When asked for their opinion these ideas can be tabled for further discussion. High performing teams and organizations are agile and are willing to be creative in offering solutions to their customers. Involving employees in sourcing these ideas is a great way to stay competitive in this changing business world. It also enhances employee self-esteem and creates an environment of open communication in which employees are heard.

Finally since employees would have contributed to the performance planning process they will have specific accountabilities to achieve them. The performance planning and management process works most effectively when both, the employee and the manager / supervisor are actively involved throughout the entire process.

Plan

The first step is proactive planning. This includes setting goals and creating a plan with the employee for the year. It gives the employee a sense of where he/she is heading, like a map of the work for the year. Goal setting is really about helping employees know what is expected of them, one of the most basic employee needs and a foundational element of creating employee engagement.[3]

“A goal properly set is halfway achieved.” – Abraham Lincoln, 16th President of the United States

This step involves

- Alignment between individual employee goals and the organization’s goals
    - Gaining an understanding of the business goals for the year
    - Creating team goals / departmental goals that align to the business goals
    - Setting individual employee goals
- Re-accessing and setting competency requirements that will be required for optimum performance of the job
    - Job competencies are generally defined during the hiring process (refer to Recruitment & Selection toolkit for a comprehensive list of competencies for MFIs.)
    - Job competencies form part of job description

Alignment between individual employee goals and organizational goals

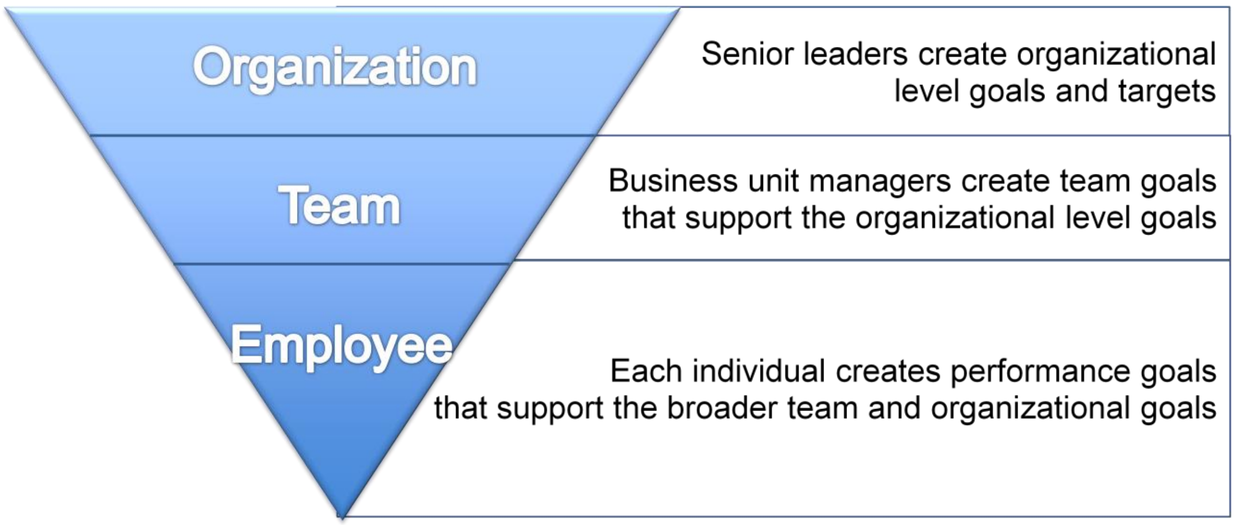
Another critical driver of employee engagement and commitment is to understand how one’s individual efforts support organizational goals. Too often we’ve seen that even mid-career managers can’t easily articulate the organization’s strategic objectives and are rather unclear about the organization’s plans beyond the expectations for their own performance. Employees want to make a difference and organizations need to enable and encourage this to ensure they are maximizing the value of their people.[5]

Creating this line-of-sight starts with developing a robust planning process where broad organizational goals and objectives cascade down to the various business units and functional teams. These teams then translate their supporting goals and objectives to all team members, where individual performance objectives support the team’s goals.

Goal cascade template

[3] Harter, J. K. et al. “Q12® Meta-Analysis: The Relationship Between Engagement at Work and Organizational Outcomes.” Gallup, Inc. 2009.
[5] Knowledge@Wharton. (2010, February 17). “Putting a face to a name: The art of motivating employees” http://knowledge.wharton.upenn.edu/article.cfm?articleid=2436 (accessed June 20, 2011).

Action Step: Set Goals



Spotlight: Akash had served as a loan officer for a year and a half when his manager brought his whole branch together to explain the performance planning process for the coming year. In addition to a clear description of the process, Akash received a table to complete – there he found the organization's annual goals, which were subsequently broken down into the goals for his individual branch. Next to the branch goals was a place for him to propose what he would achieve individually in order to support the larger goals of the branch and in turn, the MFI as a whole. Akash gave his individual goals a lot of thought and completed and provided them to his manager as requested, in advance of their individual meeting.

When Akash and his manager came together for their individual meeting, Akash was pleased to note that his manager had clearly taken some time to review the goals Akash had put forward for himself. In the meeting, they discussed what was realistically achievable and what would be important to prioritize, making some adjustments to Akash's goals as they went along.

Askash left his performance planning discussion excited about the year to come. He knew what was expected of him – and all his goals felt attainable. He felt supported in his role and eager to continue to grow with the MFI into the future.

Tips for Setting Goals

S.M.A.R.T. Goals  Goal Setting Guide	Use this simple acronym as a guide for setting good goals and metrics: • **S**pecific. You can describe the details. • **M**easurable. You can measure the goal using either quantitative or qualitative assessments. • **A**chievable. You can achieve the goal. • **R**elevant. The goal matters. • **T**imely. You can achieve the goal within a specified time frame.

Include both qualitative and quantitative indicators	• Set expectations for *both* the end result and how that result will be achieved. • Qualitative measures should be based on the competencies required for the specific job; not only technical capabilities but also the organizational and personal competencies needed to excel in that role.[6]
Personalize goals	Consider the employee's strengths and unique contribution when considering goals and performance metrics. For positions with a large number of incumbents (e.g., field officers), the goals may end up being similar, yet each should be customized to ensure it is relevant to the individual.
Limit to 3-5 goals	Limit the number of goals to 3-5 for each category (e.g., organization, team, and individual). More than this will make it difficult to focus. When thinking of goals, consider: • What needs to be accomplished to ensure success? • What will have the greatest impact in achieving the organization's mission? • What standards are we striving for? • What will the employee find most interesting or challenging? • What will provide the most benefit to the clients? • How is success measured? What are the key milestones that will be measured?
Use a simple performance rating scale	Clearly define the rating scale that goals will be evaluated on. For example: • Exceeded goal / result • Met goal / result • Did not meet goal / result Clearly define the rating scale for competencies or the behaviors that will be associated with a particular performance level. For example: Exceptional | Exceptional | Outstanding Very Strong | Exceeds Expectations | Above Expectations Successful Performance | Meets Expectations | Meets Expectations Needs Improvement | Inconsistent | Below Expectations Action Required | Unacceptable | Unacceptable
Involve employees	Involve employees in the process of setting their goals. A participatory approach builds ownership and commitment to the goals. Begin by sharing with employees the organization's goal and their team (refer to goals alignment cascade template – handout 1a). Encourage employees to define how their contribution can make a positive impact on their team goals.

[6] Zacarias, Cecille & Sandra Togonon. "Building human resources capacity: developing competencies for microfinance institutions." Women's World Banking, 2007.

The main aim of a performance management process is to promote work quality, individual growth and company growth. The core of a good performance management system is communication and understanding ***not just*** forms and structure. The sample forms in this toolkit have been designed to guide employee and managers / supervisors in the process. The focus of the process is on results not activities. The process should be mutual, open and participative and support the empowerment of both teams and team members to do their best. Employees must be encouraged to take personal and proactive responsibility for their individual growth.

It is recommended that the performance planning and management should be done at the least on an annual basis. Many companies follow a semi-annual performance evaluation system so employees can have a clearer more accurate view of how their performance affects team goals. It is easier to make changes to operational tasks when evaluation feedback is given mid-year and not just at the end of the year.

New hires, job changes, and promotions require a new or an updated performance plan. To effectively improve performance, plans are completed at two stages:

1. New hire / job change / promotion
2. Annual planning and review

You may download a sample copy of the performance planning and management (PPM) forms from this toolkit. The following is recommended:

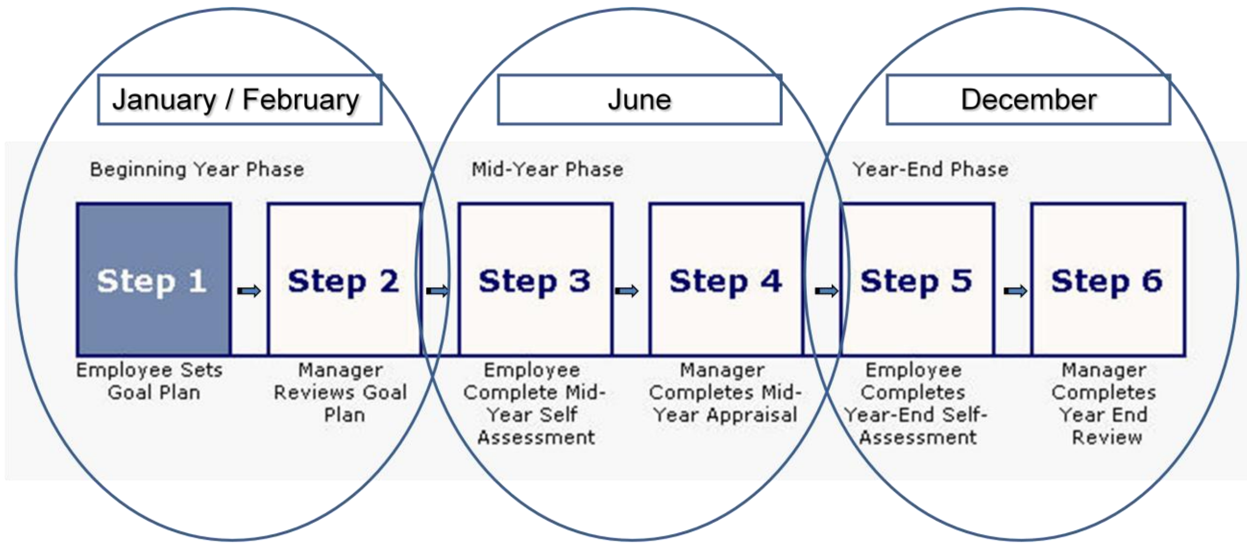
1. New Hires / job change / promotion

    - Who: Completed by the manager and reviewed by the new hire
    - When: Within the first month of a new hire's employment start-date
    - What: The Performance Planning and Management form
    - Why: Provide the new-hire clarification of what needs to be done, in what manner and by when. This information is in addition to their job description
    - Where: The completed forms are submitted either to the human resources department or kept with the manager with a copy to the employee

2. Annual Review `

    - Who: Both the manager and the employee will complete the assessments. employee will complete the self- assessment prior to meeting with the manager. Manager will review the employee self-assessment prior to meeting with the employee.
    - When: On an annual basis or on designated evaluation dates (example: 3, 6, 9 month reviews).
    - What: Schedule a meeting with employee to review and discuss the manager's assessment and employee's assessment. Combine the comments and document on the performance planning and management form.
    - Where: The employee and manager should keep a copy of the final document. Human resources will receive a copy of the complete performance planning and management form. All of these documents will be kept in the employee's personnel file.

Example of an Annual Performance Management Cycle:



Good plans enhance the smoothness of day-to-day operations of an organization. Lack of planning causes confusion, waste and duplication of effort. Once plans and standards are set, employees must be held accountable for results. When employees are involved in planning their work, they are more committed to its achievements.

Performance Planning and Management (PPM) form – goal section

Re-accessing and setting competency requirements

Job competencies are the knowledge; skills, abilities, and personal characteristics that work together to produce outstanding performance.[11] Competencies drive behaviors within the organization. In order to enable employee behavior that is consistent with desired result, this aspect of performance management cannot be ignored. In addition to planning short term (6 months – 1 year) goals for employees in the goals section of the Performance Planning and Management form, competencies for each role should be planned and shared with the employees before the start of the year.

In the next stage of the performance management process, goals and competencies are reviewed and evaluated against actual performance for the period.

This toolkit offers sample performance planning and management templates for roles in MFIs. You may download a copy of these forms and customize where necessary for your organization.

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[11] Workforce Planning & Employment, Cert-Prep 2012 SPHR®, SHRM

3a PPM – Branch Manager

3b PPM – Field Officer

3c PPM – Savings Officer

Manage

The next stage in the performance planning and management process after goals are set is to manage employees' work to achieve the goals. The proactive planning you've just completed is best supported through structured, regular check-ins to confirm progress throughout the year and identify any course corrections or additional support required. Both the manager and employee play an active role in this process.

Action Step: Observe Performance

Once employees start working towards their goals, the manager is responsible for observing that performance. This means being in a "position to notice" throughout the course of a normal day when employees are doing things right and when they need assistance. Observing performance may include attending a center meeting led by a credit officer or reviewing a report produced by an employee. It might also include being receptive or observant of interactions the employee has with other stakeholders within the organization. Data thus collected feeds into the rest of the performance management process.

Action Step: Deliver Timely Feedback

Feedback is simply the sharing of observations about job performance or work-related behaviors. The term feedback can conjure up different images for people, sometimes including judgment, which can make it feel intimidating. Feedback should be used to recognize a behavior or to make a suggestion for improvement. It is about learning and growing - both for the employee and the organization.

Managers are primarily responsible for sharing performance feedback with their employees. However, it is beneficial to your organization if employees feel comfortable recognizing and sharing feedback with their peers. It shows that employees care enough to help others improve. Peer feedback helps build accountability to the success of the team and creates an engaging work environment.

<u>Spotlight:</u> Priya, a dedicated loan officer in India, had been working at her MFI for about a year. Recently the repayment rates had dropped slightly in her group loan portfolio. She was worried that her clients were sometimes missing from their monthly repayment meetings. One day, without notice, Priya's branch manager showed up at one of her group meetings –he sat in the back and took notes the entire time. Priya was nervous and didn't know why the branch manager had come. But, when they returned to the branch office, the manager didn't even mention the meeting to Priya.

Two months later, at her regular performance review, Priya's manager brought out a list of issues he had observed at the group meeting. Priya was stunned. Since then she has tried some new tactics on her own, and attendance at her group meetings has begun to improve. But, her manager never asked Priya her perspective on the matter. In fact, some of the issues her manager brought up were issues Priya had already addressed, but only after a month or so of trial and error.

Priya left the meeting feeling that she couldn't count on her manager for support. If he knew about issues at Priya's group meetings, why didn't he bring them up sooner? Why did he let Priya struggle on her own?

<u>Spotlight:</u> Vivian is a new loan officer at an MFI in Kenya. After being on the job for five months, she felt she understood what was expected of her but knew she still had much to learn. Her group meetings always seemed to take more time than they should, making it hard for her to hold as many meetings as she was supposed to each week.

Vivian's branch manager informed her that he would be shadowing her at one of her group meetings. Vivian was nervous at first, but her branch manager explained to her how he did this with every loan officer, even the ones who had been there for years. So, Vivian held her meeting as normal that morning and almost forgot that her branch manager was there observing.

That afternoon, when they returned to the branch, Vivian's manager asked that she set aside some time to talk with him. When they sat down, he told her how pleased he was with the deep connections she had clearly made with her clients. But he noticed that repayments at the meeting took a long time. He showed Vivian the system he used for recording repayments when he had been a loan officer. He also gave her some tips on how to get the meeting going quickly so she could make the best use of her clients' time.

With these recommendations, Vivian was able to improve the efficiency of her meetings before her scheduled six month performance check-in. By that time she was feeling even more confident in her work and was on track to meet her targets.

Tips for Delivering Feedback

When feedback is objective; impartial, not biased or opinionated, based on fact and not subjective; biased, based on opinion not fact, it is easier to be delivered. When assessing performance you can use positive language to structure your feedback and motivate your team members. By ensuring that your employees are participating in the assessment and are being heard, you can make a positive impact on your organization's human capital and gain employee commitment to improved performance. Remember the following when preparing to provide feedback. For further guidance on providing performance feedback refer to the handout titled Manager’s guide to delivering feedback.

- Be specific and focus on behavior
- Cite examples of how the performance compares against the measures and goals
- Be direct
- Be timely; ignoring a problem and hoping it will go away will make things worse
- Focus corrective feedback on things that can be improved in the future
- Ask for the employee’s evaluation first before you give your evaluation of performance
- Identify what would help maintain or improve performance
- Ask employee to identify how improvement can be achieved. Ask employee to consider what could have been done differently
- Agree on plan for the future
- Don’t forget to acknowledge good performance

There are many benefits of the performance feedback process. It allows satisfying the employee’s desire for understanding how his/her performance has been in comparison to manager expectation. The process allows for encouraging good performance and discourage below standard performance.

Manager’s Guide to Delivering Feedback

Action Step: Discuss Performance with Employee at Least Once a Quarter

We suggest that the manager and employee discuss the employee’s performance at least one time per quarter. This should be a two-way discussion based on the goals set at the beginning of the year with input from both the employee and the manager.

Quarterly check-ins accomplish a number of things:

- Encourage open dialogue between the manager and the employee
- Help ensure there are “no surprises” at the year-end performance evaluation
- Opportunity to learn about how the employee’s strengths are contributing to the goals
- Opportunity to course correct, if needed, to ensure the goals will be met
- Reinforce performance expectations

Note: There may be a need to modify a goal midway through the year. This is acceptable but consider it carefully; changing goals abruptly can create confusion. If the environment has changed and reaching the goal will no longer create value, it is appropriate to modify. However, avoid doing so as a reaction to obstacles (e.g., personnel changes). If a change is necessary, the manager, employee and team should agree upon the new goals/measures.

Development Planning

Offering meaningful development and career advancement opportunities will enable you to motivate and reward employees for their contributions, and help to keep them excited about building a career with your organization. The performance planning and management process provides a rhythm for goal setting and planning, and provides a natural connection to employee development.

Development activities can be focused on either improving performance in a current role or developing towards a career aspiration. Regardless which approach is used, development must be viewed more broadly than just technical skills-based training. Development is a set of learning experiences designed to enhance an employee's strengths and competencies - skill, knowledge and behavior. It is about creating opportunities for learning and growth every day.

Action Step: Support Employee Development

A common guideline suggests that 70% of employee development efforts should be spent on on-the-job development, 20% on feedback from managers, peers, etc., and 10% in formal learning or education programs. Below are some examples of each.

On-the-job development	**Feedback**	**Learning/Education Programs**
70% of effort	20% of effort	10% of effort
• Stretch assignments • Special projects • Job shadowing • Job rotation • Onboarding a new team member • Mentoring another team member • Cross-functional assignment or project • Participate on a special team or committee	• Ongoing Feedback • Coaching (internal and external) • Formal or informal mentoring	• Leadership development programs • Internal training sessions • University programs • Conferences and seminars • Books and articles • Professional association memberships

Development Planning Steps for Employees:

- Get to know yourself
- Decide what you want to do
- Create a plan and tell others
- Work the plan
- Review your progress

Individual Development Planning Guide[12]

Note: Strong managers see the development needed and look for ways to provide it for their employees without waiting for formal training sessions to occur. They use more experienced individuals as informal teachers and give employees stretch assignments to help develop new capabilities. For example, experienced field officers can be chosen to participate on a new branch opening team, deployed as needed on a temporary basis to establish new branches and train staff.

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[12] *THE INDIVIDUAL DEVELOPMENT PLAN GUIDE, Wildland Fire Leadership Development Program, April 2010, http://www.fireleadership.gov/toolbox/self_development/Individual_Development_Plan.pdf (accessed December 2012)*

Spotlight: Maria is an administrative assistant in the branch office of an MFI in Bolivia. At the end of her regular quarterly performance planning check-in, her manager asked her what her career aspirations were – where did she see herself growing within the MFI in the next few years? Maria had always admired the work of the MIS officers. She told her manager how she would like to grow into a position that allowed her to learn about data management at the MFI. Maria's manager, who knew the organization was hoping to train more MIS officers, said this was great – and proposed including an additional goal in Maria's development plan to include gaining a basic mastery of the MIS system over the next six months. Her manager committed to provide opportunities throughout the coming year for Maria to shadow the MIS officer in their branch, and to set aside some time from Maria's schedule to work on mastering basic data management.

Maria left the meeting with her manager excited about the new path she saw for herself within the MFI. She looked forward to demonstrating her capacity and meeting her performance and development goals.

360 Degree Feedback

Some organizations gather feedback through a 360-degree feedback process, which collects input from those around an employee at all levels (e.g., supervisor, direct reports, peers). The approach is based on the belief that a deeper understanding of the differences between how you see yourself compared to how others see you brings a greater level of self-awareness that is needed for personal development.

A 360-degree feedback program should be used to support personal development and should not serve as a performance review. In this process, both the manager and the employee should be involved in selecting colleagues to provide feedback. Because a 360-degree feedback process is for development purposes, it may be beneficial for the employee him or herself to request participation from the identified feedback providers. If the request comes from a manager, participants may see the process as more performance-focused rather than developmental.

The request for feedback should be very clear: ask feedback providers to consider an employee's strengths and opportunities for improvement, along with the behaviors the employee has displayed over the feedback period. Ask for trends, direct observable examples, as well as the business impact of the employee's contribution.

360-degree feedback programs can be useful, but are not right for every organization or situation. Consider the following risks:

- Not all people giving feedback will have the best understanding of the employee's goals, strengths or development plan and subsequently, the feedback may not be useful to the employee
- Aligning it to the performance evaluation process shifts the focus from a useful development tool to one that could have an impact on the performance rating and pay. When organizations use a 360-degree process to evaluate performance, individual reviewers tend to soften their feedback
- Administratively time consuming
- Not sufficient on its own

Tips for effective 360-degree feedback:

- Align the process to the individual development planning, *not* performance evaluations
- Seek feedback related to an individual's development plan
- Follow up with feedback providers on any inconsistent trends to obtain full context and additional details on observations – consider the frequency, project reach, audience and business impacts linked to comments from feedback providers
- Support employees in understanding and interpreting the feedback
- Inform all participating employees – both those giving and receiving feedback – about the intent of the process and how it works
- Managers should lead with their own observations and supplement/support this information confidentially, and as needed, with input gathered from feedback providers.
- Carefully consider whether to make feedback anonymous or not

Note: There are a number of MFIs who have implemented a 360 degree feedback process. Unfortunately, they are not using this tool for individual development, which is the original purpose of this tool and its use for development planning is a global best practice. Instead, they are using it to gather feedback for the performance evaluation process. This is not the purpose of this tool.

Address Performance Gaps

Inevitably, you will have an employee who does not perform at the level required. You must address this performance issue as soon as you become aware of it; not doing so causes a drain on his/her colleagues and the organization, and doesn't give the employee an opportunity to work to improve. You owe it to the employee to ensure goals are clear and that you have done all you can to support his/her success.

When identifying performance gaps to be addressed, it is important to take into account the context under which these gaps occurred. People often learn from making mistakes sometimes this is when the best development occurs. It may be useful to identify whether the gap in performance appeared during a stretch assignment or within the scope of regular performance expectations.

Identifying Performance Issues

Consider the following questions to determine the cause of an employee performance issue:[7]

- Motivation
  - Is the employee engaged or committed?
  - Is the work important to the employee?
- Process
  - Is the job scoped properly?
  - Is the job description current and relevant?
- Knowledge:
  - Are expectations clear?
  - Does the employee have access to the necessary information and tools to do his/her job?
- Skill:
  - Does the employee know how to do the job?

[7] "Performance Issue Root Cause Diagnostic" 2011. The Corporate Executive Board Company.

  - Has the employee received proper training?
  - Can he/she meet the expectations of the job?
- Environment:
  - Are there challenges external to the employee that might be impeding his/her performance?

If a performance issue is identified, it is imperative that you address it with the employee to actively improve performance. Based on the identified cause of the performance issue, it may be helpful to work with the employee to develop a clear performance improvement plan. This plan can supplement the larger, annual performance plan and provide a more detailed, short-term guide to bringing the employee back on track with his/her performance goals.

If after taking the above actions your employee's performance continues to be an issue, you may need to follow your organization's disciplinary steps.

Evaluate

Annual performance evaluations involve reviewing the plan set forth at the beginning of the year and assessing the progress the employee has made. At this point a formal rating, based on observations, feedback and results, is given to the employee. In a pay-for-performance system, this rating often impacts an annual merit increase or other financial rewards.

Action Step: Conduct Annual Evaluation

Ideally, annual performance evaluations are simply a summary of all the discussions held during the performance period, with no surprises for the manager or the employee. The most effective process ensures the employee knows where he/she stands and feels empowered to move forward, rather than disgruntled or confused. It is also important to make sure performance is reviewed consistently across the organization; this is often called an internal review or calibration process. Adding this step to your performance evaluation process corrects for the differences in how individual managers may view performance.

The annual performance evaluation includes a number of steps:

1. Employee completes a performance self-assessment and submits to manager
2. Manager gathers data/results on the goals set at the beginning of the year
3. Manager assigns performance ratings and documents performance feedback
4. Calibration discussion: an internal review to compare performance ratings from region to region, department to department, to ensure the same rating standards are applied across the organization; this may result in revised individual ratings
5. Manager and employee meet to discuss the evaluation; allow the employee the opportunity to review the assessment, provide written comments or express concerns.
6. Manager assigns corresponding rewards (e.g., merit increase)

Tips for conducting the evaluation[8]

- Consider both specific, quantifiable accomplishments and qualitative feedback on competencies exhibited when assigning a performance rating
- Acknowledge not just the results generated but also the behaviors that made those results possible
- Tie positive feedback to previous opportunities to help show progress and motivate the employee to acknowledge and work on current opportunities for improvement

Avoid these common evaluation faults:

- First impressions: ratings based on initial observations only
- Recency effect: most recent performance is given more weight than performance throughout the evaluation period
- Central tendency: most individuals are given a medium rating
- "Long-timer" over "short-timer"—expecting the same performance from employees new to their roles as you do from employees who should be fully experienced

Calibration for Assigning Performance Evaluations

The most effective organizations ensure that performance ratings are applied consistently among all employees. A rating of "Exceptional" should mean the same from one team to another, as should "Needs Improvement" – calibration helps insure a consistent application of the performance ratings. One way to help align managers is to hold training sessions or calibration discussions. In a facilitated calibration discussion, managers share their observations and ratings of particular employee performance and the group of managers comes to agreement on the ratings. Calibration serves several purposes: [9]

- Consistent performance ratings across teams and locations
- More objective assessments by preventing performance rating decisions based on biases, opinions, and impressions
- Increased awareness and sharing of talent

Included in a calibration process should be a consideration of the difficulty of the employee's original goals, along with his/her overall performance against those goals. Just as the calibration process helps to level the ratings from varying managers, it will also help to level the ratings for varying difficulty in original goals. Employees and their managers who set lofty goals for themselves should not be penalized in comparison to those who set more conservative expectations.

Note: When using a calibration process, guard against forcing a quota or certain number of employees placed in each performance classification. The purpose is not to fit within a quota, but to align understanding and better equip managers to evaluate performance consistently.

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[8] Ballaro, Beverly "Making Performance Reviews Less Stressful—for Everyone." Harvard Management Update. January 2008. http://hbr.org/product/making-performance-reviews-less-stressful-for-ever/an/U0801A-PDF-ENG.

[9] "Ensuring Consistent Performance Ratings through Calibration Meetings." Corporate Executive Board. April 2003. Catalog No.: CLC1Y2Q70. Corporate Executive Board.

Rewarding Performance

Connecting rewards to performance, or performance-based pay, is intended to motivate employees to perform better and meet established goals. As we've discussed, it requires that clear goals and measures be established at the start of a specified period (e.g., start of the year) and that employees work towards those goals throughout the year.

Note: Pay-for-performance often replaces the historic approach that compensates employees based solely on seniority (the length of time in a position or the organization). Pay based on seniority tends to encourage employees to stay but does not necessarily support the accomplishment of the organization's strategic goals. Consider the saying "you get what you pay for." If you reward for mediocrity, you will get more mediocrity. If you reward seniority over performance, you will get more seniority. If you reward results – not simply effort or attendance – you will get more results.[10]

Refer to the Total Rewards Toolkit for more details about rewarding and motivating employees.

[10] "Beyond Pay for Performance" [webinar]. Human Capital Institute, February 2012. http://www.hci.org/node/1353301 (accessed February 2012).

Summary

High-performing organizations demand a workforce with the talents and skills to accomplish strategic goals – a workforce engaged and actively contributing to the organization's mission and strategic objectives. The performance planning and management process is key to building this aligned and committed workforce. It provides each employee with a 'road map' for personally contributing to the success of the organization.

A strong performance planning and management process starts with setting broad organizational goals and objectives and cascading these down to the various business units and functional teams. These teams then translate their supporting goals and objectives to all team members, where individual performance objectives are developed to support the team's goals.

This process results in *proactive* planning, which is then supported through structured, regular check-ins to confirm progress and identify any course corrections or additional support required. The annual performance evaluations are then simply a summary of all the discussions during the performance period, with no surprises.

By involving employees throughout the process, employees know what is expected, feel connected to the strategic goals of the organization, and receive feedback and praise for their work. In this way organizations can begin to maximize the contributions of all their employees.

This toolkit has outlined a simple approach to performance planning and management that can be implemented together with the human resources team and managers throughout the organization. The tools and examples are here to support you in maximizing the contribution of your employees to achieve your mission and strategic objectives.

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