“Performance Management: Building a Culture of Continuous Improvement”

Adrian B. Guardia PhD, SPHR
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In a knowledge economy, companies with the best talent win. And finding, nurturing, and developing that talent should be one of the most important tasks in a corporation. So why does human resources do such a bad job -- and how can we fix it?

1. HR people aren’t the sharpest tacks in the box.
2. HR pursues efficiency in lieu of value.
3. HR isn’t working for you.
4. The corner office doesn’t get HR (and vice versa)
**Performance Management:** A continuous process of identifying, measuring, developing the performance of individuals & teams. Aligning performance with the strategic goals of the organization. (Aguinis, 2007)

**Organizational Culture:** A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation & internal integration, that has worked well enough to be considered valid & therefore, to be taught to new members as the correct way you perceive, think, and feel in relation to those problems. (Schein, 1992)
Four Questions the CEO Should Ask about the Performance Management System

1. What is the purpose of our PM system?

2. Does our PM process support our company goals & objectives?

3. How can we make sure our system works?

4. Would our PM process survive a legal challenge?

Role of the CEO in Performance Management:

- Model effective performance management w/ the executive team.
- Establish clear expectations of performance management for all staff.

Source: SHRM Foundation, Four Questions the CEO Should Ask About Performance Management
Figure 2. Poor Performance Management Behavior

Figure 3. Effective Performance Management Behavior

Source: SHRM “Building a High-Performance Culture’
Past Attempts to Improve Performance Management

- Change what is rated
  - Objectives, behaviors, results, competencies

- Change the rating scale
  - Differentiated scales, i.e., 1 – 5 or narratives

- Change the rater
  - Supervisors, peers, customers, self

- Change the goals
  - SMART, cascaded, individual, team

Source: SHRM, “Building a High-Performance Culture”
Performance Management: Emerging Trends

Source: Deloitte, “Human Capital Trends 2013”
“While the mission & goals may be the ‘brains’ or rational side of alignment, a company’s cultural values are the ‘heart’ of its long-term success & endurance.”

-- Henry S. Givray, Chairman & CEO, SmithBucklin

“Other things being equal, the greater the total degree of congruence, or fit, among various components, the more effective the organization will be.”

-- Nadler & Tushman, 1997, Competing by Design

Alignment --- the extent to which employees are similarly connected to or have a consistent line sight to the vision and direction of the organization and its customers, encapsulated within its current strategy.

1. Line of sight of employees’ behaviors & results w/ unit, department, & organizational goals.
2. Line of sight to customers’ needs & expectations.
3. Behaviors that are in sync w/ the organization’s brand.
Alignment & Performance Management

Goals/Values/Policies
- Understand company goals & strategy
- Understand dept goals & fit
- Understand how my job supports strategy
- Low vs high value activities
- Clear priorities
- Aligned accountabilities
- Aligned performance metrics

Brand
- Understand brand promise
- Organization living brand promise
- Resources/decisions consistent with brand promise

Customer
- Understand customer expectations
- Performance linked to customer
- Adaptability to customer/market changes

Source: Society for Industrial and Organizational Psychology, “Performance Management”
Strategy Alignment: Strategic Goals

Source: Society for Industrial and Organizational Psychology, “Performance Management”
Alignment: The Strategic Scorecard

**On-Time Performance**
- Actual: 67%
- Target: 75%
  - Person
  - Baggage
  - Safety

**Key Functions That Impact On-Time**
- Gate: Boarding delays
- Ground: Baggage delays
- Maintenance: Maintenance delays
- Scheduling: Crew delays

**Accountabilities**
- Check-in timeliness
- Connections
- Flight documentation
- Boarding process
  - Actual: 37 minutes
  - Target: 25 minutes

**Total cost savings:** $27M
**Customer satisfaction:** +10%
**Customer losses:** −4%
**Operational cost:** $13M

Source: Society for Industrial and Organizational Psychology, “Performance Management”
Business Impact of Low Alignment

- Confusing brand promise
- Many urgent but not important activities
- Non-competitive costs due to low productivity resulting from misdirected activities or talent
- Burn-out – working hard, but not smart
- Overstaffing, to compensate for time lost on low-value activities
- Slow strategy execution
- Low teamwork; high conflict across interdependent units
- Talent loss
- Low customer satisfaction/loyalty

Source: Society for Industrial and Organizational Psychology, “Performance Management”
Performance is about *behavior*. Behaviors are evaluative. Behaviors can be judged as negative, neutral, or positive.

Performance is *multi-dimensional*. Behaviors have the capacity to advance or hinder achievement.
Developing a High Performance Culture

Motivate Change
- Assess current & identify future state

Lay the Foundation
- Eliminate non-value demands
- Introduce new concepts
- Get the ‘right’ people on the ‘bus’

Sustain Behavior
- Provide tools & resources to drive change

Evaluate & Improve
- Hold leaders accountable for continuous improvement

Source: SHRM “Building a High-Performance Culture”
Drivers of High Performance

- Clear, agreed upon vision & strategy
- Translation of vision & strategy into clear, understandable goals & measures.
- Acceptance or passion for vision, strategy, goals among those who are implementing them.
- Clarity regarding individual roles & requirements in supporting strategic goals.
- Sufficient capabilities to deliver the behaviors needed to reach the goals.
- Clear, timely feedback on goal attainment & drivers of those goals.
- Meaningful incentives to encourage employees to develop or deploy capabilities to achieve goals.

Source: SHRM “Building a High-Performance Culture”
The Performance Management System

- Strategic
- Administrative
- Communication
- Developmental
- Organizational Maintenance
- Documentation

Source: Aguinis, 2007
The Performance Management Process

- **Pre-requisites**
  - Mission, Goals, Job Functions
  - KSAs, Behaviors, Results (standards)

- **Performance Planning**
  - Observation, Feedback, Resources, Reinforcement, Documentation

- **Performance Execution**

- **Performance Review**
  - Performance discussion; Feedback, Action Plan, Follow up

- **Performance Assessment**
  - Self appraisal; Discussion

- **Performance Renewal & Re-contracting**
  - Monitor of Action Plan, Progress & Development

Source: Aguinis, 2007
## Traditional vs Behavior Change

### Traditional Training
- Typically manager only
- Primarily on navigating the formal process
- Often disconnected from on-the-job realities
- No accountability for learning or application
- No reinforcement on the job

### Behavior Change
- Training provided for both managers & employees
- Deeper dive, focusing on the knowing/doing gap
- More individualized using assessment results as baseline
- Uncovers underlying fears & attitudes that prevent change
- Accountability for learning & application
- Tools to facilitate change

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Source: SHRM “Building a High-Performance Culture”
Why Do Performance Management Systems Fail?

- Performance management vs. performance appraisal
- Discipline gap
- Accountability
- Measurement scarcity or overload
- Lack of balance (e.g., short vs long term; single vs multiple shareholders)
- Failure to assess impact in helping execute organizational strategy

Source: Society for Industrial and Organizational Psychology, “Performance Management"
Diagnosing the Causes of Counterproductive Work Behavior

- **Individual Contributors**
  - substance abuse; family problems
  - Job

- **Context Contributors**
  - relationships w/ supervisors & co-workers

- **Feelings of Injustice**
  - perception of inequity

- **Job Dissatisfaction**
  - Herzberg’s Hygiene Factors; Maslow’s Hierarchy of Needs

- **Situational Constraints**
  - environmental factors (resources; encouragement)

- **Organizational Climate**
  - respect; expectations focused

- **Discretionary effort**
  - sub-optimization; doing only the minimum

Source: Society for Industrial and Organizational Psychology, “Performance Management”
Key Priorities: Improving Discretionary Effort

- There must be no discretionary or untapped effort by the organization when it comes to recruiting, hiring, and retention.

- Sustained high levels of effort require training, retraining and training again to keep skills sharp.

- Supply the equipment, tools, and resources to support excellence.

- Organizations that demand optimal effort and performance must be willing to share the rewards.

- Work-life balance.

Source: SmartBrief, “Closing the ‘Discretionary Effort ‘Gap”
Dealing with Counter-productive Work Behavior

Non-Punitive Approaches

Alignment  Corrective & Constructive Feedback

Self-Management training for improvement

Positive discipline  Employee Assistance Programs

Punishment

Progressive Discipline  Termination

Source: Society for Industrial and Organizational Psychology, “Performance Management”
Strategies to Improve Performance Management

### Benefits for Managers

**Communicate the big picture**
- Employees contribute more when they understand the big picture.

**Provide ongoing expectations & feedback**
- Managers gain high-quality work from staff more quickly w/ less rework.

**Develop others through experience**
- Managers accomplish more, succeed faster & focus on what they want to do.

### Benefits for Employees

**Communicate the big picture**
- Employees feel more connected & make wiser decisions, increasing engagement & results.

**Provide ongoing expectations & feedback**
- Employees perform better work & feel more confident about their contributions.

**Develop others through experience**
- Employees grow, develop & advance more quickly.

Source: SHRM Foundation, “Building a High-Performance Culture”
Methods for evaluating Performance Management System

- Number of individuals evaluated
- Distribution of performance ratings
- Quality of information
- Quality of performance discussion meeting
- System satisfaction
- Overall cost/benefit ratio
- Unit-level and organization-level performance

Source: Society for Industrial and Organizational Psychology, “Performance Management”
Performance Management Guidelines Based on Case Law

- Evaluate employees on job-related factors.
- Inform employees of expectations & evaluation standards in advance.
- Have a documented process with specified roles for managers & employees.
- Train managers & employees on the performance management process & relevant skills.
- Document justifications for rewards/decisions by managers.
- Provide timely feedback on performance issues.
- Allow employees to formally comment on & appeal evaluations.
- Make sure evaluations used for decision-making are consistent with decisions.

Source: SHRM Foundation, “Building a High-Performance Culture”
Performance Appraisal: Best Practices

- Strategic congruence
- Thoroughness
- Practicality
- Meaningfulness
- Specificity
- Identification of effective & ineffective performance
- Reliability
- Validity
- Acceptability & fairness
- Inclusiveness
- Openness
- Correctability
- Standardization
- Ethicality

Source: Aguinis, 2007
Q & A?