



Performance management in tough times

Take a fresh look at your performance management system as you manage remote employees.

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The performance management system has evolved from documenting bad behavior to a business driver and the way performance management discussions are conducted has dramatically improved. Some organizations proclaim they have eliminated the classic performance appraisal system. But they have just changed the way performance is communicated and the frequency of that communication.

This article traces the evolution of the performance management system, how it has changed and what is needed in a post-pandemic era, particularly with remote employees.

Performance basics

It is helpful to understand the fundamental issues around employee performance, the measures of performance that matter and the ways performance is delivered in work settings. Figure 1 describes the types and levels of performance data generated in the process.

Level	Measurement Focus	Typical Measures
0: Input ↓	Input into the work, including indicators representing resources scope, efficiency and costs.	Access to tools, technology, materials, number of people involved, hours of involvement, budget.
1: Reaction ↓	Reaction to the work, including perceived value of the work.	Relevance, importance, usefulness, fairness, appropriateness, useful motivational, necessity.
2: Learning ↓	Learning to do the job including the confidence to be successful.	Skills, knowledge, capacity, competencies, confidence, contacts.
3: Application and Implementation ↓	The actions taken, use of tools, knowledge, materials and system in the work environment.	Extent of use, task completions, frequency of use, actions completed, success with use, barriers to use, enablers to use.
4: Impact	The consequences of actions, use of the tools, materials, and system expressed as business impact measures of output, quality, cost and time.	Productivity, customers served, revenue, accidents, incidents, quality, errors, cycle times, costs, project completions, efficiency customer satisfaction, employee engagement.

Figure 1. Performance chain of impact

Level 0 is *input* into the work environment. These are the tools, resources and time needed to do the job—the necessary prerequisites for a person to be able to perform the work. The next four levels are outcomes that result from the individual.

Level 1 is *reaction*. Employees must see that their work is important, relevant, necessary—maybe even exciting, motivational or inspiring. This is essential because adverse reaction spells unsatisfactory performance. All involved must make sure the work is designed and communicated properly to obtain the correct reaction.

Level 2 is *learning* to do the work, which may occur primarily on the job, through the experience itself. It can occur through planned training, rotational assignments or coaching. It can also occur in a classroom or online. Either way, the employee must learn to do the job

properly. If there is no learning, or if the learning is inadequate, performance will be unsatisfactory.

Level 3 is *application*, where actions are taken, projects are managed, technology is used, procedures are followed and behaviors are in place. This is what is visible—what others see when people are working. Describing the activity of doing the work is important for remote work. Although executives clearly see this is a necessary step to achieve results, it can go astray through misguided actions or activities.

The key is Level 4, *impact*. Team members are busy, but are they getting results? The impact of each individual's work includes personal productivity (output), the mistakes made along the way (quality), the time it takes to do the work (time) and the costs accumulated in the process (costs). Output, quality, time and costs are the four major categories of impact.

Although these data items roll up to the measures at the top—organizational production, sales, market share, and profits—it all begins at the individual level, driven by the chain of impact detailed in Figure 1. These measures, arranged in a logic chain, are critical for remote employees. They show us the different points where things can break down.

Part of the purpose of a performance management system is to understand what is working and what is not. It's helpful to review how performance management systems are functioning.

Performance management systems need attention

Performance management systems exist in every organization, ranging from loosely organized approaches in smaller firms to detailed, documented and bureaucratic functions in many large companies. Of all the human resources programs designed to improve performance, performance measurement systems stand out as the most disappointing processes.

In far too many organizations, the process doesn't work and is disliked by the employees, who perceive themselves as victims of the process. The first-level managers see themselves doing something that is not necessary and the executives are disappointed with the outcomes.

It is rare to find an organization that is pleased with its performance management system, often subjecting systems to periodic revisions, updates and changes. Unfortunately, changes are often made by examining the old system and making minor, incremental adjustments. A complete change in the system is needed.

Things are improving in this area. Figure 2 shows how performance management systems are shifting. This figure shows the previous approach and the future approach needed. This shift has occurred in some organizations, but unfortunately, most have yet to achieve success here.

Issue	Traditional	New Approach
Executive view	A necessary process	A business driver
Purpose	Documentation, managing poor performance	Performance enhancement
Goals	Rigid and specific	Smart and flexible
Review frequency	Once or twice per year	Frequently
Rewards	Closely guarded, rare	Routine, transparent, based on performance
Design focus	Top down	Bottom up
Documentation	Bureaucratic and extensive	Simplified and flexible
Business alignment	Vague, top-level measures	Specific business measures at the individual level
Evaluation Focus	Measure the process	Specific business measures at the individual level
Preparation	Training for managers	Training for managers, employees, and teams

Figure 2. The performance management shift

The first category is executive view. Too often, executives see this as something that is necessary because everyone else does it. Executives often do not see this as a business driver. However, if the performance management system works, it should be driving the performance of the organization. To achieve high performance, the system must work at its best.

The purpose of the system has been diluted and misguided, morphing it into a documentation process for defending the organization in case there is a challenge. It is perceived as a process for managing poor performance and as a tool for documenting the rationale for pay decisions. It has rarely been perceived to build the performance of the organization, taking average performers to above average performers.

Instead, performance systems often require managers to spend more time with the high performers (documenting why they are high performers) and the low performers (documenting why they are low performers and the actions planned). This does not leave much time for the average performers, where most of the improvement can occur.

In traditional systems, goals were sometimes rigid. When they were set for the year, employees and managers stuck with them. Goals should be flexible. As situations change, the goals are changed.

Goals are too often nonspecific or vague. The new approach should make sure goals are precise, even in terms of application and impact. This is critical for remote employees. The key is to be flexible and smart.

Application

- Eliminate formal follow-up meetings and replace with virtual meetings by May 1.
- Continue to monitor the process with the same schedule previously used.
- Create a procedure by July 1 for clarifying physician orders in crucial situations.
- Use the new skill in every situation for which it was designed.
- Respond to customer inquiries within 15 minutes.

Impact

- Incidents should decrease by 20 percent within the next calendar year.
 - Overtime should be reduced by 20 percent in the third quarter of this year.
 - Sales should rise by 12 percent during the next calendar year.
 - Operating expenses should decrease by 10 percent in the fourth quarter.
 - Transaction errors should decrease by 25 percent in six months.
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Figure 3. Examples of application and impact goals

It's traditional to set goals and review them quarterly, or sometimes only once a year, with little formal feedback in between. The best approach is to have formal review sessions along with more frequent brief sessions about progress and feedback, so it is not merely a once-a-year review.

The rewards and pay increases that come through the system are often closely guarded and rarely communicated within the organization. In more clever systems, rewards and pay increases are more transparent and the pay-for-performance focus of the system is clearly described and reflected in the way it is managed and administered.

The design focus for many systems has been top-down, stemming from executives who want to see it implemented. However, the design of the system should come from the bottom-up, with employees having input into what is feasible and what is fair—understanding these issues makes a system more effective.

The documentation of the performance management system needs to be as simple as possible. Far too many systems are too complex. Documentation should be informative and amendable.

Alignment to key business measures is not clear in many systems, prompting a common complaint, "How does this connect to the business of this organization?" Make sure there is explicit alignment.

As shown in Figure 1, connections can be shown to important business measures that roll up to critical measures in the organization. Alignment allows people to see how they fit in the organization, the difference they make and the contribution they can provide if they are successful with their goals.

The traditional system's evaluation process makes sure each employee follows the process, ensuring all forms are accurately completed in a timely manner and properly stored in the system. Instead, illustrate the contribution of the performance measurement

system, showing top executives there is a positive ROI on the implementation or revision of the system.

Finally, the preparation for the traditional system involves training only the managers. Ideally, the preparation involves training the managers, employees and teams. Though managers still have the key role in the process and make the difference between success and failure, employees need to understand their role as well.

Revitalizing the performance management system

Follow the checklist below to ensure a redesigned and revitalized system that is workable and appropriate for your organization, managers and team members, even those working remotely.

- Identify reasons for previous failures.
- Start over with a blank page.
- Explain importance of performance management.
- Align performance to the business.
- Obtain input from employees and managers.
- Define roles of managers and employees.
- Secure executive commitment and support.
- Secure support and involvement from managers.
- Define/describe performance.
- Define measures and precision.
- Make the process flexible with ongoing expectation.
- Require mutual agreement of performance.
- Document with simplicity in mind.
- Teach managers, teams and employees.
- Make sure its defensible.
- Measure the business contribution of performance management.

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