5 Tips to Effective Performance Management

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Introduction

Performance solutions enable organizations to automate and optimize their performance processes and align employee development and goals with corporate objectives. Organizations that invest in performance solutions cite a number of significant benefits, including:

- Aligning employee goals with the strategies and objectives of the organization and ensuring the employee understands the importance of their contributions to the organizational goals and objectives.

- Ensuring that goals are consistently being met in an effective and efficient manner

- Establishing clearly defined and dynamic career development plans – which can be linked to learning and training – leveraging competencies

- Enabling objective, company-wide workforce measurement, reporting, and analysis, including regulatory compliance, reporting and auditing

This white paper explores five critical steps to ensure that you get the most out of your performance solutions investment.

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Tip #1: Provide Ongoing Feedback and Coaching

Today's workforce expects ongoing feedback and coaching, not just an annual or bi-annual review. Leaders need to encourage continuous interaction between managers and their teams, as well as between peers. Studies have shown that only 55% of employees feel that performance reviews are effective.[1] In addition, recent research points to the need for change as 89% of employees believe their performance would significantly improve if performance management were changed.[2]

Leaders and managers who are skillful at assessing the performance of their people have regular discussions on an informal basis. They do not wait until the annual performance appraisal or the mid-year check-in to communicate performance. Feedback should engage employees in their growth and inspire them to perform better. Ongoing coaching and feedback provide employees an opportunity to focus on their development and build the skills and competencies they need to succeed.

Key questions to consider when implementing continuous performance feedback are:

1. Are the performance solutions you are using flexible enough to support ongoing feedback and coaching? For example, do they provide the ability to document informal conversations between a manager and their employees?

2. Does the performance solution make these conversations actionable by focusing on areas of development that need improvement?

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[1] *"Only 55 Percent Of Employees Feel As Though Performance Management Appraisals Are Effective." Dan Pontefract, Forbes, March 31, 2015.*

[2] *"Is Performance Management Performing?" Deborah Brecher, Johan Eerenstein, Catherine Farley and Tim Good, Accenture Strategy, 2016.*

Tip #2: Link Performance Process to Career Planning & Learning

While the output of the performance process is often a finalized performance review between a manager and his/her direct report, the process should also identify employee skill and competency gaps. Manager feedback, self-assessment and 360 feedback all contribute to creating recommendations for improvement. With these recommendations, employees are better able to identify career development opportunities that focus on improvement in their current role, better prepare them for a future role of interest, or both.

The importance of career mobility cannot be underestimated. According to SHRM, "Employees who believe their employers make effective use of their talents and abilities are overwhelmingly more committed to staying on the job."[3] HR leaders believe that providing career advancement opportunities as well as dedicated career development planning to employees are the two most important mechanisms for retaining high performers.

In order to give employees a chance to close their skills gaps, employers need to make it simple for people to discover, and be delivered, opportunities to learn throughout their day when and where it can have the most impact. With two-thirds of employed adults in the U.S. pursuing job-related learning it's clear that employees are looking for opportunities to grow.[4] Indeed, many organizations are moving closer to linking career development and learning.

A few key questions to consider when linking performance to learning are:

1. Can an employee easily identify their skill and competency gaps?

2. Can learning and learning recommendations be linked to performance?

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[3] *"Developing Employee Career Paths and Ladders." Society for Human Resource Management, July 23, 2015.*

[4] *"Almost two-thirds of employed adults pursue job-related learning." John B. Horrigan, Pew Research Center, March 22, 2016.*

3. Is systems integration effort and cost required to tie all these talent functions together, or do the functions all reside on a common technology platform that natively connects them out of the box?

4. Can you easily run cross-functional reports to identify the impact of career development and learning on employee performance?

Tip #3: Enable Pay-for-Performance to Build a Merit-Based Culture

Programs that align employees' compensation – merit increases, bonuses, long-term incentives – to their performance have proven to be very effective in driving actual performance. Often called pay-for-performance (P4P), the concept is to build a culture of top performers by aligning goals, performance, and rewards across an entire organization. Motivating, rewarding, and retaining top performers is a key business objective for any company that seeks to successfully maintain or exceed growth expectations.

Best-in-class organizations focus on a performance-driven rewards system that compensates individual contributors directly proportionate to what they achieve and what they contribute to the bottom-line. In the U.S., 84% of organizations use variable pay (bonuses and other performance-based compensation).[5] The challenge lies in effectively aligning employee goals with organizational objectives, automating performance processes, and linking them with complex compensation policies or time-based incentive plans at an enterprise level.

P4P and merit-based pay programs – especially those that relate to executives – have received renewed interest lately due to emerging legislative and regulatory compliance pressures.[6] Clearly, there is an opportunity to both espouse the virtues of a merit-based culture while at the same time working toward becoming compliant as new regulations are put into effect.

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[5] *"Salary Budgets Expected to Rise 3% in 2017." Stephen Miller, Society for Human Resource Management, July 27, 2016.*

[6] *"Employers Rethink Pay Practices After Overtime Rule." Stephen Miller, Society for Human Resource Management, May 23, 2016.*

A single, centralized HR platform that natively connects all components for P4P is required because it facilitates cross-functional reporting and eliminates the technical challenge and cost of integrating and managing disparate systems.

The required pre-integrated components for P4P:

1. Performance and Goals: Enables organizations to plan employee efforts in support of organizational goals and strategic initiatives, and to evaluate outcomes, performance and core competencies.

2. Compensation Planning: Simplifies and standardizes the planning, modeling, budgeting, analysis, and execution of global compensation and reward policies.

3. Reporting and Auditing: Provides accessible and secure cross-functional compliance reports and audit trails of all transactions related to compensation and performance. Aggregates key information to facilitate timely decision making.

Tip #4: Create an Individualized Path for Development

Talent is key to competitive differentiation and success. While executives spend approximately $164.2 billion dollars on learning and development programs, many still struggle with enhancing overall effectiveness.[7] With a rapidly changing business environment, workers need to develop and apply the right skills at the right time and in the right way.

Organizations need to do more than train their people with a "one-size fits-all" approach, they need to create a culture of growth where continuous development and learning is embraced, encouraged, accessible and a natural part of the work day. When organizations empower individuals with the capability, support and freedom to create and pursue their own personalized paths for growth and connect them with the right tools and resources, that is when employee engagement and retention and business outcomes improve.

[7] *"7 Ways to Improve Employee Development Programs." Keith Ferrazzi, Harvard Business Review, July 31, 2015.*

A few key questions to consider when identifying a solution to support individualized development:

1. Does the performance solution enable employees to create personal and professional development plans in one place?

2. Can the performance application allow activities to be added to the development plans?

3. Does the performance solution provide tracking of an employee's development progress?

Tip #5: Configure, Don't Customize

In order to keep pace with business, a performance solution must be fully configurable to suit each organization's unique needs. Variables such as goals, competencies, and development activities, as well as the number of steps in a process (i.e., workflow), must be selectable by the organization, division, or even geography.

It is important to understand the differences between configuration and customization because different platforms and technologies tend to favor one approach over the other.

Choose this:

Configuration: Making declarative changes to an application. Configuration entails changing system parameters to affect application change. Configuration is often preferable to customization since it does not jeopardize future upgrades.

Not this:

Customization: Making programmatic changes to an application. Customization is a development-centric exercise that extends an application beyond what it was designed to do. Custom code can be useful but dangerous: it has implications on future upgrades and tends to increase total cost of ownership.

Technology advancements have made a pure configuration approach the preferred option for most organizations. Configuration is achieved through parameter-based utilities and wizards that do not require technical programming expertise, thereby providing customers with flexibility and complete control to configure every aspect of the performance solution, including menus, forms, workflows, look-and-feel, and security. The benefits include lower total cost of ownership as well as more seamless future upgrades.

A few key questions to consider pertaining to configuration:

1. Can non-technical users such as HR administrators leverage configuration tools that do not require technical programming skills or IS/IT involvement?

2. Do the configuration tools enhance the overall flexibility of the performance application by providing very granular configuration options, including changes to menus, forms, workflows, look and feel and security?

3. Do the tools enable rapid deployment of customer-specific requirements and the flexibility to make changes on the fly? For example, how easy is it to create a new performance process or adapt an existing one for use in a new division or geography?

4. Are configurations preserved between performance system upgrades, thereby reducing the time, effort and cost of upgrading to new versions?

Conclusion

Your organization has decided to technology-enable your workforce performance processes, but your journey is just beginning. New business drivers may lead you in one direction, while regulatory compliance issues may mandate another. Getting the most out of your investments will take patience and perseverance. The key is to remain flexible and open to the numerous possibilities and benefits that a systematic performance approach can have on your organization.

As the market leader in talent solutions, SumTotal can help you address your performance challenges and make the most of the latest industry innovations.

Why choose SumTotal?

1. We offer comprehensive talent solutions that features a complete system to help you optimize the entire employee lifecycle.

2. We've taken a different approach to product and technology integration. While everyone else is still talking about product integration, it's a reality with us today. And no one in the industry can match our ability to integrate data with other HR systems; other enterprise systems, like CRM and POS; and even popular third party sites like, salesforce.com and LinkedIn.

3. The SumTotal Talent Expansion® Suite simplifies the growth of organizational capabilities and engages your people with innovative solutions to know, mobilize, develop, promote and reward your workforce.

4. Our talent solutions are completely integrated with learning and workforce solutions.

5. Our professional services teams are committed to your success — before, during and after implementation.

6. We put your people first. We'll help your people be their best.

About SumTotal

SumTotal Systems, LLC, a Skillsoft Company, is the only HR software provider to deliver Talent Expansion™ solutions that help organizations discover, develop and unleash the hidden potential within their workforce. SumTotal goes beyond traditional talent management and HCM applications, offering contextual and pervasive HR solutions that actually help improve employee performance in real time.

More than 3,500 organizations, including some of Fortune's "Best Places to Work," rely on SumTotal's award winning solutions to empower their employees. For more information, visit **www.sumtotalsystems.com.**

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