whitepaper

Common Performance Management Challenges

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Organizations frequently identify one or more of seven elements as the most "challenging" when implementing performance management systems. These are not insurmountable obstacles, but elements that require the greatest attention and work. If not addressed, they can cause the performance management system to fail.

Challenges

1. Measuring/evaluating dimensions
2. Keeping leaders focused
3. Linking job descriptions to performance management
4. Implementing performance management for staff
5. Linking compensation to performance management
6. Matrix management
7. Keeping the system alive

The best way to keep these challenges from undermining a performance management implementation is to meet them head-on. Collected here from extensive DDI consulting experience are actions an organization can take to turn the challenges into opportunities for success.

Measuring/Evaluating Dimensions

Measuring/evaluating performance in dimensions (or competencies) is usually the most difficult part of performance management, and for good reason. Dimensions represent a new level of discussion for most of us. Since we are generally less comfortable discussing and giving feedback on behaviors, and because they are more subjective and less quantifiable than objectives, we tend to avoid this area.

To evaluate performance in dimensions requires collecting performance data. The accuracy of the evaluation is dependent on the quality of the data gathered. Performance data is obtained through observations of behaviors or, less ideally, by inferring behaviors through knowledge of results. An example of the latter might be assessing performance in planning and organizing based on the content of a project plan. As taught in DDI performance management training, the best type of data is a complete behavioral example, or STAR (acronym for Situation/Task, Action, Result). The complete behavioral example is at the heart of evaluating performance in dimensions, and it is important that people understand the behavioral example concept and consistently gather data in this format.

In terms of how much data is needed to accurately assess performance in dimensions, three to four

behavioral examples per dimension are generally adequate. Some behavioral examples are more relevant to the individual's performance plan, and it is the relevance rather than the frequency of observation that determines the accuracy of evaluations. What's needed is an adequate, representative sample, both positive and negative, of the person's key actions/behaviors relevant to each dimension.

The actual evaluation of the data, once gathered, will be subjective. One would not want, for example, to objectively assess performance on how many behavioral examples are obtained; i.e., three behavioral examples equals "met expectations," six equals "exceeded," etc. As explained above, behavioral examples are not all equal; counting the number of examples to determine the dimension rating simply does not produce an accurate evaluation. The leader and the person being evaluated should determine to what degree their data contain examples of actions/behaviors that met, exceeded, or failed to meet expectations. This isn't as difficult, or unreliable, as it may seem in the beginning. The leader and individual being evaluated will make a subjective judgment—from factual data—as to overall performance in the dimension.

Another important element in successfully measuring dimensions is describing appropriate key actions/behaviors in the performance plan. These not only set expectations, they are critical in helping classify behavioral examples into dimensions and then evaluating performance.

Some suggestions for actions that aid in the evaluation/measurement of dimensions:

Provide additional skill building

- Sponsor roundtable discussions where peers can share what works and what doesn't with one another.
- Deliver specific training focused on sub-topics such as dimensions, development planning, self-tracking, or feedback.
- Deliver training on behavior observation, based on assessor training techniques.

Implement Behaviorally Anchored Rating Scales (BARS)

- Provide specific behavioral examples for points on the rating scale to guide evaluators. For more information on BARS and a simplified, DDI version of BARS built on key actions, see DDI's monograph "Using Competencies to Build a Successful Organization" (Byham and Moyer, 1996).

Keeping Leaders Focused

Keeping leaders appropriately focused on performance management can prove difficult. Three important tactics that can make a difference are to (1) keep the topic of performance management constantly "in front" of leaders, (2) keep them involved with the system and its implementation, and (3) make them successful practitioners/models in its use.

Some suggestions to help the implementation/ steering team promote executive focus:

Get on agendas at staff meetings (especially senior management)

- Brief executives on the most common and critical issues surfacing in workshops.
- Share how strategic focus is being addressed in individual plans.
- Facilitate problem-solving sessions to identify solutions for critical issues.
- Communicate upcoming plans for training, new tools, etc.
- Preview bulletins, newsletters, other communications to be released.
- Run mini-refresher sessions on performance management topics.

Provide one-on-one coaching (especially to CEO and other senior management)

- Assist leaders in developing performance plans.
- Help prepare leaders for difficult performance management discussions.

Invite leaders to author performance management articles

Have leaders:

- Attribute organizational success to the performance management system or training.
- Reiterate the importance of performance management to the organization or their department.
- Use the complete behavioral example format (i.e., STAR) to report actions taken by others.

Poll leader opinions

- Periodically ask what leaders think is working or not working about performance management in their organization.
- Report back the findings and planned actions.

Conduct leader refresher training

- Re-deliver specific training units, such as self-tracking, feedback, coaching, or reviewing performance.
- Deliver supplemental training on specific topics, such as on rater accuracy or reviewing performance, in a just-in-time manner a few weeks prior to the start of end-of-cycle performance reviews.
- Have leaders host and/or co-facilitate some of the refresher training sessions. This involvement increases commitment and learning and maintains focus.

Use the performance management system for performance management accountability

- Require all leaders to have at least one objective related to their use of the performance management system, such as completing planning, mid-year and end-of-year review discussions with each employee.

Audit leaders' performance management system use

- Have senior executives randomly select a sampling of completed performance plan/review documents each year and scrutinize the quality of objectives, data gathered, and assessment of performance. Follow-up with the leaders where appropriate to provide coaching.

Linking Job Descriptions to Performance Management

Having direct links between job descriptions and individual performance plans and appraisals is critical in some industries and can have legal implications. For example, in the health care industry, health care providers are audited by the Joint Commission on Accreditation of Healthcare

Organizations (JCAHO) and are required to demonstrate such links in their audits. The most common challenge is keeping job descriptions up to date. Performance plans in a good performance management system will maintain a current view of the expectations and accountabilities for an individual or team. To keep the performance plans and job descriptions in alignment, therefore, it is important to maintain currency in the organization's job descriptions.

Some suggestions for establishing the appropriate linkage:

Refresh the job description
- Eliminate any responsibilities or competencies no longer relevant to the position.
- Update terminology in the job description to reflect that used in the performance plan (i.e., Key Result Areas [KRAs], objectives, dimensions).
- Develop behavioral-based job descriptions.
- Require that job descriptions be reviewed at the beginning of each performance cycle.

Reference the job description to prepare performance plans
- Use tasks listed in the job description to aid in identification of KRAs and objectives.
- Use any competencies defined in the job description to aid in the identification of dimensions.
- Make sure the KRAs cover all major responsibilities outlined in the job description.
- At the senior management level, ensure that the collective KRAs of the senior team support all the organization's critical success factors.

Implementing Performance Management for Staff

Implementing performance management for staff is much the same as implementing the system for managers for most organizations. An issue at the lower levels in some organizations is whether individuals will be held to performance "standards" required of everyone in the same position, or whether individuals have enough latitude in what they do to warrant a say in the content of an individualized performance plan. Where there is virtually no latitude for the employee, the time and energy devoted to the preparation of performance plans may be unnecessary energy. When that is the case, the structure of KRAs, objectives, and dimensions should still be utilized to ensure alignment with organizational strategy; the difference will be that most or all of the individual's performance plan will be mandated.

Some suggestions to make the implementation for staff successful:

Implement use of the new system from the top of the organization down
- Train everyone at the same level in the organization, or at the same level within a unit, before training those at the next lower level. This facilitates the leader's ability to share direction and provide coaching as those reporting to the leader come out of training.

Organize homogeneous training for staff
- To the degree possible, populate training sessions with individuals of similar position and/or function. This will make each training event most effective by promoting questions, discussions, and examples that are of interest to all the participants.

Involve managers in staff training

- Have a member of management open training sessions for staff, espousing the benefits and importance of—and their personal support for—the performance management system. Have them position performance management as the system that "makes our strategic focus come alive."
- Have a member of management in attendance at the end of each staff training session to help address any issues collected.
- Employ members of management to co-deliver staff training with a certified trainer, or certify managers as trainers. Select only leaders who have credibility and respect in the organization.

Provide templates and examples

- Provide employees with several examples of typical KRAs, objectives, and dimensions for specific positions and/or job families.

Mandate performance plan content

- Provide mandated KRAs or objectives, or dimensions, or all three for specific positions where there is little latitude in what the associate does or how performance is measured. The use of mandated content will make the implementation go faster, but be aware that mandates have adverse impact on commitment and on the organization's culture.
- Reduce the negative impact of mandates by employing a representative subset of the affected employee group to help in defining the mandated content.

Linking Compensation to Performance Management

Linking compensation to performance management is a very broad subject; the attempt here is to summarize a few basic suggestions. For additional information on this topic, see the DDI article, "Pay and Performance Management: Making the Relationship Work" (Rogers and Davis, 1997).

Following are some suggestions based on DDI's consulting experience:

Align compensation with performance management

- Make sure the compensation system rewards what is being asked of the individual in the performance management system or, at least, is not in opposition. For example, if accountabilities in the performance plan are focused on quality, then the compensation system should not be rewarding primarily quantity.
- Just like the performance management system, align the compensation system with the organization's cultural and business strategies.

Separate pay and performance review discussions

- When having a performance review discussion, it is best to keep the discussion focused on the individual's performance. Any discussion about pay will draw the focus to pay and dilute the developmental benefits related to the performance discussion.

Link pay to performance

- Use performance data as one element in determining a merit pay increase.
- When communicating a merit pay increase, discuss the performance considerations that

affected the increase. Though it's not a good idea to talk about pay when having a performance discussion, it is desirable to talk about performance when having a pay discussion.

Restructure the compensation system at a different time

- Restructure compensation and performance management systems at different times so as to prevent the perception that they are the same system. Otherwise, when people are unhappy with compensation elements they will blame the performance management system, and vice-versa.
- When there is need to restructure both systems, build a solid performance management system first and change the compensation system later.

Eliminate the overall rating

- Get rid of the overall performance rating in the annual appraisal. Overall ratings tend to "label" and somewhat demean individuals by distilling a whole collection of year-long accomplishments, strengths, and weaknesses into a single number or term.
- Assess and rate performance for each objective and dimension.

Matrix Management and Performance Management

Dual reporting relationships, such as in a matrix organization, offer special challenges with regard to performance management. An individual may report to both a functional and project manager; a person may report to a management team in addition to an individual manager; individuals may not be physically located with their managers; or

teams may report to other teams without individual reporting relationships being defined.

Some suggestions for performance management in matrix-management environments:

One performance plan

- Have each individual maintain one performance plan. The content of the plan should include accountabilities drawn from each of his or her varied reporting relationships, including involvement on cross-functional and other types of teams.
- Structure all the content of the plan as normal (i.e., KRAs, objectives, and dimensions).

Set expectations for self-management

- Employees must be highly self-managing, taking even greater ownership for their performance plan and data. Make this expectation clear up front.
- Re-deliver specific units out of performance management training that teach self-management skills, such as self-tracking, feedback, and coaching.

Gather multiple perspectives

- For the end-of-cycle review, performance data must be gathered from the multiple constituencies involved regarding the individual's performance.
- It is best to have representatives from the various constituencies in attendance at the review discussion or to have each constituency conduct a separate review with the individual on their respective portion.

No overall performance rating

- In a matrix situation, having no overall performance rating significantly simplifies the performance assessment. Each constituency simply assesses the applicable elements of the employee's plan, without further need to rationalize those inputs into one overall rating.

Keeping the System Alive

The greatest challenge for many organizations is keeping the performance management system viable after the first year or two.

A 1995 survey indicated that 44% of 218 companies with performance management systems had changed systems in the previous two years and that another 29% expected to do so. Other studies have shown most organizations replace their system on average every 3–4 years.

It is important to periodically monitor the system, revise portions of it when necessary, and refresh people's interest in the system. Too often, organizations ignore the system and then are faced with completely dismantling it after the system has become woefully out of step with the times, or employees mistrust its use.

Taking most or all the actions outlined in the preceding pages will significantly increase the likelihood that an organization's system will outlive the average.

Some suggestions for keeping the system alive:

Senior management models and reinforces the process

- The single most powerful element for keeping the system alive is keeping senior management visibly using and supporting the system.
- Carry out all the suggestions listed under "Keeping Leaders Focused" above.

Communicate, Communicate

- Create a performance management newsletter or have a regular performance management section in the organization newsletter to share success stories and provide tips.
- Publish a senior leader's performance plan and/or performance review. This demonstrates that senior management uses the system just like everyone else and is an effective way to illustrate well-crafted performance objectives.
- Publish a letter from the CEO attributing organizational successes of the previous year to the performance management system.
- Create a performance management hotline or voice mailbox to gather questions, concerns, and success stories.
- Publish an employee "Bill of Rights" that lists an employee's rights in the performance management process (i.e., the right to be involved in establishing performance objectives, to receive coaching, etc.).
- Organize employee meetings with one-level-up leaders to discuss alignment of performance plans with critical success factors.
- Prepare videos periodically to deliver senior leaders' updates and encouragement on use of the performance management system.

Hold leaders accountable

- Require all leaders to have at least one objective related to their use of the performance management system.
- Hold leaders accountable for monitoring the quality of subordinate leaders' performance plans and reviews with employees.

Evaluate performance management system

- Conduct a survey of the performance management environment to pinpoint areas of strength and weakness. Take appropriate follow-up actions. Re-administer the survey over time to assess progress.
- Evaluate the impact of the system implementation through focus group interviewing.
- Spot check the quality of performance plans/reviews forwarded to Human Resources.
- Have the instructors for leader training coach those leaders attending their respective workshops and inform the leaders that they will check their progress throughout the year. This will generate opportunities for instructors to check the quality of performance plans without the negative connotations of an overt audit.
- Monitor the percent of reviews completed on time.

Align systems

- Align the performance management system with other organizational systems, such as: compensation, selection, career development, succession planning, and training and development. This ensures people are selected, assessed, rewarded, and promoted on the same factors.

Deliver refresher training

- Re-deliver specific training units or deliver supplemental training. Training renews interest, ensures consistency of use and language, and delivers a powerful message about the importance of performance management.

Conclusion

Successful organizations are discovering performance management as a critical business tool, one that plays an important role in translating business strategy into results. Success with performance management doesn't happen automatically, though. It requires work. Those individuals responsible for implementing and maintaining the performance management system must ensure that their management team understands the potential of effective performance management and is committed to its success. With that commitment in place, pursuing the many suggestions in this paper will sustain momentum and secure a successful system implementation.