CONCEPT PAPER

on

Building

A Performance Management Program

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Our Philosophy of Performance Management

At Applied Skills & Knowledge (AS&K), we take a broad view of performance management. At its heart, performance management is about attracting, retaining, and motivating high-performance employees. But to add value to the business, performance management practices must be tightly linked to the firm’s strategy. In this way, performance management contributes to the firm’s financial performance.

There is no single agreed upon definition of performance management. There is no simple set of ‘best practices.’ And, performance management is not a collection of individual components (i.e., training, appraisal, compensation) designed and implemented in isolation from each other. Performance management is a set of building blocks that, when constructed properly, help the business achieve its strategic and financial goals.

The following describes these components and how they contribute to the creation of an effective performance management program.

Competency modeling is a core element in all of the performance management components, as illustrated below.

Building Blocks of Performance Management
Competency modeling contributes to a successful performance management program by:
- Identifying the key competencies required to implement the firm’s strategy and operational goals
- Defining these competencies at the level of observable behaviors and ensuring that these competencies do not look merely like a list of traits (such as adaptability, self-confidence, integrity, personal maturity, and so on)
- Incorporating these competencies and behaviors into all other elements of the firm’s performance management system (such as selection, development, appraisal, and compensation)

A clear strategic focus contributes to a successful performance management program by:
- Ensuring that strategy is clearly articulated and well understood throughout the firm.
- Helping each employee understand how his or her job contributes to firm success

Validated selection systems contribute to a successful performance management program by:
- Identifying job candidates who possess critical and needed competencies.

Goal setting contributes to a successful performance management program by:
- Identifying the expectations of key external and internal customers and linking those expectations to goal setting
- Communicating performance expectations and standards to employees
- Helping employees to participate in setting goals that are linked to organizational performance, team effectiveness, and personal satisfaction

Feedback contributes to a successful performance management program by:
- Creating a culture that provides constructive, ongoing, developmental feedback to all employees
- Providing multisource feedback to employees along with tools to help employees improve in areas identified via the feedback
- Confronting, managing, and remedying poor performance

The training and development organization contributes to a successful performance management program by:
- Delivering training and development for new and experienced employees that enhances critical competencies and behaviors
Providing ongoing opportunities (such as online assessments, third-party assessors, and so on) that enable employees to assess and develop their skills for current and future assignments.

Providing employees with the skills required to work effectively in cross-functional, project, or self-managed teams.

Providing supervisors with the training they need to provide (i) accurate and fair appraisals, and (ii) conduct feedback sessions in a climate of civility and courtesy using a cooperative, problem-solving approach.

**Succession planning contributes to a successful performance management program by:**

- Creating career development systems that identify, prepare, and promote employees whose experience and skills match the demands of higher-level positions.

- Providing executive coaching to key employees develop their skills and manage key transitions.

**The performance appraisal process contributes to a successful performance management program by:**

- Providing fair appraisals that let employees know where they stand and provide useful information that drives employee goal setting and development.

- Creating appraisal processes that enable employees to (i) provide input about their performance (via self-evaluation or discussion with the supervisor), and (ii) challenge or rebut their appraisals (for example, via a panel review by uninvolved managers).

- For employees in team settings, appraising the performance of the team as a unit as well as each employee’s contribution to the team’s performance.

**The reward and compensation system contributes to a successful performance management program by:**

- Providing base compensation plans that retain high-talent employees.

- Linking meaningful levels of incentive pay to employee, team, and organizational performance.

- Ensuring that the compensation of senior-level executives is driven by a balanced scorecard perspective that includes financial, customer, operational, innovation, and employee-focused (for example, learning, retention, satisfaction) metrics.
AS&K Performance Management offerings

At AS&K, we help our clients create performance management processes and tools that directly support implementation of the firm’s strategy. We can assist your organization with creating a Strategically-Focused and High-Impact Performance Management System. The following is the process that we have used successfully with our clients:

1. The first step in developing a performance management system is to identify the key success factors that drive implementation of the firm’s strategy and align them with the competency model(s).

2. Second, we work with your organization to identify the key HR deliverables that are required to ensure successful implementation of the firm’s strategy.

3. Third, we help the firm identify key employee competencies that are required to implement the firm’s strategy. It is crucial to remember that the importance of competency models is defined by their importance to implementing the firm’s strategy. We work with the firm to identify two categories of key competencies and associated behaviors:
   - **Core**
     Competencies and associated behaviors that are fundamental to the success of the firm across all business units and levels
   - **Situation-specific**
     Competencies and associated behaviors that are essential at key points in the firm’s value chain (for example, cross-selling skills required in the branch of a retail bank)

4. Fourth, we review each of the building blocks of the firm’s current performance management system -- Strategic Focus, Competency Models, Selection, Goal Setting, Feedback, Training and Development, Succession Planning, Appraisal, Reward and Compensation. We work with your organization to determine the extent to which each of these building blocks supports the firm’s strategy and to determine whether the building blocks are mutually reinforcing.

5. Fifth, based on this review, we work with your organization to identify the elements of the performance management system that most require attention. We work closely with your organization to redesign these elements of the performance management system.

6. Sixth, we identify key metrics – ‘the vital few’ – that the firm needs to track to determine the impact of its performance management system on key HR deliverables. We work with the firm to track these key metrics and review the results to further refine elements of the performance management system.
AS&K’s team background in Performance Management

We have several members of our staff including Dr. Paul Squires, our President, who have extensive experience in performance management. Paul was Vice President of the training and development division of Assessment Solutions, Inc. (ASI).

He also was head of Microelectronics International University (MEIU) of Lucent Technologies responsible for a single, world-wide manufacturing training and organization development group.

James W. Smither, Ph.D., our Vice President of Research & Development, have written several papers on Performance management. Outlined below are some on his selected papers:

**Selected Papers**


