

Reprinted from February 5 - 18, 2010

Holistic measurement

How to develop a performance management system

Question:

“My company is trying to develop a performance management framework based on a competency model we established several years ago. The process is not going very smoothly. No one seems to agree on how the competencies should be used to develop the performance appraisal instrument. I’m worried we’re going to develop a poor tool that is poorly received by the managers and employees who have to use it. Can you offer any suggestions?”

Answer:

This is a common issue that organizations confront when they try to apply competency frameworks.

The primary concern here is with the “other bottom line” of the organization, its corporate culture. Performance management is a powerful vehicle for offering employees feedback and consequences relative to, “the way we do things around here.”

The lack of attention to corporate culture is a shortfall of many competency models and the way they are applied. All too often, it seems, these models have been developed using some canned package without adequate reference to the unique aspects of the organization in which the model is being deployed. The organization is then left with a vanilla framework that is not much different than the one the company across the street uses.

This does not come close to representing best practice. No, best practice is when the competency model is built and deployed with the corporate culture as a focal point. What kind of company are we trying to build around here? What practices are associated with that approach? What factors can we let people know when they are acting in concert with our expectations?

You might be wondering, what are competencies, anyway? Well, competen-

cies are those characteristics of an individual that underlie performance or behavior at work. Competencies are usually some reflection of knowledge, skills, abilities, and personal attributes (i.e., KSAPs), as referenced below:

- » **Knowledge** (e.g., job knowledge).
- » **Skills** (e.g., critical thinking).
- » **Abilities** (e.g., interpret a financial statement).
- » **Personal attributes** (e.g., styles, personality, values, attitudes, interests, etc.).

In competency-based performance appraisal and management, employee performance can be enhanced by providing feedback on the competencies that have been demonstrated – the competencies can form the foundation of a behaviorally anchored performance appraisal methodology.

For example, in a company that truly emphasizes customer service, “customer orientation” might emerge as a competency. To use it to gauge performance within an appraisal tool, a stratification might be built as follows:

- » **Beginning** - Stays in regular personal contact with key internal and external clients.
- » **Mastering** - Helps the team stay in regular contact with internal and

external clients.

- » **Leading** - Builds/leads appropriate client feedback gathering processes.
- » **Modeling** - Ensures information from client feedback is shared, discussed and acted upon.

Here is a ten-step process by which you can extend your competency model to create a company-specific performance appraisal tool. The particular context in which you operate will dictate which steps are emphasized.

- » **Step 1:** Consider the historical context for performance appraisal and performance management. What has worked well? Why? Not so well? Why? What are the implications of these observations as you envision the competency-based approach?
- » **Step 2:** Consider the amount of responsibility, authority, and accountability that you wish to cover (e.g., organization-wide vs. work-area specific). How broad will the application be?
- » **Step 3:** Consider the major and minor activities and responsibilities relating to the competency model. What are the important things that employees and teams do?
- » **Step 4:** Consider the organization’s life cycle and its current developmental stage. Where is your organization in its “life span?” (e.g., beginning, growing, maintaining, declining, renewing, etc.).
- » **Step 5:** Consider other internal (i.e., the Three P’s – Purpose, Partnership, and Process) and external (i.e., the

Three C's – Customers, Competition, and Change) business factors.

- » **Step 6:** Select the specific individual competencies that are the most relevant to performance appraisal.
- » **Step 7:** Gather additional supporting information from job experts, incumbents, stakeholders, etc.
- » **Step 8:** In light of the data gathered in Step 7, review and tailor the performance appraisal tool.
- » **Step 9:** Assign an importance rating (i.e., a weight) to each of the competencies listed.
- » **Step 10:** Define specific ways in which the competencies may be demonstrated on-the-job.

As you can see, this is a relatively straightforward process. The outcome of such a process is a behaviorally precise tool that managers can use with employees to offer feedback on behavior performance that has been demonstrated and as a basis for goal setting activities, looking ahead.

No matter how solid the performance appraisal tool might be, it is the quality of

the manager-employee interaction that underlies successful performance management. Performance management is not an event that happens once each year. It is a dynamic process that happens each and every day.

Once you have crafted an individual-level performance appraisal tool with which you are comfortable, you need to craft similar tools for the other strata of the organization. For instance, you might consider crafting a team-based tool to evaluate work-area or functional performance and an organization-wide tool (i.e., culture survey) to evaluate aggregate performance.

With these additional tools in place, you will have a comprehensive and systematic performance management framework that is derived from your foundational competency model. ■

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