



Paris Phoenix Group

Case Study: Performance Management System Effectiveness

This is an example of a program evaluation we have used successfully with a large local company over several administrations, and could be implemented in a similar fashion for other companies wanting to learn about the effectiveness of their performance management systems.

Business Context

A large organization with a complex performance management system administered annually to all employees was interested in assessing its effectiveness from three perspectives: (1) the managers who assess employees and conduct the feedback meetings, (2) the employees who write self-reviews and receive feedback, and (3) the Human Resources Business Partners (generalists) who support the program and the managers. The company was interested in several aspects of the process and outcomes including: quality and meaningfulness of the conversations between the manager and employee, overall process satisfaction, timing of the process,

communications about the program, alignment of expectations to outcomes, and feedback about the online tool used to administer the associated compensation portion of the program. Because the performance management system and the expectations and process surrounding it are linked so closely to the organizational culture of the company, it underpins many of the behaviors deeply rooted in the organization. The system had been modified in 2005-2006 underwent an internal evaluation in 2007-2008 in conjunction with other HR program changes. In 2009, the company approached us for assistance in evaluating the annual performance

review portion of the performance management system on a deeper level than the initial internal evaluation, as well as the counterpart system focused on career development, which occurred at the 6-month mark in the business year calendar, 'opposite' the performance management process. Our work with this organization has spanned a three year period, evaluating both parts of the program. Most recently, this organization set out to modify the program again, and sought additional feedback about specific changes.

Background about the System

The performance management system starts at the beginning of the business calendar year, when employees write goals ('Commitments') about the work they anticipate accomplishing in the coming year. These goals are input to an online system where they can be modified at the half-way point (6 months) during a check-in with their manager. The employee can match or align their goals to the goals of their manager, and so on up the chain, theoretically to the CEO. During the annual performance review, the goals are revisited by the employee first, where he/she provides a designation or rating of his/her own performance, and examples or information supporting it. The manager then reviews the document and meets with other

mangers of employees in similar roles in the organization to 'calibrate' their assessment of the employee's performance relative to others. The calibration conversations continue up the hierarchy and are supported by HR Business Partners, who track the conversations, facilitate the meetings, and ensure that managers are being consistent in how they apply the performance criteria to individuals. As the manager assessments are being made, they are input into the online system where managers and HR divide up the available pool of resources according to performance (and potential growth with the company), in the form of merit increases, bonuses, promotions, and stock. After the final ratings of performance and associated financial outcomes are finalized, the manager meets with the employee to have a conversation about his/her performance. The conversation is intended to address the employee's self-assessment, the manager's final assessment, positive and constructive feedback, financial outcomes, and then goals for the next year or a discussion of role/job movement if appropriate. Upcoming training or growth opportunities are identified, and the documentation for the next year begins (aligning goals upward). Additionally, it may also be a time of organizational change, or professional change for the employee, therefore improvement plans, reorganizations, or other talent management conversations may be part of the discussion.

Measuring System Effectiveness

The first program evaluation included three internal surveys to large samples of each stakeholder group of the performance management system. HR Business Partners received questions about the resources and support systems available to them internally, the online tool they used to input performance information, and their perceptions of how managers handled the process. The managers received questions about the resources and support systems available to them internally, the online tool they used to input or edit performance information, and their experience of providing feedback to employees and setting goals for the following year. Employees received questions about the resources and support systems available to them internally, the online tool they used to input their self-assessment and goals, and their perceptions of how managers approached the feedback conversations with them. We used the information from each survey to provide a detailed analysis of the state of the program, from how perceptions aligned with the overall goals of the system, to areas of stakeholder dissatisfaction, and possible enhancements to make the system easier and more effective. We were able to also provide information showing that the rating and associated financial outcomes a respondent received was related to how they perceived specific aspects of the performance management system. This enabled us to be able to make recommendations based on the audience, as well as the widespread potential impact.

Exploring Reactions to Proposed Changes

When the client was anticipating changes in 2010 to the overall program, we worked with them to conduct a series of focus groups with each audience, stratified to ensure participation from all internal business groups. In the focus groups we were able to assess reactions to proposed strategic and philosophical changes in the system (such as adding in the developmental components instead of having them 6 months later), and show them a possible new online experience (based on previous feedback). This information was used in determining which changes might go forward, and which changes might need additional training or change management support from HR if they would be faced with resistance or misunderstanding.



Outcomes

The HR client overseeing the entire performance management system was able to make evidence-based decisions about the aspects of the program related to its effectiveness, track satisfaction with resources over time, add additional support where most needed, and prioritize future changes using stakeholder feedback.

Notes...

This is one example of a multi-year program evaluation, conducted from multiple perspectives due to the complexity of the system and goals of the client. Because many programs or internal systems are unique, we offer customized program evaluations suited to the client's situation. We have also conducted program evaluations on such areas as the effectiveness of internal communications organizations, and the customer satisfaction and effectiveness of a finance and operations organization.

Through customized business solutions, Paris Phoenix Group helps answer complex organizational questions around employee issues. Our consultants focus on understanding how the employee perspective fits into the organizational people system. Each of our customized solutions is founded on a rigorous research approach. This allows us to provide our clients with well-founded and effective solutions to meet their business needs.