

IOMA's Complete Guide to Best Practices in Pay-for-Performance

In Performance Management, Less Is More

If you and your HR team have been burning the midnight oil trying to come up with the greatest number of bells and whistles to put into your performance-management process, stop losing sleep. Instead of developing a complex process, let the philosophy “less is more” be your guide, advises Juan Pablo González, Principal at Axiom Consulting Partners (www.axiomcp.com), a management consulting firm that specializes in “hardwiring” people to business strategy to deliver improved performance and results. González has 20 years of professional experience as a consultant and executive in the field of human resources, and specializes in performance management and measurement and compensation program design. His past positions included consulting practice leader for Mercer Human Resources Consulting and leading the Total Rewards organization for Constellation Energy, a Fortune 200 diversified energy company.

When a performance-management process is too complicated and detailed, it will put managers off, González warns. They will become intimidated or simply put the process on the back burner—permanently. (Further, confusion and inconsistency could reign throughout the organization—even in HR—if the process is too intricate and cumbersome.) Here are his tips on how to create a PM process that fills the bill without boggling the brain:

Focus on the feedback, not the form. “Too often, the forms associated with a performance-management process, such as the ones managers use when evaluating their people, become the focal point of performance management,” González says. Managers obsess over how to fill out the forms, which are often far more complex than they need to be, going on for pages and pages and requiring hours to decipher and fill out.

“What people should be focused on is not the form but on the feedback employees need in order to meet their performance objectives,” González advises. “So instead of laboring over difficult forms, managers should be encouraged to have frequent, meaningful talks with their em-

ployees about how they’re doing, what they’re doing well, and what they need to do differently in order to help the department and the company achieve their performance goals.”

Use a reasonable number of performance objectives. “Fewer is better,” González asserts. “The most critical thing with performance management is to have it be grounded in your business strategy. If employees’ performance goals are not aligned with, and cascaded down from, your business strategy, your performance-management process will become a matter of ‘garbage in, garbage out.’

“Cascading goals are the ‘performance glue’ in the company. They keep performance management focused on those results and skills that will drive success,” González continues. “Start with what the company is trying to accomplish. If one business goal is to ‘drive revenue,’ there are a number of ways that could be done—for example, growing the customer base, increasing the number of purchases, or deepening market penetration. To establish the performance goals, you would map out what drives revenue, and then determine what the functional areas and individuals within the organization would need to do to support those revenue drivers. This tells you what performance goals you should measure and focus on. You might come up with 20 things that need to be done, but each individual won’t have to do all of those 20 things. Map performance metrics back to the specific positions and roles that have the greatest ability to impact each of those goals. Allocate attention appropriately so everyone is focused on the right goals, assessed through relevant metrics.”

For example: Say your organization is a mobile-phone company. You want to improve customer satisfaction. Customer surveys tell you that the most important drivers of customer satisfaction are service reliability, availability of new products, and customer support. “Not every area in the company will be responsible for all of those issues. The engineering department will focus on improving network coverage, and the

finance department will look at capital expenditures that can improve network reliability. The call center will be given the performance goal of improving call handling to address the customer support part of the picture, and employees will be measured and rewarded on how effectively they meet this goal," González explains.

Integrate PM within human resources. "An important but overlooked issue is that functional silos often emerge within HR. For example, there are separate 'owners' for recruitment, development, performance management, and succession planning. What happens is that performance management is too often regarded as a stand-alone process," González says.

Yet it should not be. Performance management works best when it is fully integrated with all HR functions. Otherwise, there is a good chance that different, and perhaps competing, perspectives of what constitutes successful performance could be at work within the separate HR areas. There should be one set of goals that unite hiring, training, development, performance assessment, and the other HR functions. For example, those responsible for hiring should be looking for people with the skills, experience, and competencies that will allow them to achieve the performance goals established for employees through cascading the company's business goals.

Implement technology carefully. "Technology is powerful but it can be a pitfall," González warns. There are a lot of slick software applications that are used for performance management, but if a system is too complex, it can cause dissatisfaction among the managers who have to use it, he points out. "Companies will select the best-of-breed tools on the market, but the organization may not be ready. Then HR may

hear managers saying they're too busy or they don't want to do that."

Keep this in mind: "Another pitfall is that managers may just plug performance data into the system and think they're done with performance management. Technology can make it too easy for managers not to engage in real performance management—which is talking with their employees and providing them with feedback," González stresses.

So HR should impress upon managers that the software is just a tool to allow them to standardize and manage aspects of their performance-management process, but it's not the be-all and end-all of the process.

The bottom line: "Performance management should be about simplicity," González says. "Keep the process about giving and receiving feedback. Set two or three goals and provide plenty of feedback so employees can improve their performance in those areas. If you have only a few very important goals, you'll ensure that those goals are accomplished rather than diffusing people's attention.

"Also, if the process is highly business-based and very straightforward instead of focusing on forms, it will stay at the top of managers' minds, and they'll do it. Don't let your process be a barrier to good performance management. People will procrastinate and the quality of feedback will suffer. Remember, less is more."

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