

pulsecheckHR – Concept Briefing

Performance management in strategic alignment

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What is wrong with appraisals?

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- ❖ Staff appraisals are just a bad process
- ❖ They are acknowledged to suffer from
 - × *A lack of timeliness of message*
 - × *Poor preparation and worse delivery*
 - × *The ability to be both time consuming and yet not meaningful*
 - × *Natural score inflation due to the difficulty in giving corrective messages*
 - × *Weak buy-in to both process and output by the parties involved*
 - × *Missed data due to lack of continuity of manager*
 - × *A lack of relevance with respect to the strategy and goals of the organisation*
- ❖ They are universally disliked by both managers and staff and results are distrusted by senior management
- ❖ They rarely provide meaningful input into compensation or promotion discussions, further creating a sense of disengagement
- ❖ The answer to these weaknesses are often additional (frequently blind) directional appraisals in the hope that adding further complexity will somehow compensate for a poor basic approach, it doesn't
- ❖ Yet they continue to be used across the world as best practice, in spite of these considerable systemic weaknesses

What is performance management?

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- ❖ The only asset a company has that increases in value over time is its staff
- ❖ The difference in output between motivated staff with goals that are aligned to the strategic aims of the business and non-aligned employees lacking motivation is huge
- ❖ However, creating this alignment is extremely hard and measuring performance against it is more-or-less impossible using conventional appraisal systems

The key message is - ***Performance management and staff appraisals are not the same thing***

- ❖ Appraisals are subjective historic records that attempt to summarise an individual's actions over a long timeframe, frequently an entire year. They lack specifics and are necessarily backward looking. They cannot be used to manage performance, all they do is partially record an opinion of what occurred or how someone appeared to behave
- ❖ The gap between this and true performance measurement is enormous. This is why the results of appraisals are rarely (even indirectly) related to reward (either salary or incentive bonus) and hence are widely discredited and/or often ignored
- ❖ Performance management is an active, directive, continual paradigm that can be used to drive results and ideally should be programmatically tied to reward
- ❖ It requires a framework and measurement process that is both aligned to the organisation's strategy and which creates a direct link between the aims of the company and the manner in which the staff are measured and rewarded
- ❖ It also needs to be fast and simple

What is pulsecheckHR?

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- ❖ **pulsecheckHR** is the first new approach to performance management for over 20 years
- ❖ It builds on the following key principles
 - ✓ *A complete view of performance involves assessing three axes representing*
 1. *An objective and measured view of outputs – **Results***
 2. *A subjective view of how this was achieved – **Behaviour***
 3. *A combination view of business inputs - **Objectives***
 - ✓ *Each of these needs to be assessed (where applicable to the role) and combined in order to achieve a rounded performance view*
 - ✓ *The combination of attributes (i.e. Weighting) needs to reflect the strategic goals of the organisation*
 - ✓ *Managers are paid to manage, including both praising exceptional performance and correcting poor performance*
 - ✓ *So, the manager's opinion is important, it's their job to give this feedback*
 - ✓ *But the feedback needs to be timely and regular for be accepted by the employee as meaningful*
 - ✓ *Plus, it needs to be accurate, quick, relatively painless and recorded*
 - ✓ *To achieve this, simple processes are better than complex ones*
- ❖ **pulsecheckHR** combines these requirements within an effective delivery framework through a user interface specifically designed to achieve speed and ease of use

How does it work?

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To be consistent and repeatable, the process needs to be highly structured and tightly defined

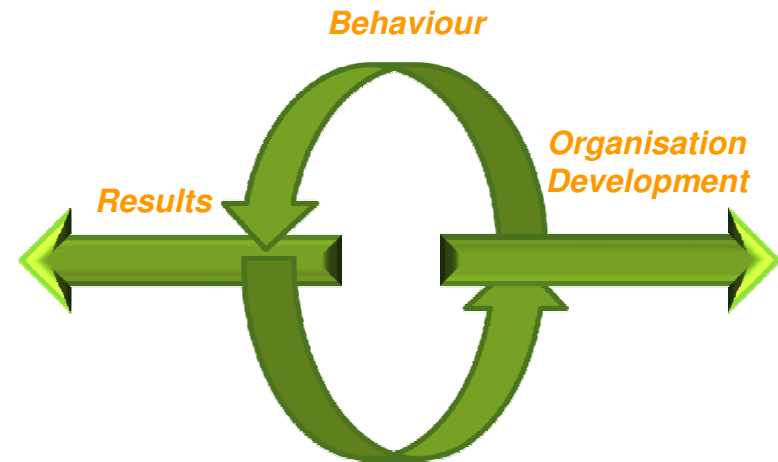
- ❖ Each pulsecheck is for a specific period, normally a calendar month. All comments and the assessment of performance can only relate to actions and results **within that period**. There is no inheritance permitted, either good or bad, from previous periods. This means that each new period provides a fresh start and/or a fresh incentive to do well. This is vital to both correcting behaviour and driving outstanding results
- ❖ Only three measurements may be recorded, one per attribute
 1. **Outstanding**; where the manager was significantly impressed
 2. **Satisfactory**; where the outcome was on target or as expected
 3. **Requires Improvement**; where the manager was disappointed
- ❖ The use of 'Outstanding' or 'Requires Improvement' requires specific written justification
- ❖ The simple combination of these results with the attribute weightings creates an overall result for the period that can be compared across the entire organisation in a uniform manner
- ❖ It also creates a performance trend, both for the individual and also the manager
- ❖ Feedback is given in a 15 minute meeting per period. This meeting is the manager's opinion of the past period, delivered and recorded
- ❖ Where objective attributes are included in the pulsecheck, a forward view for the next period is recorded. This allows continuous management by objectives to be simply incorporated into the performance management process

Why 3-axis assessment®?

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- ❖ For the majority of roles in an organisation, performance and success should be measured in three separate directions:

1. *The results achieved in the period vs. target (numeric). Results may be defined in categories and each category may have a number of specific targets to be met*
2. *The manner in which work was performed, based on the attributes applicable to the role (e.g. teamwork, leadership etc.)*
3. *The achievement of objectives within the period. Objectives may be re-set for the subsequent period, creating a forward view and hence a continuous management paradigm. Objective attributes may have many individual objectives for the period*



- ❖ As scoring of each attribute, irrespective of axis, is the same simple measure, an overall result can be computed that incorporates the emphasis (attribute weighting) agreed for each. This allows both objective and subjective aspects of performance to be added together in a safe and consistent manner that reflects the strategic direction of the role
- ❖ Most appraisal systems focus on behaviours, while individuals are paid by results. This dichotomy undervalues the contribution of qualitative measures towards the overall success of the organisation

Establishing the performance framework

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- ❖ Departments (defined here as functional constructions that may, but are not required to, match the organisational hierarchy of the company) have a set of roles defined for the purposes of performance management. These roles cut across job titles as they combine responsibility with direction. The roles should map to the company's level/grading structure to allow cross-functional reporting
- ❖ Each role within each department will have a set of performance attributes defined (generally no more than 6 per role) from at least two of the three axes
- ❖ The attributes chosen for each role are then weighted to define the performance emphasis for the role
- ❖ The resulting role/attribute matrix is referred to as a performance grid and, once completed, is used to assess the fit of the performance framework to the maturity and strategic goals of the department and hence the organisation as a whole
- ❖ In addition, the staff count in each role is then incorporated to generate what may be termed the *performance vector*[®] for the department plotted on the three axes. Getting this vector right is the key to anchoring performance management to corporate strategy
- ❖ It also acts as a clear and meaningful message cascade to staff. The better your performance fits the weighting of role, the higher your personal score is and more closely aligned your contribution is to the company's goals. Hence, the more you should be rewarded
- ❖ This framework completes the beneficial cycle of personal performance management tied to company results tied to personal reward

Setting performance attributes

- ❖ The table illustrates the pre-built attributes within each axis and typical target and objective sub-sets
- ❖ Other attributes and sub-sets may be added to tune the approach to the organisation
- ❖ However, no individual should be assessed against more than 6 attributes, 5 is better. The greater the number of attributes, the less each is worth, the less meaningful the results become
- ❖ When defining behavioural attributes, it is important to be inclusive of other behavioural aspects

Performance Management Category Listing				
Axis	Attribute	Typical attribute sub-set	Related measurement	Unit of measurement
<i>Results</i>				
	Sales	Lead Generation Order Generation Sales	No of leads Value of orders Sales Value	Count Currency Currency
	Business Performance	Revenue Generation Revenue Management P/L Delivery	Value Value Profit metric (EBIT etc)	Currency Currency Currency
	Financial Control	Purchase Control Expenditure Control Cash/Liquidity Management	% of budget Value Cycle measure	% Currency Period
	Risk Framework Delivery	Specific Risk Management Progress Production Quality Service Levels	Risk measure (no of excesses) Progress measure Unit or volume measure Failure measure % of target	Numeric % Numeric Numeric %
<i>Behaviours</i>				
	Leadership Teamwork Effort Focus Attitude (general catchall) Communication Responsiveness	Qualitative assessment with specific remarks		
<i>Objectives</i>				
	Corporate	Marketing Culture Geography Business Project	Objectives related to corporate strategy cascade Milestone specific	
	Change	Change Delivery Solution Achievement	Culture/behaviour specific Milestone specific Problem specific Task specific	
	Quality	Customer Satisfaction Re-work	Satisfaction measure Failure measure	
	Development	Personal Development Staff Development	Skill milestone specific Score specific	

Tuning the framework

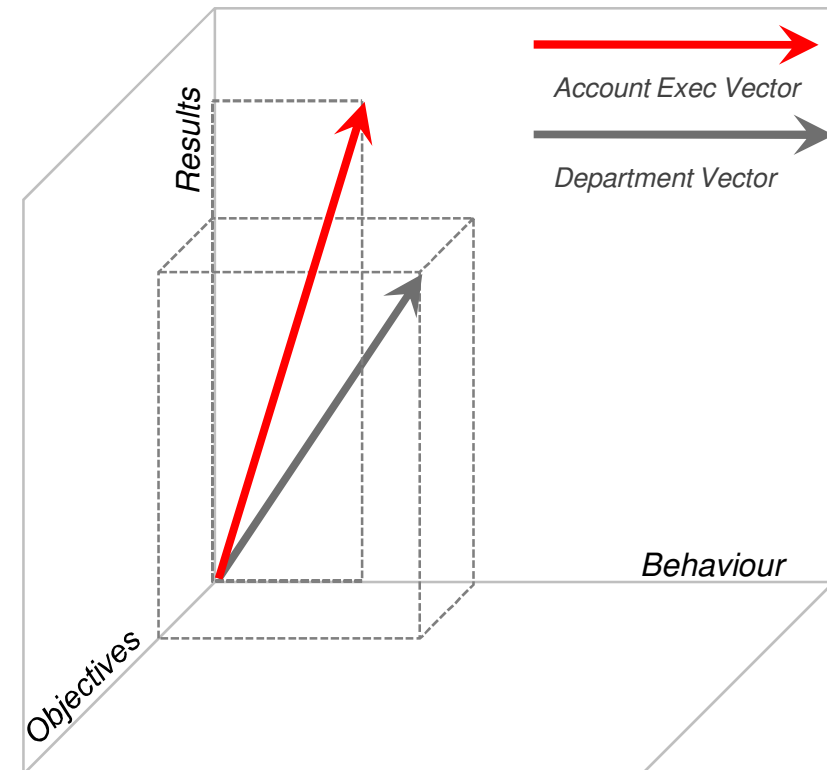
- ❖ In this example, although the balance of the grid has 50% along the behaviour axis, the resulting departmental alignment (its performance vector[®]) has 50% on results.
- ❖ The correct calibration of these grids is key to delivering directional output from an organisation

Sales & Marketing Performance Grid								Strategic Grid Alignment			
Staff Count by Role		1	3	1	3	2	20	3	Total Staff		33
Axis	Attribute	Head of Sales	Regional Sales Manager	Marketing Manager	Product Manager	Pre-Sales Specialist	Account Executive	Marketing Associate	Grid Attribute Spread	Grid Axis Weighting	Performance Vector
Results	Sales		40%				70%		16%	27%	50%
	Business Performance	30%		10%	20%	20%			11%		
Behaviours	Leadership	20%	20%						6%	50%	38%
	Teamwork		10%	20%	20%	20%		10%	11%		
	Attitude	10%		10%	10%	20%	15%	20%	12%		
	Communication	20%	10%	30%	20%	30%	15%	20%	21%		
Objectives	Corporate	20%	20%	30%	30%			30%	19%	23%	11%
	Development					10%		20%	4%		
Check Totals		100%	100%	100%	100%	100%	100%	100%	100%		

Performance vectors®

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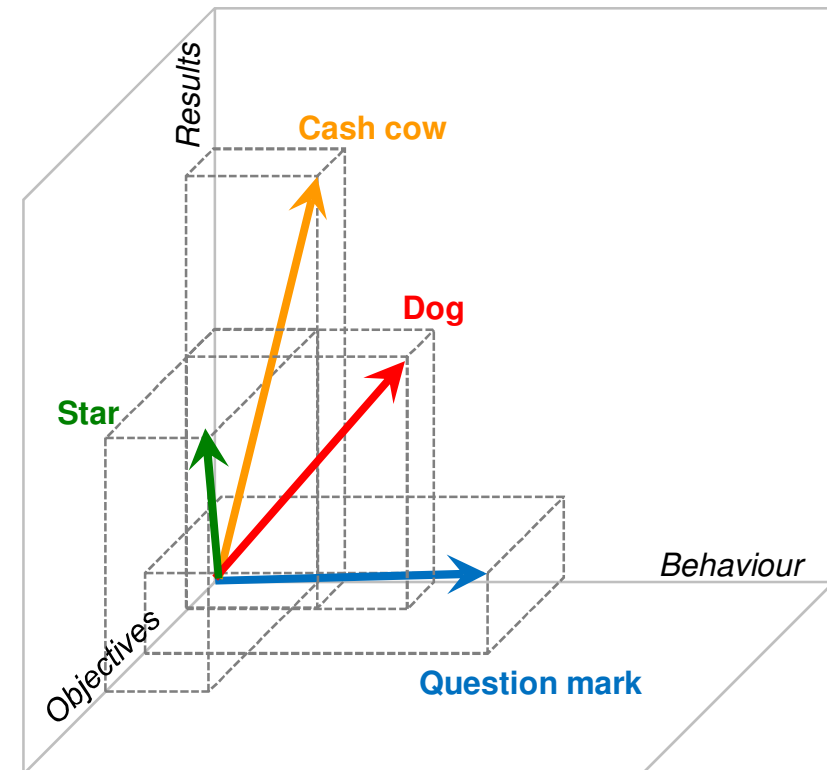
- ❖ The 3-D graph illustrates the difference between the way account executives are measured and the overall balance required from the complete department
- ❖ The emphasis on results is clear for a sales person, but the department also has strategic objectives to deliver
- ❖ If the results component of the department's performance vector® is deemed insufficient, this can be modified by either
 1. *Increasing focus on results at the expense of other axes by role; or*
 2. *Increasing the headcount in a role that has a major results emphasis*
- ❖ Both are valid responses



Tying the performance vector[®] to strategy

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- ❖ The resulting performance vector[®] instantiates the strategy of the department or organisation into the performance management framework
- ❖ In this illustration, four different performance vectors[®] are represented and related to BCG Matrix definitions
 1. *The orange vector represents an organisation that is highly focused on results with little need to manage change and well sorted behaviour sets. This is a vector for a typical 'cash cow'*
 2. *The red vector mixes strong results with behaviours, again with little emphasis on objectives. This might be the best characteristic vector for a 'dog'*
 3. *The green vector has a good mix of results and objectives with little focus on behaviours. This might be a good vector for a 'star' where the management of change is key to maintaining market share in a fast growing market*
 4. *The blue vector represents a profile for an organisation in transition where the focus must be on behaviour and objectives rather than pure results. This might be a typical vector for a 'question mark'*
- ❖ Note, the more compromise that is accepted with these axes, the weaker the vector, the less direction is given



- ❖ The assessments deliver performance data in the following forms:
 1. *A weighted performance score for each employee each month*
 2. *Clear documented examples of outstanding performance, across the organisation*
 3. *The same documentation of areas and individuals that require improvement, by specific example*
 4. *Performance trends by individual and team*
 5. *League tables of the highest (and lowest) scoring persons and team in the company, also grouped by role and level*
 6. *Drill through from team results into individual scores*
 7. *Outstanding and requires improvement counts by individual and team (and hence manager)*
 8. *Behaviour strengths and weaknesses throughout the organisation*
 9. *The assessment vector illustrating alignment of teams to strategy and directly showing which axes require focus*
- ❖ Each of these performance views are delivered within the hierarchic rights of the user. So, the CEO can view the entire organisation with complete drill through transparency
- ❖ All in a rounded manner against the preset performance goals of the organisation
- ❖ This represents an unprecedented level of performance visibility

Elimination of score inflation

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- ❖ Most conventional appraisal systems suffer from gradual score inflation, further undervaluing the process
- ❖ Managers find it hard to deliver corrective messages, especially when the meeting is only once per year. An annual corrective message carries enormous weight and so can be crushing to the employee. They are therefore rarely delivered, even when they are really needed
- ❖ Even a slightly weaker score can easily demotivate (*"I've worked hard all year and got a worse appraisal....."*)
- ❖ Managers traditionally want to encourage, this means a score slightly greater than the previous score. Inflation is inevitable and very hard to counter
- ❖ With **pulsecheckHR** score inflation is eliminated. The result is anchored in a specific period and surrounding specific actions and results. Corrective messages are easy to deliver as they make up a small contribution to the overall annual position
- ❖ And, employees like corrective messages delivered in this way, it helps them raise their game and succeed

- ❖ **pulsecheckHR** is the perfect tool for managing upgrading within a team or department
- ❖ Performance upgrading across a department can be emotionally tough, long-winded and expensive. Managers often do not have the experience to deal effectively with poor performers, either ignoring the situation or attempting short-term resolutions that result in legal action or expensive compromise agreements. *No-one does this well.....*
- ❖ The conventional response to a poor performance situation is to place the individual on a programme of at least 3 months objective-based performance management leading to improvement or dismissal. While this may avoid legal action, it has the following drawbacks:
 1. *The individual will feel (and may in fact be) victimised. This can lead to further legal issues*
 2. *The lack of systematic support for the process makes this time consuming and difficult for the manager. They will inevitably spend a greater proportion of their time during that period managing the poor performer, weakening their ability to manage the successful members of the team*
 3. *It takes a long time to accomplish. During this time the individual under management may be disgruntled and disruptive, especially if they feel they are not expected to improve. This disruption can be hugely damaging and expensive in terms of the output of the team as a whole*
 4. *The focus can itself result in unsustainable short term improvement. If the individual exits the programme successfully they may well revert to type requiring the whole process to be run again*
- ❖ **pulsecheckHR** eliminates all of these drawbacks. Everyone in the team is being measured each month as part of business as usual. No one can feel isolated or victimised. Three months of 'requires improvement' results will directly underpin a case for dismissal if this is viewed as the right course of action

Rewarding outstanding performance

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- ❖ But, the biggest benefit of the approach is the recognition of outstanding performance
- ❖ It is true that financial rewards do not motivate as well as stimulating work and clear recognition. Employees want their efforts to be recognised by the organisation and not taken for granted
- ❖ **pulsecheck**HR achieves this seamlessly as part of normal operation, plus the visibility provided by the hierarchic drill-through means that outstanding performance is visible right up to the CEO, on-line, on demand
- ❖ What senior manager would not want to be able to thank an employee who had been outstanding? The problem is communicating this without appearing sycophantic or upward managing. The visibility created by pulsecheck, combined with a little positive feedback from senior management, directly helps drive the right behaviour. Everyone knows their performance is seen and will be acknowledged
- ❖ It may also easily be tied to bonus and other reward schemes. Either small performance rewards, or annual bonuses can be driven from the data in an equitable and engineered manner. Connecting the results of pulsecheck with annual bonuses effectively places everyone on a continuous earn-as-you achieve programme that makes the results fiscally tangible

Questions?