

Performance Management

How Talent Management Technology Helps Fast-Track and Sustain a High-Performance Culture

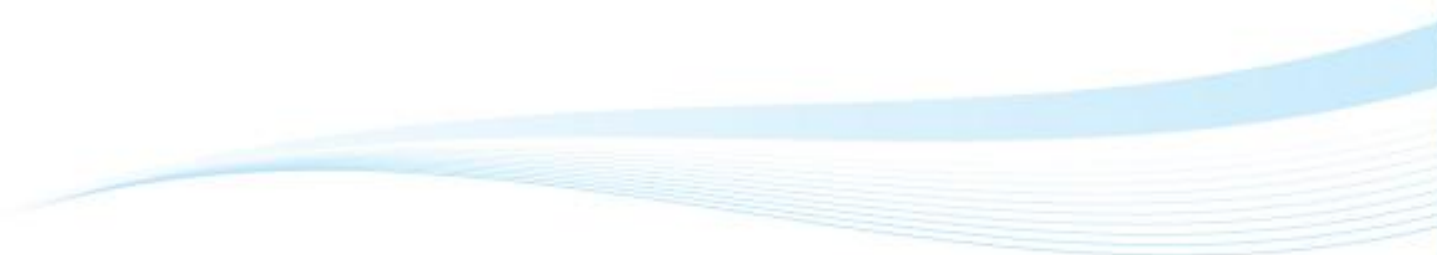


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Executive Summary

From higher employee productivity and morale to better safety records, top-performing companies have long recognized the bottom-line business value of formal performance management. Recently, fundamental changes in the economy have, according to Bersin & Associates, presented organizations with “aggressive growth targets and renewed pressure to do more with less.”¹ In response, virtually every organization is finding that instead of simply *appraising* performance on an annual basis, they must begin to *manage* performance on a daily basis. The goal is goes beyond simply getting employees to do what their managers want them to do: high-performing companies need their employees to do what the *organization* wants them to do. Creating this high-performance culture means helping employees set objectives and develop competencies that align directly with the organization’s strategic needs and vision.

The rewards of using performance management to create a high-performance culture can be substantial. In fact, studies show a clear link between this type of culture and profitability, as well as less need for downsizing and lower turnover.² While the upside is considerable, so are the time, money and effort that can be required to build a high-performance culture. Organizations must make sure their investment will indeed deliver a bottom-line reward.

This whitepaper explores how a high-performance culture can be built most quickly — and with optimum results — by integrating performance management into a larger talent management initiative that includes learning, compensation planning, employee development and succession planning. Through this integration, the high-performance culture can be implemented more efficiently, buy-in can be achieved more quickly and — most important — performance can be aligned with an organization’s *specific* strategic vision and business goals, thereby making the greatest contribution to profitability.

In addition, the paper maps out a five-step process for planning and implementing a performance management initiative. The process includes how to analyze the organization’s “current state,” define what the new high-performance culture will look like within the specific organization, translate those visions, values and strategic goals into consistent competencies and metrics, and then using technology to integrate performance management into a total talent management program that sustains continuous improvement through an ongoing cycle of learning, assessment, rewards and development.

¹ *Building a High-Performance Culture*, Bersin & Associates, August 2009.

² *Seven Steps to Creating a High-Performance Culture*, Gary Lear, Resource Development Systems 2004.

Creating a High-Performance Culture

Characteristics of a High-Performance Culture

The process for developing a high-performance culture starts by defining what “high-performance” means for your specific organization and what drives employee performance within your organization. As a starting point it may be helpful to consider the 12 characteristics Bersin & Associates uses to define a high-performance culture: decisiveness and urgency; a focus on maintaining a competitive edge; direct accountability for results; trust; people empowered to achieve goals; teams; stretch goals; clear commitments and expectations; continuously raising the bar on performance standards; educated risk-taking; rewards based on performance; and a focus on people’s strengths and capabilities.³ Keeping these criteria in mind as you do your own initial assessment (described later in this paper) will help you identify the critical attributes of your own high-performance culture.

The Role of Performance Management

Ultimately, an organization’s culture and performance are determined by its people. That’s why a disciplined performance management program should focus not only on developing and managing critical talent, but on uniting and *motivating* the entire workforce to achieve the organization’s specific strategic and operational goals as well. Organizations that do this well can see significant results, including less downsizing, lower turnover among high performers, and nearly *twice* the revenue per employee as organizations that lack a formal, disciplined performance management program.⁴

In addition, it’s important to implement both performance management and performance *measurement*. The University of California at Berkeley, for example, clarifies the value of using strategic performance metrics in its *Guide to Managing Human Resources*, stating that “through the use of objectives, standards, performance dimensions, and other measures it focuses effort. This helps the department get done what needs to be done and provides a solid rationale for eliminating work that is no longer useful.”⁵

These metrics provide the leadership team with the data to keep performance aligned with strategic objectives. As will be discussed later in this document, metrics also create trust — one of the 12 criteria for establishing a high-performance culture — by making the appraisal and compensation process more consistent and less subjective.

³ *Building a High-Performance Culture*, Bersin & Associates, August 2009.

⁴ *Renewed Focus on Performance Management*, Karen O’Leonard, Bersin & Associates, July 16, 2009.

⁵ *Guide to Managing Human Resources*, University of California at Berkeley, (hrweb.berkeley.edu/GUIDE/performance.htm) July 25, 2008.

The Roles of Talent Management and Technology

While managing and measuring performance are critical, this alone is not enough to create a high-performance culture. It is also necessary to *motivate* high performance, and this is most effectively achieved when performance is tied to compensation. In addition, a formal succession planning strategy makes sure that the *right* high-potential employees are identified for the *right* leadership roles. Employee development plans also play a key role in supporting ongoing improvement within the high-performance culture.

That is why a key success factor in building a high-performance culture is to get the training and compensation teams involved early in the process. In fact, organizations can achieve the greatest ROI — most quickly — when performance management is integrated within a complete talent management suite.

In addition to including performance within a broader talent management context, it's important that the entire system be technology-based rather than manual. The three advantages of this are: automation, integration, and reach. Automation reduces the cost and burden of administering talent management activities, as well as the risk that key activities, employees or data will fall through the cracks. Integration allows information to flow seamlessly across the entire system rather than getting trapped in stand-alone applications for learning or performance management. Further, in an integrated system, the competencies identified as necessary for creating the high-performance culture can be aligned directly with strategic business goals and then used to articulate expectations, identify appropriate learning and development activities, and then measure performance at every stage of the talent management cycle. Reach refers to the vital role technology plays in establishing one consistent high-performance culture for employees at all levels, across all channels, and in all locations.

It takes time to plan, design and implement a good performance management program. With the right technology, however, the project can be fast-tracked *and* accomplished with less risk. The right talent management technology will also prove instrumental in sustaining ROI by supporting employees in attaining continuously more aggressive performance standards, while at the same time building trust among employees who recognize that those higher standards are being fairly, predictably and consistently applied to both individual and team performance enterprise wide.



The Process: How to Build a High-Performance Culture

Step 1: Getting Started

Does your organization view appraisals as a once or twice a year “event?” If so, changing this perception is the first thing that needs to happen. Research shows that when conducted as stand-alone events rather than part of an ongoing process, even the best goal setting and appraisal processes are ineffective in driving a high-performance culture.⁶

Second, building a high-performance culture must start at the top. In their cornerstone book, *Corporate Culture and Performance*, Harvard Business School professors John Kotter and James Heskett remind us that not one single effort at culture change has ever been successful starting at the bottom. Thus, in order to succeed in creating a high-performance culture, the leadership of your organization must not only want the change, but be prepared to invest the time and money in the planning technology needed to support the initiative.

Step 2: Define Where You Are

Before you can set about creating a high-performance culture, you have to define exactly what a high-performance culture looks like for your own specific organization. To do this, it’s important to take a very careful look at where you stand today. This will help you identify the current state of those 12 high-performance criteria mentioned earlier. It will also help you identify what *is* working so you can make sure to carry these attributes forward as you begin to map out competencies and performance drivers.

Here are questions you can use to frame your “current state” examination:

- What performance management processes and tools exist today?
- What competency models (if any) are in place?
- Is performance management currently integrated with other processes (e.g. learning, recruiting, compensation, and succession planning)?
- What challenges exist within the organization (e.g. high turnover, skills/leadership gaps, competitive challenges, etc.)?
- What is the current state of employee morale? Is there an atmosphere of trust and urgency throughout the organization?
- Do employees take appropriate risks, are they directly accountable for results, and are they encouraged to set and achieve stretch goals?
- What does your organization do really well today (e.g. communications, behaviors, knowledge and best practices that contribute to the profitability and competitiveness of your organization)? Organizations that do a good job with goal alignment or competency management, for example, want to ensure that these core strengths are built into the new performance and talent management program.

⁶ *Essential Guide to Performance Management Practices*, Leighanne Levensaler, Bersin & Associates, October 2008.

Step 3: Define Where You Want to Be and Identify Gaps

Before you can develop a high-performance workforce that is aligned with corporate objectives and goals, you must define what those objectives and goals are. Taking the time to do this makes the difference between a performance management *project* and a high-performance *strategy*. Also remember that a high-performance culture is not just focused on HR outcomes, but also business objectives. That's why it is critical to involve the entire business in the planning process, including managers and employees. In particular, the leadership must be actively engaged in articulating strategic business visions, values and milestones so that everything else — from competencies to compensation and learning activities — can be focused on achieving them.

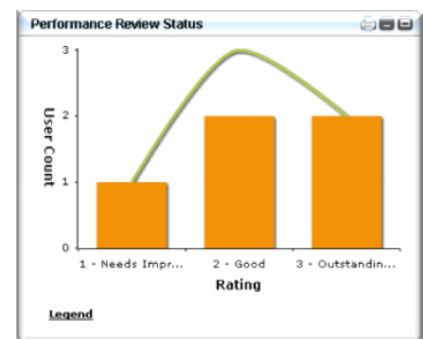
Here are questions to use in defining the “desired state”:

- What are the desired business capabilities and targeted business results?
- What do managers and employees believe needs to change? (Operations, training, processes, level of trust, morale, etc.)
- What types of new jobs, products, people will be needed to stay competitive down the road?
- What is the timeline? Taking the time to examine this is crucial in avoiding the risk of disrupting business operations by trying to implement the new high-performance culture too quickly.

Step 4: The Importance of Measurement and Consistency

It's vital to map out exactly how will you define and measure the return on your investment in building a high-performance culture. One company, for example, brought business leaders back together a year after the performance management system was implemented to go through its ROI metrics and results. Because they had defined these upfront, they were able to demonstrate that the program was indeed lowering HR operating costs, reducing turnover among key personnel, and focusing recruitment and development on filling critical talent needs (including certifications and other competencies). Here starting points for creating good metrics and using them consistently to drive higher performance:

- Define the expected outcomes. Be very specific and, wherever possible, quantify the expectations (e.g. drill down from “profitability” to define specific profitability – raising outcomes, such as cutting recruitment costs).
- Define the competencies that will characterize your own high-performance culture. Again, be specific and break competencies down in terms of specific types of employees such as senior management, leaders, knowledge workers, etc.
- What reporting capabilities will you need to measure the performance of individuals, groups, or the entire enterprise (e.g. trend analysis, gap analysis, facility and cost management reporting, training and performance history, documentation of training, etc.)?



- What performance metrics are required to satisfy business objectives *and* to build employees' buy-in for a fair review process that ties performance to compensation?

Step 5: Alignment and Motivation

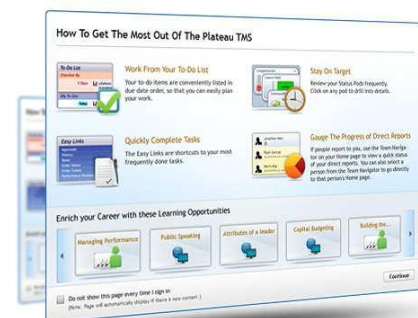
Once you arrive at this point in the planning process, you will have defined the “strategic competencies.” It’s now time to factor in how you will use talent management technology to further align performance management and measurement with strategic business goals to create your high-performance culture. As discussed earlier, creating such a culture — and achieving profitability and competitive gains — relies not just on performance management, but on integrating performance management with compensation, learning and development. So, once you have identified your organization’s “high-performance” competencies (behaviors, knowledge, skills, and best practices), technology’s role is to help you focus *all* talent management activities on helping employees achieve these competencies. Thus, planning should include a system that can deliver and manage all types of talent management activities for all levels of employees across all channels. The system should make it easy for the talent management team to keep content up-to-date and to make any “course corrections” needed to align competencies, job profiles, compensation, or other processes with today’s rapidly changing business needs.

Through such a system, organizations can help *all* employees develop the skills, knowledge and behaviors of top performers. This also gives both employees and management a common language — and objective metrics — to use in keeping recruitment and selection, assessments, learning, career and succession planning, and employee development all aligned with both immediate and long-term retail business goals. Plus, by tying compensation to performance and tying performance to the completion of specific learning activities and mastery of specific competencies, you make employees directly accountable for results. At the same time, you give them greater control over those results which motivates higher performance — which is far more effective than *mandating* high performance.

Best Practices for Planning Your Performance Management Strategy

In addition to the steps mapped out above, there are some overall best practices to keep in mind:

- A. **Implement technology at the enterprise level.** To see the highest return on your investment in a high-performance culture, the talent management technology should be implemented at the enterprise level. This allows the system to serve as a unifier not just for performance management tools and activities, but for all talent management activities. In addition, an enterprise-level talent management system rewards the company with security, economies of scale, flexibility and significant reductions in operational risk as well as cost and burden in terms of administration.
- B. **Eliminate complexity.** Invest in full-featured talent management technology, but do not try to bring all users up to speed on all the features all at once. This can prove overwhelming to manager and cause push-back that can delay and even undermine the establishment and ROI of a high-performance culture. Key functionality is that the system be competency-based, provide responsive reporting capabilities and a single point of access and management. The simpler it is to interact with these features, the faster and smoother it will be to get the culture initiative going.
- C. **Explore Software as a Service (SaaS) vs. creating a custom talent/performance management system.** Purchasing the system, licensing software and handling everything in-house requires drawing on the capital budget and involving IT staff in implementing and sustaining the high-performance culture. Licensing with third-party content providers can also involve a lengthy contracting and renewal process that can affect the talent team's agility in keeping learning and development aligned with strategic business goals. Depending on your budget, IT support and the pace of change within your business, a better option may be the "Software as a Service" (SaaS) model whereby you pay monthly or annual fees to access talent and performance management functionality.
- D. **Use pilots to limit and test process changes.** The high-performance culture should be deployed consistently across the entire organization, but start by implementing process and technology changes within a single business unit, division or user group. This allows you to make any adjustments needed before you begin rolling out changes across the enterprise. The planning you do in steps one through five (described earlier) will go a long way toward assuring a smooth technology rollout — as well as buy-in from the leadership down to front-line employees.
- E. **Communicate!** As you establish new technology, processes and competencies, remember that managing change is as important as managing performance. Make sure you communicate and provide the information and training necessary for employees to understand project goals and strategies as well as how the new culture will support the company *and* their own careers and interests. Otherwise, employees may perceive performance management as a negative and resist buying in to the behaviors and attitude required for a high-performance culture.



Sustaining a High-Performance Culture

Just as performance reviews should not be “one time” events, performance management should be an ongoing process — one that continues to keep the high-performance culture aligned with changes in the workforce, the business, and the competitive environment. Here are considerations to keep in mind as you map out your strategy for sustaining your high-performance culture:

- **Use the talent management system as a communication tool.** In addition to supporting an ongoing assess-reward-develop process, your talent technology solution can be used for internal communications that make it easier for the business secure buy-in and support of the success of new policies, procedures or cultural change. In addition, a system with fully integrated functionality and reporting can provide management with the insights to stay proactive in defining “high-performance” in terms of new behaviors, skills and knowledge needed to meet everything from new revenue goals to new regulatory requirements.
- **Reduce turnover of high performers by pairing performance management with compensation and learning.** Pairing individualized development goals and plans with efficient access to training and certification improves employee satisfaction. Having a clear path to advancement and rewards based on metrics rather than on subjective evaluations is a factor in both retention and recruitment as well. Plus, guiding high-performers into the right career path also makes it easier for employees to perform well while it encourages them to collaborate and innovate in order to enjoy rewards. Research from the Forum for People Performance Management and Measurement reports that this type of “people-centered performance management can pay off handsomely. Companies practicing this approach have seen positive bottom line results, in which value emerges for every constituent.”⁷
- **Use talent management data to do more than track performance.** By integrating a performance management program within a full talent management suite, organizations acquire a wealth of information on employees, including past performance ratings, leadership behaviors, skills, certifications, even career interests. This integrated “talent inventory” can be used not just to track performance, but actually *develop* it within a high-performance culture. It may also be used for strategic succession planning and resource mobilization.
- **Motivate and support employees in achieving ever-higher standards.** By leveraging performance information within your learning system, you can prescribe training that aligns with employees’ profiles *and* with strategic business needs. You can also identify high-potential employees based on their competencies, analyze gaps, and use learning to accelerate their development into the right leadership position. Plus, with compensation tied directly to the achievement of specific competencies, employees are highly motivated to accept and try to achieve stretch goals — a key characteristic of a high-performance culture.

⁷ Press Release: Putting People First Can Keep a Company in the Lead, Says Study from Forum for People Performance Management and Measurement, September 30, 2009 (http://www.performanceforum.org/Press_Room.92.0.html).

- **Use performance management data to support coaching.** Managers and supervisors play a key role in sustaining a high-performance culture. By integrating performance management tools within the broader talent management context, the system can not only provide the learning activities to help managers strengthen their coaching abilities, but also provide them with the information to build the right development plans. Plus, by continuously assessing employees against specific, measurable, competency-based goals, managers are better able to coach, mentor, and *motivate* employees to excel. The ROI can have a significant effect on performance and profitability since research shows that effective coaching more than doubles the likelihood that employees will stay with a company. Recent research, for instance, documents that every dollar invested in a coaching program returns the equivalent of \$2.21 to the company.⁸

⁸ *Measuring the ROI of a Coaching Intervention*, Jack J. Phillips, ROI Institute, October 2007.

Conclusion

Building a high-performance culture is becoming essential as businesses increasingly find themselves having to achieve aggressive revenue goals in a rapidly changing competitive and economic environment. Performance management alone will not create this culture. Instead, performance management must be integrated with performance *measurement* and executed within a broader talent management context that uses learning, development, and succession and compensation planning to drive ever-higher performance.

In mapping the route to a high-performance culture, organizations should:

- Assess where they are now
- Define where they want to be in terms of specific high-performance competencies
- Bridge gaps and identify best practices to carry forward into the new culture
- Integrate measurement and consistency
- Align the culture with attaining strategic business goals, and motivate top performance

Once this planning is done, technology can be implemented at the enterprise level to empower the organization to achieve the desired set of “high-performance” competencies. Metrics can be applied to track, develop and motivate employee performance and to keep all talent management activities aligned with business priorities and changing needs.

While a high-performance culture cannot be built in a day, it can be fast-tracked and sustained by a disciplined performance management strategy integrated into a full talent management system.

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