Business Best Practices

Great Expectations: Performance Management and Development Strategies

Just as a business plan helps a company set its direction and stay on course, a good performance management and development process helps individual employees chart their career paths and stay on track to achieve professional and company goals. Employees are more likely to achieve individual success when "great expectations" are articulated, accountability is assigned, and success is measured.

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As the retirement services profession consolidates, managers are now often wearing several different hats. Finding time to manage and coach employees can be difficult if the manager also carries a significant caseload or has personal sales goals. If the company has a performance management and development strategy in place, the specific processes act as a roadmap to help the manager oversee the staff. Let's review a sample strategy and examine each step in the process.

Job Descriptions

One of the most common complaints from employees is that they lack clear direction and don't know how their roles fit into the bigger picture. When each position at the company has a job description, employees understand how their roles work within the company. The best job descriptions are fluid and change as the requirements of the job change. Ideally, a job description is based on objective information obtained through a job analysis, which takes an in-depth look at the requirements, tasks, and skills needed for a specific position. If your firm does not have job descriptions currently, the managers should work with their direct reports to get initial descriptions written.

At a minimum, a job description should cover four key areas: (1) roles and responsibilities, (2) qualifications, (3) required behaviors and interpersonal skills, and (4) reporting structure. Job descriptions should be designed to set minimum standards of performance and minimum requirements. For example, a senior administrator position might require ASPPA's Qualified 401(k) Administrator (QKA) credential and a consultant position might require ASPPA's Qualified Pension Administrator (QPA) or Certified Pension Consultant (CPC) credential. Job descriptions should also have enough flexibility to avoid the "it's not my job" syndrome and a level of freedom so that employees are comfortable with tasks like helping another team member or making decisions to better serve customers.

Job descriptions should be reviewed at least once a year for accuracy. These descriptions are then an integral part of the employee appraisal process as well as the hiring and job placement process. The descriptions will let the employees know who gives them feedback and how frequently they can expect it.

Goal Setting

When a job description is paired with effective goal setting for an employee, the result is a performance agreement between the manager and the employee that establishes the framework for performance management and reviews. Goal setting defines the performance development plan for the employee, setting targets for the next review period and establishing milestones to be accomplished. The best firms have an employee's goals linked to the manager's goals, which are then linked to the corporate goals.

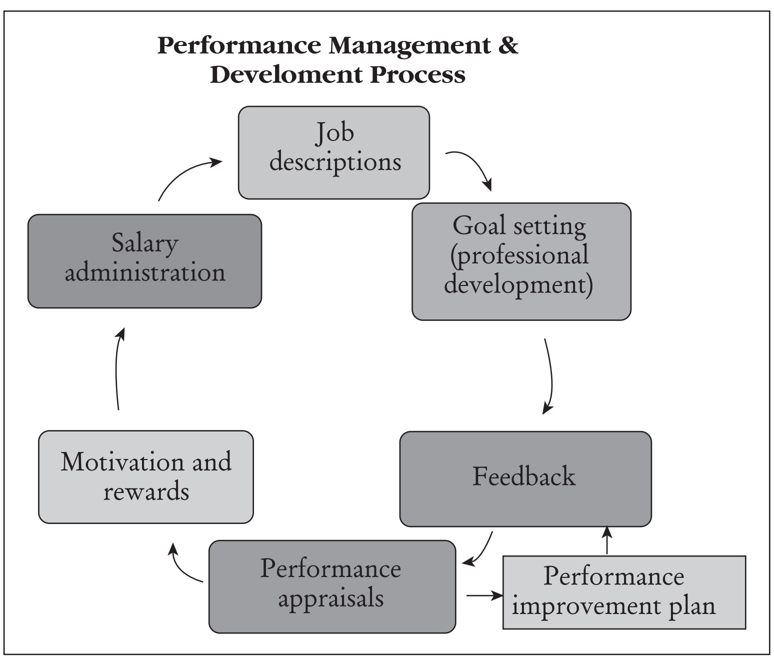
Goals should be easily articulated and achievable. They must also be measurable. In *Great Expectations*, Charles Dickens wrote: "Take nothing on its looks; take everything on evidence. There's no better rule." A goal that can be measured eliminates subjectivity. Many people subscribe to the SMART theory of goal-setting: Specific, Measurable, Attainable, Realistic, and Timely. When setting goals, use action words, such as "coordinate," "organize," or "teach," to describe what should be done. More importantly, indicate *why* the goal is important, what the outcome should be, and the measurement and timing of that outcome. Here's a sample goal for a senior administrator that follows the SMART methodology: "Goal: to teach a one-hour class each week this quarter to raise the technical level of the junior administrators and help prepare them for successful completion of the ASPPA Retirement Fundamentals RPF-1 exam."

Constructive Feedback and Performance Appraisals

Feedback is best when given constructively, frequently, and in small doses—and praise is best when it's specific. "I appreciate how you consistently go out of your way to…" or "It's clear you put a lot of time and thought into this project because…" Some of the best advice was offered years ago in the book, *The One-Minute Manager*: "Try to catch people doing something right." Set high standards and never miss an opportunity to compliment someone on an accomplishment or thank them for hard work. Celebrate successes as a team also. You don't want to hear your employees making the same comment that we heard from an employee of a TPA, "I am never sure day to day if I'm doing a good job. I only get feedback when things get messed up."

For people who are new at managing, sometimes it takes time to get comfortable with giving praise. One tip is to list all of your employees and identify one positive thing that makes them unique. (For example: Mary—people skills; John—responsible; Julie—mental horsepower.) Once you consciously acknowledge their strong points, you are more likely to notice when they do something worthy of praise in those areas.

At least once a year, managers should conduct a more formal performance appraisal to review progress on goals, assess overall performance, and establish goals for the coming year. Since the retirement services profession is comfortable with technology, some firms are turning to software solutions to help with the performance management process. A healthy mix of face-to-face feedback, informal feedback, and feedback through technology can provide a great structure to monitor performance. One popular software product is "SuccessFactors" (www.successfactors.com), which is designed to track and monitor goals, provide ongoing feedback, and assist with performance appraisals. Via the software, goals are monitored by the employee and the manager, and feedback is frequent. One of the advantages of an interactive, Web-based platform is that everything is automatically documented along the way, so there are fewer surprises when it's time for the more formal appraisal process.



An important best practice regarding "performance appraisals" is to separate them from "pay reviews." Otherwise, the review can become more of a salary negotiation than a performance management discussion. Although the two are linked, using frequent feedback mechanisms and/or software tools can help distinguish between the two types of reviews. Effective feedback mechanisms can result in a positive appraisal and positive experience of the employee, even when the firm has a down year where pay bonuses or salary increases are unlikely.

Negative Feedback and Performance Improvement Plans

No one likes to deliver bad news, but the longer we avoid it, the more difficult it becomes. When negative feedback or discipline is necessary, it is important to do it quickly and privately. Speak to one issue at a time and be very direct, and make sure you are addressing behaviors and not personality. Avoid sarcasm and using words like "always" and "never" when explaining what the individual is doing wrong, because these words evoke strong emotions. Use concrete examples.

When a problem arises, first determine whether it is the result of a lack of skill or training or a behavioral or attitude issue. The most common reasons for discipline are mistakes, incidents, and attitude. The type, magnitude, and frequency of issues determine the course of action. Should the employee be closely monitored for a while, or have there been enough issues that a written reprimand or a "Performance Improvement Plan" (PIP) is required? When problems recur after verbal reprimands, an employee should be written up for unsatisfactory performance. Firms should establish a policy regarding how many verbal reprimands can occur before a written reprimand is required. If a PIP is created, make sure it addresses precisely what the unsatisfactory performance (or incident) was, other past related behaviors (trends, past reprimands), what improvement must be made, when reevaluation will occur, and what the consequences are for not improving. Usually, the consequence of a failed PIP is termination, so don't be afraid to let the employee know that. As the book, *9 Things a Leader Must Do* tells us, "Fill the cavity or pull the infected tooth." It is the manager's job to know when to call the dentist!

Motivation, Rewards, and Salary Administration

The best way to determine how to motivate and/or reward employees is to ask them what motivates them! Believe it or not, money is not always the strongest motivator. Especially in today's workplace, where three or four generations are working side-by-side, employees at different stages of their lives have different needs. Although money is important, time and flexibility may be equally as important to some employees. Others may just be happy with frequent feedback, especially if they know that profits are lean due to a tough economy. Some companies set up social committees staffed by employees, provide the committee with a budget, and let them work together to create some of their own motivation. Bob Nelson's book, *1001 Ways to Reward Employees*, is a great resource for ideas.

Regardless of the economy, however, a company should know the value of its employees and pay them fairly. Experienced employees, especially those with industry-related credentials, have a market value in each geographical area, and it is important that managers keep up-to-date on salary ranges. Doing your homework will yield more productive salary review discussions and result in fewer undesired employee exits. Salary reviews usually occur every year, and when tied to objective criteria, there is less opportunity for disagreements. One approach is a rating scale based on performance and accomplishment of goals. For example, a firm can use a scale of 1–5, where 1 is "excellent," 3 is "average," and 5 is "unacceptable." A "3" rating might be a two percent raise, a "2" rating might be a three percent raise, and a "1" might be a five percent raise. A "4" would get no raise, and a "5" would get a PIP or termination.

Conclusion

An effective performance management and development process leads to happy employees, and happy employees yield happy customers. When job descriptions are kept up-to-date and performance goals are monitored, managers and human resource departments can more easily identify skill strengths and gaps and use this information for training and recruiting. When individual employees' goals are closely aligned with a company's strategic goals, everyone will be working on the right things, and the company will be well-positioned to achieve maximum success. ■