nonprofit HR

HR THAT HELPS

Achieving Nonprofit Missions Through Effective Performance Management

A Nonprofit HR White Paper

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Introduction

If your organization is focused on driving results toward the accomplishment of your mission, there are a number of concepts you should take into consideration to develop or improve your performance management program.

Key Issue

Nonprofits are faced with limited resources, including people resources, and therefore, need to more effectively manage those resources in order to achieve their mission.

Key Solution

Organizations must consider whether their current performance management system is effective enough to help achieve their mission. Those organizations that do not currently have such a system need to determine their performance philosophy and develop a system.

Nonprofit HR's Guidance

If your organization is seeking guidance or consultation in the area of performance management, please contact Dennis Sawyers at Nonprofit HR, (202) 785-2060 or via email at dsawyeers@nonprofithr.com.

Introduction

Most managers groan when they are told they must complete performance reviews. Often reviews are seen as one more thing on the "to do" list and are placed at a lower priority than other tasks viewed as more crucial to the success of the organization. The problem with this view is that the organization cannot succeed without effective, well-performing employees. Performance speaks to how employees are engaged in delivering the results required by the organization. Nonprofits will not achieve their mission if their employees are not performing effectively. Smart leaders are the ones who recognize this fact and take this responsibility seriously.

Nonprofit organizations establish strategic goals and plans that align with their mission. In order for employees to play a role in helping meet those goals, they need to understand the link between the work they do and the goals of the organization. Employees also need clear direction, a roadmap of priorities and to be motivated to do their best if they see the organization demonstrating an interest in them. An effective performance management process helps achieve all of these goals.

Organizations must also realize that performance management is not just a once a year task. It is an ongoing cycle, beginning with the development of a position where expectations are outlined. The cycle continues through the orientation process, and includes regular training and development, coaching and mentoring, the annual performance and development review, and the compensation review. Not focusing on performance management year-round throughout this cycle can be detrimental to the organization.

Goals of Performance Management Programs

All stakeholders benefit from a well-conceived performance management program. Each one has its own goals for this process.

For the organization, the overall goal is to improve organizational effectiveness. The organization uses the process to establish, communicate goals and monitor progress toward those goals. They also utilize the process to build stronger work relationships. Organizations should have a plan to identify high and low performers. This aids in organizational planning and determining how to advance the talent pool. The organization should also use the process to link to compensation and rewards decisions.

Supervisors and managers use performance management to develop and improve rapport with employees by providing feedback and discussing expectations, results, and professional development. Strong managers will demonstrate an interest in employees' job satisfaction and development. These managers also determine special talents, skills and capabilities of their direct reports and identify coaching and training needs to address any performance or skill gaps.

The employee's goals for a performance management system include obtaining a clear sense of expectations and an understanding of how they are meeting those expectations. An employee may also use this as an opportunity to have their accomplishments recognized and rewarded. The process provides two-way communication about goals, performance, personal and career development, and, ideally, employees have the opportunity to take ownership for their performance and progress.

Elements of an Effective Performance Management Program

In order to drive results and achieve the organization's mission, employees should be held accountable for their performance. By the same token, supervisors and managers should be held accountable for their ability to direct and motivate that employee towards the achievement of the performance goals. Performance expectations should be clearly stated and understood. They should be measurable and employees should have a clear sense of how their performance will be measured. It is management's responsibility to remove barriers that inhibit performance and to provide the tools and resources necessary to enable performance. It is the employee's responsibility to leverage their skill, knowledge and ability to deliver according to established expectations.

Ensuring that accurate position descriptions are in place is a good first step toward this goal. These descriptions should be reviewed annually and updated as the job changes so that all parties have a clear understanding of expectations.

Goals should be set annually and progress toward the goals reviewed regularly. Goals provide the employee with the "what" of their performance. The needs of an organization may change, so the process needs to be flexible enough to allow for adjustment of the goals as needed. As a rule, goals should be Smart, Measurable, Attainable, Realistic, and Timely ("SMART"). Employees should contribute to goal development and goals should cascade from the organizational plan and annual goals. Employees should be measured against their achievement of their individual goals.

A formal written or online review process, to be conducted at least annually, is recommended. Some organizations are able to do without such a formal review process, however, that path is only recommended for organizations where the culture supports this and feedback is a regular, ongoing and effective process.

Review process development should take into account the culture of the organization and what it values and rewards. Also taken into consideration should be the types of positions in the organization and whether there is a cooperative or competitive environment. It is also important to understand what leadership is looking for in such a program. A helpful tool is to form a staff committee. This helps to get buy-in since HR can work with the committee to discuss their likes and dislikes of the current program, and vet any new ideas.

Most formal review processes rate employees on their performance in different competency areas – the "how" of their performance. These competencies should be chosen to match the values and preferred behaviors of the organization. Rating systems are typically used to give employees an idea of how they are doing relative to each competency area. Generally, performance needs improvement, meets expectations, or exceeds expectations to varying degrees. Each rating should be supported by specific examples of observable behaviors.

Other important elements of formal performance reviews include the opportunity to discuss and document specific accomplishments and employee strengths, as well as areas for improvement and opportunities for job enrichment/personal development. Solutions may include training or mentoring. It is also beneficial to provide an opportunity to address career development goals with the employee.

It is crucial to provide the opportunity for a meaningful discussion. Feedback should occur throughout the year so that there are no surprises at annual review time. When it comes time for annual reviews, supervisors should not just hand an employee a completed form and ask them to sign it. An authentic discussion of the employee's performance should take place between supervisor and employee. It is important that the supervisor listens actively and does not monopolize this conversation. Supervisors should: ensure that the employee clearly understands expectations; put the employee at ease; ask open-ended questions and; agree on follow-up actions and a timetable.

Finally, any performance management system must have senior level support. It may help to share information on best practices and to review past successes and failures. You should also consider the linkage to the other HR processes at the organization and provide a clear overview

of the change management process through a communication plan. The program can be phased in or you may use pilots and then review.

Effective implementation of a new performance management system requires a thoughtful approach that engages all stakeholders. This begins with communication and training, buy-in, and follow-up. The follow-up is crucial and involves driving the process forward through either a pilot or a phase-in program. With that feedback, make final customizations and then institutionalize the system. Once implemented, you should continuously monitor and improve the performance management process.

While the goal of a performance management system is to effectively drive and monitor performance, the organization also needs to ensure proper documentation of performance issues. A properly run performance management program provides back up support when making decisions to promote or deny promotion of an employee. The program should be able to prove to a court in a wrongful discharge case that there have been performance issues, that those issues had been discussed with the employee and the employee was given an opportunity to improve. The program should ensure consistent treatment of employees.

The Importance of Effective Feedback

"Great managers excel at 'holding up the mirror'. They excel to giving performance feedback…whatever their style, whatever their tools of choice, they are all trying to do the same thing: to hold up the mirror so that the employee has a chance to discover a little more about who he is, how he works, and the footprint he leaves on the world."

Buckingham and Coffman in "First Break All the Rules"

A performance management program is only successful if feedback is effectively provided. Feedback is the exchange of information about the status and quality of work products and performance behaviors. It can be used to support, motivate, direct, correct, and regulate work efforts and outcomes. It should be regular, open and honest.

Feedback provides important communication and should be bi-directional. Many performance management systems provide an opportunity not only for supervisors to give feedback to their employees, but for employees to be able to provide feedback on their colleagues and managers

above them. This helps avoid an isolated view of performance by giving a full range of perspective on that performance, in addition to increasing the opportunity for more effective communication.

In managing performance, a supervisor should have the goal of being a coach, not a judge. They should focus on building on the employee's strengths, setting goals, and identifying opportunities for improvement. An effective manager should help the employee to recognize and celebrate achievements, identify problems that keep the employee from meeting goals, and generate solutions to those problems.

Managers should encourage active discussion. Managers should not wait until annual performance review time to mention areas for improvement. They should give feedback regularly and that feedback should be both positive and constructive. A good supervisor will not try to remember everything at the time they must prepare the review. They should keep notes throughout the period.

Feedback should not be vague. The manager should be clear and provide specific examples of the behavior that can be observed, rather than on attitude or personality. Managers should also be careful to avoid rating pitfalls. They may tend to overrate the employee's performance due to personal friendships, shared interests, or a good past record ("halo effect"). They also need to avoid underrating the employee due to disliking their personality, different work methods, or failure to meet impossibly high standards ("horns effect"). Finally, managers should avoid considering only the most recent performance rather than performance throughout the entire review period ("recency effect").

Managers should seek to reinforce positive behaviors. Feedback should not primarily focus on the negative. Often, managers assume that employees know what they are doing right. That is not always the case and many employees crave feedback.

Dealing with Ineffective Performance

Despite the intentions of the best laid out performance management programs, performance problems will occur. Organizations must carefully manage these situations to determine if performance can improve and to ensure treatment consistent with policies and other employees to avoid legal issues.

Managers should seek out possible underlying reasons for the poor performance and ask the

employee what they can do to help him or her maximize performance. They should not make assumptions about why they think the employee is not meeting expectations. Occasionally, working with the employee to accommodate underlying issues can resolve the problem. When it does not, then the manager needs to implement a performance improvement plan.

Performance improvement plans should be developed with the assistance of Human Resources. The plan should outline the performance problem, with specific examples, and identify performance expectations. The manager and employee should work to generate solutions to improve performance and develop a timetable by which improvement must be achieved.

If performance improves, the employee and organization will both be better off. If improvement does not occur, managers should work with Human Resources and/or their employment attorney before making any termination decisions.

Final Considerations

Many nonprofits assume they are effectively managing performance. Because this area is so vital to the success of the organization, nonprofits should regularly revisit their program and determine if the program is achieving the desired results and actually advancing their mission.

Managing employee performance is actually one of the more difficult skills a manager must acquire. Often, organizational leaders assume managers have these skills and know how to do this. They should actually provide managers with training on performance management, coaching and providing feedback.

Nonprofits who see this issue as crucial to their success and ensure that they have a robust performance management system will certainly reap the rewards.