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Performance Management at the City of North St. Paul

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Performance Management Systems

In order to keep employees motivated and fully devoted to their work, organizations must develop techniques to encourage employees to perform at the top of their ability. The purpose of a Performance Management System (PMS) is to examine an employee's responsibilities, competencies, and achievements. A PMS helps maintain and improve every employee's job performance. It involves multiple criteria, including two-way communication between the employee and his or her manager, setting goals, a formal job performance evaluation, as well as implementing rewards and recognition for superior performance (SHRM, 2012). Before a PMS can be implemented, North Saint Paul (NSP) must have several key items or skills in place, which will serve as a foundation upon which to build the PMS and will greatly increase the chances of success:

1. All positions must have a formal, accurate job description. This is imperative because employees and managers must be able to compare an employee's performance to the expectations of the position.

2. NSP must develop core values or organizational competencies (e.g., teamwork, results-oriented, leadership). These values should be interwoven into the culture of NSP and will be instrumental in employee and organizational development.

3. Perhaps most important, communication skills must be developed, especially among department heads and employees. Open, honest, and regular communication between managers and employees is essential. Managers need to interact with employees and develop a relationship where both people feel comfortable having

candid conversations. Managers should meet with each of their direct reports *at least* bi-monthly.

4. In addition to communication, managers need to start giving employees consistent feedback. Effective feedback is timely, constructive, and specific. Additionally, it should include both positive and constructive information based upon what the employee did or did not do (SHRM, 2012).

5. NSP must become goal-oriented. The whole premise of a PMS is setting goals and evaluating progress toward those goals.

6. Senior leaders and managers should participate in some type of formal training, which provides them with a better understanding of the reasons behind why programs are being implemented and sets them up for success when implementing the program with their direct reports.

Importance of a PMS

NSP is going through some significant restructuring, including leadership, culture, and organizational values. Going through any of these changes can be challenging. However, implementing a PMS properly will give NSP leaders and employees the tools to better navigate upcoming change. A PMS will allow NSP to set goals and track progress, as well as promote and reinforce ideal behaviors, values, and competencies that will result in a more positive transformation for the employees and the city. Trying to implement so many changes at once can be extremely confusing and a PMS is one way to describe and lay out expectations.

PMS Overview

The PMS is made up of several components (see Appendix A). First, it will require managers and employees to meet for at least 15 minutes during weekly check-ins, however managers may use discretion. Managers will also be required to evaluate employees through quarterly check-ins. This provides managers and employees numerous opportunities to talk throughout the year. This also enables employees and managers to adjust goals, if necessary, and sustain a continuous process of feedback, instead of relying on a one-time annual event. Finally, an annual formal job evaluation will occur. It is very important that the employees understand that the PMS is used for *employee development only* and has no effect on pay raises or bonuses. This will allow employees to feel more comfortable about being truthful. The design for the PMS we are suggesting is realistic, fair, and will help both managers and employees become more comfortable with having more frequent open, honest discussions about performance.

Recommendations

Goal Setting

In order to measure success, employees must establish objectives, or goals. Goals should reflect personal and organizational values. Both the employee and his or her manager should be involved in developing personal goals for the employee. It is a two-way process. Managers need to understand the organization's core values and expectations and help the employee to develop goals that align with the organization's values. Employees are responsible for creating SMART goals (defined below) that reflect personal objectives, as well as the organization's core values (SHRM, 2012).

Goals may be performance-related, developmental, about a special project, or some combination (Lehigh University, 2012).

SMART goals will be formally developed and documented during the annual job performance evaluation. However, managers and employees should be communicating about goals on a regular basis, and weekly check-ins are a great time for this discussion. Conversations can be informal and led by either the manager or the employee.

Job Performance Evaluation

Managers and employees often associate formal performance evaluations with being unrealistic, uncomfortable, and sometimes unfair (Keyes, 2011). Many think performance evaluations are about forcing managers to fill out an employee evaluation form, identify employee weaknesses, and rank them using some criterion that is not accurately aligned with the employees' jobs (McGregor, 2013). Why do performance evaluations? Performance evaluations provide

employees and managers opportunities to build stronger relationships, to motivate each other to become more successful, and further develop their skills—both strengths and

What are SMART goals?

- **Specific:** What will the goal accomplish? How and why will it be accomplished?
- **Measurable:** How will you measure whether or not the goal was reached?
- **Attainable:** Is it possible? Do you have the required skills and resources to accomplish it?
- **Relevant (and Results):** What is the purpose or benefit of the goal?
- **Timeframe:** What is the completion date?

Examples

- A poor example of a goal: *I will improve my project management skills.*
- An example of an effective SMART goal: *I will improve my project management skills by implementing a monthly newsletter. I will decide on a layout by April 2014 and will publish the first monthly newsletter by June 2014. I will gather input and articles from other employees and distribute the newsletter to each department by the 5th of every month.*

weaknesses. Formal performance evaluations have been misconceived due to the lack of fundamental practice. Performance evaluations are meant to create continuous face-to-face interactions, and research has indicated that employees perform better when they identify with individuals with whom they work (Lockwood, 2010). Human connection is imperative to motivation, high-performance, and leadership. Before requiring managers to use the performance evaluation form, managers should be trained on topics like communication, feedback, and recognition. Training can be accomplished through workshops, role-playing with peers, and/or formal coaching. It is also suggested to refer to the formal performance evaluation by another name, like "Career Development." This is because employees may be resistant to a formal performance evaluation, especially because the word "formal" tends to increase concerns around the actual process and event.

The formal performance evaluation will be an annual event and requires both the manager and employee to fill out the formal evaluation form (see Appendix B) prior to meeting. Both the manager and employee will engage in conversation about the employee's performance over the past year. Each individual will hopefully be on the same page when it comes to the performance of the employee, due to previous discussions held throughout the year.

There are a number of specific recommendations we have for the performance evaluation. A formal, accurate job description will need to be attached to the evaluation form. This will promote conversation between the manager and employee regarding any discrepancies between how well the job description represents their actual job. Additionally, the evaluation needs to align an employee's performance with the

organization's core values and competencies. Each competency will be measured using the following ratings: "Needs Improvement," "Right on Track," and "Beyond the Work." These word-based ratings replace numbers, and this feature is beneficial because, often times, using a number makes it more difficult to explain a behavior (Pulakos, 2004). For example, employees are better able to understand a manager who says, "Your communication skills are "right on track"" versus "Your communications skills are a 7." Utilizing these recommended ratings puts more responsibility on managers for providing a thorough explanation as to why the employee falls within a particular performance level and holds managers accountable for delivering clear feedback to employees. In addition to choosing a rating, managers must also provide at least one specific example of behavior that he or she witnessed during the year, providing further explanation for the rating.

As mentioned previously, the employee and manager will work together to develop SMART goals during the formal performance evaluation. Managers will provide recommendations, feedback, and ensure the employee is developing appropriate goals. Employees should try to incorporate manager feedback into future work, ask questions, and raise any concerns with the manager if he or she feels performance has not been documented fairly or accurately. It is recommended to managers that they focus on improving employee strengths, as opposed to weaknesses. A survey done by Folkman and Zenger (2010) concluded that when employees work on improving strengths, they actually pay attention to the effort they put forth and work feels more like fun. Managers are responsible for observing and documenting successful and unsuccessful behaviors

throughout the year, as well as providing recognition and timely feedback. This will allow a manager to successfully complete the formal evaluation form.

The final recommendation for the performance evaluation is regarding administration. The evaluation should be conducted at the *same time every year* to promote consistency. The manager must make 2 copies of the evaluation form. After the review, the document needs to be signed by the manager and employee. One copy will be given to the employee and the other copy must be put into the employee's file.

Rewards and Recognition

What are Rewards and Recognition?

Rewards and Recognition (R&R) are terms that are often thrown around by senior leaders and managers but it is important to understand what they really mean. Rewards are tangible and transactional items that can be consumed or transferred, like being given a ribbon for one's service. Recognition tends to be intangible and more relational, like verbally acknowledging one's accomplishments (Doepner-Hove, 2014).

Why Implement an R&R Program?

Influencing individuals' behaviors into a desired action can be traced back to the 1930s when the renowned psychologist, B.F. Skinner, coined the phrase "operant conditioning." Operant conditioning is simply "the changing of behavior by the use of reinforcement which is given after the desired response" (Simply Psychology, 2014). Reinforcements, or rewards, are simply items that strengthen a behavior, such as giving an encouraging word to an employee for doing a good job. R&R is the business world's way of using operant conditioning to promote desired behavior among employees:

“Approximately 90% of companies maintain some type of reward and recognition program. The majority of companies use these programs to create a positive work environment, improve employee morale, and motivate high performance. Research suggests that when designed and implemented properly, R&R positively affects an organization’s bottom line” (Corporate Leadership Council, 2006).

Due to the dynamics of the workforce at NSP and all of the changes that will be taking place, we highly recommended implementing an R&R program. Our recommendation is to utilize a simple and inexpensive program model; it is a program, called “Spot Rewards,” used by Yum! Brands. The premise of this program is when an employee sees a co-worker doing something that aligns with the business strategy, the employee recognizes that co-worker.

Spot Rewards Process

Every employee is given one Spot Card each month (designed to company standards). The objective is for employees to incorporate new rules and business strategies into their day-to-day routine and encourage co-workers to fill out a recognition card for the positive behavior they are displaying. The employee filling out the card will write down the behavior they witnessed, describe why it is beneficial to NSP, and then they will have to get the card signed by their manager. After obtaining a signature, the employee will place the card into a box; every submission gives the recognized employee an opportunity to win a prize during a quarterly drawing.

Because public sector employees aren’t able to receive monetary prizes without tax consequences, the actual prizes and rewards will need to be carefully thought

through. But regardless of the prize itself, we recommend that a few small prizes and one big prize be distributed, in order to reward several employees each quarter. You may even want to consider rewarding employees with an extra day of PTO. The more personal you can make your rewards, the more impact they will have; another recommendation is to find out what your workforce values most by having a “My Favorites” suggestion box.

Implementing a formal program, as described above, can have dramatic, positive effects for NSP but may not be enough to sustain the changes over time. The glue that is going to hold the R&R program together is informal recognition. Managers should “praise in public and correct behind closed doors” (Chesley, 2012). Managers need to be sufficiently engaged in their employees’ work life so they can spot changes being made or exceptional work being done and congratulate them in the public workplace, whether it is during a department meeting or walking to lunch. People want recognition for their individual performance, and informal recognition is a great foundation that will create a sustainable culture of appreciation and employee satisfaction. One great way for the city manager to get involved with employee recognition is to spend some time acknowledging individual employees for their accomplishments during meetings. This way, employees get the recognition they are seeking and it sets the bar for what is expected by other employees. Whether the appreciation is formal or informal (i.e., receiving a reward or informal recognition) it will motivate NSP staff to become better employees and will improve their job satisfaction and performance, which is the entire purpose of the PMS.

Before implementing the R&R program, training will need to take place for both employees and managers. Employees need to be trained on how they get rewarded (i.e., appropriate behaviors that can be recognized). It is important to note that what an employee is rewarded for can change, depending on NSP's goals. For example, the first half of the year, employees may be rewarded for showing good change management skills and the second half of the year employees could be rewarded on timeliness of handing in reports. Whichever goals, competencies, and/or values NSP is focusing on is what employees need to be rewarded for. Employees must also understand how to fill out the card correctly and where the card goes. Managers must understand what is expected of them (i.e., they are required to sign the employee's card). The purpose of their signature is to ensure that employees are being recognized for appropriate behaviors. If managers and employees understand how the process works, they are more likely to use it; so take the time to make sure everyone fully understands the R&R program.

While the R&R program is fairly easy to implement, there are a couple of things to keep in mind. First, there will be some administrative work that goes along with running this program and somebody will need to own the work, whether a supervisor takes on more responsibilities, it is given to an intern, or it is given to an HR representative that is hired down the road. Second, not everybody is going to participate in the program. Creativity may be needed to motivate those less inclined to participate. Finally, there may be a few employees that consistently get lots of cards filled out for them but never seem to get their name drawn for a prize, which may result in an attitude that the program is unfair or not worth the commitment. To counteract this, we

recommend that once an employee wins a prize, they are not eligible to win another prize for a certain amount of time (e.g., 6 months). It is important to note that you should not stop giving that employee recognition, only delay their prize-winning ability.

Communication

Communication is extremely crucial for the PMS to work. All employees must remain in the loop. Also, communication is not something that is done once and then forgotten; goal setting, the performance evaluation, and the R&R program need to be talked about consistently. When thinking about all of the communication that needs to take place, there are several key questions that need to be addressed:

1. *How is this going to be communicated?* The initiative has to start with the leadership teams and then be shared with other employees, whether that is through a department meeting, one-on-one, or an all-employee meeting. To make sure the PMS is constantly talked about and gets the attention it needs to be successful, we recommend bringing back the NSP employee newsletter and dedicating a section to highlighting new changes that are being implemented, as well as a section that draws employees' attention to who has been recognized for outstanding performance. In addition, you could list all employees who were nominated for rewards, as well as the employees that won prizes (and what the prizes were).

2. *Why is this initiative important?* All employees need to know why the PMS is being put into place. If employees can see and understand why something new is being implemented, they are more likely to adopt it. Employees will need to be reminded about the changes that the organization is going through and how this new process will reward them for changing.

3. *How does this initiative work?* Leaders and employees have to understand how all of the pieces fit together or they will be less inclined to use it. This is where formal training is imperative. If managers truly understand the process and support it, the organization will have better employee buy-in.

4. *What are the roles of every employee?* This piece goes along with the previous point. All employees have to understand what is expected of them and what part they play in the system. They must have their responsibilities clearly explained to them. For example, for the Spot Rewards, an employee wishing to recognize someone for superior performance must fill out all requirements of the Spot Card, and the accountant (or similar role) must track all paid-out prizes in the expense report.

5. *How do we point out success and progress?* This is a critical step. Measuring success and progress lets the employees know that the organization is serious about the PMS and truly wants to improve job performance, reward employees for their effort, and increase employee satisfaction. If employees see that a particular program is not working, they will not want to participate in it. Giving the PMS a lot of attention will signal to the employees it is worth their effort.

Evaluation

Implementing a PMS is a step in the right direction, however, unless the PMS is serving a purpose, there is no use in having one. It is critical to measure and evaluate the efficiency and effectiveness of the PMS. This includes how well the organization is managing the processes and the level of achievement of organizational goals and objectives. It also allows NSP to identify any concerns related to performance management issues.

Efficiency Measurements: 1) Percentage of managers that complete their performance reviews properly and timely; 2) cycle time (i.e., the duration of time spent conducting performance reviews by the organization); 3) total cost of the PMS; 4) percentage of top performers and key employees receiving performance reviews.

Effectiveness Measurements: 1) Percentage of performance reviews with effective SMART goals and clearly written performance reviews; 2) percentage of managers satisfied with the performance review process; 3) percentage of employees satisfied with the performance review process; 4) percentage of employees who improve their performance after the performance review.

Potential Obstacles and Pitfalls

While we are optimistic about the success of the PMS, there are some pitfalls that should be considered. First, if managers are not trained around how to facilitate discussion and feedback, as well as each individual component of the PMS, it could lead to an unsuccessful implementation. Managers must understand how to communicate clearly and develop relationships with employees. Second, the failure to understand legal ramifications and spread awareness regarding confidential and proprietary performance information could lead to bad practice, which could negatively impact the workforce. Third, scheduling face-to-face interactions could be a challenge due to different work shifts and number of direct reports. Managers need to be aware of the amount of face-time spent with each employee. Meetings should be planned carefully, in order to avoid complaints and perceptions of favoritism or unfairness. Fourth, the workload of documentation and administration for performance evaluation

could be a rising issue if the workforce or workloads increase. Also, paper-based approaches tend to have higher risks of audit and control issues, which increases more work for audit preparation. If there is a way to incorporate the SharePoint site into this process (e.g., housing evaluation forms) it may simplify the PMS. Finally, changes to the PMS should be moderated accordingly, as too much change could lead employees to believe there is still a lack of consistency or standard.

We sincerely hope that our recommendations for implementing this PMS will help you create and reinforce the organizational culture you are striving toward.

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Appendix A

NSP Performance Management System Timeline



← Weekly Employee/Manager Check-Ins →

Monthly Give Spot Rewards Card

Quarterly
Spot Rewards Drawing

Check-Ins on
Performance & Goals

Formal IDP Review

Quarterly
Spot Rewards Drawing

Check-Ins on
Performance & Goals

Formal IDP Review

Quarterly
Spot Rewards Drawing

Check-Ins on
Performance & Goals

Formal IDP Review

Quarterly
Spot Rewards Drawing

Check-Ins on
Performance & Goals

Formal IDP Review

Annually
Formal Job
Performance Evaluation

Appendix B

SAMPLE ANNUAL JOB PERFORMANCE EVALUATION FORM

Employee's Name: _____ Title: _____

Manager's Name: _____ Date: _____

1. Attach a current job description; if applicable, note any significant changes since last year's performance review.
2. Attach last year's performance goals and discuss the employee's progress.
3. If there are *more than 2 discrepancies* between the employee's self-evaluation and manager's evaluation, attach the employee's self-evaluation.

Performance Competencies

Circle the box that accurately represents the employee's performance.

COMMUNICATION (EXAMPLE)

Needs Work	On Target	Going Above & Beyond
Even with guidance, fails to connect with coworkers and customers.	Connects with coworkers and customers.	Establishes high-quality relationships with coworkers and customers.
Does not actively listen nor effectively share information.	Actively listens and effectively shares information. Clarification is rarely needed.	Actively listens and shares clear information. No clarification is needed.
Does not demonstrate effective oral and written communication skills.	Demonstrates effective oral and written communication.	Independently adapts oral and written communication style.

Examples:

COMPETENCY/CORE VALUE 2

Needs Work	On Target	Going Above & Beyond
<performance measures here>	<performance measures here>	<performance measures here>

Examples:

COMPETENCY/CORE VALUE 3

Needs Work	On Target	Going Above & Beyond
<performance measures here>	<performance measures here>	<performance measures here>

Examples:

SMART Goals

The employee and manager work together to create 2-3 SMART goals that can be accomplished over the next year.

1.

2.

3.

Additional Comments:

Signatures

Employee: _____ **Date:** _____

My signature indicates that I have received a copy of this review.

Manager: _____ **Date:** _____

The employee being reviewed is to receive a copy of the completed form and one copy shall be placed in the personnel file.