



The 10 Key Steps in Developing an Effective Performance Management Strategy



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The Economist magazine recently pointed out that “Over the next few years companies may well come to reassess the value of their HR operations and decide that workforce planning and performance management have become sources of competitive advantage...”

Some would say that's already the case. In January, while delivering the state of the city address, the mayor of Baltimore credited a performance-management system for helping to turn around a broken city school system that teetered on the edge of bankruptcy.

In another example, a major global, U.K.-based financial institution faced a serious challenge when it realized it had no well-crafted scheme for replacing its chief executive. That need drove the employer to craft a performance management plan that dubs 200 people across the company as potential successors to the chief executive. With the exception of the chief executive and his top lieutenants in HR, nobody inside the company, including the 200, know who's being groomed for the job of leading the firm. Possibly one of the most unique of its kind anywhere in the world, this program is developing talent to meet a well-defined goal.

So how does one make a performance management program a source of competitive advantage? Here are the 10 steps I've found to developing an effective performance management strategy.

The 10 Key Steps in developing an effective performance management strategy:

- 1. Define what's driving the need for a performance management solution.** Like the financial institution mentioned above, is the goal of the program to put in place a succession plan? Is it turning around a poorly performing institution such as the case in Baltimore?
- 2. Determine your strategy for moving forward.** For example, when Boeing realized that it was losing ground to chief rival Airbus, the Chicago-based company looked at the way its employees were organized. It saw that beating Airbus meant Boeing would have to tap its extended enterprise strategic partners outside the company, in the same way that Airbus did. Boeing's self-examination led to its strategy.
- 3. Align your business units with your strategy.** In banking, mergers and acquisitions happen at a frenetic pace. If your company has many business units, and some of these are the result of newly acquired entities, then alignment becomes critical.
- 4. Agree on what kind of people you have in the company and what kind of people you need.** Don't take it for granted that you know your employees' skill sets. A discussion with five different managers about an employee will lead to five different opinions about his or her capabilities.
- 5. Evaluate employees on consistent criteria.** If the rules by which you measure success change, then you'll never establish a baseline for employee performance. And if you don't have that, you can't measure progress.
- 6. Close the loop and give workers a sense of how they fit into the company's strategy, or don't.** Create an open line of communication about the performance management framework you've built. If you have a company intranet, use its home page to discuss progress and strategy. If your workforce doesn't have access to computers, consider a direct-mail campaign that highlights progress. Schedule time with your direct reports to explain to them how their individual contributions are affecting a goal of, say, increased sales or improved customer service.
- 7. Give employees an opportunity for career growth.** Once you've crafted your strategy, aligned your business units and begun communicating goals to workers, think about the opportunities this creates. As workers get excited about knowing the company's overall strategy and their part in it, they'll want to know what they can do to advance themselves professionally. Chart a path for workers to use to assume the roles and responsibilities of the people they work for. Build their confidence with developmental opportunities.

- 8. Link workers' skills to the job roles.** Look at not only the level of skill your employees and managers possess but also the type of skills they have. For instance, you may have a very competent accountant in your company who also possesses fine writing skills. With an understanding of both finance and writing, she might make an excellent addition to an investor relations department.
- 9. Encourage people to behave in a way that will carry the company's goals forward.** Training will teach people the skills they need, but it won't change behavior. That happens when leaders within an organization show that they believe in a performance management framework and they live it themselves.
- 10. Identify gaps and monitor these over time.** Identify ways to coach and mentor. And create a sense of accountability across your employees. Change unsettles many people, but you can mitigate that uneasiness by putting in place a strategy that demands that managers become engaged in the development of their charges. Make your managers mentors, not disciplinarians. When performance gaps arise, see this as a chance to build a stronger team, and not chastise someone for a shortcoming.

Whether speaking of the aforementioned financial institution, Boeing or the City of Baltimore, each employer put in place some (or all) of the 10 key steps outlined here. If you draw on these as your guideline, too, you'll likely boost the level of performance across your company and reach your goals.

To learn how SumTotal Systems can support your performance management strategy to drive business results, call **1-866-SMTOTAL (866-768-6825)**.

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