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BUILDING A PERFORMANCE MANAGEMENT PROCESS FROM SCRATCH

THE ULTIMATE GUIDE

*Regardless of the size of your organization, a practical performance management process will have a transformational impact on your organization and its employees. It stands to improve employee engagement, workforce productivity, profitability, and even boost the **enterprise agility** [1] needed to outmaneuver competitors.*

But where do you start? How do you build a performance management process from the ground up?

[1] https://www.mckinsey.com/business-functions/ organization/our-insights/enterprise-agility-buzz-or- business-impact

 In this guide, you'll learn:

- *The best practices to implement for a smooth pilot of your performance management program*

- *How to navigate your way through the key stages of setting up a performance management process*

- *The simple steps and tools needed to tailor your performance management program around the unique needs of your organization*

- *How to use workplace technology to automate the process and align employee learning and development with your organization's objectives*

START WITH YOUR ORGANIZATION'S OBJECTIVES

Before planning your performance management process and determining the steps you'll need to take, prioritize your organization's key mission and vision and how employees influence them.

This is a critical first step because working towards all-important day-to-day goals—such as increasing sales or achieving faster customer response times— isn't as motivating or effective without the guiding context of the organization's wider vision.

ORGANIZATION'S VISION
To become Canada's most trusted source of political news

EDITORIAL TEAM'S VISION
To produce well-researched, verified news stories faster than our competitors

MARKETING TEAM'S VISION
To position the organization as trustworthy and to secure coverage in trusted publications

JOURNALIST'S VISION
To write compelling, unbiased stories based on reliable data

PHOTOGRAPHER'S VISION
To provide ethically sourced photos that add genuine value to news stories

When a company and its employees align, motivation builds and everyone understands the part they play in the organization's success. This not only imbues a strong sense of purpose in the everyday lives of employees but also doubles as an effective indicator of your organization's progress and how employees drive progress.

For example, if an editorial executive understands that their personal work goal— to help the public find certain news stories— underpins their organization's vision to become the country's most-trusted source of political news, this context will help them better understand their role and provide a motivating vision to work towards.

For managers, both the personal work objective of the employee and the organization's vision paint a picture of the executive's strengths, weaknesses, overall performance and potential areas of improvement.

A subsequent performance review, for example, might reveal that the company's news stories aren't getting found on search engines and receive fewer views. This insight then prompts a manager to assign the executive with training on SEO to help attract more readers, and as a

result, aids the company's mission of being a coveted and credible source of political news.

Communicating a vision and mission that are compelling, practical and that align with employee responsibilities means consulting your CEO and senior management. Ask the following questions:

- *What is the organization's primary purpose?*
- *What are its core values?*
- *What objectives are to be accomplished over the longer term?*
- *Which departments/teams have the most influence on these objectives?*

Once answered and conceptualized, these questions allow C-suite executives, management and HR staff to translate an abstract vision into something tangible and motivating for team members.

TAILOR PERFORMANCE MANAGEMENT TO YOUR ORGANIZATION

Once you have a unifying mission to motivate and measure the performance of employees, it's time to configure a performance management program that fits your unique needs using these five simple steps:
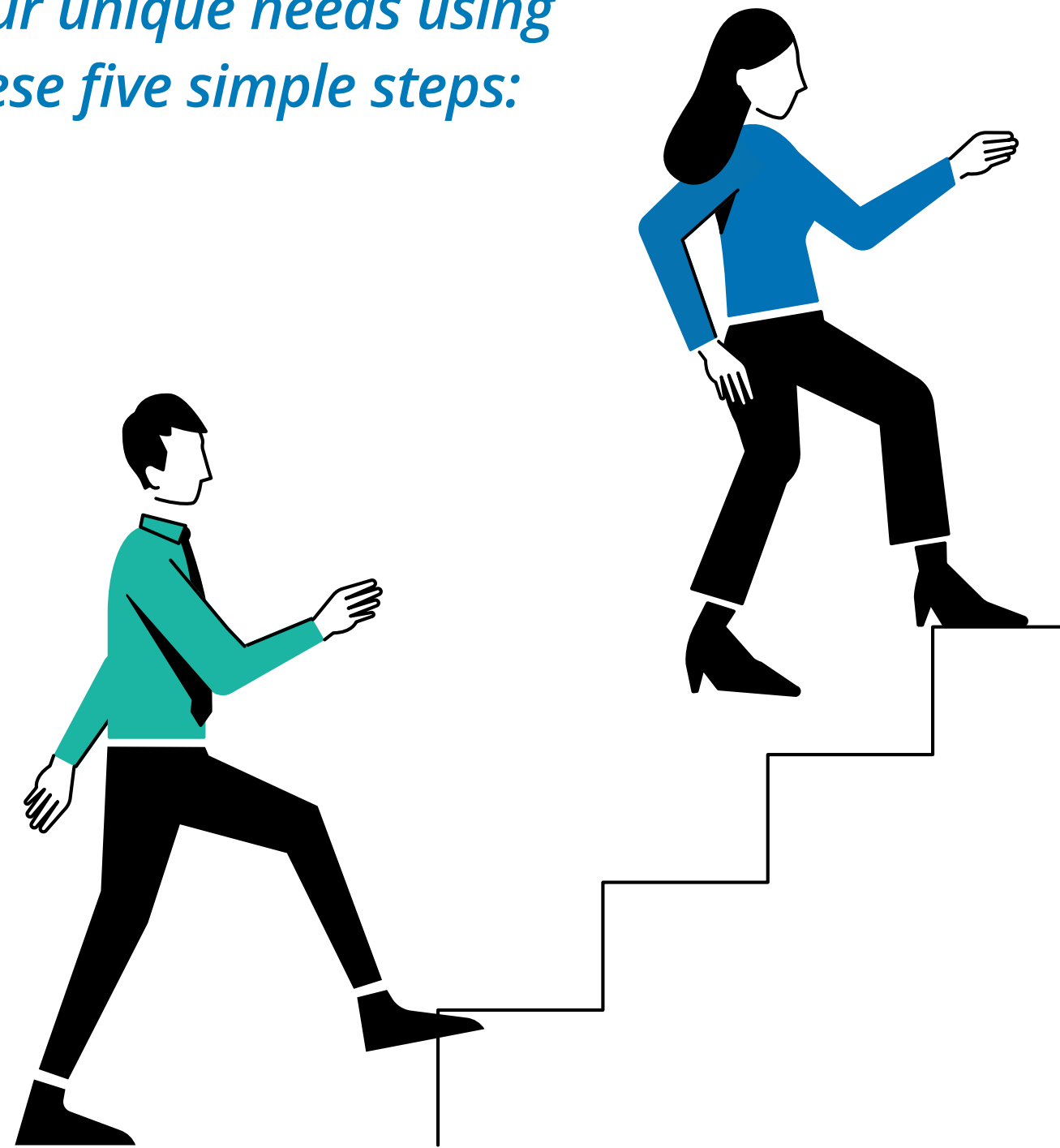
1 **Start slow and consult other decision-makers.** Survey senior managers and C-suite leaders about the changes or evolutions that they think will have the biggest ROI. If necessary, secure buy-in from senior stakeholders with research that explains the benefits of a structured performance management process.

2 **Research and gather feedback from your teams** to determine which new performance management practices you should prioritize. Introducing frequent check-ins and OKRs is often a good start.

3 **Experiment.** Roll out changes to a single unit within your organization and measure the results. Feel free to test different iterations of your performance management process - like experimenting with monthly vs weekly performance check-ins.

4 **Collect feedback from your employees.** After trialing different parts of the process (like check-ins), ask employees for feedback to ensure that the process works for them. A monthly check-in cadence, for example, can be too long for employees to await feedback on their urgent projects.

5 **Use supportive performance management technology.** Totara Perform, for example, supports both traditional and agile performance management. It also connects with your existing LMS, HCM and CRM tools to help you make the switch without destabilizing existing processes and workflows.

THE TRAITS OF A STRONG PERFORMANCE MANAGEMENT PROGRAM

To aid your ability to tailor your formative process around your organization, use this checklist to review the traits of a strong performance management program:
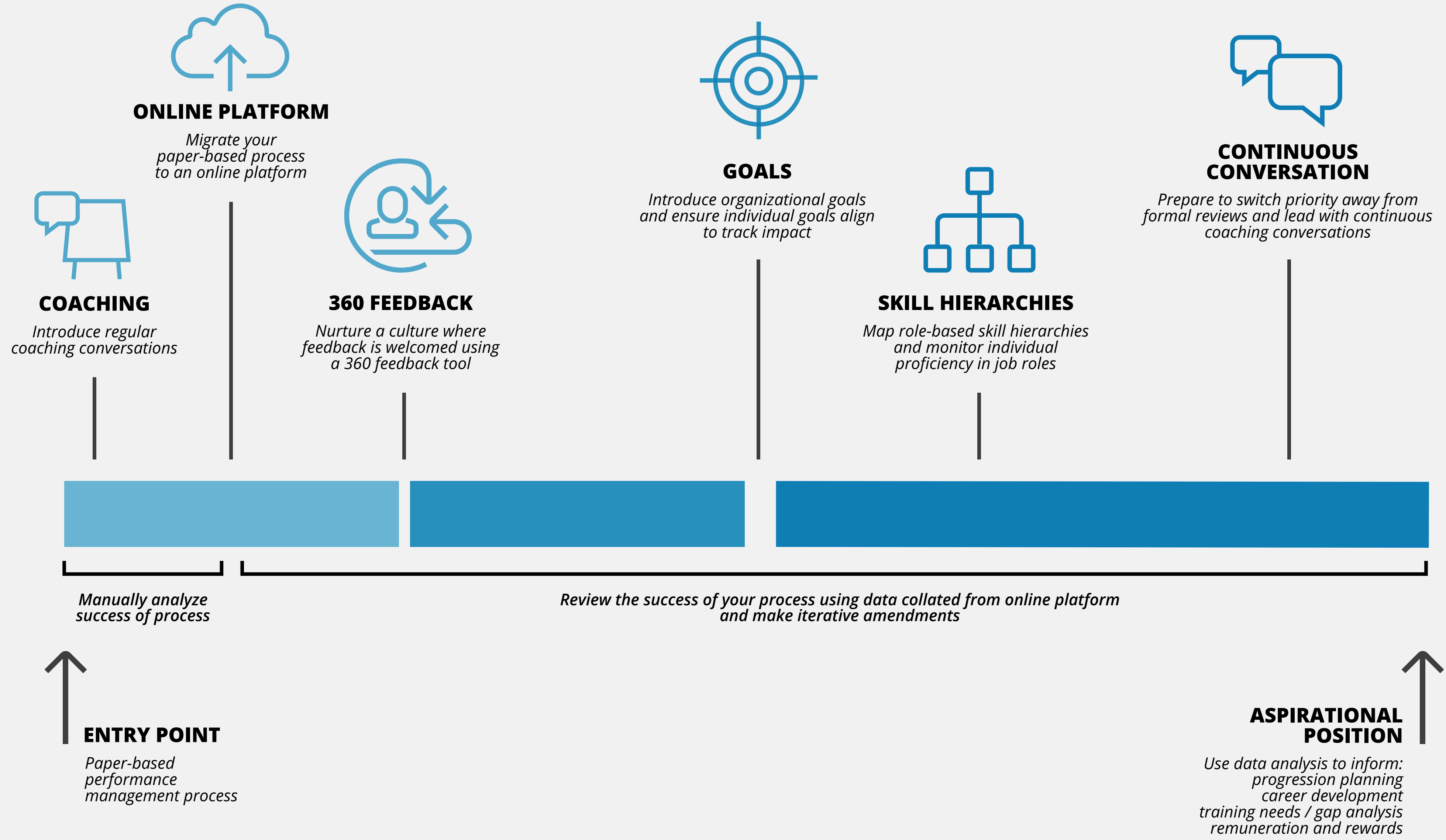
- ☑ **The organization has a clear, shared vision that is understood by all employees**
- ☑ Goals are set using OKRs and regularly reviewed to ensure they align with corporate agendas
- ☑ **Managers and staff are comfortable with exchanging feedback (and use frequent check-ins to do so)**
- ☑ Automations (enabled by an agile performance management system) are in place. Not to state the obvious, but a paper or document-based process will hinder efficiency
- ☑ **Progression towards goals is easily tracked by managers and staff**
- ☑ The organization helps employees succeed in their current roles and towards potential roles within the business

When implementing a performance management process from scratch, initiatives are prematurely stifled because the adoption process is either non-existent, too drastic, or over-complicated and time-consuming.

It's therefore worth highlighting that practices and procedures are to be introduced gradually.

There's no need for a radical uprooting of your existing performance management processes (if you have any). Biting off too much too soon can backfire by overwhelming employees, bloating initiatives and making it harder to gain buy-in from managers and staff - especially when your enterprise is new to performance management).

ONLINE PLATFORM

*Migrate your
paper-based process
to an online platform*

COACHING

*Introduce regular
coaching conversations*

360 FEEDBACK

*Nurture a culture where
feedback is welcomed using
a 360 feedback tool*

GOALS

*Introduce organizational goals
and ensure individual goals align
to track impact*

SKILL HIERARCHIES

*Map role-based skill hierarchies
and monitor individual
proficiency in job roles*

**CONTINUOUS
CONVERSATION**

*Prepare to switch priority away from
formal reviews and lead with continuous
coaching conversations*

*Manually analyze
success of process*

*Review the success of your process using data collated from online platform
and make iterative amendments*

ENTRY POINT

*Paper-based
performance
management process*

**ASPIRATIONAL
POSITION**

*Use data analysis to inform:
progression planning
career development
training needs / gap analysis
remuneration and rewards*

In the next section, we outline the seven steps you need to kickstart and develop your performance management process, but that doesn't mean you need to follow them all.

For example, if you're part of a growing organization, you'll do well to prioritize moving from a paper-based approach to monitoring performance, to a digital performance management system like **Totara Perform**.

Totara Perform supports and grows with you, regardless of how new or advanced your performance management process may be. Any performance management program will likely evolve over time. Fortunately, Totara Perform does not force you to adopt a specific workflow, style or way of doing things. Your organization is free to innovate and incrementally improve elements of your program at your own pace.

With a central place to track employee feedback, monitor progress and assess competencies, you can easily introduce frequent check-ins and establish critical goals—these two steps are transformative in their own right as they will lay a foundation for improving accountability and aligning employee actions with organizational objectives.
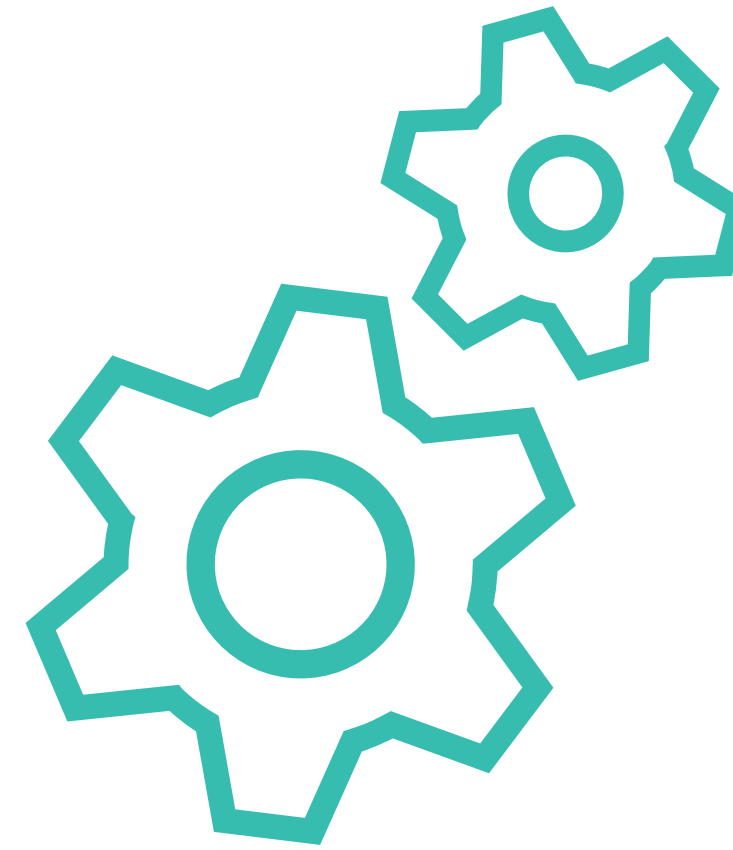
HOW TO IMPLEMENT YOUR FIRST PERFORMANCE MANAGEMENT PROGRAM

For organizations without an established performance management process, we recommend starting with steps 1-3:

1   **CHOOSING A PERFORMANCE MANAGEMENT SYSTEM**

2   **ESTABLISHING A CADENCE FOR (AND "NORMALIZING") FREQUENT CHECK-INS**

3   **OUTLINING OKRS FOR YOUR EMPLOYEES**

THE 80/20 OF PERFORMANCE MANAGEMENT

Embedding these essentials into your everyday management workflows and interactions with employees acts as the 80/20 of best practices that will transform your workplace productivity.

As your team grows and your management practices evolve, you'll find that you'll naturally advance to steps 5-7 (and beyond).

1 PICK THE RIGHT PERFORMANCE MANAGEMENT SYSTEM

Moving to a formalized approach to performance management requires dedicated tools for the job. This becomes increasingly important as your organization grows because you'll need to:

• Track conversations and check-ins with multiple employees
• Monitor OKRs and identify skills gaps
• Connect learning and development to performance-related goals
• Generate reports to identify high/low-performing employees

Without the **right tools for the job**, meeting the requirements above creates tangled, impractical workflows that make it difficult to monitor, manage and motivate performance.

This is why we suggest starting with an adaptable performance management system that supports modern and traditional management, like **Totara Perform**.

Unlike many performance management systems on the market, Totara Perform doesn't force your organization to reconfigure your existing processes into a specific approach - instead, Totara Perform adapts around you.

Powerful features like the performance review workflow builder and HCM integrations enable you to craft tailored workflows that match your unique processes, schedules and systems.

Totara Perform also integrates with **Totara Learn**, the learning management system (LMS), to connect competency management to critical learning requirements.

2 INTRODUCE FREQUENT CHECK-INS

Whether you choose to use a performance management system or not, check-ins are a critical step towards a productive performance management process.

A check-in is simply a concise two-way conversation between managers and staff that's often guided by a formal agenda. It usually focuses on either performance or development.

Frequent check-ins are pivotal to performance management because they consistently unlock opportunities to boost morale, trigger self-reflection or inspire immediate course correction. They also lighten the anxiety and pressure associated with annual reviews.

Schedule them monthly or weekly, accounting for the job role, the complexity of the tasks involved and the corporate culture you're cultivating.

For more information on how to structure your check-ins and what to talk about, check out our **four-step employee performance check-in template**.

3 OUTLINE OBJECTIVES AND KEY RESULTS FOR EMPLOYEES

OKRs provide a framework for realistically measuring and monitoring performance in a transparent - and when done right - motivating way.

Established OKRs act as a compass for every check-in and align the goals of your organization and its employees. They take time to get right, but the end result depends on the work you put in. Managers will know exactly how to track and reward performance. Across the desk (or screen), employees will know:

• Exactly which tasks to work on
• What success looks like
• And how their performance is measured

Here's more information on exactly what an OKR is and some OKR examples:

OBJECTIVES: Are the qualitative, broad and high-level outcomes that are to be achieved. Above all else, setting good objectives is about clarity. You should explicitly state what the objective is and the deadline for it.

KEY RESULTS: Quantify objectives and break them down into specific steps/stages that can be used to measure performance and track progress.

EXAMPLE OBJECTIVE:
Design and launch an internal learning and development system for your employees.

EXAMPLE KEY RESULT:
• *Talk to 3 other HR Directors/CLOs on how they do internal training and development.*
• *Survey 15 team leaders on training needs and gaps.*
• *Draft 10 training modules.*

4 **PROVIDE CONTINUOUS FEEDBACK**

Timely feedback is more impactful than feedback provided for month-old or expired events. It encourages instant behavioral change and keeps people focused on important goals.

Deploying a continuous feedback process (easily done with your performance management system) also **deepens the trust** [2] between managers and team members.

Team members will know what's expected of them, where they are going wrong and how well they are performing.

Equally, managers are more likely to self-identify as coaches and mentors rather than task-masters. This stimulates a significant positive shift in your company's corporate culture.

[2] http://hrexecutive.com/future-of-feedback/

5 PROGRESS TO 360 FEEDBACK

360 feedback is the "next stage" of continuous feedback. It describes the act of gathering input from everyone who engages or works with a reviewee. This can include:

• Team members
• Peers
• Direct reports
• Line managers
• Customers
• Suppliers

PEERS

TEAM MEMBERS

SUPPLIERS

FEEDBACK RECIPIENT

CUSTOMERS

DIRECT REPORTS

LINE MANAGERS
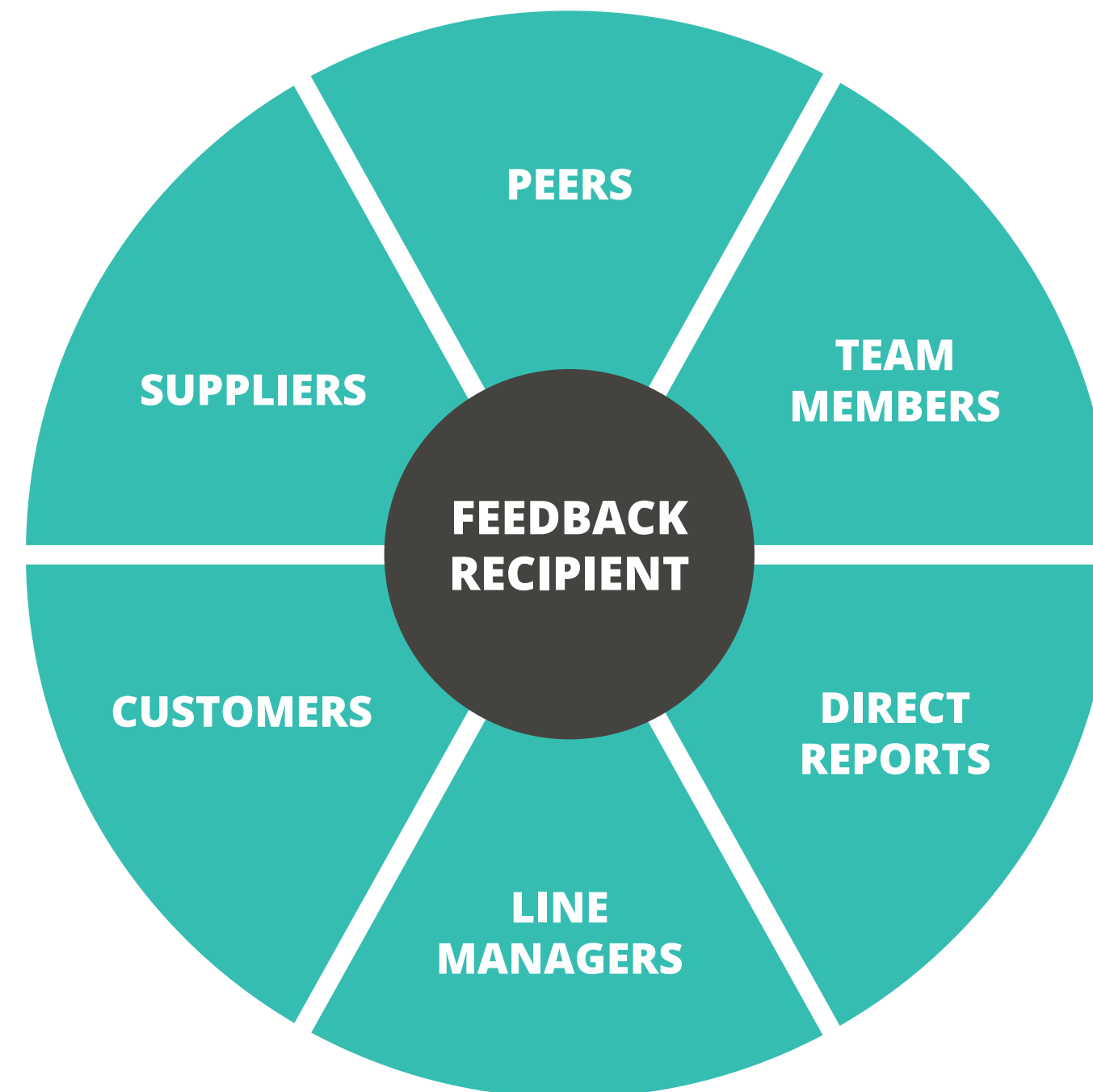
*Adapted from source: **Society for Human Resource Management (SHRM) Competency Model***

Once collected, 360 feedback can be delivered via an online system or as part of a check-in meeting.

Adopting 360 feedback benefits performance management because it mitigates bias. Feedback is supported by (or compared against) input from an employee's colleagues or customers, and is therefore more objective and accurate.

6 USE COMPETENCY FRAMEWORKS

Building an understanding of the skills and capabilities of your people can highlight gaps and hidden existing expertise that can be used more productively. Core competencies or specialist competencies can be defined and attached to all job roles across an organization. They describe the knowledge, skills and behaviors required for each job role.

Competencies are used to inform recruitment strategies, as well as facilitate internal mobility and career progression for existing employees.

Job roles are often grouped into job families such as:

• Leadership
• Management and administration
• Product design and development
• Sales and marketing
• Customer service
• Technology and support

Within a performance management process, using both core and specialist competencies ensures consistency and equity in pay as well as providing a framework for career development.

7

DEVELOP YOUR WORKFORCE

A strong performance management process makes it easier for managers and team members to recognize career development opportunities that will benefit individual and corporate goals.

The result is a mutually beneficial system for all involved parties. Once this skills-focused system is developed and automated, your organization can operate like an agile, intelligent and "self-healing" organism.

Threats that undermine your organization's adaptability and competitiveness, like gaping skills or competency gaps, are quickly identified, diagnosed and dealt with.

If a specific group of competencies and skills are leaving you vulnerable to change, you can hire the expertise required or immediately assign training to the most relevant employees - who may already be looking for that opportunity.

REMINDER:
Totara Perform integrates with our learning management system (LMS), Totara Learn, to connect competency management to critical learning requirements.

BRINGING YOUR FIRST PERFORMANCE MANAGEMENT PROGRAM TO LIFE

*Now that you know what to do,
how do you make it happen?*

Acting on all the potential steps above can be daunting and quickly drain your organization's resources when you're in the early stages of developing your performance management program.

We recommend implementing the following gradual improvements to make progress:

1

SECURE BUY-IN

If you're involved in building your organization's performance management process from scratch, senior management/leadership will probably accommodate necessary improvements or changes. But avoid announcing or actioning drastic changes without consulting or informing other managers and frontline employees.

2
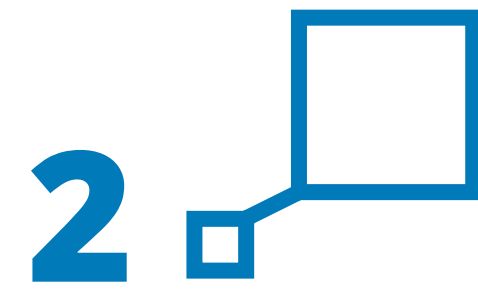
CHOOSE TECHNOLOGY THAT SCALES ALONGSIDE AND ADAPTS TO YOUR ORGANIZATION'S NEEDS

As your business grows, the demand for employee development and management grows in tandem. That's why we suggest choosing **Totara Perform**, a performance management system capable of connecting learning and performance management.

3

SELECT THE STEPS THAT FIT YOUR COMPANY'S CURRENT CIRCUMSTANCES

When it comes to building your performance management processes from the ground up, patience paves the way to success. We've listed seven steps here to get you started, but you don't need to implement them all immediately.

The golden rule: *When it comes to performance management in today's volatile world, choose technology that not only meets immediate requirements but is also capable of changing alongside the evolving— and often unexpected—potential needs of your growing organization. This requires a holistic approach spearheaded by software that connects performance and productivity goals with employee learning & development.*

ABOUT TOTARA

Totara builds performance management, employee engagement and learning technologies that enable large multinational corporations, government entities and mid-market companies to deliver enterprise-level talent and workforce experiences.

Totara's Talent Experience Platform (TXP) unifies an industry-leading learning management system (LMS), a powerful performance management system and a user-centric learning experience platform (LXP) under a single and highly adaptable architecture.

Totara's TXP and flexible architecture give organizations the freedom to innovate and the freedom to choose.

We also enjoy building honest, collaborative and service-focused relationships with our partners and customers – and are now working alongside them to accelerate how we innovate our products and expand our global reach.
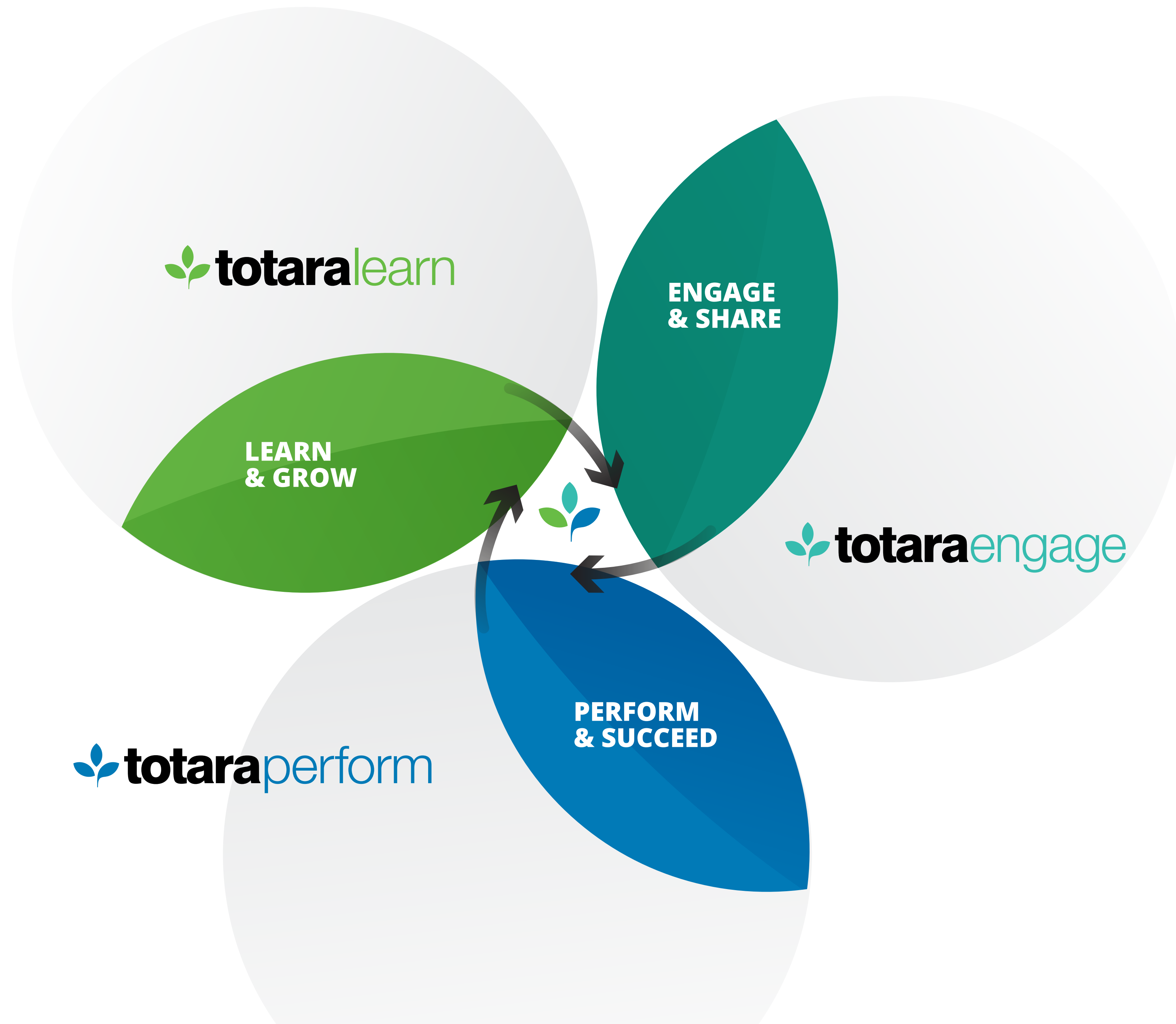
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