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## HOW TO INCREASE THE VALUE OF PERFORMANCE IMPROVEMENT INTERVENTIONS

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*Whether acting as an internal or external consultant to an organization, one of the toughest challenges is convincing top management to implement performance improvement initiatives. They are often leery of spending time and money on interventions that cannot be directly tied to meeting bottom-line objectives. That is, they are concerned that the performance improvement intervention will not yield a sufficient return on investment. This guide presents a*

*framework for linking performance improvement initiatives to business objectives that will improve the likelihood of your intervention producing the desired results.*

## INTRODUCTION

What is the purpose of performance improvement interventions? While the immediate answer is, “To improve the skills and performance of employees and managers,” that is only part of it. The big-picture answer is, “To improve the performance of the organization.” All consulting success stories end with “...and the company succeeded in achieving its objectives.” Yet how many times have we seen projects that ended with everyone being happy about what was done, while the organization did not achieve any substantial gains in productivity or performance? This guide outlines how to design interventions that have a greater chance of yielding the desired results.

### How Performance Initiatives Support Strategy



While the model above does not encompass all possible performance improvement activities, it shows the relationships between some of the major ones. When we consider what we can do to maximize the value of a company’s employees, we should start with the business strategy. The strategy should clearly outline the goals and objectives of the company. Once we know the company’s objectives, we are in a better position to provide value by devising programs and processes that support those goals. A sample business strategy statement for a company might read:

*To provide our consumers with the highest quality products, our partners and consumers with the highest customer service, and our shareholders with the highest possible return. We will accomplish this as a team and while being exemplary corporate citizens in our communities.*

To carry out the strategy, the company may choose the following tactics:

- Implement a new quality program in our own facilities and work with our suppliers to do the same.
- Survey our partners (suppliers and customers) and consumers regarding customer service issues. Commit resources to address any problems or areas for improvement.
- Implement a program to reduce overhead and administrative costs by 10 percent.
- Transform the culture into one that fosters teamwork by increasing upward and cross-functional communication.
- Establish community awareness of the corporation by participating in community events and sponsoring charity events.

With this information, we have a clearer picture of where the company is going and how it plans to get there. We can now plan performance improvement initiatives that can help the company carry out its strategy and meet its business objectives.

## **IDENTIFY CORE COMPETENCIES**

One of the first steps is to develop a list of the core competencies (CCs) that individuals need to possess in order to carry out the company's strategy. For a manager, the CCs could include:

- Communicates effectively and directly with customers, team members, and direct reports.
- Provides effective coaching to others in order to improve their performance.
- Budgets resources in order to establish priorities and maximize value.
- Understands and accepts team decision making while taking responsibility for outcomes.
- Anticipates and solves problems.
- Understands and balances customer concerns with business needs.
- Is willing and able to act as liaison with the community and promote the company.

Note that the CCs are directly related to the business strategy statements on the previous page. Once we understand the CCs for a

particular job, we are in a position to pursue activities designed to improve performance in that job.

While this model is helpful in explaining your intentions to top management and will help keep you focused on your task, it is built on the premise that your organization has a relatively clear strategy that can be articulated to employees at all levels. Without this clarity, your task takes on added complexity. However, working under the assumption that you have a strategy, the next important step is the definition of the core competencies. These definitions will drive many of the subsequent interventions.

### **Keys to Success:**

In order to be useful, the CC definitions must be:

- written in terms that employees can understand;
- tailored to the job and level of responsibility (e.g., supervisor CCs are not a carbon copy of manager CCs);
- observable;
- measurable; and
- relevant to current and future business needs.

## **CAREER DEVELOPMENT**

We know that many companies want to develop the skills of existing employees so they can move up in the organization. However, these development efforts must be directly linked to reaching strategic business objectives. Without this connection, skill development efforts will not result in any significant changes in the company's performance.

For instance, let's say that a motivated engineer wants eventually to become a manager. This situation provides the organization with an excellent opportunity to promote someone who already understands the company and shares its values. However, the CCs required of a manager are considerably different from those required of an engineer, so some development will be necessary. The company can either promote the engineer and hope that he or she develops into the job (trial by fire), or it can construct a development plan (or career path) to prepare the engineer for a manager's position when it becomes available. Obviously, the latter option is more likely to result in success for both the engineer-manager and the company, because the employee already has many of the required skills for the manager position. By shortening the learning curve (through prior training and preparation), the company is able to realize an immediate return on investment rather than waiting for the newly appointed manager to grow into his or her responsibilities. An example of a development plan for two of the CCs is shown here.

## Sample Career Development Plan

Core Competency	Does the person possess the CC?	What can the person do to gain competence?	Time to acquire the skill
Budgets resources in order to establish priorities and maximize value.	No	<ol style="list-style-type: none"> <li>1. Complete Budgeting Basics class at Anytown Community College.</li> <li>2. Attend quarterly budget discussion meetings.</li> <li>3. Assist the current manager in developing the next budget.</li> </ol>	6 months
Understands and balances customer needs with business needs.	Yes	N/A	N/A

By showing the engineer the relationship between the CCs and the manager's job, we can demonstrate the importance of the skill development. At the same time, we provide the employee with a roadmap for acquiring the necessary competencies. By showing top management the direct link between the development initiative, the CCs, and the business strategy, we can more easily justify the training expenditure, because the engineer is going to learn skills that will help the company succeed.

### Keys to Success:

Successful career development requires:

- support from top management;
- clear connections between the training courses and the CCs;
- an easy-to-follow roadmap for development that assists the employee in getting to the position that she or he wants;
- motivated employees;
- rewards and recognition for skill acquisition; and
- constant updating of the catalog to anticipate future trends.

## SELECTION

When we understand the CCs required for a position, we can make better hiring decisions by assessing candidates on each of the CCs. Assessments can take several different forms, including interviews, tests, role plays, and reviewing the candidate's previous experience. By gaining a good understanding of the CCs, we are able to identify the most effective way to measure the CCs in order to determine the

candidate's skill level. In many cases, this understanding leads to the creation or implementation of non-traditional assessment tools (e.g., interactive role plays or computer simulations, stand-up presentations, multiple-exercise assessment centers). Regardless of the assessment method selected, if the CCs are directly linked to the business strategy, the performance of the chosen candidates can be validated against clear business objectives (for example, reduced errors by 5 percent).

As we review the CCs for a manager, you will see that there is no one best assessment method to measure them all. Careful consideration should be given to matching the assessment tool to the CCs (although some tools can measure more than one CC). For example, the following assessment methods might be used for the manager position:

Core Competency	Selection Technique		
	Interview	Test	Role Play
1. Communicates effectively and directly with customers, team members, and direct reports.	X		X
2. Provides effective coaching to others in order to improve their performance.	X		X
3. Budgets resources in order to establish priorities and maximize value.		X	X
4. Understands and accepts team decision making while taking responsibility for outcomes.			X
5. Anticipates and solves problems.	X	X	X
6. Understands and balances customer concerns with business needs.	X		X
7. Is willing and able to be liaison with the community and promote the company.	X		

It is important to note that, the CCs (derived from the business strategy) drive the recruiting, staffing, and selection processes. We need to have the proper tools to identify the individuals (internal and external to the organization) who possess the CCs that will help the company be successful. By combining the CCs and carefully chosen assessment tools, we are able to fill the job openings with the best candidates. The assessment process also allows us to identify training and development needs (of both successful and unsuccessful candidates).

### Keys to Success:

In order for a selection system to be successful, you must:

- Prioritize the CCs (if you cannot measure them all).
- Use the CCs to drive your recruiting efforts and the design or choice of assessment methods.

- Use the right assessment method for the CC you are measuring.
- Provide a realistic job preview (e.g., working conditions, chances for promotion, amount of overtime).
- Make performance expectations clear to candidates (e.g., you will be held accountable for coaching your employees and for their productivity).
- Use the assessment information to create training and development plans.

## **TRAINING**

Training is a critical component of an organization's success. The company needs its employees to acquire new skills in order to stay competitive. However, to be effective, training must be linked to business needs. Many companies put together catalogs of training courses and allow people to sign up on their own. There is often no thought or explanation given to the connection between the course offerings and the business strategy. As a result, employees may sign up for training that has no direct impact on their performance. Consequently, training is perceived as adding little or no value to the organization's bottom-line objectives.

Training has the greatest value when it improves the performance of existing employees, helps them meet changing business needs, and positions them to face the challenges of the future business environment. Therefore, training dollars should be focused on improving or acquiring those CCs that contribute to the company's current and future success.

### **Keys to Success:**

In order for a training program to be successful, you must:

- Offer training courses in areas that directly impact the business strategy or bottom-line productivity results.
- Provide training in areas that are needed currently and anticipated in the future.
- Update your training offerings and courses to accommodate changes in the business environment.
- Include training opportunities for all levels of the organization (from the front line to senior management).
- Recognize and reward employees for learning and applying new skills.
- Provide opportunities to practice new skills without fear of reprisal for "failures."
- Offer refresher courses or updates as new information or techniques are identified.

## PERFORMANCE MANAGEMENT

Performance management is probably the most difficult process that can be used to improve organizational success, and yet it offers the largest potential return for the company. Performance management systems are hard to change despite the fact that, in many cases, they are recognized as being dysfunctional. In addition to being labor-intensive and threatening to users, most performance appraisal systems are not directly linked to business strategies or objectives. While some of them use terms or statements that look like CCs, scores are often based on a few numbers (for instance, making budget). Here is an example of how good measures and standards can be applied to a manager's performance expectations:

- Take steps to implement a new quality program to reduce errors by 5 percent.
  - ⇒ Attend two seminars on quality.
  - ⇒ Participate in cross-functional quality teams.
  - ⇒ Implement ideas to improve quality.

These performance objectives are directly linked to the business strategy and can be objectively measured within a certain time frame. By basing these measures on the business strategy, you can measure success and reward those who are adding value to the organization. Just as important, if these performance expectations are not met, the managers need to understand what training and development opportunities are available to help improve their performance. The evaluation process also allows you to document the efforts made by management to assist in improving performance, so that those employees who consistently fail to meet expectations can be disciplined or terminated.

### **Keys to Success:**

In order for a performance management system to be effective, you must:

- Make whatever changes are necessary to bring your system into alignment with your business objectives.
- Train managers and supervisors on how to use the system and explain how they benefit from using it correctly.
- Make the process and forms easy to understand and easy to complete (e.g., checklists, places for comments).
- Hold managers and supervisors accountable for practicing good performance management:
  - ⇒ Make effective performance management part of their performance plans.

- ⇒ Provide specific, timely, and constructive feedback.
- ⇒ Keep employees informed; use continuous feedback so there are no surprises at the review meetings.
- ⇒ Recognize and reward good performance while taking appropriate actions to remedy poor performance (e.g., coaching, discipline, termination).

## **CONCLUSION**

Using this strategic approach to performance intervention allows you to close the loop between them and business strategy, because you are consistently linking your activities to core competencies that are required for business success. By taking the time to ensure a direct connection for each of your interventions to the business strategy, you will gain support from top management and increase the impact of your efforts on the company's bottom line.

