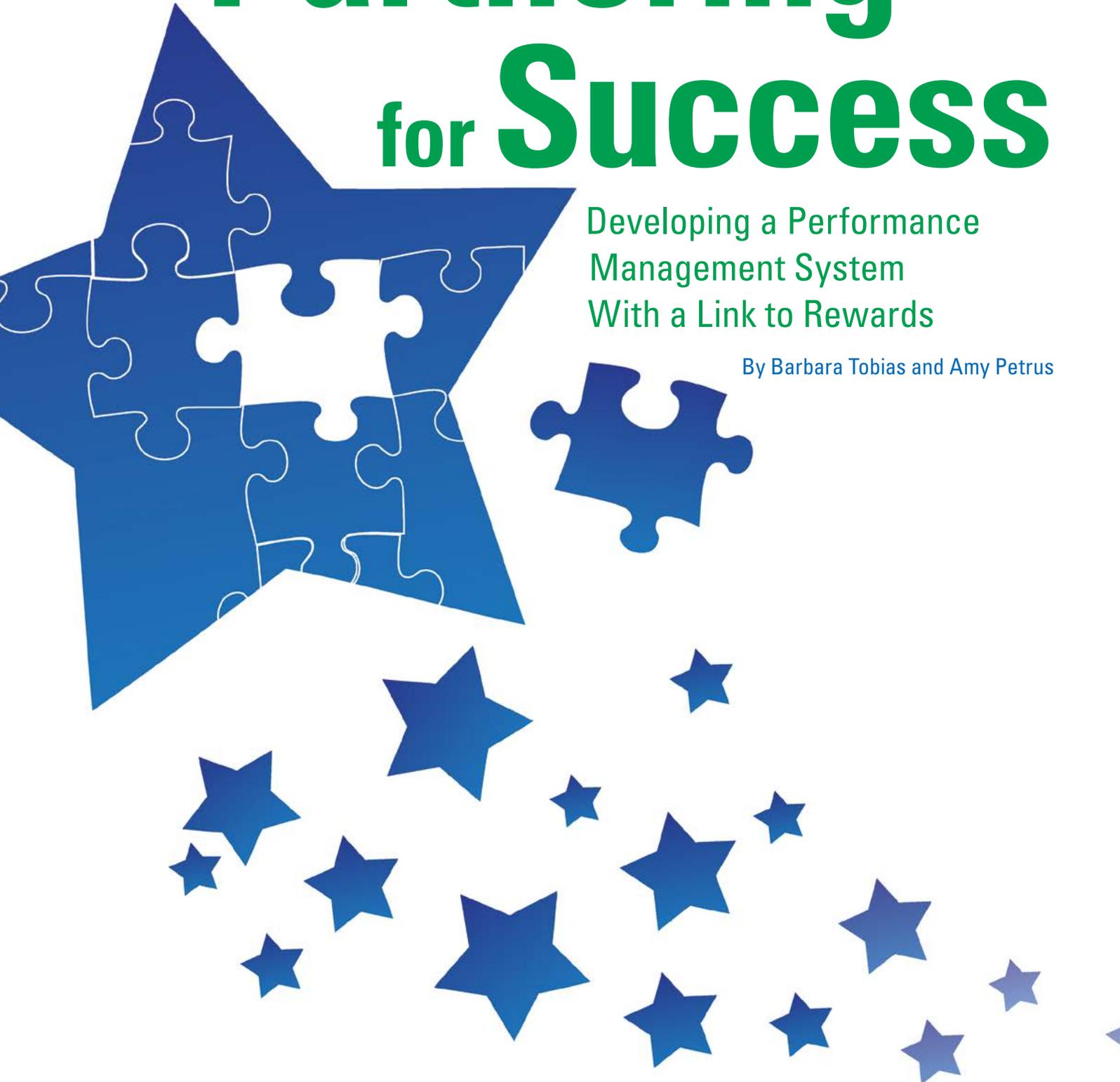


Partnering for Success

Developing a Performance
Management System
With a Link to Rewards

By Barbara Tobias and Amy Petrus



The higher education landscape in the United States continues to evolve, with reduced state funding models generating significant programmatic and operational change among public colleges and universities across the country. Other factors affecting both public and private universities include high levels of tuition that are impacting affordability for students, reduced or flat funding for research grants from the federal government and the unreliable nature of revenue from endowment funds. As traditional funding streams decrease, it is clear the current model of higher education is not sustainable.

In response, higher education institutions are seeking to increase their efficiencies and productivity while diversifying their revenue streams, often by incorporating business principles typically employed by the private sector. These changes in operational practices not only impact the way colleges and universities are doing business, but they also affect the morale of employees and the culture of these institutions.

Senior leadership at Northeast Ohio Medical University (NEOMED) believed that incorporating business principles around rewards and recognition could benefit both employees and the institution in ways that would ultimately increase productivity and morale. As such, human resources was charged with developing a system for rewarding staff performance that tied performance to compensation rewards. With the help of a consultant, HR was tasked with developing this pay-for-performance system with the understanding that across-the-board increases could not be incorporated into the final result. As an incentive, a pool of dollars was identified to fund five years of merit increases.

In late 2011, NEOMED embarked on this initiative, ensuring that the performance management system embodied the institution's core values, was consistent and fair in its execution, and clearly aligned with reward mechanisms. This was accomplished in a fast-tracked nine-month timeframe by implementing Partnering for Success, an approach to set goals, provide performance feedback, and reward consistent, outstanding employee performance.

The project began with lots of data gathering. Human resources conducted executive interviews and employee and manager focus groups to gauge the effectiveness of

past practices and to uncover expectations going forward relative to performance management. A total of three employee surveys were also conducted, and preview sessions and informational meetings were held throughout the design phase to inform and promote the new performance management process.

From these meetings and surveys, the process was rebranded from "Pay for Performance" to the more inclusive "Partnering for Success" (PFS), which exemplifies the creation of a partnership between the university and its employees to accomplish the university's goals and reward employees for their contributions to these goals. It also represents the partnership that needs to occur between managers and employees — a commitment to work together to set goals, discuss progress and measure performance.

The Partnering for Success program exemplifies the creation of a partnership between the university and its employees to accomplish the university's goals and reward employees for their contributions to these goals.

As a result of the discovery process, and to ensure the new approach was sustainable and effective in managing performance at NEOMED, PFS was designed to be:

- Simple and easy to use, while allowing for the appropriate customization based on job/level/department expectations in order to better focus goals and measure performance.
- Transparent, by providing frequent communication and gathering input from NEOMED staff.
- Fair and equitable, in that it can be consistently applied across the university for all non-faculty employees.
- Representative of the "best fit" for NEOMED.

Performance Management

The PFS program includes components based upon management and non-management roles. Performance expectations for managers include job-specific goals/responsibilities (weighted at 50 percent); competencies (weighted at 20 percent); and people management (weighted at 30 percent). Performance expectations for





professional and classified staff include job-specific goals and responsibilities (weighted at 60 percent) and competencies (weighted at 40 percent).

Performance in these areas is rated using the following four-point standards:

Rating: 1 – Below Expectations

- Performance is considered below established requirements for the job.
- Employee needs to improve performance significantly in one or more key areas – performance improvement plan required.

Rating: 2 – Partially Meets Expectations

- Performance sometimes meets all of the minimal established requirements for the job.
- Employee performance occasionally may require improvement.

Rating: 3 – Fully Meets Expectations

- Performance fully meets all the established requirements for the job.
- Employee takes the appropriate initiative and demonstrates NEOMED's competencies.

Rating: 4 – Performance Leader

- Performance frequently exceeds the established requirements for the job.
- Employee demonstrates NEOMED's competencies and acts as a role model.

NEOMED has made significant progress in paying its performing employees competitively. In spring 2013, the midpoint compensation averages of all administrative and classified positions at NEOMED was 93.4 percent; after market adjustments and performance increases, that average is currently 99.5 percent.

Within the 12-month PfS cycle, there are four key steps: performance planning, mid-year review, year-end review and compensation outcomes.

The **performance planning** meeting is intended for the manager and employee to appropriately align individual goals to those of the university. By cascading down from the goals set by the university, department goals are

set, which in turn drive goal-setting for the employee. Training is provided to employees and managers to develop goals using the SMART acronym (Specific, Measurable, Ambitious but achievable, Relevant, Timebound).

The **mid-year review** meeting provides formal feedback regarding performance to date and an opportunity to adjust the annual goals if needed.

The **year-end review** process has multiple steps:

- Employee completes a self-evaluation;
- Manager develops initial evaluation;
- Next-level manager review (more details noted below);
- Calibration (more details noted below);
- Manager finalizes employee evaluation and rating;
- Manager conducts meeting with employee to reflect on and document feedback and goal attainment for the entire performance cycle.

The management review and calibration components were developed given the message that emerged during the assessment phase of the project, which was that consistency and fairness of evaluations needed improvement. During the *next-level manager review*, the senior manager looks for similarities and differences in evaluations completed by direct-report managers. The focus of the next-level manager review is to confirm that evaluations are developed fairly and consistently and to provide senior managers the opportunity to discuss certain evaluations and to determine if any adjustments may be warranted.

The intention of the *calibration process* is to improve accuracy and consistency of ratings, ensure employees and managers receive recognition and rewards for strong performance, enhance manager accountability and ownership, and drive talent awareness. This process involves comparing the performance of employees in peer positions using consistent criteria in the following employee groups:

director, manager, professional, classified and research.

Calibration panels consisting of managers of employees within the applicable employee groups are convened, with the most senior-level member of the panel serving as the panel chair. An HR representative and the panel chair facilitate a conversation to review the performance ratings of employees within the calibration group. After

first defining the performance criteria, the panel discusses and possibly questions the performance ratings of those within the group while comparing them to the defined criteria which serves as the consistent framework. Even though the institution is being transparent about the process, including how the calibration panel works, what is discussed during the calibration meetings is strictly confidential.

The **compensation outcomes** are designed to reward the performance of employees with a rating of Performance Leader or Fully Meets Expectations as detailed in the compensation strategy below. The form of the performance reward alternates each year between an increase to base pay and a bonus.

Compensation Strategy

NEOMED is committed to ensuring that employee pay is competitive within higher education and general industry markets by conducting periodic market analyses and adjusting the structure and placement of jobs as needed. The university's compensation strategy is designed to engage employees and reward high performers by providing pay rewards that tie compensation more closely to performance by ensuring that employees with strong performance are paid a competitive base salary and rewarding exceptional and sustainable performance through performance payouts and/or applicable base pay adjustments.

The reward mechanism alternates each year as follows:

Year 1: 2013 – reward performance with one-time performance payouts

Year 2: 2014 – reward performance with base pay adjustments

Year 3: 2015 – reward performance with one-time performance payouts

Year 4: 2016 – reward performance with base pay adjustments

Year 5: 2017 – reward performance with one-time performance payouts

(Note: This strategy is always contingent upon fiscal ability. While funding this program will continue to be a top priority for NEOMED, this five-year plan will be dependent upon stability within university revenue streams.)

As an example, in 2014, employees with performance ratings of either Performance Leader or Fully Meets Expectations received a 5 percent base pay adjustment or

a 3 percent base pay adjustment, respectively. In addition to the reward mechanism of base pay adjustments or one-time performance payouts, NEOMED has made a commitment to review employees' pay relative to market, and if fiscally able, provide market adjustments as applicable. As such, in 2014, employees with a rating of Performance Leader or Fully Meets Expectations and current compensation less than 95 percent of applicable pay grade midpoint received a market adjustment of up to 3 percent of base pay, not to exceed 95 percent of the pay grade midpoint.

The value of NEOMED's compensation strategy is that it ensures the compensation structure remains competitive and provides ongoing positioning for base pay and total cash compensation to be rewarded to staff based on performance. This is accomplished by: (1) consistent application across all staff employee groups, resulting in competitive compensation practices achieved through market adjustments, performance increases and performance payouts, and (2) consistent use of a performance differentiator as the basis for awarding any base pay increases (performance or market) and performance payouts.

Program Implementation and Cultural Integration

Prior to PfS implementation, managers and employees received comprehensive training on the program. Now that PfS is in full effect, ongoing training is conducted for newly hired managers and employees six times per calendar year. The training includes an explanation of the PfS program and an overview of the performance management process and framework; exercises on writing effective goals; guidelines for handling the performance meeting and compensation action discussion; and an overview of the compensation strategy and parameters.

It is important to note that this process is not positioned as being owned and driven by HR. While HR is an equal partner and resource to both managers and employees, the HR role is not to serve as the "performance police." One of the key elements impacting the success of PfS has been the university president championing the process and creating an intentional focus on the need to partner with employees.

Results

The PfS process has provided NEOMED with the framework to encourage managers to have regular dialogue with employees regarding performance. When performance improvement is warranted (employees in the



“partially meets expectations” and “below expectations” levels of performance), a process is available to create a plan in collaboration with HR to do so. In addition, the PFS process has provided a tool to remind managers to provide encouragement and positive feedback around employee performance.

Relative to compensation, NEOMED has made significant progress in paying its performing employees competitively. In spring 2013, the midpoint compensation averages of all administrative and classified positions at NEOMED was 93.4 percent. After market adjustments and performance increases, that average is currently 99.5 percent.

Measuring Ongoing Success

To be sure, the PFS program is a work in progress. For example, the calibration component has moved from an initial pilot with a very confined group to a clear three-year plan to calibrate all positions. In addition, the cascading of goals from the university level to the department level to individual employees is not yet fully implemented but is planned for the next phase after the full integration of calibration.

NEOMED is also in the process of automating a talent management system which has been branded as the NEOMED Success Center (NSC). The performance tool for PFS, initially rolled out as an excel document, has now been automated in the performance module of NSC and was introduced earlier this year. A learning and professional development module is also being finalized, and plans include the development of advanced training for managers utilizing a simulation facility.

Final Reflections

The successful implementation of the Partnering for Success program can be clearly attributed to three key best practice principles:

- 1) A clear vision, mandate and support from the president;
- 2) Allocation of needed resources to develop, implement and support the process; and
- 3) Consistent application of the reward mechanisms tied to the performance outcomes.

While it remains an ongoing process, PFS is becoming part of the NEOMED culture. Although the program is still in its infancy, we've seen solid engagement results thus far as managers and employees better understand how performance is measured and how pay is determined. Equally important and valuable, PFS serves as a platform for effective communication by opening and enhancing the lines of communication between managers and employees at all levels of leadership. Through this process, each individual contributor has an opportunity to gain insight as to how their performance impacts the university on a daily basis as well as how their performance supports the successful execution of the university's strategic plan and positions the institution for future success. 

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Performance Management Resources From CUPA-HR

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Performance Management Toolkit in the Knowledge Center – This new toolkit features how-tos, forms and templates, sample policies and models, readings and more. www.cupahr.org/knowledgecenter.

CUPA-HR Connect – Looking for advice from those who have been there, done that? CUPA-HR Connect (the association's members-only online community) lets you tap the knowledge and expertise of hundreds of higher ed HR professionals from around the country. connect.cupahr.org

The Higher Ed Workplace Blog – Recent posts related to performance and talent management include “5 Simple Steps to Improve Performance Reviews,” “Creative Ways to Recognize and Reward Employees,” and “The Job Family Approach to Career Development.” blog.cupahr.org

