

## **Linking Connections to Performance Evaluations and Compensation**

*Jim Cardwell's "Connect with Leaders" webinar held March 30, 2010*

Is your performance evaluation system a carrot or a stick? In other words, are you motivated to get your performance evaluations done or do you get them done simply because you have to?

Also, how do your employees feel about their performance and how is it linked to the performance of your organization as a whole?

This was the opening line of questions San Francisco Federal Credit Union President and CEO, Steven Stapp, posed to attendees during the recent "Connect with Leaders" webinar that occurred March 30, 2010. The informative webinar focused on "Linking Connections to Performance Evaluations and Compensation," using San Francisco FCU as a real-world example.

For a Performance Appraisal System, Stapp pointed out three problems many organizations experience:

1. Reviews are not completed in a timely manner.
2. There is a disconnect between company results and individual performance.
3. Employees are not engaged with the evaluation because they feel they have no input.

To mitigate these issues, Stapp says you have to link the layers by building the three blocks of performance: organization, department, and individual. Implementing the strategy execution tool, Connections Online, last year has clarified performance targets at each level, which has allowed his credit union to align its resources and achieve positive performance outcomes on all three levels.

For individuals to perform at peak levels, Stapp explains that organizations must build performance blocks within Connections Online for each employee. **The areas of individual performance include:**

- Core value examples (Are they living the values of the organization's performance culture?)
- Basic role (Are they effectively performing in their day-to-day job?)
- Dialog notes (Are they following through on the two-way coaching that comes from the monthly discussions regarding successes and shortfalls)
- Year-end goals (Are they making progress in achieving their department and individual performance contribution?)

San Francisco FCU has tied the performance clarity from Connections Online with the administrative aspects of Success Factors performance management software. Stapp explains that he found that an employee's level of dedication to core values, basic role, and year-end goals is directly linked to his or her individual performance score. This score reflects their bottom line – a.k.a. compensation.

How does the process work? At San Francisco FCU, employee reviews occur twice a year on a scale from 1 to 5 (1 low, 5 high). All employee reviews are conducted at the same time.

Connections Online individual dialogs, which are held monthly, provide on-going coaching and support to help employees "win". They keep employee performance on target and remove barriers in the achievement of agreed-upon goals. This schedule works well with the twice-a-year performance appraisal

process, which provides “checkpoint feedback” on progress and creates alignment between employee and manager.

**The Evaluation Progression has six steps with three important measurements:**

1. Measure organization results (Are we achieving our targets?)
2. Measure department results (Are our departments contributing to our success?)
3. Employee completes self-review (Am I delivering on my promises?)
4. Manager completes review (Is the employee delivering the contribution I need?)
5. Organization, department, and individual scores are compared and reviewed for alignment by management HR committee (Is there internal consistency between performance and evaluation scores?)
6. Mediation of scores, if needed (If self-review and manager reviews have a great disparity.)

Once evaluations are completed, incentive and salary considerations are addressed. Incentive payouts are executed twice a year when company results are multiplied by the individual’s performance equals the employee’s incentive payout. Obviously, the higher the score, the better the payout. This result is incorporated into the salary process where the average of the two scores ties in with the index for any pay increases.

Connections Online reduces the typical issues found in the evaluation process. **Stapp has set up these important decision rules and guidelines:**

**Issue 1:** Reviews are not completed in a timely manner.

- Time frames are set up and are non-negotiable
- No evaluation = no incentive
- Coaching is provided at regular intervals, eliminating the need for catch-up

**Issue 2:** There is a disconnect between company results and individual performance.

- All three levels of performance are aligned every six months: organization, department, and individual

**Issue 3:** Employees are not engaged because they feel they have no input.

- Monthly individual dialogs keep employee and manager unified on expectations and deliverables
- Through self-evaluation and discussion, the employee is integral to the process

Overall, Stapps says that Connections Online has built cohesiveness within his credit union regarding the evaluation process. For the performance appraisal, there is now a supportive management team and organization that provides the employee with a clear understanding of how to achieve his or her prize. Top performers excel in this environment, which ultimately reflects on the performance of your organization.

For more information on performance evaluation and compensation, contact Jim Cardwell or Karla Norwood at Cardwell – 1-800-395-1410 or [info@connectionsonline.net](mailto:info@connectionsonline.net).