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***Performance Management and  
Rewards: How to Align Them  
Successfully!***



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***\*\*It All Starts With  
Performance Management!\*\****

**\* \* Performance Management  
Needs To Be At The *Core* Of  
Everything That We Do In  
Human Resources! \* \***

# The Goal of Performance Management

The ultimate goal of a performance management system is improved organizational performance.

Performance management works to achieve consensus, cultivate continuous improvement, support relationships, and ensure that the entire organization is focused on achieving the desired results.

# The Rationale for Performance Management

- Foster cultural change, *link pay to performance*, identify training needs, empower managers, and motivate the work force.
- Improve profit, performance, customer service, efficiency, competence and quality.

# What Is Successful Performance Management?

- Performance management is a managerial process that consists of planning, managing, improving, appraising, and rewarding performance.
- It is a dynamic process that cascades throughout the various levels of the organization, utilizing observation, feedback, development and many other tools and approaches to maximize organizational performance.

# What Is Unsuccessful Performance Management?

- Organizational performance philosophy not 'determined and articulated'.
- Performance criteria established in a 'vacuum' --- no alignment.
- Primary concentration on the evaluation 'form'.
- No consistency in management 'thought and application' throughout the organization.
- Middle managers not a 'quality group'.

# Organizational Performance Planning

- What do we want to be?
- What do we want to do?
- What are we or what should we strive for?
- What is the context within which we work?
- How can we use our competencies to win?
- What has to happen for us to win?
- How can we tell how well we did?
- *What should our human resources and total rewards strategy be?*

# Performance Management: A Continuous Process

- ***Plan*** – defines what is important to the organization, and what needs to be done.
- ***Act*** – refers to the day-to-day activities and ongoing developmental steps taken to accomplish the plan.
- ***Monitor*** – refers to the responsibility of leaders and managers to track, coach and develop.
- ***Review*** – formal assessment and feedback.

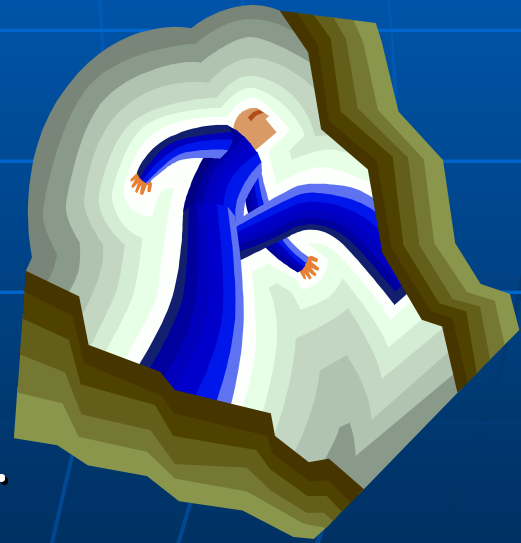
# **Successfully Aligning Performance Management and Rewards**

*Can this be accomplished  
by using a Base Salary  
“Merit” Increase Program  
as the primary reward  
vehicle?*

# Designing Variable Rewards Programs: Ten Criteria for Success

## *A SUCCESSFUL PROGRAM...*

1. Is aligned with organizational culture/values.
2. Is fair to employees.
3. Is fair to the organization.
4. Sets total rewards opportunities.
5. Yields financial returns to employees.



# Designing Variable Rewards Programs: Ten Criteria for Success

## *A SUCCESSFUL PROGRAM...*

6. Yields financial returns to the company.
7. Involves employees and managers.
8. Uses internal and external data.
9. Sets forth clear performance goals.
10. Achieves clarity through communication.

# Strategic Map/ Decision Items: The Methodology For Success

- Program Objectives
- Criteria for Success
- Culture/Values Assessment
- Variable Pay Design & Funding
  - Performance Management
  - Implementation Process
- Training & Communication

# Variable Rewards Program Objectives: We Want to Create and Support...

- Employees who are focused on adding value to the business by meeting/exceeding performance expectations.
- True employee "ownership".
- Retention and motivation of productive employees.
- A good "sell" to top candidates; a compelling reason to join the company.
- A marked distinction between those who go "above and beyond" and those who do not.
- An environment that discourages the entitlement mentality.
- An appropriate mix between base salary, variable opportunities, and all other components of the total rewards strategy.

# Variable Rewards Program: Criteria for Success

- Organizational culture and values must support an variable pay framework: instilling a “sales mentality”.
- Rewards policies and programs must be aligned with the organization’s strategic objectives.
- Senior management must allow the rewards program to work.
- Should have “rewards by example” at the top of the organization.
- Must be internally equitable and externally competitive.
- Rewards program must deliver what is promised on time and fairly.

# Variable Rewards Program: Criteria for Success

- Plan design should guard against “windfall” payments.
- Performance criteria must be discernible, valid and understandable.
- Rewards must be aligned with performance criteria achievement.
- Variable opportunities must be perceived as “substantial” enough to motivate performance.
- Timing of variable rewards should be as close as possible to the qualifying event.
- If designed and implemented properly, rewards to employees will yield “slices from an expanding financial pie”.

# Variable Rewards Program: Criteria for Success

- *Middle managers will make or break the rewards program.*
- Should involve managers in the plan design and, especially, performance criteria identification.
- Must build trust and get buy-in from managers and employees through effective training and communication.
- A well-designed and executed rewards program can improve the organization's bottom line.
- Measurable benefits can include improved: morale, productivity, quality, customer service, on-time performance, work methods, etc., etc., etc.

# Variable Rewards Program Design: Direct-Line-Of-Sight Framework

TIER	TARGET OPPORT.	RANGE:	PERFORMANCE WEIGHTINGS		
		0 – 150% OF TARGET	CORP.	DEPT.	INDIV.
1 – Officers	35.0%	0 – 52.5%	70%	20%	10%
2 – Directors	25.0%	0 – 37.5%	40%	50%	10%
3 – Managers	15.0%	0 – 22.5%	30%	50%	20%
4 – Tech. Prof.	10.0%	0 – 15.0%	20%	20%	60%
5 – Support	8.0%	0 – 12.0%	10%	20%	70%

# Variable Rewards Program: Performance Management

- Corporate criteria are always *quantitative*: measures how the organization defines financial/operational success (2 or 3 criteria).
- Also, develop “**Qualitative**” Corporate Goals (QCG’s): organizational-wide business & operational objectives for the upcoming performance period.
- QCG’s are used to “cascade” Departmental and Individual/Team Goals.

**Departmental and Individual/Team Goals** should be both *quantitative and qualitative*:

- Criteria must be valid, discernible and measurable and, if applicable, with milestone dates.
- No more than four to six criteria per category.
- Narrative rating scale can be used to assess qualitative criteria.

# Management Training Workshop

## One Day

- Explain and discuss all components of the new rewards program.
- Discuss the role of managers in the organization.
- Assess individual management styles and approaches (use case study examples).
- Review and discuss the performance management philosophy and methodology.
- How to align performance management with the new rewards program.
- How to write successful performance goals (show examples).
- The charge!: Write your departmental performance goals (aligned with QCG's) and assist your employees in writing their individual goals.

# Employee Communication Session

## One-Half Day

- Explain and discuss all components of the new rewards program:
  - What's in it for the employees,
  - What's in it for the organization.
- Review and discuss the performance management philosophy and methodology.
- How to write successful performance goals (show examples).
- The charge!: Write your individual performance goals for the upcoming performance period.

# The Role of Human Resources: Aligning Performance Management and Rewards

- “Partner” with senior executives in formulating the organization’s overall human resources and total rewards strategy.
- Assist operation managers in performing their people management responsibilities.
- Provide operation managers with all of the necessary people management “tools”, *including an aligned performance management and rewards program.*
- Serve as internal consultants to operation managers in all matters relating to attracting, retaining and motivating a quality work force.

# The HR Function Is Truly Unique --- And So Are You!

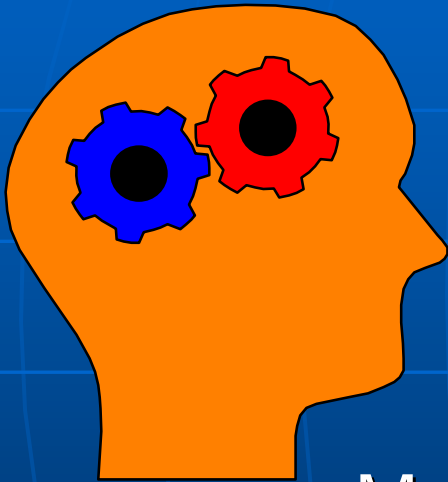
You should be constantly supporting your organization and your employees: achieving business objectives while meeting the needs of your work force.

**THE CHALLENGE IS TO  
MAINTAIN YOUR  
BALANCE!**



# Successful HR Professionals Must Be Accomplished...

## PSYCHOLOGISTS AND DETECTIVES



- Must know what makes people 'tick'
- Must use your 'people' knowledge to solve the mysteries of achieving organizational success