

# Managing Performance and Compensation

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# Topics

- What is Performance?
- What Challenges Do We Face?
- How to Bring System, Execution, and Fiscal Together
- Success Factors
- How to Make It Work?



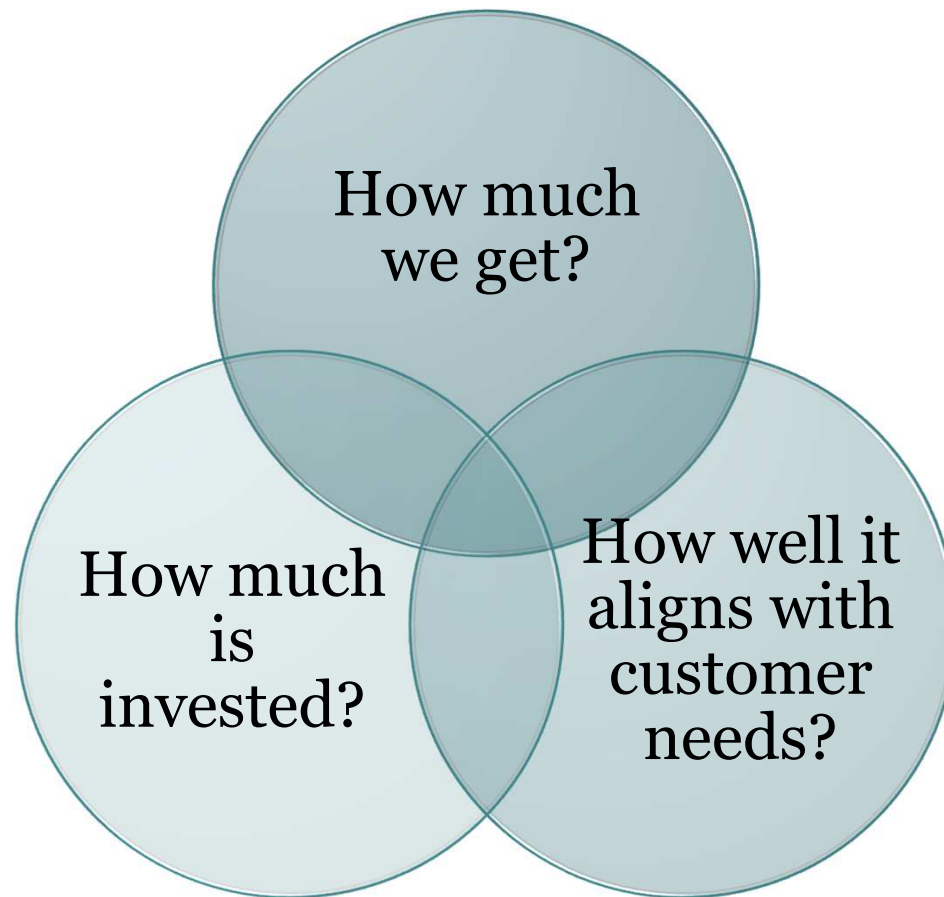
# Why is Performance Important?

<b>Do you have a Performance Culture?</b>	<b>High Customer Satisfaction</b>	<b>High Employee Engagement</b>	<b>High Productivity</b>	<b>High Collaboration</b>
Yes	61%	68%	71%	54%
No	39%	32%	29%	46%

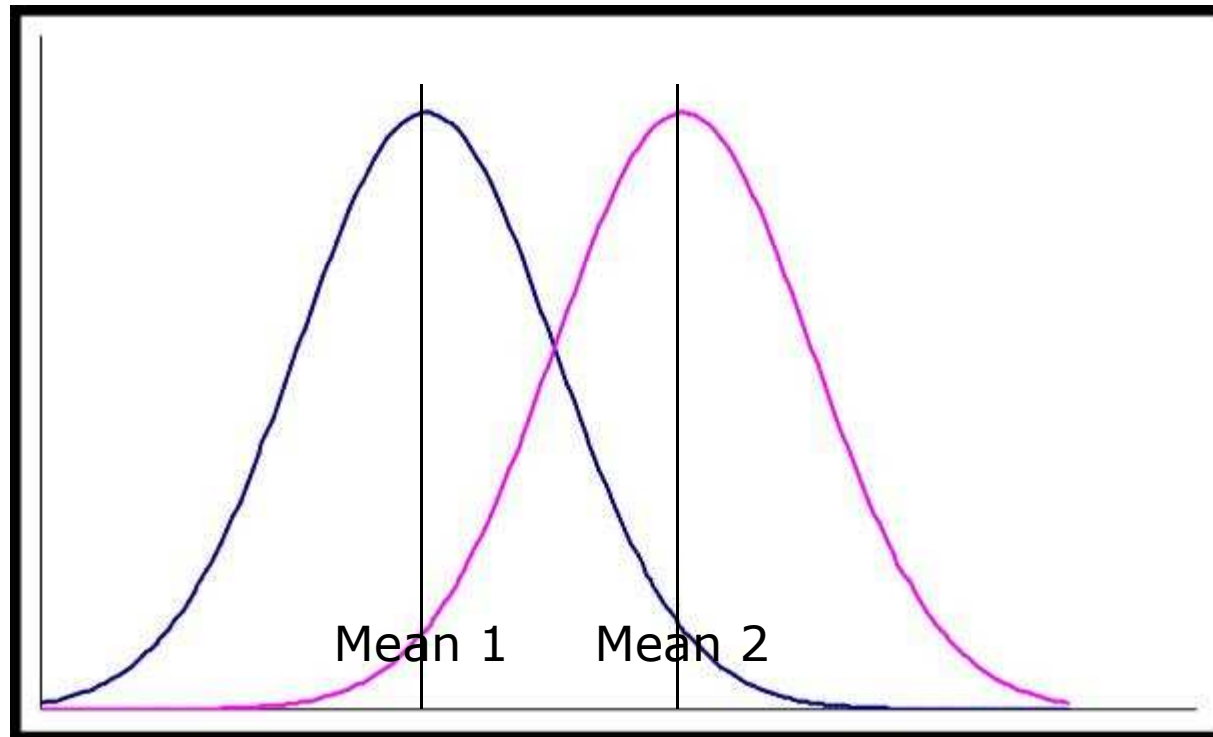
<b>Do you reward Performance?</b>	<b>High Customer Satisfaction</b>	<b>High Employee Engagement</b>	<b>High Productivity</b>	<b>High Collaboration</b>
Yes	74%	71%	74%	49%
No	26%	29%	26%	51%



# What is performance?



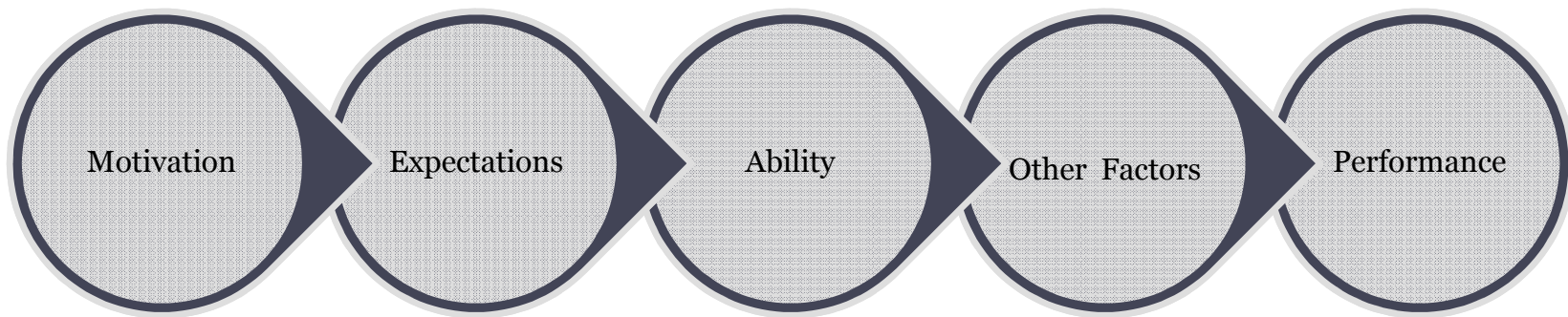
# Performance = Moving the Curve



Higher Performance



# Formula for Performance



Capacity + Commitment



# Roots of Performance

- Performance relates to the individual and his or her behavior.
- Performance is most commonly measured by if a job is done well.
- Performance is a primary element of desired outcomes.



# What is Performance Management?

- Method and process for accomplishing planned performance levels by an organization that involves:
  - setting clear expectations;
  - providing on-going communication and feedback; and
  - creating partnerships between employees and supervisors for mutual success.





# What is Performance Evaluation?

- Process and method to assist with:
  - assessing outcomes;
  - determining potential;
  - setting out a plan of action for growth and improvement; and
  - testing alignment.

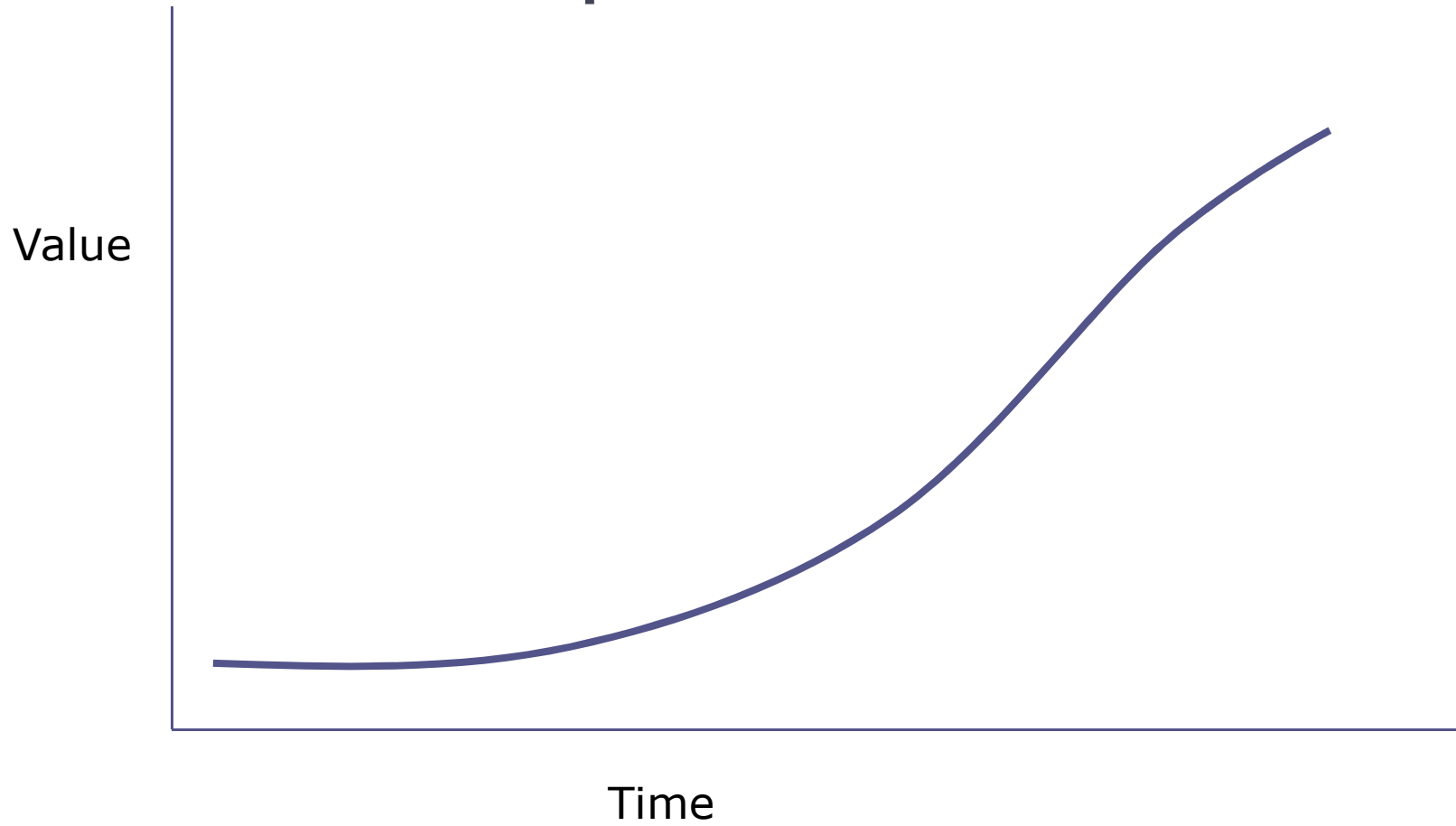


# Phase 1: Time=Performance

- Value = Time in job (Experience)
  - Specific tradeoff: fixed value of rewards
  - Range movement critical to ensure high value
  - Each year of experience has a specific value
- Result: step plans and average performance assumed



# Phase 1 Graphic

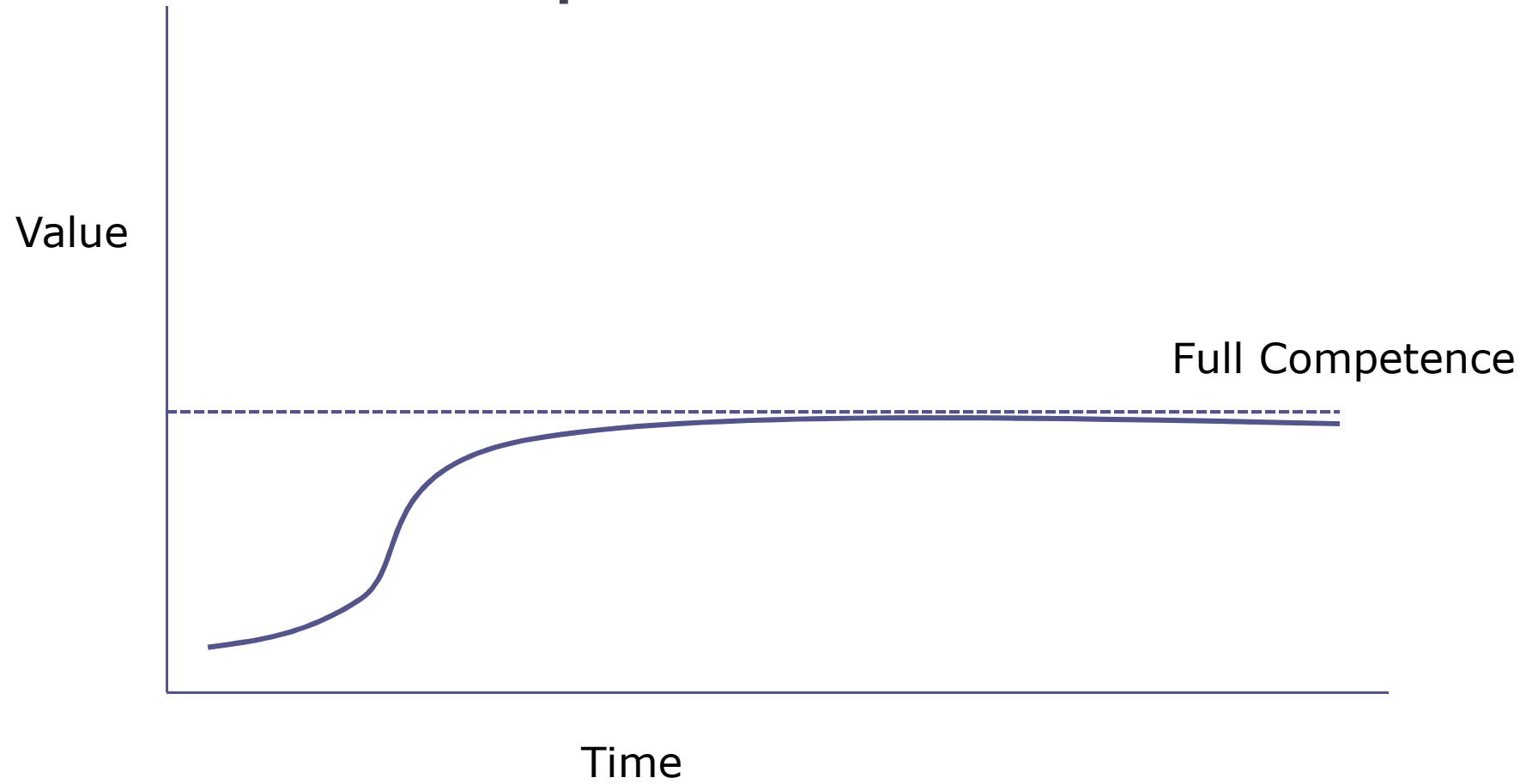


## Phase 2: Skill = Performance

- Value = Full Competence (Skill and Ability)
  - Gain skills until reaching point of performing at an average level (know, can, and will)
  - Competency implies the ability to teach others
  - Market value equals full competence (all have a job worth)
- Result: Market plans, market control point plans, performance hybrids



# Phase 2 Graphic

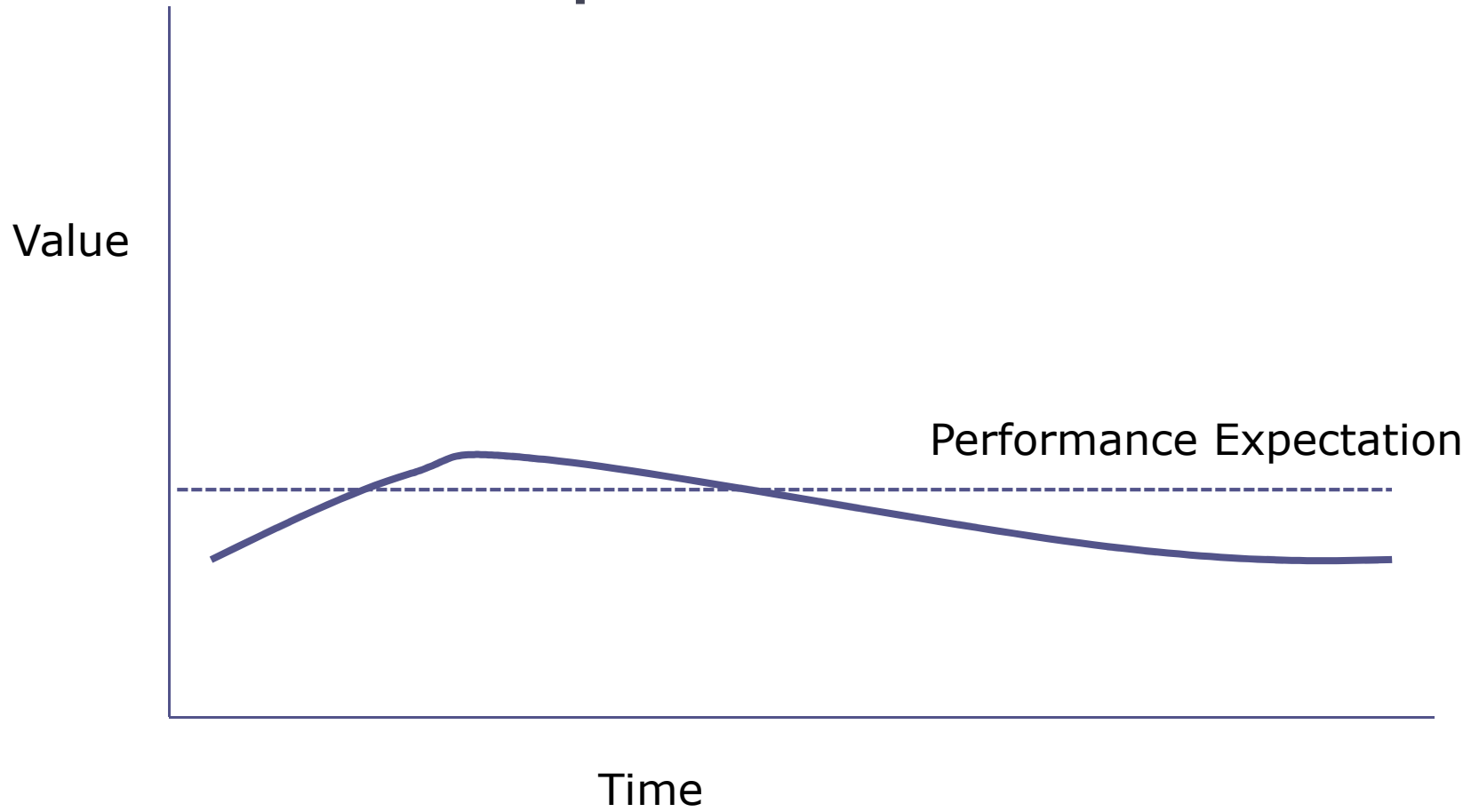


## Phase 3: Outcomes = Performance

- Value = Performance (Production/Resources)
  - Move away from specific formula to outcome
  - More concern with technology, analytical ability, and adaptability
  - Motivation and attainment
- Result: broad market plans, performance-based plans



# Phase 3 Graphic





# Conceptual Structure





# Key Considerations



# Approaches

Approach	Pros	Cons
Percentage by Score	<ul style="list-style-type: none"> <li>• Higher dollar for more complex jobs</li> <li>• Easy to understand</li> </ul>	<ul style="list-style-type: none"> <li>• Rewards highest paid most</li> <li>• Tends to result inconsistent scoring</li> </ul>
Dollar Amount by Score	<ul style="list-style-type: none"> <li>• Ensures that same reward for same level of performance</li> <li>• Easy to calculate</li> <li>• Rewards lowest paid more</li> </ul>	<ul style="list-style-type: none"> <li>• May limit motivation</li> </ul>
Distance to Midpoint	<ul style="list-style-type: none"> <li>• Ties into the market structure</li> <li>• Allows flexibility in movement</li> </ul>	<ul style="list-style-type: none"> <li>• Rewards some groups more for the same results</li> </ul>
Bonus	<ul style="list-style-type: none"> <li>• Budget flexibility</li> <li>• Limits supplemental cost</li> <li>• One allocation</li> </ul>	<ul style="list-style-type: none"> <li>• Viewed as less rewarding</li> </ul>



# Outcomes of System

- Must be accepted at all levels
- Must be valuable enough to motivate
- Must differentiate between levels



# Success Checklist

- Essential job functions are known
- Linkage between job and organizational goals
- Details matter
- Be fair and compare results
- Document barriers to success and be specific





Thank you

