1. Introduction

Increasing business competition and the empowered role of customers, considerably more demanding in their product/service expectations, has created the need for significant change within organizations (Hammer & Champy, 1993). The evolving international economy, with its new brand of challenges to survivability and growth, requires company actions in a range of diverse areas. These may include basic overhauls in the essence of the organization itself affecting corporate purpose, culture, technology, business processes and the human resources necessary to attain the performance levels required in a continuously evolving marketplace.

Those high performing organizations who have been most successful in managing these transformations are seen to be characterized by an open and frank culture valuing achievement over tradition, flatter in its formal structure, pay based on measurable performance factors, increasing skill depth and empowerment of its total workforce and effectively operating teams at all levels including across functions. Similarly, a review of best practices in the most successful companies consistently turns up dimensions of customer focus both operational and strategic; employee involvement and empowerment; open culture; fact-based decision-making; the team as the primary unit of performance; new technology applications; benchmarking against the best; leadership in quality with widespread use of quality tools and education/training as well as effective employee communication (Ernst & Young, 1992).

Organizations are responding in a variety of creative ways to the challenges which intensified competition and customer empowerment have created. Companies are transforming themselves into high performance organizations with best practices through a range of efforts variously called total quality management (TQM), continuous quality improvement (CQI), business process reengineering and other forms of change initiatives and restructuring in many areas of organizational life.

This chapter on process performance, appraisal and employee development planning deals with a number of innovations in the redesign of several key human resource effectiveness
processes. Alternative approaches are suggested in two areas which can result in increased levels of current performance - **Performance Appraisal** and **Rewards and Bonus Systems**. In addition, ensuring future human resource effectiveness in an increasingly challenging and changing business environment requires a focus on two separate processes - **Employee Potential Evaluation** and **Development Planning**.

### 2. Process Focused Performance Appraisal and Reward Systems

TQM and CQI focus on the implementation of continuous improvement of processes throughout an organization. Quality improvements trigger a cascade effect whereby changes in processes result in reduction of **chronic or systemic problems**. What is typically seen in non-competitive organizations is a continuous fire-fighting effort that focuses on **sporadic** or “special cause” problems (Juran, 1964, p. 7). Chronic problems are typically considered as an inevitable cost or simply the cost of doing business. Organizations that have adopted the continuous improvement strategy acknowledge that there are no such acceptable costs since there is no end to possible improvements. Modern global markets dictate this approach and create perpetually stricter standards of quality and performance.

The remainder of this section will first describe what are considered to be traditional performance appraisal and reward systems and then present concepts for a new generation of performance appraisal and reward systems congruent with a continuous improvement strategy. These type of systems, labeled here as **process focused performance appraisal and reward systems**, have also been described in Kenett, Waldman and Barak (1990), Kenett, Waldman and Graves (1994) and Waldman and Kenett (1990). In brief, these relatively new systems focus on work processes, and are designed to provide feedback to teams and individuals. Our main point is that a redesign of performance appraisal and reward systems is needed in order to overcome flaws observed in the implementation of traditional systems.

#### 2.1 Process Focused Performance Appraisal Systems

##### 2.1.1 Theories and Realities of Traditional Performance Appraisal

Traditional performance appraisal systems are focused on the individual performance of employees during an appraisal period. They are designed to evaluate employees on their strengths and weaknesses using observations and measurements of performance, to identify performance expectations, and to help develop future job performance (Bernardin & Beatty, 1984; Bretz, Milkovich, & Read, 1992). The performance appraisal typically relies on such tools as a form and an interview, both administered about once a year. Typical appraisal forms emphasize behavioral traits depending on managerial observations and impressions to substantiate the ratings.

Performance ratings can theoretically be used to identify training needs, management problems, and candidates for promotions, job rotation, and dismissals or layoffs. The employee is supposed to get an indication of how the organization views her or him and what can be expected in the future in terms of promotion, pay increases, and job assignments. The interview
should help employees and management communicate better and enhance employees' identification with the organization. Overall, motivation and performance should increase.

In reality, many of these objectives for traditional performance appraisal systems remain unattained. Managers often view performance appraisal as a burden, filling out the appraisal form or conducting the interview because they are forced to do so by the organization's administrative system. Moreover, the politics of appraisal can lead to manipulations of ratings (Longenecker, Sims, & Gioia, 1987). In sum, typical problems and issues associate with traditional performance appraisal systems include:

1. To whom should a manager compare an employee? To other employees, to an ideal employee?

2. There is little linkage between performance ratings and reward or promotion decisions. Performers identified as weak may get pay increases for political or other non-performance based reasons. Performers identified as strong may already be at the top of their pay grades and hence, not receive pay increases.

3. Managers do not feel objective as raters. Despite such advanced scaling as behavioral anchoring, many would ask, "what exactly is the difference between a '3' and a '4' on a 5-point scale?"

4. The typical infrequent appraisal (once a year) makes it difficult to process information in an attempt to assess overall performance in the appraisal period. Recent incidents may erroneously carry more weight.

5. The interview focuses on negatives because supervisors view their role as evaluators who have to render a verdict. It is often spent in an offensive mode on the part of the supervisor and a defensive mode on the part of the subordinate. Bad ratings are difficult to justify. The employee may ask for examples and will provide counter-examples. The interview can then turn into an argument. Despite policy pleas to the contrary, little time is spent on employee development or problem-solving.

6. How can the manager validly determine the extent to which an employee's performance is due to work system factors external to the employee, and how should this affect ratings? Recent evidence shows that managers are not very adept at distinguishing system causes of performance from personal causes (Dobbins, Cardy, & Carson, 1991). In addition, a majority of system factors affecting an employee's performance are not under his or her control. Performance appraisal may assume such control forcing managers to create an artificial differentiation between employees in order to comply with an appraisal policy of forced rankings.

7. Performance and its measurement is infrequently oriented toward quality and/or the satisfying of customer needs and expectations. Instead, performance may be focused on other factors such as personal traits and attaining short-term financial results.
These are a few of the reasons for the difference between the theoretical objectives of traditional performance appraisal systems and what they actually achieve. The existence of this gap is supported by research showing that company policies and administration surrounding performance appraisal are more often demotivating as opposed to motivating (Herzberg, 1987, p.112). The position taken here is that cosmetic changes in traditional systems will not go far enough in making performance management efforts compatible with a continuous improvement strategy. Such changes have included alterations in rating scale anchors, attempts to train raters on how to be more accurate and provide feedback, and attempts to improve the interpersonal context of appraisal (Bernardin & Beatty, 1984; Nathan, Mohrman, & Milliman, 1991; Smith, 1986). We propose that the process appraisal system described here represents a significant paradigm shift in performance appraisal system design.

2.1.2 Conceptual Underpinnings and Fallacies of Traditional Performance Appraisal Systems

A conceptual basis for the evolution of traditional performance appraisal systems is the notion that an individual's performance is primarily a function of his or her ability and motivation (Vroom, 1964). As such, the individual should be the one held primarily responsible for performance accomplishments. One major ingredient not recognized by such a formulation is the system effect or element of opportunity. That is, to what extent do opportunity variables in the work environment affect an individual's performance? A classification of such variables adapted from Peters and O'Connor (1980) is as follows: (1) material resources (such as tools, information, and machinery), (2) work environment (such as temperature, noise level, and work processes), and (3) people (such as leadership, group interactions, and communication processes).

Variation in the performance of employees can be explained with an equation of the form:

\[
\text{Work Performance} = f(\text{Ability, Motivation, System})
\]

where \(f(.)\) indicates a weighted function. A key issue in accounting for individual differences in work performance is the amount of weight that should be assigned to system variables, as opposed to the individually-specific variables of ability and motivation. Moreover, is it feasible to expect managers to accurately separate system variance from person variance?

Deming has attributed over 85 percent of the variance in work performance to system variables (cf. Scholtes, 1987). Indeed, recent research has shown that opportunity variables do carry substantial weight in determining work performance (Colarelli, Dean, & Konstans, 1987; Dobbins et al., 1991). This finding is even more pronounced when one considers how opportunity variables, such as leadership, can affect performance indirectly by first impacting individual variables such as motivation (Waldman & Spangler, 1989). An important implication for understanding work performance and its appraisal is that variables such as these can impact individuals differentially. For example, in the case of leadership, some people may be subjected to performance-enhancing leadership, while others receive little help or guidance (Graen & Scandura, 1987).

Another problem is that managers may not be skilled at distinguishing system causes of performance from personal causes (Dobbins et al., 1991). Traditional performance appraisal systems may implicitly recognize the impact of system factors. However, the attribution for
performance tends to rest with the individual. That is, although the rater may attempt to
cognitively weight opportunity variables when making an appraisal, the actual rating and
resulting outcomes (e.g., rewards) often focus on the individual. Attempts to improve or develop
performance are also focused on the individual rather than opportunity and system-level factors.

2.1.3 Elements of Process Focused Performance Appraisal Systems

The major novelties of a process focused performance appraisal system are its attempts to:
(1) focus on group-level appraisal and minimize individual-level appraisal, (2) focus on
quality-oriented performance and customer-based measures, and (3) make system-wide
improvements. The traditional performance appraisal system emphasis is on measuring and
rewarding/punishing individuals in an infrequent, formal manner; attention to system
improvement or employee development tends to be minimal. In contrast, process performance
appraisal directs attention toward group-level performance and improvements to the work system. As such, process performance appraisal becomes compatible with a continuous improvement-oriented organizational culture which puts
greater emphasis on team performance and rewards. This is in direct contrast to the usual
appraisal emphasis on individual performance and individual rewards.

Traditional appraisal is also oriented toward ratings of personal or behavioral traits
associated with performance. Furthermore, in the case of managerial appraisal, MBO-style
measures of financial and operational performance may be the most strongly emphasized.
Conversely, process appraisal focuses greater attention on measures of continuous improvement
and the extent to which internal/external customers are being satisfied.

In a process appraisal system, individual evaluations (leading to subsequent individual
personnel actions) consist of only three possible ratings: below the system-expected
performance, within the system-expected performance range, and above the system-expected
performance. An evaluation of "in the system" would be the predominant score while ratings of
"below the system" or "above the system" would be more exceptional and less frequent. As
stated previously, the rationale for this simplified system is that: (1) system factors are a major
influence on an individual's performance, (2) managers should not be expected to accurately
delineate how much of an individual's performance is due to system factors versus personal
factors, and (3) performance appraisal energy is better invested in process improvement and
developing team performance.

2.1.4 Issues in Process Performance Appraisal Implementation

Firstly, process performance appraisal attempts to reinforce an organizational emphasis on
continuous improvement and the satisfaction of internal and external customers by focusing
performance measurement in these directions. This may entail the construction of new customer
quality measures not previously considered.

Additionally, there is a significant shift in appraisal responsibility. Management’s
traditional role as sole owner of performance data and individual ratings gives way to team and
employee empowerment. Self-appraisal has increasingly been shown to improve the performance
appraisal process (Campbell & Lee, 1988). A process performance appraisal system encourages
self-appraisal, thereby enhancing employee involvement and ownership in the appraisal process. Self-appraisal also helps to lessen the uncomfortable role of managers serving as evaluators. Team members track and record their own quality-oriented performance while taking advantage of the guidance and help of their supervisor.

Peer appraisal is an alternative source of appraisal information. Indeed, peer appraisal has shown much promise for accurately distinguishing very high from very low performers (Kane & Lawler, 1978) and thus, could be quite useful as input for the simplified rating categorization described above. Moreover, peer appraisal increases task visibility among team members thereby reducing the potential of social loafing which could otherwise develop because of the reduced emphasis on individual appraisal (George, 1992). In other words, peer pressure could serve to enhance one's motivation to perform and be a part of efforts to continually improve systems.

The individual interview becomes a developmental tool in process performance appraisal. For those below the system, one-on-one problem-solving would ensue to identify the special, assignable causes and potential remedies of performance difficulties. For those above the system, special recognition would be provided. Moreover, an attempt would be made to understand the reasons for stellar performance so that possible changes could be made which would help others in the system.

Team or system-level performance appraisal is then carried out in group meetings. These meetings are used primarily to discuss how improvements can be made in the overall work system, thereby leading to performance improvements for all employees. Process performance appraisal becomes a teamwork exercise in identifying and resolving chronic performance problems affecting the entire work system. Once the causes of such problems are determined, the mean performance level of all members can be enhanced.

### 2.1.5 Implementing a Process Focused Performance Appraisal System

We now describe a process performance appraisal system "at work". We propose a five-step process for implementing a process performance appraisal system which includes the creation and maintenance of a Job Performance Document for every individual in the system. The steps are graphically displayed in Exhibit 1. The numbers in the flow chart refer to corresponding steps.

**Step 1:** Individual interviews are carried out between a manager/coach and respective team members to clarify job descriptions, responsibilities, and span of control. Questions to be discussed include "who are the customers?", "what do they want?", "how are their needs determined?" After mutual agreement is reached, answers to these questions are recorded in the individual's Job Performance Document. This step and subsequent steps are repeated with each employee.

**Step 2:** The Job Performance Document is opened at the end of step 1. Updates to this document are made as needed. These updates reflect the current level of performance measures collected at weekly/monthly/quarterly intervals, changes in responsibilities and in the job description, and any other information or factors affecting the span of control of individuals. Entries will be made by the employee, manager/coach, human resources personnel, and even...
automatically from relevant databases. In systems emphasizing self-appraisal, employees could be primarily responsible for updating the performance data.

**Step 3:** The next step is to identify customer-directed peer group(s) or team(s) among individuals that deal with common customer requirements. This is done in group sessions lead by the manager/coach. Tools that can be used in this process include brainstorming, force field analysis, and input/output analysis. If a customer-directed team is identified, one repeats as a group effort the same analysis of Step 1. The results are used to update the Job Performance Document of all the individuals in the group. Note that it is possible for an individual to belong to a customer-directed team for one or more job responsibilities, and stand alone for other job responsibilities.

**Step 4:** We are now ready to identify the performance measures relevant to the individual and, if applicable, his or her customer-directed team. This is achieved through discussions with the customers or through simulations of the customer's needs and expectations.

**Step 5:** The customer-based measures identified in step 4 provide a reference from which to position the employee's individual performance appraisal. Such an analysis will lead to a classification of an employee, over time, as "in the system" or "outside the system" using devices such as standard control charts (see Deming 1986). Periodic discussions will occur within the customer-directed team with the facilitation of the manager/coach and/or TQM facilitators. These discussions are focused on understanding the assignable causes for an individual being outside the system and on the chronic, common causes affecting the performance of everyone in the peer group system. The discussions should follow a TQM problem solving process model. If there is no identified team, it is still possible to track an individual's performance over several time periods to determine whether performance is within the expected performance system. The data and ensuing analysis in step 5 are entered in the Job Performance Document.
2.2 Process Focused Performance Reward Systems

Process Focused Performance Appraisal Systems can be easily complemented by suitable reward systems. This section outlines a case study of such a system. *KPA Ltd.* has developed a copyrighted system that combines special purpose software, an administrator’s manual and a tailored training program for the deployment of process performance reward systems with company-wide, team-level and individual goals. Sample printouts are included as a supplement. More information on such systems can be obtained by contacting the authors.

2.2.1 A Case Study: Gallery Furniture

Gallery Furniture was founded in 1981 and is located in Houston, Texas. Before October 1990, the company had MBO, incentive pay, and performance appraisal/rankings. This included quotas and commissions for their 80 salespeople. The system included both reward and punitive measures. For example, the top 10 producers each month could, during the following month, take customers at will without waiting their turn. Conversely, on Saturdays, any salesperson who did not close with at least 30% of his/her customers had to sit out on Sunday, taking customers only when all other salespeople were busy.
The quota procedures used by Gallery Furniture generated problems common to traditional appraisal/reward systems. A salesperson received a 10% commission if s/he had a weekly volume of $7,000 furniture sold, plus $400 of furniture chemicals. Five percent commissions were handed out if these quotas were not met. Over time, games were being played by salespeople to make the 10% commissions. These included pushing customers to accept delivery at times not convenient to the customer in order to meet a week's quota, or to postpone recording a sale until the following week if the current quota had already been met. Sometimes, salespeople would actually store furniture in their own garages just to postpone delivery. They would also push customers to buy large, unnecessary amounts of furniture polish because of the separate quota on polish.

By October 1990, business was reaching a plateau. A key productivity indicator, closing percentage (percent of visitors making a purchase) was averaging 43%. This was high by industry standards. However, it seemed to be leveling off and the President, Jim McIngvale, was becoming dissatisfied and decided to redesign their reward system. In December 1990, they eliminated the punitive quota system. In April 1991, they eliminated sales commissions altogether, agreeing to pay all salespeople the same as 1990 plus their portion of a profit sharing plan. Twenty percent of all profits went into this plan. Half of this 20% was immediately put into paychecks each quarter; the other half went into a long-term investment plan for employees. Most salespeople are now being recognized as performing “within” a system with individual performance determined by the system capability.

Changes in the behavior of salespeople started to occur immediately. More experienced salespeople now find time to help the newer ones. Customers with special interests or needs are turned over to a salesperson with specialized knowledge. Salespeople find time to visit the warehouse, and they now make most of their own deliveries (previously, all delivery work had been subcontracted). There is more education and cross-training, allowing salespeople to learn the whole business and improve the greater work system.

In terms of bottom line results, the six-month average closing percent has drifted up from about 43% in October 1990 to roughly 49% throughout most of 1992. The average sale is up from about $750 to about $850. Even though store traffic is slightly lower (largely due to recession), profits are substantially higher. One additional result worth mentioning is that since productivity has increased, there is now a need for 25% fewer salespeople. However, no jobs have been eliminated. Instead, salesperson time is devoted to other previously mentioned activities including making deliveries, helping other employees, decorating the store, and servicing customers.

We should note that much of this success stems from top management's new philosophy and leadership. There appears to be a new focus on continuous improvement and cooperation, rather than numerical goals/outcomes and competition. People are viewed as assets, rather than potential problems to be controlled. Money has increasingly been invested in their continued education and training. In general, management is less critical of employees, realizing that people will react positively if treated with individualized consideration.

In sum, collaboration and teamwork of the kind that now characterizes Gallery Furniture are basically unthinkable under systems of quotas and commissions. Quotas, commissions, and performance appraisals focus on the self-interests of individuals. This diverts attention away from improving processes and ultimately satisfying and even delighting customers.
3. Potential Evaluation and Employee Development Planning

Planning for the future value of the human resource asset is seen to be as important as planning for other financial, physical or technological assets of the firm. Similar to other strategic planning efforts, human resource planning requires a strategic view, sound methodology and lead time to organize and implement resulting employee development activities.

High performing organizations need to utilize approaches congruent with their customer-based performance culture and flatter organization structure which will identify and aggressively develop future human resource talent. This talent source is both from within the firm as well as from targeted external recruitment efforts which match available human resources with the future skill needs of the business.

The end result of a comprehensive strategic human resource planning effort will be to ensure that the right talent is in the right job at the right time with the proper level of skill. In addition, it is evident that current organizational transformation efforts result in a different mix of human resource components and frequently in fewer of them as the change processes “take no prisoners”. The integrity of these determinations needs to be supported by the best methodology for both moral as well as business reasons.

Several innovations in employee development planning are presented here which lead to continuous improvement in human resource capacities. A full review of the larger concept of human resource planning is beyond the scope of this chapter.

3.1 Evaluation of Employee Potential

One of the key concepts for effective employee development planning is the assessment of employee potential. Employee potential is a rating assigned to an individual over a specified time period which assesses the capability toward greater degrees of organizational contribution. Employees with potential are expected to achieve “promotion” or be given expanded responsibilities in preparation for advancement within the time period. Within this concise definition, two rating are recommended - has potential or does not have potential within one year for example. Obtaining customer and peer input into the evaluation of potential is highly relevant, less subjective and generally preferable to managerial assessment alone, even if their are several levels of supervision involved.

The concept of potential should be clearly separated from performance. A definition of performance is seen to be a rating assigned to an individual which measures work results achieved during a preceding time period. This assessment is made against previously established work objectives, job accountabilities and other measures. A classic example of this differentiation between potential and performance is the very competent and high performing professional or individual worker who is not the best suited, considering the company’s limited human resource development and time constraints, to become the manager or supervisor of his or her group.

Current practices in evaluation of potential frequently do not clearly separate the
evaluation of future potential from success with past performance. Where potential is highlighted as distinct from past performance, the focus is more commonly on evaluation of management potential. However, job specific competency models and assessment centers designs for the evaluation of future success for both internal and external managerial and individual contributor job placement is not uncommon and is seen as having value.

In many cases skill set models are not provided, leaving the judgment of employee potential to be made on a more subjective basis by the employee’s management. This evaluation may not even be job specific but rather is to indicate the number of vertical levels the employee is promotable. It is noted here that potential to other horizontal or lateral positions is more realistic in today’s flatter organizations and of greater benefit to the talent base of the firm as well as the development of employees. However, the evaluation of potential to other lateral areas of the firm is not a widespread practice for either management or the larger workforce population.

Furthermore, where specific competency models are used, they may be based more on job description data than on a real projection of what the job will need to include in the future and what the new demands of customer, competition and change require. All in all, the process of identifying who to develop and toward what to develop people in companies tends to be an uneven, non-strategic effort.

### 3.1.1 Competency and Success Models

The best use of limited corporate resources and time in the development of its human resources and in the matching of people to fit future job requirements can be greatly aided by efforts to develop specific job competency and skill models. Useful models of this type are progressive, future oriented and specifically include meeting customer, competition and change requirements. A strategic perspective is needed:

- 1. What is the future direction of the business?
- 2. What new skills and capabilities are required in the business of the future?
- 3. Where is there a current shortfall in terms of skills?
- 4. What kinds of profiles are meeting today’s demands?

These answers to these questions are then translated into workable and well publicized models throughout the organization for use in development and hiring decisions. Assessments of employee potential are made by comparing the individual’s behavior and/or background accomplishments against the desired dimensions. Such a model for engineers is provided in *Harvard Business Review*, July-August 1993, “How Bell Labs Creates Star Performers” Here are some additional, generic examples of success models:

<table>
<thead>
<tr>
<th>Professional Employee Success Model</th>
<th>Organizational Dimensions</th>
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</thead>
<tbody>
<tr>
<td>PROCESS IMPROVEMENT- ChALLENGES existing thinking and systems which result in new viewpoints and improved practices.</td>
<td></td>
</tr>
<tr>
<td>SYSTEM THINKER- Examines appropriate organizational processes and their interdependencies as part of problem analysis and total company solution design.</td>
<td></td>
</tr>
<tr>
<td>OPPORTUNITY PRONE- Turns problems and routine situations into valuable endeavors.</td>
<td></td>
</tr>
</tbody>
</table>
PROACTIVE WITH CUSTOMER- Understands the customer’s “business”, anticipates their needs and commits to satisfy these requirements, despite difficulties.
INDUSTRY KNOWLEDGE- Understands the industry, its marketplace and other related factors that are or will be significant.
BUSINESS IMPACT- Business “savvy” and sense of proprietorship result in improved profitability or marketshare.
OPERATIONAL IMPACT- Works effectively with teams or organization to achieve meaningful cross functional change.

Professional Employee Success Model- Group Dimensions

DEVELOPS COLLEAGUES- Is a force for the growth, development and pride of others during normal work relationships and interactions.
EMPOWERS OTHERS- Pursues self-empowerment and creates conditions for others to exercise empowerment through sharing information and involvement of others.
EFFECTIVE CHANGE AGENT- Energizes the group to higher levels of accomplishment by personal example and leadership that enable others to see further and take charge.
FORGES CONSENSUS- Ability to bring together diverse or conflicting points of view into a cohesive effort.
CROSS-DISCIPLINE COMMUNICATOR- Exchanges information with different functions and areas to keep others informed and identify adaptable ideas from them.
STIMULATES IDEAS IN OTHERS- Inspires and supports others in their creation of new concepts and innovations.
CULTURALLY ASTUTE- Communication and behavior demonstrate skillful utilization of the organization’s social norms as evidenced by high quality group and interpersonal interactions.
Professional Employee Success Model - Individual Dimensions

PERSUASIVE/INFLUENTIAL- Able to present ideas and materials to others in a way which gains support and develops agreement.
TRUSTED- Shows consistency with principles, values and behavior; builds confidence with others by keeping commitments.
LEARNs FROM EXPERIENCE- Learns from own efforts and incorporates lessons from experiences of others.
PURSUes COMPUTER APPLICATIONS- Seeks opportunities in own functional area to leverage the advantages of new Information Technology.
PURSUes EXCELLENCE- Engaged in a constant effort to achieve the best possible outcomes in both personal and professional matters.
MAINTAINS KNOWLEDGE IN ALLIED FIELDS- Pursues current information in own field as well as in areas associated with or peripheral to own function.
APPLIES NEW TECHNOLOGY- Constantly improves organizational applications through applying the newest technical or professional developments.
WELCOMES CHANGE- Is open to personal change and pursues it when important.
“READING” OTHERS- Has a good record of assessing others as evidenced by highly productive outcomes.
MEASURES PERFORMANCE- Uses objective criteria to evaluate own task effectiveness and actively adjusts based on this feedback.
PLANNING AND ORGANIZING- Effectively controls own work by planning time on priority goals, projects and areas of opportunity.

Management Level Success Model

• 5 Has the individual demonstrated an educational background which enables a high level of functional problem-solving and communication proficiency?
• 6 Does the individual posses the necessary functional knowledge and basic managerial skills?
• 7 Is he/she recognized as an effective leader?
• 8 Is the individual proactive with customers?
• 9 Does he/she engage colleagues?
• 10 ls there evidence of growth capability for system thinking and general business skills?
• 11 Does he/she pursue needed change?
• 12 Is there evidence of sound judgment and decision-making abilities?
• 13 Does he/she work well in teams and practice teamwork?
• 14 Does the individual understand the evolving industry and marketplace?
3.2 Employee Development Planning

Employee development planning is one of the important components necessary for a strategic approach to the development of future human resource effectiveness by ensuring the right talent is in the right job at the right time with the proper level of skill. The identification of whom to develop and toward what future roles with what skill sets is the aspect of human resource planning which we are referring to here.

There are, of course, limited resources and time which can be devoted to any corporate activity such as employee development. It is for this reason necessary to plan for the development of the right people toward the most advantageous directions. This is very different from the notion that all employees receive more or less equal opportunities when it comes to growth and development paid for by the organization.

We have seen an overreliance on performance alone as an indicator of who is the most worthy and worthwhile to invest development time and resources. By adding the concept of potential to the performance data of individuals, the value of projecting employees into future roles is greatly aided. The approach indicated below draws upon the process performance appraisal and potential evaluation systems previously described:
**Employee Development Planning**

<table>
<thead>
<tr>
<th>POTENTIAL</th>
<th>YES</th>
<th>NO</th>
<th>PERFORMANCE</th>
</tr>
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<tbody>
<tr>
<td>ABOVE</td>
<td>BRIGHTEST STARS</td>
<td>PERFORMANCE STARS</td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>POTENTIAL STARS</td>
<td>BLOCKERS</td>
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<tr>
<td>OUT</td>
<td>FUTURES</td>
<td>CORRECTIVE ACTION</td>
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**BRIGHTEST STARS**- Employees who rank the highest in terms of both current performance and future potential. They should receive first priority in developmental assignments and be first in line for promotions.

**POTENTIAL STARS**- Those who are in the middle in terms of performance but the highest rated for future potential. They are strong developmental candidates. Their performance is also expected to be exceptional if their potential was assessed correctly.

**FUTURES**- Employees, probably new to the workforce or newly appointed, who have not yet performed but who are highly rated in terms of potential. If performance does not improve rapidly, then it is likely that potential was overrated.

**PERFORMANCE STARS**- People who are the highest performers but who are not seen to have potential. They are also developmental candidates whose real potential for development must be tested.

**BLOCKERS**- People whose performance is acceptable but not seen to have potential for increased contribution. These are individuals who may not only block positions and developmental openings for others but also can be a drag on other change initiatives as they strive to hang on.

**CORRECTIVE ACTION**- Individuals rated the lowest in terms of both performance and potential. A short term or one year corrective action plan is recommended. Alternative career directions should be seriously considered and supported with guidance by the organization.
With continuous improvement seen as necessary and expected from its human resources, organizations can achieve increased capabilities and depth in the workforce as a significant competitive advantage by applying the overview steps below:

**Step 1.** Understand business trend and construct competency/success models.

**Step 2.** Clearly and objectively differentiate among employees based on both performance and potential utilizing the desired models. Employees are informed in which of the six cells they are currently in until the next review cycle.

**Step 3.** Aggressively develop highest rated in terms of performance/potential.
   a. Individual development plans
   b. Rotation or cross-functional moves
   c. Task force and special projects

**Step 4.** Develop talent bank for employee placement and tracking which contains profiles of each of the highest rated employees who are considered first for promotion and lateral or other developmental moves.

**Step 5.** Quickly, fairly and humanly resolve problems with lowest rated group.
   a. Corrective action plan
   b. Career manage to alternative position
   c. Outplacement

**Step 6.** Externally hire new high potential employees based on competency and success models.

Upgrade of the total workforce results as the expected achievement bar is continually raised and those best suited to the challenges of competition, customer empowerment and change are developed within the specific dimensions of the firm’s future needs. As those seen as likely to be less successful are moved out or preferably located to alternative areas, employees better matching the future success models can be hired into the organization. It is noted here that there are numerous, highly beneficial career management actions an organization can and should take before, during and after these employee dislocations.

The result of a successfully administered employee development planning process is continuous improvement in the contribution of the total workforce. Current performance along with the ability to continue to perform within new challenges has been specifically taken into account. This method of investment is best suited to improving the value of the organization’s human resource asset in a fast changing business environment.
4. Conclusion

As organizations transform themselves to meet challenging business and service requirements, processes technological, human and business in nature are likely to be in need of change. Effective leadership is the common thread holding together a successful transition from traditional approaches to process performance systems. For example, research has shown leadership to be an important element in the design of effective performance appraisal systems (Nathan et al., 1991; Waldman, Bass, & Einstein, 1987).

With organizational leadership, a humane, performance-driven culture can be cultivated. The evolving international economy is demanding that this be done well in order to compete. Human resource performance improvement in both the short and longer term is a critical aspect of this success. The redesign of several key human resource processes can contribute to this goal as outlined below:

<table>
<thead>
<tr>
<th>Driver</th>
<th>Primary Elements</th>
<th>Objectives</th>
</tr>
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<tbody>
<tr>
<td>Competition</td>
<td>Motivate employee performance in line with strategic goals</td>
<td>Design reward measures. Redesign reward system based on team goals.</td>
</tr>
<tr>
<td>Change</td>
<td>Upgrade pool of employee skills</td>
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References


## Supplement -1

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100 | 1995 | 374
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