

Public Sector Organizations

Today's Innovative Leaders in Performance Management

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INTRODUCTION

Who's coming up with the best new ideas for managing people's performance on the job? Surprisingly, some of the most innovative work in developing new approaches to performance management is being done these days by organizations in the public sector. When executives look for breakthrough thinking and best practices, their best sources frequently turn out to be state agencies and city governments, federal bureaucracies, and your local pardons and parole boards.

Like most management experts, I used to accept the conventional wisdom: public sector agencies and their managers are really second-class citizens when it comes to innovation and trailblazing. I assumed, like everybody else, that new ideas always originate in the private sector and then, slowly and with great resistance, filter down to state agencies and local governments.

I was wrong. Managers in the public sector are not innovation's stepchildren. Genuinely exciting performance management initiatives — bold, ingenious and utterly practical — are emerging from this often-overlooked sector.

I discovered the exciting work that government agencies are doing in performance management a couple years ago when I wrote the books, *Discipline Without Punishment* and *The Complete Guide to Performance Appraisal*. My research demonstrated that many of the innovations I was trumpeting were in fact developed in the public sector.

My awareness that public sector is leading the pack in performance management innovation was confirmed about a year ago, when I signed on as subject-matter expert for the national benchmarking study on best practices in performance appraisal sponsored by the American Productivity and Quality Center, DDI, and Linkage, Inc. My first task was to identify the companies that are doing really innovative stuff in performance management. But many of these companies turned out not to be "companies." Many of them were government agencies, and two of them — the Air Force Research Laboratory and the Minnesota Department of Transportation — made the final cut as best practice models.

JUST WHAT IS "PERFORMANCE MANAGEMENT"?

Performance management is the handy umbrella term for all of the organizational activities involved in managing people on the job. *Performance appraisal*, of course, is the one we think of first, and people often use the terms "performance management" and "performance appraisal" interchangeably.

But other activities also find room under the performance management umbrella — discipline systems, for example. In addition to creating some novel approaches to assessing and evaluating just how well Charlie and Jane are doing their jobs — performance appraisal, obviously — government agencies at all levels are reacting in entirely new ways when Charlie and Jane drop the ball and create problems on the job. Discipline procedures are another type of performance management system.

And what happens when it's management that drops the ball? Charlie's upset because he feels he shouldn't have been assigned to work overtime; Jane's indignant over what she sees as an undeserved written warning. Grievance procedures too are performance management devices.

In each of these areas, government agencies at all levels are developing and installing performance management procedures and systems that can appear revolutionary to anyone who's locked into old ways of managing people.

SO WHAT'S NEW IN PERFORMANCE APPRAISAL?

Historically, performance appraisal has been seen as merely an event—the painful annual exercise where the manager rates the performance of her subordinates over the past 12 months. Operating independently all by itself, the performance appraisal system was rarely linked directly to the stated mission of the organization or to any other programs and processes designed to maximize human efforts and intellectual capital.

Independence has now been replaced by integration. At the organizations our APQC/DDI/Linkage project team examined, public and private alike, the performance appraisal system is no longer an organizational loose cannon. Items on the performance appraisal are directly tied to the agency's strategic plan. The system is designed to forge a visible link between organizational and individual goals and to reinforce predetermined core competencies.

Moreover, organizational expectations of the performance appraisal system have been upgraded. Where in the past the system may have been used merely to tell old Joe how he was doing and justify his annual step increase, organizations now realize that their performance appraisal system has enormous power to genuinely transform the agency's culture.

One of the major findings of the national benchmarking study was that best-practice organizations are using their performance appraisal process as the primary driver in forcing culture change. What's the change? It's the shift from being a best-effort culture into a truly results-driven climate.

This drive to focus organization members on results and not tenure has placed a new requirement on performance appraisal's shoulders: the expectation that performance appraisal must help muscle-build the organization.

Government agencies are coming to see that traditional approaches to people development—like promotion from within based almost exclusively on job tenure—are no longer good enough. An agency that uses time in grade as its fundamental criterion for getting ahead is encouraging organizational hardening of the arteries.

CULTURE CHANGE IN PRACTICE

One of the first organizations to emerge as a genuine model of best practices in the national benchmarking study was the Air Force Research Laboratory in Dayton, Ohio, an organization of 3000 people. Their appraisal system completely designed by their scientists and not by the personnel department, makes the novel assumption that everyone is performing at a competent level.

The appraisal system, they argue, needs to focus not on the quality of an individual's *performance* but on the degree of the job's *contribution*. AFRL deliberately builds jobs big and loads each person with as much responsibility as possible. When a person can't handle a job, they ratchet the responsibilities down to where he can handle the demands. People migrate to the jobs they can handle. Pay is determined less by the individual's performance and more by the contribution his or her job makes to the overall mission.

Focusing on results clearly indicates whether an employee is doing the job for which he is paid. That's why AFRL's performance management system evaluates employees' contributions / outputs / results. As a result, AFRL pay raises are based on contributions to the organization's mission. The system does not appraise performance or behavior, only contribution.

All employees have variable pay to motivate their performance toward achieving results that will impact the organization. The new employee has the incentive to contribute at or above the expected level because next year's pay may be lowered or the employee removed if the contribution does not meet or exceed expectations.

More specifically, AFRL's Contribution-based Compensation System (CCS) delineates six key factors:

- ❑ Technical Problem Solving
- ❑ Communications/Reporting
- ❑ Corporate Resources Management
- ❑ Technology Transition / Transfer (Taking technology out of the laboratory environment and put it to real-world use)
- ❑ R&D Business Development
- ❑ Cooperation and Supervision

Employees certainly recognize the results-driven nature of the system. AFRL's leaders admit it: Fear of being held accountable for results was apparent in some AFRL employees upon the deployment of the Contribution-based Compensation System. Some employees who didn't fare well under the new system have left the organization; others have noticeably worked to improve their level of contribution. The majority of employees, however, embraced the system because they recognized the equitable nature of CCS.

REINFORCING CORE COMPETENCIES

Over the past several years, one of the significant developments in the technology of performance management has been the identification of specific "core competencies" by organizations. Competencies define for all members of the organization the behaviors, skills, attributes, performance factors and proficiencies that every organization member is expected to possess and display. They are limited in number and critical to organizational success.

The performance appraisal system plays several roles here. First, it is the mechanism that helps the organization highlight and communicate the small number of critically important behaviors and skills against which every single employee will be assessed. In addition, creating a new performance appraisal system may help force the organization to define just what attributes or factors are actually at the organization's *core*. Finally, the appraisal system can guarantee that these competencies are fully understood and institutionalized.

The senior management of the Minnesota Department of Transportation defined its mission, vision and values several years ago in response to a 1996 employee survey. Seven core competencies and a dozen individual characteristics expected of every Mn/DOT employee were also identified as part of that process.

Top management realized that determining the core competencies — as difficult as doing that had been — was in fact the easy job. The hard job would be communicating them to every Mn/DOT employee. Even harder would be making sure that they showed up, day in, day out, in everybody's job performance. That's where performance appraisal came in.

In early 1998 Mn/DOT's senior management commissioned a performance appraisal implementation team. They put together a group representing a diagonal slice of the organization: managers and professional employees, supervisors, and technicians from different levels and functions and geographical locations throughout the agency. This twenty-member task force was made responsible for creating a performance appraisal system that directly related Mn/DOT's mission, vision and values to each employee's job. In addition, top management demanded that the system reinforce the importance of all employees' demonstrating the core competencies and individual characteristics they had identified.

INTEGRATING MISSION, VISION AND VALUES INTO PERFORMANCE APPRAISAL

The Mn/DOT performance appraisal implementation team created one of the most sophisticated performance management systems of any organization in the country. To begin, they took each of the core competencies — Leadership, Learning and Strategic Systems Thinking, Quality Management, Organizational Knowledge, Technical Knowledge and People Management — and developed a unique twist on conventional appraisal techniques. Instead of *defining* what each of those terms meant, they instead *described the behavior* one would likely see exhibited by a true master performer.

For example, for their core competency of "Organizational Knowledge," instead of defining what was meant by the phrase, they described how you could spot somebody who knows the organization perfectly:

ORGANIZATIONAL KNOWLEDGE:

Understands Mn/DOT's culture. Accurately explains Mn/DOT's organizational structure, major products/services, and how various parts of the organization contribute to each other. Gets work done through formal channels and informal networks. Understands and can explain the origin and reasoning behind key policies, practices and procedures. Understands, accepts and communicates political realities and implications.

Describing the behavior of a master performer in "Organization Knowledge" may be a bit of a challenge. But what about a competency as enigmatic and cryptic as "Learning and Strategic Systems Thinking?" What clues can you use to spot a true virtuoso here?

Look at what they came up with:

LEARNING AND STRATEGIC SYSTEMS THINKING:

Accepts responsibility for continued improvement/learning. Appreciates and can explain the mission of each individual work unit and the importance of the tie between them to make the entire operation whole. Acquires new skills and competencies and can explain how they benefit Mn/DOT. Regularly takes all transportation forms (i.e., bicycle, light rail, highways, etc.) into account in planning and problem solving. Seeks information and ideas from multiple sources. Freely and intentionally shares ideas with others.

By describing the performance that one might observe in someone who has mastered this area instead of just providing a dictionary-style definition, the implementation team made the lives of Mn/DOT appraisers much easier. Now, when an employee asks her boss what it is that the agency expects of her in the various competency areas, all the boss has to do is hand her a copy of the appraisal form and say, "Here. Read this. And then just do what it says."

A BETTER RATING SCHEME

As clever as their descriptions of mastery performance are, the Mn/DOT team ingeniously solved still another perpetual performance appraisal dilemma when they constructed the rating scale for appraisers to use in evaluating people's performance in each competency area. Instead of forcing raters to use absolute judgments for their assessment of the individual's performance, instead they asked how often Sally performed as a master would in each area.

In other words, rather than ask appraisers to judge the quality of a subordinate's performance — was Susie *Marginal* or *Competent* or *Distinguished*; did Joe *Fail to Meet Standards*, *Meet Standards* or *Exceed Standards* — the new Mn/DOT process instead asks the rater to indicate how frequently Susie or Joe performs at a mastery level.

The scale values for this part of the Mn/DOT process are *Occasionally*, *Sometimes*, *Frequently*, and *Regularly*. This approach greatly increases the effectiveness of coaching and lowers the recipient's defensiveness when bad news has to be delivered. The manager no longer has to confront Mary with his judgment that in the area of quality she is "Unacceptable" or "Below Standard" or a "2." The manager can now say, "Mary, in the competency area of Quality, *occasionally* I see you acting the way the form says a master performer would act. What do you need to do so that 12 months from now I can say that I see that kind of performance frequently or regularly?"

For those areas that don't lend themselves to a behavioral frequency rating system, Mn/DOT incorporated two other inventive techniques. First, they recognized that the label for the middle position on the rating scale — the place where most people's performance usually falls — is typically felt to connote average or mediocre. Nobody wants to be seen as a "—" student; nobody likes that middle rating. Their solution was to abolish language that suggested that performing in a fully acceptable manner was tantamount to mediocrity. Instead the term they came up with for the middle rating was, "Fully Successful: Totally competent performance; Good solid contributor." Who can complain about being called fully successful, even if two higher categories of "Clearly Superior" and "Truly Distinguished" are available for those who have genuinely earned them?

Finally, on the appraisal form itself Mn/DOT specifically indicated the ratings distribution likely to show up in a large organization. Thus the form tells appraisers that typically less than 5% of people fall into the categories of "Truly Distinguished" or "Unsuccessful"; about 15% might be "Somewhat Successful" with 30% or so demonstrating "Clearly Superior" performance. Finally, the form tells raters and ratees alike to expect about 50% or more to qualify for the middle "Fully Successful" rating.

CLARIFYING COMPETENCIES

The Minnesota Department of Transportation experience demonstrates one of the key findings of the best-practice performance management study: organizations are incorporating core competencies into their appraisal procedures.

Some, like Mn/DOT, do it extremely well. Others, public and private both, struggle with the process. But one, the City of Irving (TX) developed a performance appraisal system that is a model for its form design, its incorporation of core competencies, and the ingenious process its designers came up with for making it easy for managers to use the system well.

Everyone accepts the fact that the performance appraisal form is not the most important part of the process. But the form is a lightning rod that attracts everybody's attention. And one of the most difficult questions that need to be answered is, how many forms do we need?

Will one size fit all? Or do we need different forms for different jobs? But if we have several forms, won't that create a caste system, if the form for the honchos is different from the one for the underlings?

The City of Irving's design team found an elegant solution to this sensitive problem. The same form is used for everybody — "whatever our job, we're all employees of the City of Irving." But in the part of the form that concentrates on competencies, the designers recognized that there are different skill groups, and they established various categories to take the differences in job content into account.

They started by determining that every job in the city fell neatly into one of six groups according to the skill demands of the position: Clerical, Maintenance/Trades, Technical, Professional, Supervisory, and Executive Management. They then began the identification of competencies.

They started with the realization that some of the things they expect of employees are simply bone-deep attributes or expectations required of anybody who collects a paycheck from the City of Irving. They called these, "Core Values," and settled on five of them: Customer Service, Ethics and Integrity, Job Knowledge and Skills, Professionalism, and Self Management. Besides these, there are also "Performance Essentials" — skills or proficiencies needed by anyone who works for a living. Again, the list was narrowed to the six most important for anyone on the payroll of the city: Communication, Self Development, Initiative, Interpersonal Skills, Quality of Work, and Teamwork. Like the Core Values, these are essential in everybody's job and show up on every employee's appraisal form.

But finally, there are those competencies that will vary from one skill group to another. For a clerical employee, two critical competencies are Work Habits and Quantity of Work. This brings the total number of competencies assessed for a person in the Clerical skill group to 13 — five core values, six performance essential, and the two specific, job-related skill group competencies.

For a professional employee the total number of competencies assessed grows to 20 — the same five core values and six performance essentials, but the list of skill group competencies changes. “Quantity of Work” and “Work Habits” disappear from the list (they’re taken for granted in professionals) but are replaced with nine others, like Accountability and Achievement Orientation and Innovation.

Maintenance/Trades employees have 14 competencies they’re assessed against; people whose jobs fall into the Technical skill group have 17. The largest number comes — as you might expect — at the highest level. Executive Management is assessed against 22 competencies, while members of the Supervisory skill group — as you might not expect — have the highest number of competencies at 23.

You can hear the wails from managers already — “How can you possibly expect me to assess each one of my people against 13 or 17 or 23 different competencies?” But the system designers have made their jobs easy for them.

Painstakingly, system developers Kathy Cleveland and Donna Starling took every one of the competency items and identified all of the components that make up Initiative, for example, or Safety or Fiscal Responsibility. Then, for each of their five levels of performance, they wrote behaviorally anchored performance descriptions that describe exactly how a city employee might behave at each level of performance.

For the highly complex competency of Adaptability/Flexibility, for example, the components and the behaviorally anchored rating statements are as follows:

ADAPTABILITY / FLEXIBILITY				
The ability to accommodate new or changing conditions				
Completely Ineffective	Somewhat Ineffective	Effective	Highly Effective	Exceptional
Able to focus on only one task at a time	Easily distracted from work assignments/activities	Handles a variety of work assignments/ activities with few difficulties	Handles a variety of assignments and activities concurrently	Easily juggles a large number of assignments and activities
Avoids or attempts to undermine changes	Complains about necessary changes	Accepts reasons for change	Understands and responds to reasons for change	Encourages and instructs others about the benefits of change
Refuses to adopt changes	Makes only those changes with which they agree	Adapts to changing circumstances, policies and attitudes of others	Adapts to changes and develops job aids to assist others	Welcomes change and looks for the new opportunities it provides
Considers only own opinion when seeking solution	Occasionally listens to others but supports own solutions	Listens to others and seeks solutions acceptable to all	Ensures that everyone's thoughts and opinions are considered in reaching a solution	Actively seeks input in addition to recognized sources and facilitates implementation of solution

For each competency, all the appraiser needs to do now is read the statements and pick the ones that best describe exactly how Sally behaves.

MAKING THE APPRAISAL PROCESS POSITIVE

Research on performance appraisal, going back to some of the first studies conducted at General Electric and published in 1954, confirm that criticism has little effect on producing lasting behavioral change. Reinforcement of strengths, talents, and positive behaviors however, can generate an increase in their frequency. How do we put a positive spin on performance appraisal, the most scorned and derided of all management processes?

The National Security Agency found a simple and unpretentious way to create a positive tone for its new appraisal process that it incorporated into its formal appraisal procedures. At NSA, all raters are told to ask their ratees, a few weeks before the writing of the annual evaluation, to send in a list of all of the contributions and accomplishments the subordinate has made over the past 12-month appraisal period.

Only include the positives, supervisors are instructed to tell their subordinates. And keep it informal, too — just send me an email or write it on the back of an envelope and drop it on my desk?

So what's the big deal? First, asking the subordinate to compile a list of successes and send it to the boss before the formal appraisal is written certainly reinforces the organization's message that it wants the appraisal process to be an affirmative, constructive and positive process. This notion is even more strongly reinforced when the appraiser goes on to explain that he doesn't want a balanced picture. "If you've had any failures over the year," he's told to tell his employees, "or a project that didn't go right, or anything else that doesn't reflect you at your best, leave it off the list. I only want a list of things that you're genuinely proud of."

More important, and more subtle, is the other reason for asking for the accomplishments list. Probably nothing is more embarrassing to an appraiser than having an employee finish reading her annual review and moan, "You didn't even mention the Thompson contract I landed last February!" It's easy to overlook the triumphs and achievements of others; we rarely disregard our own. By asking appraisers to request an accomplishments list from subordinates, it is helping to assure that the appraiser will not be embarrassed by inadvertently ignoring a success that should be recorded on the annual review.

The City of Irving, already a model of innovation for its development of a unique approach to the assessment of competencies, took NSA's ideas of the accomplishments list one valuable step further. As annual appraisal time approaches, each city employee is asked to fill out a short questionnaire that kicks off the process. The form consists only of four open-ended questions:

1. In appraising your performance, are there any other persons you work with or around with whom your supervisor should speak to get a more complete picture of how you do your work / get results?
2. Of what accomplishments and skills acquired during the last appraisal period are you particularly proud?
3. What can be done to make you more effective in your job?
4. What can be done to help you provide better service to your customers?

INCORPORATING TECHNOLOGY INTO PERFORMANCE APPRAISAL

Technology can make the performance management process simpler. It is far easier for an appraiser to access an electronic form on her company's Intranet than to labor with pencil and paper. Sophisticated software can allow senior managers to see both the distribution of performance ratings across the entire organization and view pay inequities instantaneously. Course enrollment to meet development needs can be done without forms and phone calls.

Most sophisticated organizations today, and all of the best-practice models in the national benchmarking study, are seeking ways of using technology to reduce the administrative burden of performance management, a burden that grows as the performance management system is increasingly linked with compensation, development, and perhaps even an agency's 360-degree feedback system. Many are also finding innovative ways to use technology for just-in-time (JIT) feedback and training.

No organization today is using technology better than the Air Force Research Laboratory — again, an example of a public sector organization leading the pack.

AFRL's advantage comes from their highly sophisticated point-and-click software. In addition to allowing supervisors to more efficiently create job descriptions and complete employee assessments, the software helps the organization automate what would otherwise be administratively difficult pay changes while simultaneously ensuring pay equity.

Their computer-based, paperless process permits performance management system administrators to ensure equity throughout AFRL by graphing employee positions based on the relationship between pay and performance. Both supervisors and system administrators are provided with instant information. Furthermore, they can manipulate pay variables and instantly see the effect on the overall distribution, thus allowing them to make decisions that are more informed.

Their software links ten geographically disbursed sites, walks managers through the complete appraisal process and allows all assessment and pay data to be hierarchically rolled up throughout the organization.

FROM PERFORMANCE APPRAISAL TO PERFORMANCE IMPROVEMENT

Performance appraisal is only one example of the lead public sector organizations are taking in performance management innovation. The purpose of performance appraisal is to identify the quality of an individual's job performance. What happens when that quality is unacceptable?

One of the most innovative performance management procedures public sector organizations are installing is a non-punitive, DISCIPLINE WITHOUT PUNISHMENT approach when informal conversations fail to solve problems of absenteeism, poor performance and shabby attitudes. Organizations as varied as the Charlotte (NC) Housing Authority, Florida's Pinellas County and North Carolina's Mecklenburg County, the Congressional Budget Office, the University of Illinois, the City of San Angelo (TX), the Houston Department of Aviation and the entire State of Georgia have rejected traditional adversarial disciplinary responses. In these organizations, reprimands, warnings, demotions, and unpaid disciplinary suspensions are a thing of the past. Instead, they have adopted an approach that requires errant employees to take personal responsibility for their behavior and commit to fully satisfactory performance as a condition of continued employment.

THE TRADITIONAL APPROACH TO DISCIPLINE

Since the 1930s, public and private organizations alike have settled on a common procedure to handle organizational lapses from grace: "progressive discipline." This traditional progressive-discipline system was developed seventy years ago when unions demanded that companies eliminate summary terminations and develop a progressive system of penalties that would provide a worker with a brand new benefit — protection against losing his job without first being fully aware that his job was at risk.

This traditional, progressive-discipline model instructs the supervisor to begin the problem-solving process by conducting ill defined "coaching and counseling" sessions. When coaching and counseling fail, the supervisor then is told to move into formal disciplinary action, almost always described as a four-step process. An Oral Warning is followed by a Written Warning. If the problem continues, the supervisor then suspends the employee for a period of several days without pay, or writes a final warning notice, or places the employee on probation. If the individual still does not correct his performance, termination follows.

WHAT'S WRONG WITH THIS TRADITIONAL APPROACH?

Traditional progressive-discipline is America's criminal justice system brought into the workplace. The basic premise of this traditional discipline system is that crime must be followed by punishment. With its constant quest to "make the punishment fit the crime," it attempts to provide an awkward mix of retribution and rehabilitation.

A growing number of public-sector organizations have found a variety of problems with the traditional approach to discipline that have caused them to examine and revise their practices and approach. What are these problems?

IT'S A 1930S, ADVERSARIAL METHOD

The traditional progressive-discipline approach was actually concocted by unions back in the 1930s and foisted on unwilling companies and agencies who resisted having a discipline system at all. As a result, our traditional system reflects the adversarial, labor vs. management, us vs. them assumptions that prevailed in those hostile times. In fact, the discipline system that most organizations use today is probably the only remaining vestige of the acrimonious 1930s approach to people-management that still remains in our managerial toolkit.

IT MAKES THE SUPERVISOR THE BAD GUY

Most supervisors hate having to take disciplinary action. With its criminal justice mechanism, the system forces the supervisor to become the employee's adversary. The supervisor feels like he's the bad guy, the one who's wearing the black hat.

IT'S NOT A CORRECTIVE PROCESS

Organizations often discover that their supervisors don't see their discipline procedure as a corrective device. To them, it's the procedure they must follow to generate enough paperwork to justify discharge once they've decided that an employee's termination is in order. They view the steps of the discipline system merely as the hoops put up by the personnel department for them to jump through in order to effect a problem employee's firing. As a result, they don't even *begin* the discipline process until they have given up hope of ever correcting the problem.

THE TRADITIONAL DISCIPLINE SYSTEM OFTEN CLASHES WITH THE ORGANIZATION'S VALUES

A large number of public sector organizations today have carefully-drafted, formal statements of their vision and values. They have considered carefully what kind of organization they are and what they aspire to be. But these values are often in direct conflict with organizational practices when the time comes for disciplinary action.

THE TRADITIONAL APPROACH SIMPLY ASKS TOO LITTLE

The traditional progressive-discipline approach is certainly unpleasant. It breeds resentment and hostility. But the traditional system is flawed by more than just its exclusive reliance on punishment: it is insufficiently demanding.

Punishment — warnings, reprimands, suspensions without pay — seems like a tough way of assuring compliance with organizational standards. If someone fails to meet expectations, we punish that individual until he complies. But compliance is all that the traditional system can produce, and public sector organizations today need more than mere compliance.

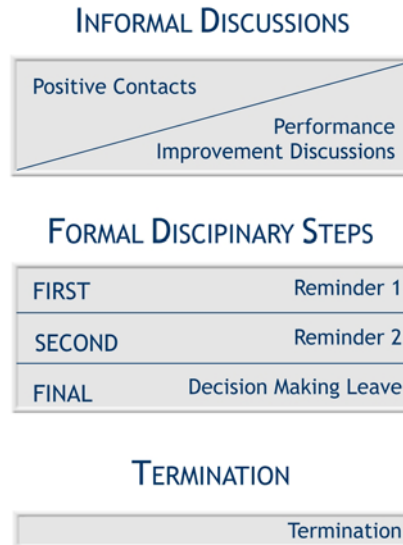
We can punish people into compliance. But we cannot punish people into commitment. And genuine commitment to the organization is the primary impetus driving innovative public sector organizations to seek a more effective approach.

HOW DOES THE POSITIVE DISCIPLINE APPROACH WORK?

Like traditional discipline systems, the DISCIPLINE WITHOUT PUNISHMENT approach starts with informal discussions. Like conventional approaches, it then moves to a series of progressive disciplinary steps when these informal conversations fail to produce results.

But the differences between positive discipline and conventional disciplinary practices are dramatic.

DISCIPLINE WITHOUT PUNISHMENT



To begin, “Positive Contacts” are included as a formal element of the system. Making recognition a formal part of the system reminds managers that reinforcing good performance is just as important as confronting poor performance. It also makes employees aware that the organization expects that they will be recognized when they perform well. Most important, it makes recognition of good performance a *policy expectation* of the organization, not merely an easily ignored piece of prosaic advice dispensed in a management-training program.

Now consider the other end of the chart. Another major difference between the conventional and positive models is the new approach’s recognition that the discipline process actually involves only *three* steps, not four. Termination is not the final step of the discipline system, as the traditional progressive-discipline model would have it. More accurately, termination represents the *failure* of the discipline system.

A commonly used metaphor holds that “Discharge is the capital punishment of organizational life.” That metaphor is nonsense. The proper metaphor for discharge is that it is a *no-fault divorce*. “You’re a good person,” the organization says to the individual when all the steps of disciplinary action have proved fruitless, “and we’re a good employer. But your goals and needs and our goals and needs can’t be reconciled. You need to find a place to work where you can be happy; we need to find someone to fill this job who can meet our expectations. We now must go our separate ways.”

THE INITIAL STEPS OF FORMAL DISCIPLINARY ACTION: REMINDERS I AND II

When informal coaching sessions and performance improvement discussions are unsuccessful in solving a performance or behavior problem, the first level of formal disciplinary action is a *REMINDER I*. The supervisor discusses the problem, reminds the employee of his responsibility to meet the organization's standards, and gains the employee's agreement to return to fully acceptable performance.

If the problem continues, the supervisor moves to a *REMINDER II*. Again the supervisor talks to the employee and gains his or her agreement to solve the problem. After the meeting, the supervisor formally documents the discussion in a written memo to the employee.

The term *Reminder* is chosen deliberately. Unlike a warning or reprimand, we are in fact reminding the employee of two things. First, we're reminding him of the specific gap between his existing performance and the performance we expect. Second, we are reminding him that it is *his* responsibility to deliver the goods and do the job that he is being paid to do.

Using Reminders I and II eliminates another nagging annoyance generated by the traditional system: the issue of "oral" and "written." If a supervisor gives a subordinate a "Verbal Reprimand" or an "Oral Warning," is that action documented? Of course. Is the documentation written down? Of course. So doesn't that turn an "Oral Warning" into a "Written Warning"?

Don't fight that battle. Call it a *Reminder I* or a *Reminder II* to indicate simply the level of the step, and describe the documentation procedures separately.

THE FINAL STEP: DECISION MAKING LEAVE

When the initial steps of formal disciplinary action are unsuccessful in convincing an individual to solve a performance problem, the need for a dramatic, final-step gesture arises. The positive discipline approach now provides an unexpected, authoritative, and counterintuitive final step: the Decision Making Leave.

The employee is suspended for one day. He is told to return the on following day with a final decision: either to solve the immediate problem and make a *total performance commitment* to fully acceptable performance in every area of the job, or to resign and seek more satisfying employment elsewhere.

The employee is paid for the day to demonstrate the organization's good faith desire to see him change and stay. He is also specifically advised that if another problem requiring disciplinary action arises, he will be terminated.

The unconventional aspect of a paid disciplinary suspension is the element of the non-punitive approach that immediately attracts the most attention. But the organizations that have adopted the process report significant benefits:

IT DEMONSTRATES GOOD FAITH.

Most organizations see themselves as decent and enlightened employers; they want everything that they do in their employee relations practices to reflect and confirm this view. Paying the employee for the day allows them to send the message that when we say we want the individual to use the time seriously to think through whether this is the right job for him, we're serious.

IT TRANSFORMS ANGER INTO GUILT.

Test your experience: most employees who receive an unpaid suspension are irate; many return embittered by the experience. But our intent, even with the old system, is not primarily to punish an individual for his transgressions. It is to send a wake-up call, to get him to take responsibility for his own behavior and performance. But docking his pay makes the agency's words hollow. Paying the employee, on the other hand, routinely eliminates the anger that commonly results from final step disciplinary transactions.

IT'S APPROPRIATE FOR ANY JOB

Traditional approaches to discipline are typically seen as appropriate only for employees in operational, direct-labor, blue-collar jobs. But people problems arise throughout the organization. Public sector organizations often reject traditional approaches to discipline for professional, exempt, managerial employees but find no satisfactory alternative. A decision making leave is an appropriate transaction for any individual whose performance violates organizational norms.

IT MAKES LIFE EASIER FOR SUPERVISORS.

Most supervisors hate having to take disciplinary action. Many supervisors themselves have come up from the ranks and know their subordinates better as peers than as bosses. Using a decision making leave allows supervisors to handle even the most serious disciplinary problems without feeling the need to apologize.

IT GETS RID OF MONEY AS AN ISSUE.

While the employee is away, we want him to be thinking about the requirements of his job, his own occupational goals, and whether the two can be reconciled. Forcing the employee to worry about how he will make up for the pay he has lost dilutes the chances that the more important issues will be seriously considered.

IT REDUCES HOSTILITY AND THE RISK OF WORKPLACE VIOLENCE.

IT REINFORCES YOUR VALUES.

Most public sector organizations take pride in being fair employers and want to be seen as highly desirable places to work — an employer of choice. But traditional, punitive discipline systems violate the spirit of the organization's values. Using a decision making leave and focusing on individual responsibility allows the discipline system to be the most visible evidence of the organization's bone-deep commitment to assuring that its values are practiced, even in the most difficult situations.

IT MAKES YOU LOOK GOOD TO A JURY.

Today virtually every termination has the potential for challenge. Regardless of the facts, regardless of the law, the important issue to the judge or arbitrator or hearing officer or jury will be, were you fair? If the organization can demonstrate that not only did it have a series of well-documented, progressively more serious discussions with the employee, but that it also gave the individual a day at its own expense to think about whether he could perform at a minimally acceptable level and the individual didn't live up to his own word, no stronger argument to support termination can be made.

THE RESULTS OF DISCIPLINE WITHOUT PUNISHMENT

One of the first organizations to discard its traditional discipline system and implement a DISCIPLINE WITHOUT PUNISHMENT approach was the Texas Department of Mental Health and Mental Retardation (TDMHMR). For several years in the late 1970s, turnover was running rampant: on average, each year over half of all their employees quit. They installed the non-punitive approach in 1979.

In the year before the procedure was installed, system-wide turnover at TDMHMR was 48.5%. In the first year of operation, it dropped to 31.3%. The following year it dropped again, now to 18.5%. In the past almost 20 years, employee turnover has consistently remained at a manageable 20% or less per year.

Since TDMHMR lead the way, dozens of other public sector organizations have adopted a non-punitive procedure for dealing with the everyday problems of failure to maintain regular attendance, poor performance, and unacceptable conduct. Their implementations of the system are always met with the same initial concerns and misconceptions: that somehow, by not making the employee suffer financially, we are somehow rewarding misbehavior. That employees will intentionally misbehave in order to get a free day off. That employees will view the system as a joke or management gimmick.

Their concerns have been checked, tested and proven unfounded.

One of the greatest advantages of the non-punitive approach, organizations report, is that it shifts the responsibility for performance management from the supervisor to the employee. Instead of reprimanding the employee for his misdeeds, the supervisor now insists that the individual make a choice: change and stay with the organization, or leave and find greener pastures elsewhere. The dignities of both parties are preserved, but the demand that everyone adhere to the organizations standards is reinforced.

When Mecklenburg County implemented the DISCIPLINE WITHOUT PUNISHMENT system a few years ago, the first person to reach the point of a decision making leave was a young man who functioned as the department receptionist. "He was everything you didn't want in an employee — arrogant, insolent and unconcerned with anyone but himself," his supervisor explained later. He went through the reminder steps and quickly reached the decision-making leave level.

He returned the following day, chagrined. He told his supervisor that while on the decision making leave he realized that all his life he'd really wanted to be a barber. He had called all the barber schools in the county, had found one with a class starting in three weeks, and asked if he could resign voluntarily and work the three weeks until his class started. She instantly agreed.

"His performance during those three weeks was excellent," she reported. "And just before he left he wrote a memo to every county employee he had worked with, telling them he was leaving to go to barber school, and asking that in six months, when they needed a haircut, to look him up!"

Not every story has that happy ending. But public sector organizations that adopt the positive approach discover that problems get resolved faster, supervisory stress decreases, and challenges to discipline and discharge action are significantly reduced.

THE STATE OF GEORGIA STUDY

In 1996 the State of Georgia decided to implement the DISCIPLINE WITHOUT PUNISHMENT system in every agency throughout the state.

Late in 1998 a major study was completed of the results of DISCIPLINE WITHOUT PUNISHMENT in the first five agencies to implement the approach. In addition to other research, 282 supervisors in these five agencies were surveyed about their experiences with the new system.

In his November 13, 1998 letter to every state agency executive, Dana Russell, Commissioner of the State Merit System of Personnel Administration, wrote:

"A little over a year ago five Georgia State agencies streamlined their ability to handle disciplinary action by installing DISCIPLINE WITHOUT PUNISHMENT as their discipline policy.

"Last June, surveys were sent to the personnel officers and supervisors of those five agencies to learn how well the program had served them. A glance at the results reveals that the overwhelming majority of managers and supervisors report very positive results. For example, out of 282 supervisors, 63% report that the Performance Improvement Discussion *prevented disciplinary action "every time."* That alone represents a significant savings of time and productivity. It is also encouraging to note that only 7% of the employees who been the subject of formal discipline under DISCIPLINE WITHOUT PUNISHMENT have exhibited a negative reaction to the new program. Personnel officers report that of four terminations of classified employees, there have been no appeals.

"Results like these are the reason that, in twenty years of use of DISCIPLINE WITHOUT PUNISHMENT in major companies and public organizations, not one organization has decided to abandon it."

Traditional adversarial approaches to discipline may indeed convince some employees to shape up, others to ship out. But punitive tactics won't produce employees who are committed to the goals of the organization. Moving to a responsibility-based discipline system is increasingly being accepted as a best practice in public sector organizations at all levels.

PEER REVIEW

One of DISCIPLINE WITHOUT PUNISHMENT'S great benefits is that it makes you look good to a jury. But even better than looking good to a jury is avoiding facing a jury — or an arbitrator, or administrative law judge, or EEOC hearing officer — at all. Peer Review is a formal management system — an Alternative Dispute Resolution system — for resolving the everyday complaints and disputes that arise in all companies. It is a grievance procedure for an organization's non-union work force that can prevent problems from ever getting to court.

Most government agencies that have adopted the approach follow a similar procedure. When an employee can't get a problem solved by talking to his or her boss and following the normal chain of command, he or she can elect to use the Peer Review procedure for a final and binding resolution of the complaint. The employee presents his case to a panel made up of both trained employee volunteers — people just like himself — and managers. He explains the problem and tells the panel what he feels should be done to solve it.

Panel members (typically three peers and two managers) ask questions, interview witnesses, research precedents and review policy. When the panel feels sufficiently well informed, each member casts a secret ballot to grant or to deny the employee's grievance. Majority rules.

A letter explaining the panel's decision is sent to the employee. All panel members sign; no minority opinions are permitted. Everyone gets back to work. The issue is settled.

Organizations that have implemented Peer Review report that it creates a problem solving partnership between employees and managers. It builds employee respect for management and the tough decisions managers are often required to make. It demonstrates management's genuine belief in decision-making at the lowest possible level. Peer Review proves management's conviction that employees are trusted partners in the enterprise.

But isn't giving employees the power to overturn management's decisions just turning the asylum over to the inmates?

No, experienced organizations report. With Peer Review, complaints are heard, investigated and resolved by people who know your organization. Outside arbitrators and mediators, judges and juries don't care about your company. Your employees do. And forget "open door" policies — they just don't do the job. Employees are usually skeptical; courts rarely uphold them. Open door systems can't work well when managers are expected to back each other up.

Any organization implementing a peer review complaint procedure maintains a lot of control over the process. It decides what complaints are appropriate for a panel to hear and which fall outside its jurisdiction. Management decides who's eligible to serve as a panelist, how the pool of potential panelists will be trained, and how individuals will be selected when a case comes up for review.

When the City of Carrollton, Texas installed its system several years ago, they provided for the city manager in conjunction with personnel to decide who will be panelists. Panelists can volunteer others, volunteer themselves, and supervisors can recommend. They ended up with more volunteers than they were able to train. They decided to train a total of thirty panelists — six Department/Division Managers, six supervisors, and 18 non-management employees.

Kathryn Usrey, Carrollton's director of personnel, acts as the panel's facilitator. She insures that all documentation and witnesses are available to the panel. While she doesn't have a vote, she does have the authority to advise the panel about the boundaries of their roles.

Besides getting employee complaints resolved, Ms. Usrey reports another benefit — it helps keep supervisors from making illogical decisions. It's easy to get a supervisor to rethink his position by asking, "How do you think this will play out if he takes it to a jury of his peers?"

"The hardest part is selling the system to supervisors," Usrey said. "They fear that you're turning control of the workplace over to the employees." To counteract that, the City held a series of "massive" employee meetings chaired by the City Manager.

Peer Review is efficient and inexpensive. Once an employee becomes an adversary, costs balloon. With Peer Review, salary and travel costs are typically the only expenses. The atmosphere of a panel meeting is businesslike with no complicated rules of evidence, no courtroom trappings, no lawyers. Issues get surfaced, explored and resolved.

Finally, your employees can be trusted. Peers don't automatically stick together; there's no "us vs. them" on the panel. Your employees are just as concerned about fairness and justice as you are. Three-to-two splits between peers and managers are rare.

But the best part of Peer Review is its ability to keep unions at bay and problems out of court. The only benefit union organizers can still deliver is an impartial grievance system. Peer Review removes the organizer's last tool and can keep a company union-free.

Equally important, an employee whose complaint has been heard and rejected by his peers is unlikely to call a lawyer. Courts uphold ADR decisions. And several courts have held that companies can require employees to use internal processes before turning to the courts and have refused to allow terminated employees to sue for wrongful discharge after losing an internal Peer Review grievance.

IN PERFORMANCE MANAGEMENT, PUBLIC SECTOR LEADS THE PACK

Innovative performance management systems are no longer found exclusively in private sector organizations. The evidence is clear — America's cities, state and federal agencies, and other public sector organizations are taking a leading role in creating and implementing novel and highly effective approaches to managing people on the job.

ABOUT DICK GROTE

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ABOUT GROTEAPPROACH, LTD.

GroteApproach, Ltd., is dedicated to delivering the technology, services and client care that transform organizations from best-effort climates into results-driven cultures. The GroteApproach web-based performance management system is the culmination of Dick Grote's mission to transform the way organizations manage and develop their most valuable resource - their people. It reflects best practices in strategy-based performance management as identified in Dick's 25 years of research and consulting with hundreds of sophisticated organizations throughout the world. Its combination of unrivaled expertise and superior technology make the GroteApproach system an ideal fit for organizations large and small.

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