

## Performance Assessment: Setting the Stage for an Effective Process

Engaging employees in a thoughtful performance assessment process can help boost an organization's employee engagement, motivation, and retention rates. It also can help align individual behavior more closely with the nonprofit's mission, creating a better work environment and a stronger organization. For some nonprofits, it can even be a tool that helps them identify and develop future leaders.

Yet few nonprofits appear to make the most of the performance assessment process. In fact, in a recent Bridgespan Group survey of more than 90 nonprofit organizations, many leaders rated their organizations as weak when it came to engaging in a meaningful performance assessment process. Two-thirds of organizations ranked performance assessment as a weakness, and nearly half ranked it among the top five, alongside perceived weaknesses in the communication of priorities, the coordination across organization boundaries, and leadership succession. Furthermore, over 80 percent of organizations rated their ability to provide development and growth opportunities to employees—the natural follow-on to performance assessment—as a weakness, with more than half of those organizations ranking it among the top five weaknesses, as well.

This dissatisfaction with the performance assessment process is not unique to the nonprofit sector. But the sector does face several challenges that make it especially difficult to implement an effective process. Ironically, one of the biggest is the nonprofit sectors' defining characteristic: its caring culture.

"Nonprofits tend to be benevolent organizations," said Kim E. Ruyle, Vice President of Research and Development in the Minneapolis, MN, office of international executive search firm Korn/Ferry and a member of the Society for Human Resource Management Association's Expert Panel on Organizational Development. "They do have to deliver value...but the expectation is, 'We're working for the greater good, we have a mission, and we're working from our heart. We're not all about money here, we take care of people.' It's a softer side of business. And those are challenges when you're trying to differentiate talent and raise the bar on performance."

### Performance Assessment as Part of the Culture

How can nonprofits meet those challenges? A big piece of the answer lies with making performance assessment a part of the organization's culture—and not just at the top with senior managers, but also, importantly, with line managers, who are fully engaged in the nonprofit's day-to-day work.

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Doing so isn't easy, especially for smaller organizations, where it can be difficult to find time and money to properly train line managers to conduct meaningful performance assessments. Even in larger, more financially stable nonprofits, getting managers to make performance reviews a priority in the face of pressing front-line duties—even periodically—is a challenge. But Ruyle said that helping line managers understand what employee performance assessment can accomplish and how it should be done is the only way an organization can have an effective process. "It's not just getting a chief executive on board; it's raising that level of sophistication for all your line managers, so that they understand: how do you assess talent, how do you reinforce performance, how do you do performance coaching, how do you engage employees, basically how do you have meaningful conversations," he said. "The organizations that do well are the ones with line managers who are good at that."

Nicole Philips, director of human resources for the Bridgespan Group, agreed, adding that it is important to be sure that the managers who will be conducting performance reviews are comfortable doing so. "If you have people delivering performance reviews who aren't confident doing it, then the process won't run smoothly," she said.

Making it clear that the organization's leaders want manager and employees to devote the necessary time to get the most out of performance assessment is also critical. Consider Teach For America (TFA), a national nonprofit that recruits college graduates to teach in low-income communities. At TFA performance assessment has long been integral part of the culture. According to Chief People Officer Aimée Eubanks-Davis, "There always has been an expectation that people would spend a good bit of time doing their self-reviews and that managers would give a thoughtful review after collecting all of the feedback of peers and having ongoing performance-based conversations [throughout the previous year]."

## The Elements of an Effective Process

Ruyle and other experts said a good performance assessment process includes at least three elements: goal setting; continuous feedback and coaching; and an annual review. Some organizations, he noted, also include developing a professional development plan as part of their performance assessment processes.

### Setting goals

Interestingly, Ruyle said research has shown that it makes little difference whether the goals are set by the manager or are created collaboratively with the employee. What matters is whether it is crystal clear to the employee *why* the goals are important and exactly *what the manager expects* from him or her. For

nonprofits, it is especially important to articulate a clear connection between an employee's goals and their effect on the organization's ability to accomplish its mission.

At TFA, for example, individual employee performance goals link directly to the organization's values and mission. For every role in the organization, Eubanks-Davis said, there is an expectation that the employee will be able to demonstrate certain skills around building relationships, certain skills around his or her specific operational responsibilities, certain skills around managing (if relevant), and certain skills around strategic thinking. "Our performance review is really rooted in ensuring that people understand there is a set of values that we all live by as citizens of Teach For America," she said. "And we want to make sure we're reflecting on how we're doing against those values."

Eubanks-Davis also said that maintaining a direct link between employee performance and TFA's core values has been especially important during the organization's rapid growth over the last five years; it currently has about 1,500 employees, up from 250 employees in 2005. "As the organization has grown, the performance review process is incredibly important in that staff members and their managers are staying aligned on performance and development," she said. "But it also ensures people are on the same page about how everyone is operating in the context of what our core values are at Teach For America."

### **Providing feedback**

Once clear performance goals have been set, managers should provide continuous feedback throughout the year about how the employee is doing against those goals, as well as provide coaching for how they can do better. Several experts said this feedback can be informal, but it will not be meaningful unless it is specific.

"You need concrete anecdotes that would back up either constructive criticism or positive statements about the person's performance," said John Fazekas, a director with the Executive Search team at Bridgespan. For example, rather than telling an employee he or she is doing outstanding client management work, Fazekas suggested a manager should pass along specific positive comments from a client to make it more relevant. Ditto with corrective or constructive feedback. For instance, said Fazekas, the manager could say: "On this call, with client XYZ, you seemed to let the client steer the call; next time you can try *this* approach to keep it focused," and then share an approach. "Essentially, you want to share ways the employee can be even more effective next time by keeping the feedback constructive and by providing a learning opportunity for the employee," he said.

Nicole Dubbs, TFA's vice president of organizational effectiveness said her team encourages managers to provide continuous informal performance feedback, and provides them with the training and tools to do it, whether it's a conversation where both sides share a couple of things that are working well in their relationship or whether it's a deep-dive conversation based on the progress an employee has made toward a particular competency. However, the organization gives managers the flexibility to determine when and how often the conversations need to take place during the year.

Ruyle agreed that organizations don't need to dictate a schedule for ongoing feedback. "Good managers can have the right sense to know how much direction to give their employees, and they're going to adapt their amount of direction, feedback, and recognition based on the level of the employee and the employee's ability," he said.

### **Conducting the annual review**

At the end of the year, managers should conduct a formal performance review that essentially summarizes the informal conversations and feedback that occurred throughout the year. "The performance review is a sort of capstone conversation regarding goals and performance," Fazekas said. He added, "When you get to the performance review, there should be no surprises, and it shouldn't be approached as punitive."

At TFA Eubanks-Davis said managers are expected to spend anywhere from two to four hours collecting data, reflecting on it, and writing a thoughtful performance review for each of their direct reports. Ruyle said reviews should cover what the employee accomplished in the previous year toward his or her goals, plus topics like the high points and the low points of the employee's performance. He said managers might ask what they could have done to support the employee more effectively and/or talk about what they think the employee could have done to help them be a better boss.

### **Planning professional development**

Ruyle said some organizations are adding a fourth step to their performance assessment process: professional development planning. Once the formal performance review is completed, employees are asked to create a professional developmental plan for themselves. It should include the competencies and the specific developmental activities they want to work on, which might be anything from teaching a class to serving on a cross-functional team to getting involved in the local Toastmasters (an organization devoted to helping people hone their public speaking and leadership skills) or serving on the local board of education.

In fact, Dubbs said TFA has long used its performance assessment process as a lever to help employees stretch and grow, and to build an internal pipeline of future senior leaders. “What motivated us to build something really robust is the fact that we wanted to begin to have a system where the senior-most leaders of the organization could have a better understanding of what our talent looks like across the board,” she said. “And so that managers on a one-by-one, case-by-case basis would have to feel accountability for constantly knowing where their people are at and what they need to stretch and grow.”

However, Ruyle suggested that discussions about an employee’s professional development goals—while they may spring from the performance assessment process—should be a separate conversation from the performance review itself. “Talking about where you want to move in your career or what training you want to take is much easier for a manager than talking about that project that meant so much to the organization, but that you delivered late, and here’s what happened because of that,” he said. “Most managers will take the easy way out and avoid the hard discussion.”

## Just Get Started

Dubbs said TFA’s tremendous growth made it necessary to implement a complex performance assessment and employee development system, complete with a formal competency model and extensive rubrics for measuring performance. But she said most smaller nonprofits do not have to invest the thousands of dollars or man hours that TFA spent to create an effective performance assessment process. “You may just want to identify the key kinds of things people need to demonstrate success, put in a simple rating system, ensure managers understand ratings, and expect everyone to have a robust review accompanied by a conversation at least once a year, and leave it at that,” she said.

Ruyle agreed that even a modest performance assessment process, if implemented thoughtfully, can have a significant positive impact on a nonprofit and its workforce. The key, he said, is for organizations and their managers to get past the idea that performance reviews are merely a chore required by the organization.

In fact, Phillips said that an increasing number of nonprofit employees are looking for performance feedback and meaningful performance reviews from their employers. “People want to know how they’re doing at all times,” she said. “They want to progress in their careers, so it’s important for them to know, specifically, how they’re doing on their goals.” Fazekas agreed, and added, “To get the greatest impact and to enable executives to develop the professional skills needed or to not lose faith that they are valued employees, performance assessment needs to play a regular, positive role in employees’ development.”

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