

Performance Management

Human Capital Center Toolbox Series



Table of Contents

1	Performance Management
2	Structure, Roles and Competencies
3	Implementation of a New Performance Management System
4	Performance Management Step by Step
6	Training and Preparation
7	Managing Poor Performance
11	Upward Feedback
11	Exit Interviews
12	Summary

What is the PCPS Human Capital Center Toolbox Series?

The Toolbox Series is designed to highlight the learning and tools available in the Human Capital Center (HCC), including templates, action plans, checklists and more. The HCC serves PCPS members by focusing on staffing best practices and providing the resources to master and implement those recommendations. Contributions to the Toolbox Series were made by the AICPA's Specialized Communities, including the Personal Financial Planning, Information Technology, Forensic and Valuation Services and PCPS sections. Visit the 11 segments of the Human Capital Center at pcps.aicpa.org/Resources/Human+Capital+Center/ to discover more.



This tool icon refers to Tools that are available in the PCPS Human Capital Center.

Performance Management

Performance Management is a continuous cycle of planning, doing and reviewing performance throughout the fiscal year. The key driver of the whole process is the Vision and Strategy for each firm and the One Page Plan, or business plan, as well as the **Firm Competency Model** (road maps) to help achieve it. See the Strategy & Planning section of the PCPS Human Capital Center for more information about Vision and Strategy and the One Page Plan.

Your firm's One Page Plan should detail the specific goals your firm expects to achieve in a 12-month period. Once the One Page Plan has been developed, the firm must determine if it has the right number of people and the right knowledge, skills and abilities required to achieve the plan.

A Performance Management process allows firms to:

- *Assess current role levels for team members*
- *Assess how capable team members are of performing tasks within their role*
- *Develop personal plans for team members*
- *Monitor team members' performance*

Benefits of a well-run Performance Management process include the ability for firms to capture team member performance objectively and provide a basis for salary and promotion decisions.

Structure, Roles and Competencies

Career structure – shows key roles in the career progression path of typical accounting firms. Each role has a clear purpose in terms of the type of work performed for clients. Professionals advance through the roles as they demonstrate the ability to take on more complex tasks. Typical roles in an accounting firm are:

- Associate
- Senior
- Manager
- Senior Manager/Director
- Partner

Role descriptions – describe the primary purpose, tasks, responsibilities, personal qualities and key performance indicators required to provide the expected level of client service. You can find a full set of descriptions, entitled **Role Descriptions**, in the Organizational Structure & Governance Tools section of the PCPS Human Capital Center.

Core competencies – identify the knowledge, skills and abilities needed by team members at each stage in the development of their professional career. The **Firm Competency Model** provides a framework of objective criteria that sets expectations and provides a focus for career planning, professional growth and development, and performance assessment and reward. The **Firm Competency Model** is structured around five core competencies required in each role to advance through the career structure:

- Chargeable Hours/Productivity
- Technical Knowledge/Firm Systems
- Client Service
- People Development & Teamwork
- Business Development

Implementation of a New Performance Management System

Implementation can be one of the most difficult steps in getting a new performance management system operating. There are a number of ways to introduce a performance management system, depending on such factors as size of firm, level of commitment to change, what already exists in the firm in relation to managing and assessing performance and the resources available to implement a new process.



Since implementation is critical but can be challenging, the PCPS Human Capital Center provides an

Implementing the Performance Management System learning guide to assist with this demanding process.

Roles within the Performance Management process

- **Partner/Director** - responsible for demonstrating commitment to delivery of constructive feedback to and from team members
- **Counselor** – reviews performance and provides feedback
- **Counselee** – individual team member who self-assesses and solicits feedback
- **Coach** – works with team member to build competency in particular skill areas

Below you will find more information about training and preparation for team members.

Performance Management Step by Step

The steps to the annual Performance Management process are as follows:

Personal planning encourages individuals to think about their own future in the context of the firm's future.

Step 1 — Establish a Performance Management champion – this individual will be accountable for ensuring all steps are followed and that the process is consistent and confidential. The confirmation of a Performance Management champion will promote an effective Performance Management process.

Step 2 — Determine team member's current role – use the **Role Descriptions** document in the Organizational Structure & Governance section to compare your current team members to the responsibilities and capabilities expected at each level. This step provides an understanding with each team member as to which role they are performing and will be assessed against in the Competency Assessment process. While advisable, it is not necessary to perform this step.

Step 3 — Assign a counselor – this individual helps to guide team members in the Performance Management process. All team members should have a counselor relationship with a person in the firm who is at a more senior level within the career structure. The purpose of this relationship is the development of a rapport that fosters constructive feedback, career guidance and a focus on continuous improvement.

Step 4 — Carry out a competency assessment program – once a team member's role is established, the next step is to assess how competent the member is within that role. The firm can choose to have the counselor assess the team member or allow the team member to self-assess against the skills in the **Firm Competency Model**. The process provides a very strong focus on helping team members develop self-knowledge about their skills and abilities so that each can be given appropriate challenges to help them grow and develop with their clients.

Step 5 — Develop a personal plan for the team member – the Personal Plan, which can be found in the **Performance Templates** document in the Performance Management Tools section, helps individuals link their personal goals and ambitions with the overall objectives of the firm. This plan requires documentation of expected career milestones or vision of where team members want to be over the next one to two years. Personal planning encourages individuals to think about their own future in the context of the firm's future.

Step 6 — Monitor the Performance Management process – individual job evaluations can be used to monitor a team member's performance on specific tasks. Quarterly performance meetings are also key in allowing both counselor and counselee to address progress and challenges. The mid-year performance review discussion and annual appraisal are formal steps in talking about and documenting performance evaluations. The monitoring process ensures that team members are continually assessing and reviewing their performance against their personal plan, role description and competency model.

Training and Preparation

Performance Management is about helping people achieve their potential by understanding expectations. Creating a culture where giving and receiving constructive feedback is the norm is essential to recognizing expectations and maintaining high performance. After

Creating a culture where giving and receiving constructive feedback is the norm is essential to recognizing expectations and maintaining high performance.

considering the implementation and procedural steps outlined above, a firm should take the time to ensure that all team members are properly trained for their roles in the Performance Management process.

Successful dialogue between team members, particularly in formal feedback situations, is essential. Counselors and counselees may meet regularly and still miss the point of the counseling process, which is for the counselee to understand what has happened and what needs to happen to meet or exceed performance expectations. The PCPS Human Capital Center offers several tools to assist both the counselor and counselee in preparing for successful discussions. These include:

- *The Feedback and Effectively Managing Performance document is an excellent learning guide for every member of the team.*
- *The **Sample Performance Review Video** offers a visual depiction of a team member and supervisor going through a performance evaluation discussion.*
- *The **Sample Performance Management Goals** tool is a sound reference for team members as they set their annual goals.*
- *The **Goal Setting Handout for Counselees** should be distributed in conjunction with the **Sample Performance Management Goals** document to offer counselees tips for setting effective goals.*
- *The **Performance Management Briefing Presentation** is a good introduction to the firm of the annual system.*

- *The **Performance Management Preparation for Counselees** document helps counselees better prepare for upcoming Performance Review discussions.*
- *The **Performance Management Preparation for Counselors** document helps counselors better prepare for upcoming Performance Review discussions, including giving effective feedback.*

Managing Poor Performance

The *Feedback and Effectively Managing Performance* learning document, which is listed above, is also designed with a focus on improving performance outcomes and provides a process of managing performance that fails to meet expectations. The process presents a layout for identifying poor performance and/or behavioral issues, recognizing differences between firm and individual expectations and developing a plan to help teams and individuals get back on track. This guide provides a series of steps that enable firms to manage positive and successful performance outcomes.

Determining what qualifies as poor performance is circumstantial and can be described in many ways including, but not limited to, the following:

- *Not performing to acceptable standards given a specified level of expertise*
- *Lack of professionalism*
- *Excessive tardiness and absenteeism*

Managing poor performance can be a difficult task to undertake. Cases of poor performance may result from poor management. In these instances, the performance has actually been at such a level for some time, and it can become difficult to change. Addressing what was previously acceptable behavior with the expectation of significant and immediate improvement may be unreasonable. There are several principles of managing poor performance.

Clearly defined expectations – poor performance is linkable to situations with unclear expectations. Having clearly defined expectations reduces the likelihood of a team having disparate views on expected performance. Remember that there are several tools that enable firms to define and communicate expectations and manage performance, including the following:

- *Career structure*
- **Role Descriptions**
- *The Firm Competency Model*
- *Personal Plan and other Performance Templates*

Reasonableness and opportunity to improve – reasonable opportunities, timeframes and support must be provided in order to achieve expected improvements.

Fairness – must be applied in all cases of unsatisfactory performance. The team members must be treated and managed in a consistent manner.



WARNING:

Laws and regulations relating to conduct that justifies instant dismissal and the appropriate management of these issues, varies from jurisdiction to jurisdiction. You must be aware of the legal framework in which you operate before taking action.

The Offer Letter and/or the firm's policies and procedures may also define appropriate conduct and behavior and the recommended management process for breach of these policies.

In instances where you believe conduct may necessitate instant dismissal, you should always seek legal advice first.

Legislative framework – a strong understanding of the legislation and regulations surrounding employment and contracts is important. Firm practices must conform to jurisdiction on employment-related issues. Seeking legal advice is always recommended. Various management styles and cultures exist within different businesses. That is why it is important to have a simple, consistently applied process to managing poor performance or behavior. There are several steps to the basic recommended process. These steps clearly articulate the outcome of not meeting expectations and provide team members with detailed timeframes to review and measure performance improvements against. The formal stages of the process are as follows:

- **Stage 1:** *Informal performance counseling session – provides team member with an opportunity to respond and explain the performance or behavior in question. Team members should actively participate in the discussion and identify issues.*
- **Stage 2:** *First disciplinary counseling session – occurs when behavior or poor performance is recurring and there is no improvement or commitment to improvement. Occasionally at this stage, the team member recognizes that more opportunities exist for them externally, and they decide to exit the firm.*
- **Stage 3:** *Counseling and final written warning – outlines expectations and the outcome of consistent unsatisfactory performance. Provides clear terms that employment will be terminated if the team member's performance or behavior has not improved to the required standard by the end of the final review period.*
- **Stage 4:** *Termination of employment – discussions from termination session are written up and placed in the team member's personnel file.*

Upward Feedback

The upward feedback process is designed to provide constructive feedback to the management side of the practice. Team members should provide comments so that the firm can better understand the successes and improvements needed in the management structure. One upward feedback form should be completed for each supervisor with whom work was performed during the year. The forms should be turned in to the performance management champion so feedback and comments can be appropriately addressed.

Exit Interviews

Exit interviews provide an opportunity to gain valuable information from team members who have chosen to leave the firm. The interviews also grant a positive way to end formal relationships with team members by demonstrating that their opinions and feedback are valued. Firms benefit from exit interviews by identifying recurring reasons as to why team members are leaving, which can help reduce future turnover. The Exit Interview Form and related Action Agenda assist firms with implementing and evaluating the exit interview process. Results from the process should be reviewed during partner/owner meetings in order to track trends and determine action steps for common issues or major problems that are detected during the process.

The list of questions in the PCPS Human Capital Center **Exit Interviews** tool leads with getting to the heart of what was going on in the team member's head and environment the day they took an interview for another job. Gathering the true underlying reasons for employee exits is key to reaping value from the exit interview process.

Summary

The Performance Management section of the PCPS Human Capital Center provides member firms with the learning, tools and resources necessary to establish performance measures and to compare the team members' performance to these measures consistently. This section also helps the team understand how to set their goals, give and receive feedback and constructively manage poor performance. Refer to the **Performance Management Implementation Action Plan** as a guide for introducing this system to your firm.

Visit aicpa.org/pcps and become a member for access to an array of performance management tools and resources. To find out if your firm is already a member, email pcps@aicpa.org.



Access These Tools At aicpa.org/PCPS

Performance Management Implementation Action Plan

Firm Competency Model

Performance Templates

Sample Performance Management Goals

Goal Setting Handout for Counselees

Performance Management Implementation Presentation

Performance Management Briefing Presentation

Performance Management Preparation for Counselees

Performance Management Preparation for Counselors

Upward Feedback

Exit Interviews

Conflict Management Worksheet



American Institute of
Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

aicpacomunities.org