**A Report by a Panel of the National Academy of Public Administration for the Deputy Assistant Secretary of the Navy (Civilian Personnel and Equal Employment Opportunity)**

**September 2001**

# Department of the Navy:
## Two-Level Performance Management Program

**National Academy of Public Administration**

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# Review of the

# Department of the Navy
# Two-Level Performance Management Program

**Prepared by the
National Academy of Public Administration
Center for Human Resource Management**

**September 10, 2001**


national academy of
public administration

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**EXECUTIVE SUMMARY**

To gauge the effectiveness of its Two-Level Program, the Office of the Deputy Assistant Secretary of the Navy (Civilian Personnel/Equal Employment Opportunity) of the Department of the Navy (DON) engaged the services of the National Academy of Public Administration's (NAPA) Center for Human Resources Management (CHRM). The NAPA review focused on the extent to which implementation of the DON Two-Level Program fosters adherence to critical program elements including system requirements, awards and recognition, career development and advancement, a more productive environment, and improved communication and feedback. Data were analyzed to determine compliance with program requirements, identify successful approaches, document significant program outcomes, and examine best practices.

**Program Element Findings**

- *Program Element 1: Adherence to System Requirements*

  <u>Summary</u>
  Most supervisors are providing timely mid-year reviews and performance appraisals to their employees but many are not providing performance plans in a timely manner. Not all supervisors are addressing employee development and certifying position description accuracy.

  <u>Suggested Actions</u>
  Provide checklists for supervisors for monitoring performance in their activities. Where appropriate, strengthen supervisory performance management standards.

- *Program Element 2: Communication and Feedback*

  <u>Summary</u>
  Many supervisors are having difficulty in providing regular performance feedback to employees because of their production demands. Many do not believe performance management is valued by management. Many employees are not satisfied with the quality of performance feedback and the frequency of training and advice from Human Resource Offices (HROs) appears affected by staffing in those offices.

  <u>Suggested Actions</u>
  Top management should periodically reemphasize performance management responsibilities. HROs should ensure supervisors provide ongoing performance feedback to employees and provide necessary training. They should also strengthen supervisory performance standards, encourage management recognition, and hold supervisors accountable for performance management achievement.

- *Program Element 3: Awards and Recognition*

  <u>Summary</u>
  There has been a shift to ongoing versus end-of-year awards in many DON command activities but many employees feel not enough supervisors are recommending employees for awards.  Performance recognition policies are highly varied among command activities.  Many supervisors still view the appraisal as the means for distinguishing performance and do not feel comfortable in recognizing team accomplishments.

  <u>Suggested Actions</u>
  DON HR should reinforce awards and recognition objectives and identify and clarify awards criteria for supervisors and employees.  This should include ongoing monitoring and evaluation of awards activity and holding managers accountable for evaluation results.

- *Program Element 4: Productive Environment*

  <u>Summary</u>
  Supervisors and employees believe their organizations are productive and grievances about performance ratings have declined significantly since implementation of the Two-Level Program.  However, many think the Two-Level summary ratings dampen performance.  Additionally, supervisors are having difficulty in correcting marginal performance and employees believe the Two-Level Program will make them more vulnerable in reduction-in-force (RIF) situations.

  <u>Suggested Actions</u>
  Provide additional performance management feedback and recognition training to supervisors.  Also, provide information to employees that explains how performance data will be used in making RIF determinations.

- *Program Element 5.  Career Development and Advancement*

  <u>Summary</u>
  Employees feel trained to do their jobs but are concerned about their career advancement and would like more career counseling from supervisors. No guidelines were found that would assist employees on ways to incorporate performance information (e.g. awards, letters of recommendation, etc.) when applying for other positions.

  <u>Suggested Actions</u>
  Provide guidelines on using performance information when applying for positions (both within and outside DON). Provide additional guidance and training for supervisors on career development, coaching, and mentoring of their employees. Publicize information about employees who have successfully competed for positions.

**Summary of Major Conclusions and Recommendations**

The above program element findings address areas defined in the statement of work for the NAPA review of the DON Two-Level Program. The statement of work also tasks the NAPA Team with researching two-level best practices and comparing the DON Two-Level Program with those practices. Commensurate with the team's best practice findings, the Panel's major conclusions and recommendations in this report are framed by what the team found to be key characteristics of successful two-level programs (as explained in detail in Appendix I of this report). These characteristics include: sufficient preparation, top-level leadership and support, supervisory and management competencies, a premium on awards and recognition, and continuing program monitoring and evaluation.

*Sufficient Preparation*

- Conclusion: Initial preparation in terms of providing basic program information was thorough, but ongoing training and capacity development is not adequate.

- Recommendation: Provide managers and supervisors with the training and assistance they need to do an effective job of performance planning, performance communication and performance recognition.

*Top-Level Leadership and Support*

- Conclusion: Top-level leadership and support appears uneven among the various DON commands. While the team found examples of outstanding support in some activities, others revealed evidence of insufficient management integration of the Two-Level Program into performance improvement strategies.

- Recommendation: Conduct a multi-faceted effort to ensure that managers at all levels understand, communicate, and are held accountable for performance management practices that meet systems requirements and contribute to the achievement of organizational objectives.

*Supervisory and Management Competencies*

- Conclusion: There is a major perception among employees (and numerous supervisors) that supervisors and managers do not possess sufficient performance management competencies. In many cases, organizational factors such as matrix management and span of control appear to be impeding supervisory abilities to communicate ongoing performance feedback and to serve as effective coaches and appraisers of employee performance.

- Recommendation: Conduct an assessment of the competency needs of managers, supervisors and employees and develop a program of training, information

dissemination, and consultative assistance that will address disclosed competency gaps.

### *A Premium on Awards and Recognition*

- Conclusion:  Although the awards and recognition program has substantially shifted its focus from end-of-year to ongoing, event-driven awards, there is significant evidence of uneven incentive awards management at the various DON command sites that were visited by the NAPA Team.

- Recommendation:  Communicate, throughout DON, the importance of an effective awards program and its relationship to sound performance management under a Two-Level Program.  This should include management's expectation regarding its use and administration, and models and guidelines to assist managers at all activity levels in making the best use of awards.

### *Continuing Program Monitoring and Evaluation*

- Conclusion: With some exceptions, there does not appear to be any regular efforts to monitor and evaluate the substantive effect of the Two-Level Program.

- Recommendation:  Make performance management a core program area for self-assessment.

## I. INTRODUCTION

The Civil Service Reform Act of 1978 emphasized on performance management and highlighted the importance of performance appraisal. Initially, the Office of Personnel Management's (OPM) implementing regulations required federal agencies to develop five-level summary rating systems which were designed to link various human resources management decisions including awards, reductions in force, advancement, and retention to the performance management process.

By the latter half of the 1980s, five-level programs were losing credibility as a result of rating inflation and increasing numbers of grievances from employees who felt they deserved higher ratings. Agencies began to express disenchantment with this "one-size-fits all" approach and demanded more flexibility in designing appraisal systems suited to their unique cultures and environments. OPM responded to these pressures in the early 1990s by deregulating appraisal requirements to permit as many as five and as few as two summary levels in federal performance management programs.

Research and experience continues to show that regardless of the number of summary performance levels, performance management is more dependent on behaviors and values than it is on formal appraisal systems. While it is true that formal systems can affect performance, organizational commitment, the ability to communicate clear goals and expectations, and skilled managers and supervisors are the salient requirements for an organization's overall performance management success. In her book "Reengineering Performance Management," Tracy B. Weiss describes performance management as "...a process for establishing a shared understanding about what it is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success."

Effective performance management is, therefore, not system dependent, but built on fundamental core processes including communication and feedback, awards and recognition, creation of a productive environment, clear linkages to career development and advancement, and simplified program requirements. The desire to produce these and other value-added outcomes was a primary driver behind the Department of the Navy's (DON) decision to convert its civilian performance management program to a two-level process.

The NAPA Team's best practice research, which can be found in Appendix I of this report, revealed that no system, whether two-level or multiple level, is a performance management panacea. However, the potential for maximizing success in two-level programs is elevated when the following accompanies program implementation and management:

- Sufficient preparation, including high levels of communication and training;
- Top-level leadership and support to communicate and drive home expectations;

- Supervisory and management competencies which reinforce and recognize the value of effective performance management;
- A premium placed on awards and recognition to appropriately recognize employee performance and accomplishment; and
- Continuing monitoring and evaluation of the program to ensure appropriate funding, adherence to requirements, and program accountability.

The degree to which these factors are included in the DON Two-Level Program is addressed in Section V, Major Conclusions and Recommendations.

## II. PURPOSE AND SCOPE OF REVIEW

To gauge the effectiveness of its Two-Level Program, DON engaged the services of the National Academy of Public Administration's (NAPA) Center for Human Resources Management (the Center). A NAPA Team examined the extent to which implementation of the DON Two-Level Program fosters the following critical program elements:

- Adherence to system requirements,

- Effective awards and recognition,

- Enhanced career development and advancement,

- A more productive environment, and

- Improved communication and feedback.

## III. METHODOLOGY

The NAPA review of the DON Two-Level Performance Management Program evaluated the degree to which these five critical program elements are being achieved in its various command activities and functions. This was accomplished through a thorough initial stages of data gathering and analysis which led to the production of this final of findings, conclusions and recommendations for improving Two-Level Program effectiveness.

### A. Data Gathering

Data on the Two-Level Program were gathered from multiple sources. These included the DON HR website, DON and OPM automated awards databases, best practice information sources, command activities visited by the NAPA Team, a web-based supervisory/employee survey, and focus groups and interviews conducted with supervisors, employees, Human Resources Offices (HROs), and union officials at designated command activities. Activities reviewed include NAVSEA, NAVAIR, NAVSUPPLY and several smaller organizations within the Norfolk, Jacksonville, San Diego, Bremerton, and Washington, D.C. areas.

- Information from DON HR Website
  The website provided performance management and awards program policies from the DON Human Resources (HR) website including: "Guidance on Implementing Performance Management Programs in the Department of the Navy (SECNAVINST 12430.4, Department of the Navy Performance Management Programs); and "Guidance on Implementing Awards Programs in the Department of the Navy (SECNAVINST 12451.3, Department of the Navy Incentive Awards Programs). These documents were used to determine procedures, program objectives, responsibilities, and requirements for performance management and incentive awards and provided a fundamental underpinning for data-gathering instruments used by the NAPA Team during the Two-Level Program Review.

- DON and OPM Awards Databases
  Awards information was pulled from both the DON and OPM databases. This information helped to determine the level and types of awards being issued at selected local command activities.

- Information from Local Command Activities
  This information included:

  - Delegations of authority for performance management;
  - Performance management policies and guidelines;
  - Copies of guidance issued to employees and supervisors to prepare them for movement from 5-level to the current Two-Level Program;
  - Training materials; and
  - Organizational charts, workforce statistical data, and union information.

- Confidential Web-based Survey
  Survey participants were chosen at random by the NAPA Team from the five geographic regions. Survey participants who were unable to access the website were sent paper versions of the survey and a self-addressed envelope for use in returning their completed responses to the survey administrator. The surveys were sent to 2000 randomly selected employees and 500 randomly selected supervisors; 764 or 38.2% of employees and 165 or 33% of supervisors responded to the surveys.

- Focus Groups and Interviews
  As with the survey, supervisors and employees were randomly selected to participate in focus groups at the various geographic locations. Individual senior managers and union officials were selected and scheduled for interview by local command activities.

  The survey, focus group, and interview questions were vetted through randomly selected pilot groups of supervisors and employees at DON

Headquarters in Washington, D.C. and shared with national and local union officials prior to their distribution to bargaining unit employees.

The team interviewed a total of 122 employees and 65 supervisors in focus groups, and 54 senior managers and 30 union officials individually at the visited command activities (271 interviews). The team also visited 14 HROs and interviewed from one to three individuals interviewed in each of these offices.

- Best Practice Information
  The NAPA Team collected best practice information from prior performance management studies and a variety of other sources including *OPM's Performance Management Technical Assistance*, OPM's publication, *"Pass/Fail Assessment: An Overview", April 1996*; OPM's follow-up report of a *Special Study, " Incentive Awards: The Changing Face of Performance Recognition", March 2000*; *"Best Practices in Organization & Human Resources Development Handbook," Linkage, Inc., 2000; "Reengineering Performance Management,"* Tracey B. Weiss, Ph.D. and Franklin Hartle, St. Lucie Press, 1997; and *"First, Break All the Rules,"* Marcus Buckingham and Curt Coffman, Simon and Schuster, 1999. Information from these sources is found in Appendix B. and was used to help identify ways in which the DON Two-Level Program might be improved. Key characteristics of best practice organizations have been used to provide the framework for the major conclusions and recommendations that appear in Section V. of this report.

## B. Data Analysis

The NAPA Team analyzed information collected against criteria outlined in the DON statement of work. The statement of work placed primary emphasis on assessing the degree to which the Two-Level Program is:

- Facilitating communication of performance goals and performance feedback;
- Enhancing career development and advancement;
- Strengthening awards and recognition, and
- Contributing to a productive environment.

In addition:

- Compliance with DON requirements for using the Two-Level Program was assessed;
- Specific successful approaches of various activities were identified;
- Changes in awards activity were documented, and
- Best practices of other organizations were reviewed for possible application within DON.

**C. Report of Findings, Conclusions and Recommendations**

The NAPA Team's report provides major findings and insight into the strengths and weaknesses of the DON Two-Level Performance Management Program. Findings are organized in sections that address the following performance management program elements:

1. Adherence to System Requirements
2. Communication and Feedback
3. Awards and Recognition
4. Productive Environment
5. Career Development and Advancement

Each "Program Element" section contains the following information:

- Program Element Review Focus
- Program Element Findings
- Program Element Summary and Suggested Actions

The final report section  (Section V) summarizes major conclusions and recommendations drawn from the program element summaries and suggested actions.   These conclusions and recommendations are built around key factors that the team's best practice research revealed as characteristic of successful two-level programs (as previously stated in the report introduction).

**D. Report Appendices**

More detailed information on characteristics of successful two-level appraisal systems and employee and supervisory survey findings can be found in the following appendices:

- Appendix I.  Key Elements of Two Level Appraisal
- Appendix II. Employee and First-Level Supervisor Survey Results

**IV. PROGRAM REVIEW**

**A. Program Element 1:  Adherence to System Requirements**

**1. <u>Program Element Review Focus</u>**

DON's Two-Level Performance Management Program, as explained in "Guide No. 430-01," effective October 1, 1997, places significant responsibilities on supervisors, employees and human resources activities.   The focus of the NAPA Team's review was directed at
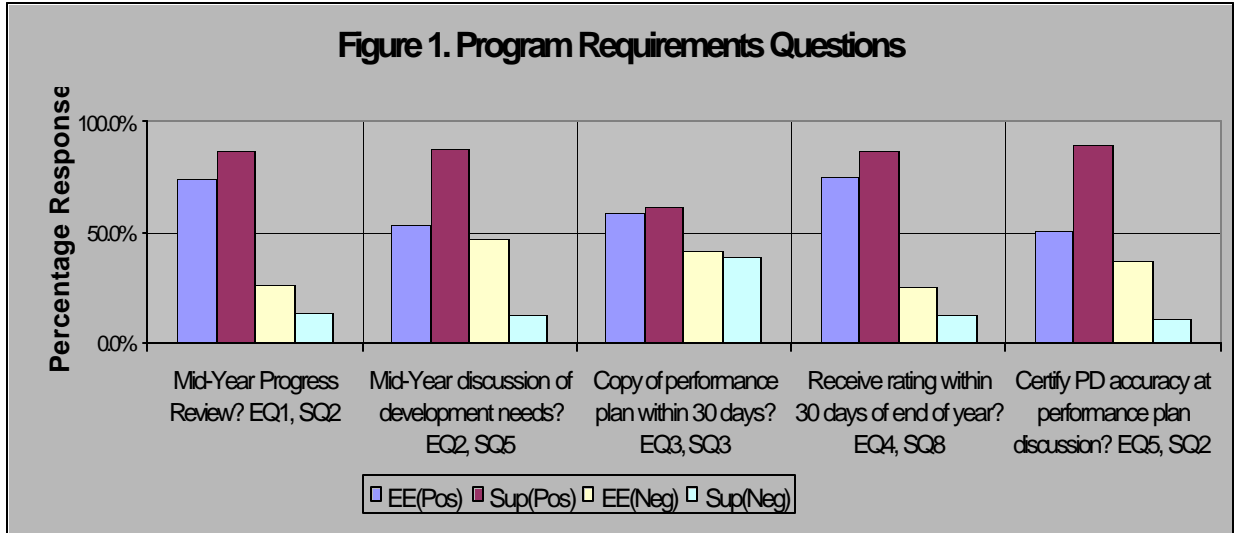
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determining the degree to which the following responsibilities are understood and carried out:

- Summary of Supervisory Responsibilities

  - Develop written performance plans for covered employees and encourage and involve employee participation in developing the plan;

  - Provide copies to employees within 30 days of the beginning of each appraisal period;

  - Conduct one or more documented and informative progress reviews during the appraisal period;

  - Periodically review and update employee position descriptions; and

  - Prepare ratings of record and provide them to employees.

- Summary of Employee Responsibilities

  - Participate in the development of their performance plan;

  - Participate in progress reviews of their performance during the appraisal year;

  - Provide reports of performance accomplishments to their supervisors; and

  - Participate in the final appraisal discussion with their supervisors.

- Summary of Human Resources Responsibilities

  - Advise managers, supervisors, team leaders, and covered employees on program requirements and related performance management issues.

  - Ensure required performance appraisal documentation and mid-year reviews are accomplished.

  - Provide performance management training and tools to managers, supervisors and employees to assist them in fulfilling the performance management responsibilities.

## 2. **Program Element Findings**

The chart in Figure 1 groups the responses of employees and managers to questions in the electronic survey that were designed to address DON Two-Level Program requirements.

The chart illustrates that over 74% of employee respondents indicated they are receiving mid-year progress reviews and copies of their performance ratings within 30 days of the end of the appraisal year.  However, only a little more than half of employee respondents indicated their supervisors certify the accuracy of their position descriptions (51%), address developmental needs during the mid-year review (53%), and provide them with copies of their performance plans within 30 days of the beginning of their appraisal periods (59%).



Figure 1. Program Requirements Questions

These survey findings were reinforced by comments made by supervisors and employees during focus groups conducted at visited command activities.  (The acronyms "EQ" and "SQ" which appear on the chart stand for "employee survey question" and "supervisor survey question", respectively.)

### Employee Focus Group Comments

Most employees said that they are receiving mid-year reviews from their supervisors, but many indicated the reviews are not helping them from a performance or career development perspective. Some indicated that they are not receiving their performance plans within 30 days of the commencement of their review cycles and stated that their position descriptions are dated and inaccurate. Some employees also expressed concern about the nature of their generic performance standards and the fact that they do not address their true work responsibilities. Responses regarding whether development needs are addressed at mid-year reviews were varied and many employees indicated that this is not happening.

### Supervisor Focus Group Comments

Supervisors believe they are doing a good job of communicating performance expectations to their employees. Most interviewees indicated that they are communicating with employees annually and at mid-year, discussing development needs, and are providing employees with their annual appraisal on a timely basis. Consistent with employee focus group responses, many supervisory focus group participants admitted that they are not reviewing and certifying the accuracy of their employees' position descriptions at performance plan discussions.

### Union Comments

Union officials believe the Two-Level Program has made it easier for supervisors to complete performance appraisals and related performance management systems requirements and that they are fulfilling these responsibilities in a more timely manner than under the former multi-level program.

### HRO Comments

In all HROs visited, the NAPA Team found evidence of performance management briefings, policy and regulatory information, and other materials that were used to communicate Two-Level Program requirements. Most HROs are monitoring basic performance management system requirements such as working to ensure that mid-year reviews are conducted and appraisals are submitted on a timely basis. However, the degree to which HROs have maintained an active presence in providing ongoing performance management advice and assistance to supervisors and employees is varied. Some mentioned that regionalization and staffing reductions have affected their ability to provide this assistance at their more remotely-situated command sites.

3.  **Program Element Summary and Suggested Actions**

*Program Element Summary*

According to survey responses and comments received during focus groups and individual interviews at visited command activities:

- Most supervisors are providing mid-year reviews and performance appraisals to their employees in a timely manner.

- Many supervisors are not providing copies of performance plans within 30 days of the beginning of employee appraisal periods.

- Many supervisors are not addressing employee development needs during mid-year reviews.

- Many supervisors are not certifying the accuracy of position descriptions at performance plan discussions.

*Suggested Actions*

- Build and provide checklists for supervisors for monitoring performance in their activities (including reminders to periodically review and update employee positions descriptions, provide performance plans, and address employee development during mid-year reviews).

- Review existing supervisory performance standards and, where necessary, strengthen responsibilities and accountability for all aspects of the performance management process, such as providing ongoing performance development counseling and performance feedback, certifying the accuracy of position descriptions, etc.

B.  **Program Element 2:  Communication and Feedback**

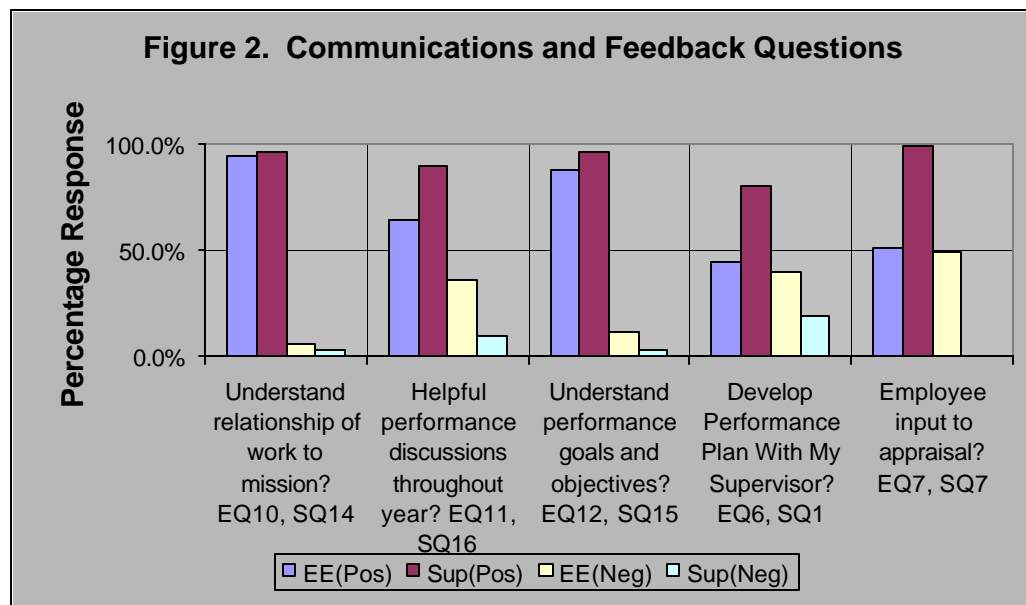1.  **Program Element Review Focus**

A primary objective of any performance management program is to maximize individual and organizational performance. The focus of the NAPA Team's review was to determine whether:

- Helpful performance feedback and discussion is occurring between supervisors and employees throughout the appraisal year.

- Employees contribute to the development of their performance plans and have input to their performance appraisals.
- Employees understand how their work relates to the goals and objectives of their organizations.

- Employees understand their performance goals and objectives.

## 2. Program Element Findings

The chart in Figure 2 illustrates that both employees and supervisors have a high level of understanding of how their work relates to their unit's mission goals and objectives. Responses from 95% of employees and 97% of employees were positive in this area. Employees and supervisors also share a good understanding of their performance goals and objectives (with 89% of employees and 97% of supervisors responding positively).



Figure 2. Communications and Feedback Questions

With regard to the helpfulness of performance discussions held between employees and supervisors throughout the year, approximately 66% of surveyed employees indicated that they are satisfied and over 90% of supervisors believe they are doing a good job in this area. Less than half (48%) of employees indicated that they develop performance plans with their supervisors, while 81% of supervisors responded that this was occurring. Similarly, only 51% of employees indicated they have input to their appraisals while 99% of supervisors indicated they allow their employees to provide such input.

*Employee Focus Group Comments*

Most employees who participated in focus groups indicated they understand their performance goals and objectives and how they relate to the goals and objectives of their units. Very few interviewees indicated that they are receiving feedback in addition to the required mid-year and end-of-year discussions and that these discussions are usually perfunctory. While most employees working in offices indicated they receive sufficient performance feedback from their supervisors, many working in matrixed activities mentioned that they do not hear from their supervisors very frequently. They believe this is because they know little about the work they perform on a day-to-day basis. Numerous concerns were also voiced about the generic nature of performance standards and that they lack the detail to accurately reflect the actual work being accomplished.

*Supervisor Focus Group Comments*

Although survey findings show supervisors are confident about their abilities to communicate meaningful performance feedback to their staffs, many who participated in focus groups admitted to providing this feedback only at mid-year and at the end of the appraisal year. Many voiced a desire to communicate more regularly with their staffs, but stated that the production demands of their jobs often preclude this. Many believe that management places its primary emphasis on satisfying production goals and that the practice of providing performance feedback is undervalued and that they are not held accountable in this area. And like employees, numerous managers voiced concerns about generic performance standards and are unclear about their latitude to tailor these standards to their employees' actual work.

*Union Comments*

Union officials do not think performance feedback to employees is being done well. Several stated that employees typically do not hear anything until the end of a performance cycle unless they are under a performance improvement plan (PIP). Like supervisors, union officials believe the practice of giving performance feedback to employees is under-valued by senior management. They believe that changing this will require top management support, more supervisory training, and holding supervisors more accountable for the performance management process.

*HRO Comments*

Officials in the visited HROs are doing their best to encourage ongoing performance feedback but admit to not having the time to monitor this

more closely.  Most HRO officials stated they are not seeing enough day-to-day  performance communication between supervisors and employees and that such communication tends to focus on performance problems.  While the Two-Level Program makes generating the appraisal easier for supervisors, many are not making the effort to address "performance as it is happening."

Virtually all HROs spent time explaining the concepts of the Two-Level Program to managers and employees when it was implemented three years ago.  While most are aware of the need for ongoing counseling and assistance, many now feel they lack sufficient staff to be proactive in this area and are only able to assist supervisors with performance problems when they occur.   Most acknowledge the need for supervisory refresher training in the performance management area and a strengthening of supervisory performance management standards.

Also during HRO visitations, the team noted that the design of some performance appraisal forms was rather abbreviated and, as such, did not appear to encourage feedback or employee input.

## 3.  Program Element Summary and Suggested Actions

### *Program Element Summary*

According to survey responses and comments received during focus groups and individual interviews at visited command activities:

- Many supervisors are having difficulty in providing performance feedback to employees on a regular basis.   In most cases, supervisors who see their employees on a day-to-day basis are better able to provide performance information to employees than those who oversee larger matrixed organizations.

- While supervisors understand the need to provide performance feedback to their staffs, many feel too pressured by workload production demands to do this other than at mid-year and end-of-year performance discussions.

- Many supervisors believe that management places its primary emphasis on satisfying production goals and that the practice of providing performance feedback is undervalued.  They also do not feel they are being held accountable for their performance management responsibilities.

- Many employees are not satisfied with the quality of performance feedback provided by their supervisors at the mid-year review.

- Employees would like additional performance feedback from their supervisors during the appraisal year, particularly with respect to their performance development and career advancement.

- HROs are providing performance management training for new managers and supervisors but most do not provide follow-up training in this area.

- Most HROs indicated they lack sufficient staff to provide ongoing performance management advice and assistance to supervisors and employees at remote (sub-regional) command sites.

*Suggested Actions*

- Have top management in all command activities periodically reemphasize supervisory performance management feedback responsibilities to managers and supervisors and that they will be held accountable for these activities at all organizational levels.

- Re-emphasize employee responsibilities for participating in the development of their performance plans and in discussions of their performance appraisals.

- Emphasize employee responsibilities to seek out information on their performance and work with their supervisors in correcting performance problems and making them aware of their (employee) performance accomplishments.

- Ensure performance appraisal forms in use at command activities are designed to facilitate feedback and discussion of employee performance.

- Provide necessary training to improve supervisory competencies in the performance management area.

- Where necessary, strengthen supervisory performance standards with respect to performance management effectiveness and develop incentives to reinforce the value of exemplary achievement in this area.

- Work with HRO staffs to develop enhanced performance management job aids and tools for managers and supervisors.

- Provide additional guidance and training to supervisors to strengthen their employee counseling and development skills and re-emphasize the importance of providing ongoing performance feedback to their employees throughout the appraisal year.

### C. Program Element 3:  Awards and Recognition

#### 1. <u>Program Element Review Focus</u>

The Two-Level Program places a new focus and emphasis on use of awards for recognizing top performing employees.   Requirements and responsibilities associated with the DON Incentive Awards Program appear in SECNAVINST 12451.3.  Policy and program objectives articulate that awards are to be used for motivating employees and to increase productivity by recognizing creativity in the workplace.  This is to be done by rewarding employees and groups of employees when contributions are made to better establish the linkage between accomplishment and reward.  The guidance includes descriptions and instructions on the use of a variety of monetary and honorary award instruments and explains that they may be given at any time.
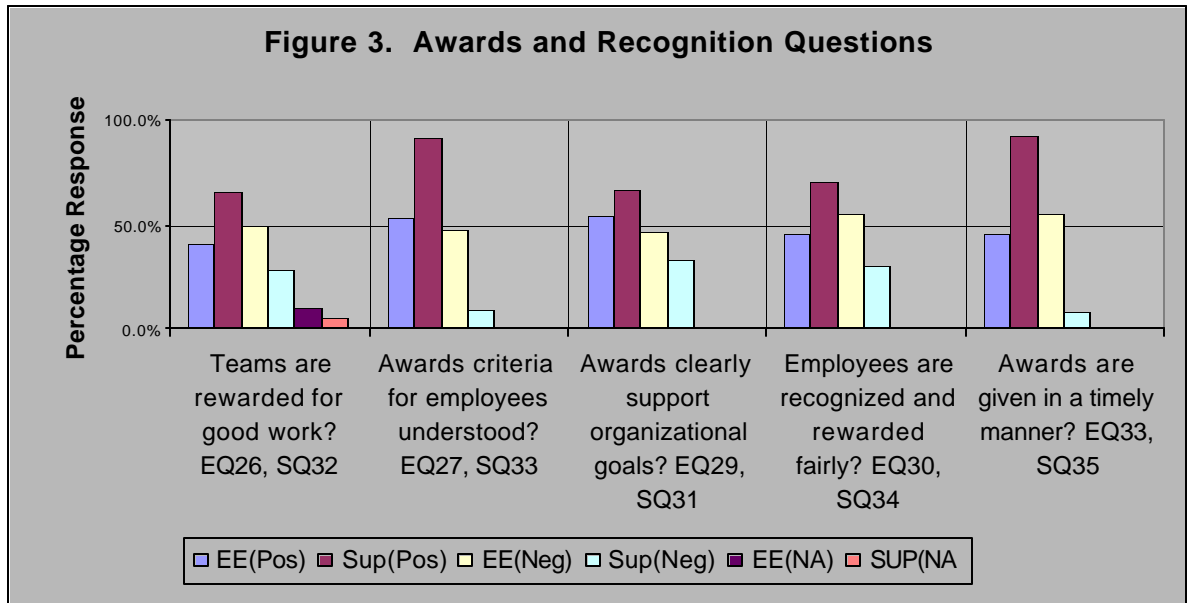
The focus of the NAPA Team's review was directed at determining whether managers, supervisors, and team leaders are motivating, recognizing, and rewarding eligible employees' accomplishments and contributions throughout the appraisal year.   This included assessing the degree to which employees understand the criteria for awards and whether they perceive the program is being administered fairly.

#### 2. <u>Program Element Findings</u>

In order to determine levels of award usage as well as impressions of the effectiveness and fairness of the awards program, the team reviewed DON database information and examined answers to subject-specific survey and focus group/interview questions.

##### *Database*

Review of the DON database revealed that cash awards between 1995 and 2000 declined by approximately 30% (which is likely attributable to a similar 30% reduction in staff [from 232,000 to 180,000] during this period).  During this time, command activities spent roughly one percent of salary for awards, which is below the 1.5% of salary recommended in DON Incentive Awards Program guidelines.

**Figure 3. Awards and Recognition Questions**

The team noted that since implementation of the Two-Level Program in 1997, there has been a 68% decline in end-of-year performance awards, and a 42% increase in the special act awards that are being given throughout the year. While this is no doubt a result of the previously mentioned staffing reduction, it is important to note that this shift is also in keeping with and likely attributable to Two-Level Program guidance.

The chart in Figure 3 illustrates employee and supervisory impressions of the awards program. In general, employees are less positive about the awards program than supervisors. They are particularly negative (50% or more) about the fairness of the awards program, the timeliness within which awards are given, and the ability to reward teams. They were slightly more positive about understanding awards criteria, and that awards support organizational goals and objectives. (It is important to note that focus groups mentioned that impressions of the awards program were virtually the same under the former multi-level program and that the Two-Level Program has not really influenced perceptions in this area.)

In contrast, over 70% of supervisors believe their employees perceive the awards program as fair, and over 90% believe their employees understand the criteria for awards and that awards are being given in a timely manner. Supervisors were also positive about the program's ability to reward teamwork.

*Employee Focus Group Comments*

A recurrent theme in many employee focus groups was that being recommended for an award is largely dependent on the motivation of supervisors and that this varies greatly.

Paralleling survey responses, many of the interviewees indicated that they do not understand the criteria for awards and that their supervisors are not rewarding them because of insufficient knowledge of their performance. They perceive that more awards are being given to employees whose supervisors see them on a more frequent basis and that this is unfair. A frequently voiced concern was that supervisors lack sufficient knowledge of their daily performance and, as such, are not motivated to recognize them for their performance accomplishments.

The issue of fairness also surfaced through concerns expressed by those who are required to write annual accomplishment reports, which they perceive to be the basis for many awards nominations. Many believe this practice relegates award-giving to how well one writes versus the value of actual performance accomplishments.

Few focus group participants had worked on teams that had received an award. Those who had were unclear about why no differentiation was made in award amounts paid to specific team members (which suggests a lack of understanding about the nature of teams and team recognition).

*Supervisor Focus Group Comments*

Most participants in supervisory focus groups acknowledge that the Two-Level Program was designed to encourage the rewarding of employee performance throughout the year. Some expressed concern over not having sufficient delegated authority to award meaningful cash amounts. Many appear to be hung up in the old paradigm of waiting until the end of the year to recognize employees through the awards program. This was evidenced in the frequently heard comment: " It is difficult to make distinctions in amounts of awards because everyone is rated at the same acceptable level." Many interviewees shared that they do not feel comfortable with group incentives and see few opportunities to reward team performance in their activities.

Interviews also revealed that delegation of authority for awards amounts to supervisors is extremely varied, ranging from as little as $100 to $2,500. Some admitted that cash awards are still tied to performance appraisals in their command activities.

*Union Comments*

Most union officials interviewed believe that while it has been a difficult transition for managers and supervisors to make, more awards are being given during the year and that they now seem to be more event-driven. Like supervisors, they see problems in determining award amounts for specific team members, which they believe is generating equity concerns among both supervisors and employees, and would like to see more guidance from HR in this area.

*HRO Comments*

Interviews conducted in HROs reveal that many command activities are now giving more awards. The nature of the awards varies, however, with some activities providing cash incentives and others relying on time-off and honorary recognition. For example, some activities are still giving performance awards, including QSIs, while others have discontinued the practice. The team found one installation that gives virtually no cash awards and recognizes employee accomplishment almost exclusively through "time-off" awards. Still other organizations evidence more robust awards programs and use combinations of special act, on-the-spot, and a variety of honorary awards to recognize employee contributions. Several HROs indicated that their unions have been active in negotiating new awards for civilian employees and that greater use of these awards is occurring. Some have seen team awards increasing and one command now sponsors a "team mate appreciation month" to encourage and reward teamwork and inter-functional cooperation.

What is particularly important to note is that the Incentive Awards Program allows command activities considerable latitude to set award amounts in order to better address local priorities, budgetary considerations and differences in organizational culture.

## 3. Program Element Summary and Suggested Actions

*Program Element Summary*

According to database information, survey responses and comments received during focus groups and individual interviews at visited command activities:

- There has been a 68% decline in the number of end-of-year performance awards and a 42% increase in the number of special act awards (given throughout the year) since implementation of the Two-

Level Program.  This is evidence of a definite shift to ongoing versus end-of-year awards, a primary objective of the Two-Level Program.

- Many employees feel their supervisors do not understand enough about their performance accomplishments to recommend them for awards and do not perceive the awards program as fair.

- While the incentive awards program is being used to recognize performance as it occurs, the degree to which this is happening varies among command activities.

- Awards practices including monitoring and evaluation, delegated authorities, and amounts spent for awards purposes are also highly varied among command activities.

- Many supervisors still view the annual performance appraisal as the primary instrument for distinguishing performance.

- Supervisors do not feel comfortable in recognizing team accomplishments and few awards are being given to teams.

*Suggested Actions*

- Reinforce DON expectations/objectives, regarding the use of awards and recognition, to all Directors for Civilian Personnel Programs (DCPPs) and HROs at local command activities.

- Where necessary, target activities where award usage is low and work with DCPPs and local HROs in these locations to reinforce awards usage to recognize employee performance throughout the year.  This should include identifying and clarifying awards criteria for supervisors and employees and determining available awards funding.

- Develop a desk reference for supervisors to explain the types of awards available under the Incentive Awards Program and their use at various command levels.

- Determine incentive awards training needs and provide training where necessary.

- Develop and issue standardized instructions on team awards.

- Monitor and evaluate awards distribution to determine whether Two-Level Program direction is being carried out and awards are being distributed fairly.  Hold managers and supervisors accountable for the results of these evaluations.

- Continue to emphasize that the performance appraisal is not the mechanism for distinguishing among varying levels of acceptable performance, and that performance accomplishments and performance problems must be recognized and dealt with as they occur during the appraisal year.

## D. Program Element 4: Productive Environment
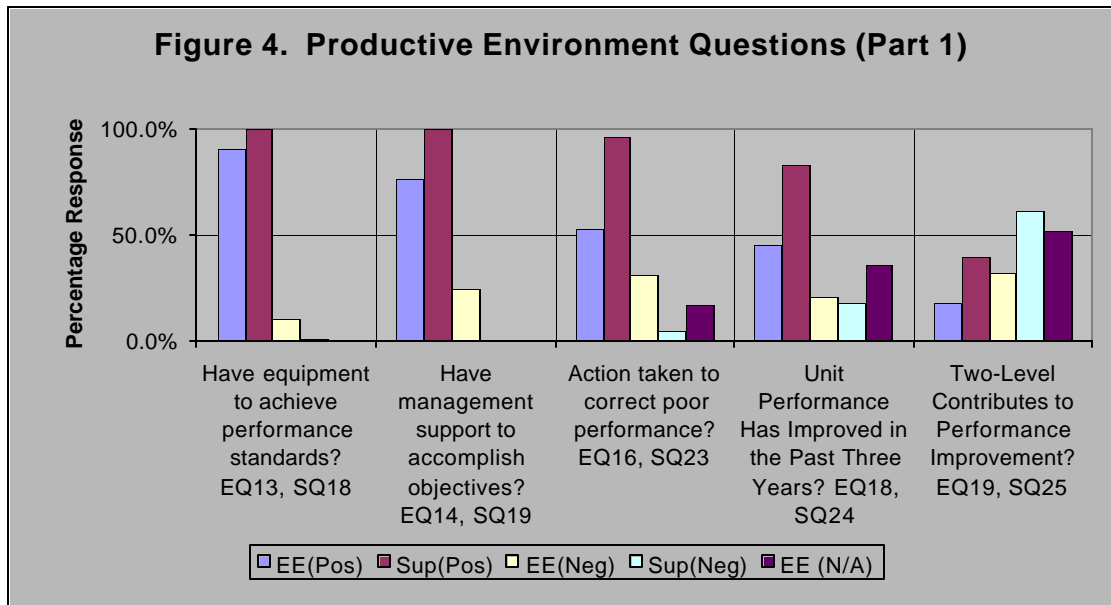
### 1. Program Element Review Focus

One of the desired outcomes of implementation of the Two-Level Performance Management Program was an increase in productivity among individual employees and work activities. To determine levels of productivity, the NAPA Team focused on several indices which typically influence individual and organizational productivity including:

- Management and supervisory support;
- Frequent and meaningful communication about performance;
- Identification and correction of deficient performance;
- Encouragement to be innovative on the job; and
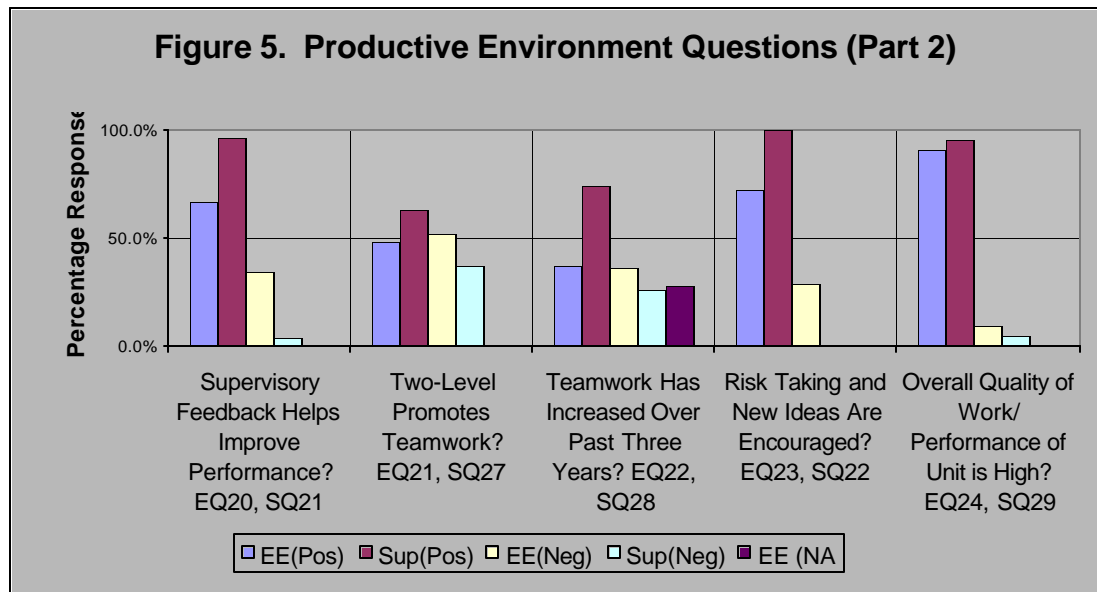- Access to proper equipment and tools.

The NAPA Team developed a series of survey and focus group questions along these lines and compared the responses of supervisors and employees to similar issues.

### 2. Program Element Findings

As can be seen from the chart in Figure 4 on the next page, both employees and supervisors who responded to the survey believe they have the necessary tools and equipment to accomplish their work and believe they have the management support necessary for accomplishing their objectives. However, response patterns show a significant departure between the way employees and supervisors perceive supervisory abilities to handle problem performance. Only 53% of employee respondents felt positive about this, whereas 96% of supervisory respondents felt they are handling problem performance well. A similar pattern emerged in the response to the survey question that dealt with unit performance. While only 44% of employee respondents felt that their unit performance has improved in the past three years, 82% of supervisory respondents felt this way.

**Figure 4. Productive Environment Questions (Part 1)**

When asked whether the Two-Level Performance Management Program contributes to performance improvement in general, both employee and supervisory respondents were noticeably less positive. (Although not depicted on the chart, 73 percent of employees indicated they believed their individual performance had improved over the past three years.)



**Figure 5. Productive Environment Questions (Part 2)**

Other related survey questions depicted in Figure 5 show that 66% of employees believe supervisory feedback is helping them to improve their performance (96% of supervisory survey respondents share this sentiment).

Less than 50% of employees believe that the Two-Level Program promotes teamwork, versus 63% of supervisors. A clear difference exists regarding how these two groups view the increase in teamwork over the past three years (employees were 36% positive and supervisors were almost 75% positive in their responses to this survey question). Also, in this category almost 28% of employees were either unsure or did not know.

Employees were significantly more positive with respect to their supervisors encouraging new ideas from them (almost 72%). Over 95% of supervisors responded that they encourage new ideas and risk-taking from their employees. Both employees and supervisors were in strong concurrence regarding the overall quality of work in their units (91% and 96%, respectively).

### *Employee Focus Group Comments*

Comments received from most employee focus group participants closely mirrored survey responses. The most substantive comments were offered about the manner in which they perceive their supervisors are handling problem performance in their units. A number of focus group participants mentioned that marginal employees are now being lumped in with acceptable performers. Some employees feel that the Two-Level Program system makes it easier for their supervisors not to do a good job in managing performance because it has made the evaluation process too simple. Many are particularly concerned about what they perceive as an increased vulnerability in reduction-in-force (RIF) situations because they believe the Two-Level Program is not capable of awarding additional service credit for high levels of performance.

Responses regarding the use of teams were mixed. Some respondents indicated that they were in situations where teams are being emphasized. However, most shared that their activities are not conducive to teaming and that they have seen few teams formed.

While many of the focus group participants acknowledge an increase in productivity of their units over the past several years, they believe this is a result of reorganizing and having to compete with contractors. Most do not attribute increased productivity to the implementation of the Two-Level Program.

### *Supervisor Focus Group Comments*

Like employees, the majority of supervisors who participated in focus groups do not believe performance improvement in their activities is a

direct result of implementing the Two-Level Program. They perceive employee performance has increased over the past three years. They believe the lack of grievances about performance is an indicator of improved employee morale and that this is probably contributing to increased productivity. However, they also believe morale is being negatively affected by employee perceptions of diminished promotional capability and greater vulnerability during RIFs (due to the elimination of performance credit for top ratings).

While they admit the rating process has become easier and simpler, they believe it may be dampening employee performance. Several interviewees mentioned that their lack of ability to differentiate among performers under the Two-Level Program is working to diminish the performance feedback process (which is in dramatic opposition to an outcome the program was designed to promote).

Finally, some supervisors admit to having difficulty in identifying their marginal performers under the Two-Level Program and indicate they are rating them at "acceptable" levels. For similar reasons, many feel that it is now more difficult to make distinctions in amounts of awards because everyone is rated at the same acceptable level. (Again, this may be evidence of a general misunderstanding about the Two-Level Program de-emphasizing annual performance ratings as primary performance recognition drivers and shifting performance recognition to more event-driven incentive awards.)

### Union Comments

Union officials offered a variety of perceptions with respect to the Two-Level Program as a facilitator of employee productivity. They believe that the program has helped to foster greater cohesion in the workplace because employees no longer compete for high-level individual ratings. They believe that the Two-Level Program has dramatically reduced employee grievances. However, some believe that the "pass-fail" concept is diminishing initiative. They feel this is because the program has lowered employees' incentive to perform at higher levels as they think such performance is no longer being recognized (particularly in organizations where there is little performance feedback and minimal use of incentive awards to recognize top performers). Bargaining unit employees are telling them that poor performers are now getting the same ratings as quality performers and supervisors do not appear to be addressing poor performance.

Employees are also concerned about what they perceive as increased vulnerability in RIF situations because of the elimination of additional performance credit for high ratings.

While they have seen steps taken to promote the development of teams, union officials believe that a true increase in teaming will require a cultural shift and this will be a difficult transition for many organizations. They noted that supervisory concerns about equity in determining award amounts for members of teams needs to be addressed through more standardized guidance and training.

Finally, union officials see supervisors continuing to have a hard time dealing with problem performance and believe that they need guidance and additional training to improve their ability to handle this and other performance management responsibilities.

### *HRO Comments*

Most HROs visited by the team indicated the Two-Level Program has led to a noticeable decline in grievances about annual performance ratings which has made room for more "productive performance time." However, while supervisors now have more time to spend communicating with and recognizing their employees for their accomplishments, the degree to which this is happening varies. Most HROs admit that some supervisors are better at it than others and believe most could benefit from additional training and guidance in this area.

With respect to identifying and dealing with problem performance, most HROs believe that the Performance Improvement Process (PIP) works well and that supervisors should be using it more. Most did not believe that performance based actions have increased. However, most PIPs do not result in demotions or removals and, as such, are not entered into personnel action databases.

Many HROs admit their supervisory personnel are concerned about the lack of performance distinctions made in summary appraisals under the Two-Level Program and that this is hampering their ability to recommend employees for awards. This is compounded by a lack of substantive commentary about employee performance on the annual appraisals they prepare. The team noted a major exception in one command activity that still uses the annual performance appraisal as a major source document for career promotions and mobility determinations. To compensate for the lack of distinguishing numerical ratings, this activity requires extensive narrative justifications on the appraisal document to differentiate among top performers. The team found another activity that is using a performance appraisal form which assesses individual performance elements as either "Improvement Needed", "Fulfilled Requirements"; or "Significant Strength." Under this system , rating an element as "Improvement Needed" does not necessarily mean the employee is performing below the "Acceptable" level.

3. **Program Element Summary and Suggested Actions**

*Program Element Summary*

According to survey responses and comments received during focus groups and individual interviews at visited command activities:

- Overall, supervisors and employees believe their organizations are productive, and that they have the management support and tools necessary to accomplish their work.

- The Two-Level Program has led to a reduction in grievances about performance ratings.

- Numerous supervisors continue to believe the annual performance appraisal is the primary tool for distinguishing among levels of performance for their employees.

- Some employees and supervisors see the Two-Level Program as dampening performance because it does not permit managers to differentiate among top performers in the assignment of summary ratings.

- Supervisors are having difficulty in identifying and correcting marginal performance, and are having similar difficulties in identifying and rewarding exemplary performance.

- Performance-based actions resulting in demotion or removal have not increased since implementation of the Two-Level Program.

- Employees believe that they are now more vulnerable in RIF situations.
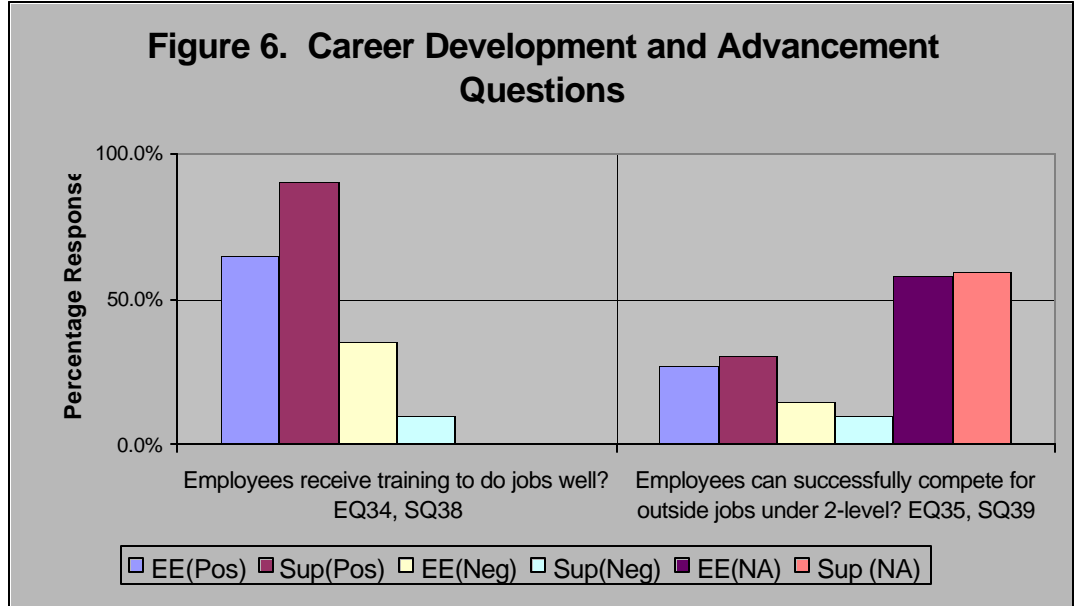
*Suggested Actions*

- Provide additional guidance and training to supervisors regarding underlying principles of the Two-Level Program.  Include information on de-emphasizing the appraisal as a means of distinguishing among levels of performance and how to better use feedback and incentives.

- Provide support and guidance to better assist supervisors in identifying and correcting poor performance.

- Provide guidance to supervisors and employees regarding how performance information will be used in making RIF determinations.

(Also, see relevant suggested actions under the Communications and
Feedback report section.)

### E. Program Element 5:  Career Development and Advancement

#### 1. Program Element Review Focus

The Guidance on implementing performance management programs in DON,
as required by SECNAVINST 12430.4, requires managers to use appropriate
measures of performance to recognize and reward employees and use the
results of performance appraisal as a basis for appropriate personnel actions.
To determine the degree to which this is happening, the NAPA Team focused
on the degree to which employees are taking and being encouraged to take
responsibility for continuously improving, developing professionally, and
performing at their full potential.  To this end, the team concentrated on the
degree to which the performance management process assists employees in
maintaining acceptable performance levels and helps prepare them for
advancement, including promotion to higher level responsibilities both within
and outside of DON.



Figure 6.  Career Development and Advancement Questions

## 2. **Program Element Findings**

While most career development and advancement questions were asked during focus groups and interviews, the chart in Figure 6 compares employee and supervisory responses to two relevant survey questions. As the chart illustrates, almost two-thirds of employee respondents believe they are receiving sufficient training to do their current jobs well and 90% of supervisory respondents agree. But both groups are concerned about DON employees' ability to compete successfully for positions outside of DON. Only 25% of employees and 31% of supervisors were positive in their responses (however, most respondents lacked experience in this area, which would imply that there is still a fair amount of uncertainty regarding the impact of the Two-Level Program on employees' ability to compete successfully for outside positions).

### *Employee Focus Group Comments*

Most employee focus group interviewees believe they are prepared and trained for their current positions but see few opportunities to advance either within or outside their command activities. Most indicated that they would like to get more counseling from their supervisors about career advancement opportunities. Many believe it is hard to compete for positions both inside and outside of DON and feel this is because little is being done to translate Two-Level ratings into multi-level descriptions of performance. While employees are interested in applying for positions in other defense agencies, they have little confidence in their ability to compete for these positions because they are rated at the "Acceptable" level.

### *Supervisor Focus Group Comments*

Many supervisory focus group participants acknowledged that more career development training is needed for their employees but that this is often a function of operating budgets. They also believe that because their employees are lumped into one general performance category that it is difficult to distinguish among them for career development and advancement opportunities. (This belief again demonstrates many supervisors have not embraced the concept of ongoing performance recognition and remain in an annual performance recognition paradigm).

### *Union Comments*

Union officials who were interviewed shared that employees in their bargaining units are finding it hard to compete for positions outside of

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DON and would like to see more formal guidelines in this area. The team found one instance in which a command activity's increased use of incentive awards has helped to reduce employee career advancement concerns. In this activity, letters of competence are given to employees as well as copies of awards justifications when they apply for outside positions and they are competing successfully.

### HRO Comments

HROs acknowledge a need for more supervisory and leadership training and believe managers need to do a better job in providing career development counseling to employees. Many HROs acknowledge that employees may be disadvantaged when applying for positions outside of DON and would like to build in more guidelines for incorporating awards and other performance information when they apply for other jobs. They expressed a commensurate need for more performance management training for managers and supervisors with an eye toward improving counseling and mentoring skills.

## 3. Program Element Summary and Suggested Actions

### Program Element Summary

According to survey responses and comments received during focus groups and individual interviews at visited command activities:

- Employees are receiving sufficient training to successfully accomplish their work activities.

- The Two-Level Program has elevated employee concerns about career advancement within and outside of DON.

- No specific guidelines were found regarding types of "distinguishing" performance information that can accompany employee performance appraisal information when applying for other positions.

- Employees would like more career development counseling and guidance from their supervisors.

### Suggested Actions

- Provide standardized guidelines for HROs on performance information that can supplement performance appraisals when providing documentation in support of employees who are applying for positions.

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- Provide guidance to employees on how to use information about their performance (e.g. incentive awards, letters of appreciation, etc.) when applying for positions within and outside of DON

- Provide additional guidance and training for supervisors on career development, coaching, and mentoring of their employees.

- Encourage HROs to publicize information about employees who have successfully competed for positions (both within and outside of DON).

## V. MAJOR CONCLUSIONS AND RECOMMENDATIONS

In Section IV, the NAPA Team offered a variety of program element findings, summaries and suggested actions in key program elements of the DON Two-Level Program. This section provides the Panel's major conclusions and recommendations drawn from these element summaries and suggested actions that have been placed within a best practice framework.

The NAPA Team's research into performance management best practices (see also Appendix I) revealed that effective performance management in any organization is driven by leadership and capacity. Of secondary importance is the formal system an organization uses to appraise employee performance (including the number of summary performance appraisal levels). These formal systems should be designed to contribute to and not detract from the performance management process. Most importantly, formal appraisal systems are not substitutes for effective performance management which requires ongoing commitment to improving individual and organizational performance.

The Panel's recommendations and conclusions are, therefore, framed around what the NAPA Team's best practice research found as five key characteristics of successful two-level performance management programs. These characteristics include sufficient preparation, top level leadership and support, supervisory and management competencies in performance management, a premium placed on awards and recognition, and continuing monitoring and program evaluation.

### Characteristic 1:  Sufficient Preparation

**Conclusion:  Initial preparation in terms of providing basic program information was thorough but ongoing training and capacity development is not adequate.**

Initially, DON did a thorough job of informing all the stakeholders of the objectives, procedures and requirements of the new system.  However, training both at the time of program implementation and in the ensuing three-year period appears to have been less than adequate.  Further, limited and declining HR staff

resources to provide guidance and assistance is contributing to a lack of capacity to practice effective performance management and thereby realize the objectives of the Two-Level Program.

**Recommendation:  Provide managers and supervisors with the training and assistance they need to do an effective job of performance planning, performance communication and performance recognition.**

This should include not only training, but continuing information and suggestions, and consultative assistance from HR staffs on an ongoing basis.

### Characteristic 2:  Top-Level Leadership and Support

**Conclusion:  Top level leadership and support appears uneven among the various DON commands.  While the team found examples of outstanding support in some activities, others revealed evidence of insufficient management  integration of the Two-Level Program into their performance improvement strategies.**

Findings from the survey, focus groups, and interviews reflect that many employees and supervisors do not see a relationship between the Two-Level Program and enhanced performance.  At the same time they feel strongly about the need for effective performance and a substantial number are proud of DON's progress in this area.  More top level leadership is needed to help supervisors and employees understand and implement the link between employee performance management and organizational performance.

**Recommendation:  Conduct a multi-faceted effort to ensure that managers at all levels understand, communicate, and are held accountable for performance management practices that meet systems requirements and contribute to the achieveme nt of organizational objectives.**

This effort could include:

- Expectations from departmental and command senior management;
- Managerial and supervisory performance standards that hold them accountable;
- Suitable commendations, when appropriate, to recognize supervisors for their performance management responsibilities; and
- Models for managing and supporting the performance management process, in particular, the awards program.

**Characteristic 3: Supervisory and Management Competencies**

**Conclusion: There is a major perception among employees (and numerous supervisors) that supervisors and managers do not possess sufficient performance management competencies. In many cases, organizational factors such as matrix management and span of control appear to be impeding supervisory abilities to communicate ongoing performance feedback and to serve as effective coaches and appraisers of their employees' performance.**

Lack of competencies for performance management among supervisory personnel can directly contribute to the misuse of the formal system and will fuel the perception that the system is the primary problem. As such, the health of the Two-Level Program will greatly depend on program understanding and correct use of its major components by managers and supervisors.

**Recommendation: Conduct an assessment of the competency needs of managers, supervisors and employees and develop a program of training, information dissemination, and consultative assistance that will address disclosed competency gaps.**

This effort could provide detailed information about what stakeholders think is feasible and needed and should become part of DON's existing program of HR self-evaluation.

**Characteristic 4: A Premium Placed on Awards and Recognition**

**Conclusion: Although the awards and recognition program has substantially shifted its focus from end-of-year to ongoing, event-driven awards, there is significant evidence of uneven incentive awards management at the various DON command sites that were visited by the NAPA Team.**

Among the focus groups and interviews conducted, criticisms of the awards program included lack of fairness, unclear procedures and criteria, insufficient information about award activity, lack of award authority, and lack of budget resources. There were also indications that some managers and supervisors do not appreciate the critical role awards and recognition play in a Two-Level Program and how it can be used to establish a culture where performance is truly valued.

**Recommendation: Communicate, throughout DON, the importance of an effective awards program and its relationship to sound performance management under a Two-Level Program. This should include management's expectation regarding its use and administration and models and guidelines to assist managers at all activity levels in making the best use of awards.**

The NAPA Team's site visitations revealed that while some activities have implemented robust and well-managed programs, others appeared to be struggling and looking for more effective approaches. Providing models, guidelines and specific successful techniques will be particularly useful in leveraging sound and meaningful awards practices throughout DON.

### Characteristic 5:  Continuing Monitoring and Evaluation of the Program

**Conclusion: With some exceptions, there does not appear to be any regular efforts to monitor and evaluate the substantive effect of the Two-Level Program.**

While the team found some instances of in-depth evaluation (particularly in the incentive awards area), interviews with HRO staffs revealed that many do not have the capacity or time to conduct meaningful performance management program evaluations.  In most cases, monitoring is now confined to ensuring compliance with basic system requirements, e.g. timely completion of appraisals, mid-year performance reviews, etc.

**Recommendation:  Make performance management a core program area for self-assessment.**

DON's implementation guidance for assessing HR services does not recognize performance management as a core program area, but includes it as a component of employee relations. (see Guide No. 273-02, Civilian Human Resources Management, A Self-Assessment Guide for Human Resources Service Providers, 16 March 1999).   Based on its review findings, the NAPA team believes that, on a pilot basis, it would be useful to gear the next cycle of self-assessments toward assessing performance management effectiveness.