

SMART Performance Management

Pennsylvania Housing Finance Agency

Management Innovation: Human Resources

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The Challenge

As PHFA is celebrating their 50th Anniversary, our Agency continues to be determined to help our fellow Pennsylvanians acquire economically secure and reliable housing beneficial to all. One of our greatest assets in successfully delivering on our mission is our staff. As the Agency made a shift from remote work in response to the Pandemic of 2020 to an ongoing hybrid workforce as a way of normal business operations, it became evident that the previous way of managing performance was not aligned with that model. It became very important to support employees and managers with improved tools to be able to consistently communicate expectations, to promote teamwork and to support employee professional development goals.

This resulted in a transformation from the generic performance form that was based more on behaviors to goals and workplace strategies that are more specific to an employee's division, role, and personal aspirations. Goals and professional development plans are drafted collaboratively between supervisors/managers and their employees, so that a fresh- and forward-looking approach is designed enabling (and encouraging) frequent communication and feedback.

The Innovation

The new approach creates a forum for conversation around expectations between the manager and the employee and promotes leadership, teamwork, and mentoring. It focuses on work outcomes specific to roles in place of the traditional "line of sight" supervision style. Creating more individualized plans with measurable outcomes is designed to make it easy to determine if the expectations are being met and makes the evaluation less subjective. This establishes a more fair and consistent way of evaluating performance.

The key changes in the new SMART program are:

- **SMART Goals:** Goals are designed and framed using the SMART format. Every employee has an Agency-wide goal to participate in the new program. Some divisions utilized a division wide goal in addition to the employee's role-based goals.
An employee and supervisor will work together to create a series of three to five SMART goals for the upcoming year.
 - Specific – What will be accomplished? What actions will you take?
 - Measurable – What data will measure the goal? (How much? How well?)
 - Achievable – Is the goal doable? Do you have the necessary skills and resources?
 - Relevant – How does the goal align with broader goals? Why is the result important?
 - Time-Bound – What is the time frame for accomplishing the goal?
- **Outcomes-Based:** Traditional performance evaluation systems focus solely on competencies or specific behaviors. PHFA's outcomes-based approach focuses on creating tangible goals related to an employee's roles and responsibilities and professional development aspirations.
- **Ratings Reduced from 5 to 3:** PHFA's previous evaluation form included five rating categories. In the new performance management, there are three ratings to simplify the rating process (Not Met, Met, and Exceeded).
- **Baseline and Quarterly check-ins:** To evaluate employee performance, both supervisor and employee must meet regularly once goals are established. The key element to any effective

performance management process is ongoing dialogue. The baseline meeting is also used as an opportunity to review position job descriptions annually and update if needed.

- Employee Development Plan – Achieving short-term and long-term goals requires a plan that identifies both formal and informal learning opportunities. Once a plan is developed, the supervisor and employee will monitor the progress being made throughout the year.
- Encouraging and training employees how to be their own advocate and take more accountability for their professional goals while teaching managers how to coach and encourage employees (and how to have the “difficult” conversations).
- A standard calendar year schedule for all employees.

The Implementation

PHFA worked with a partner consultant (Dering) to establish the timeline, communications, and training. Employees learned the basics of the new process and tools via on-line training as a pre-requisite to in-person training that was provided to all employees and managers. The training was conducted from late August through the end of September 2022. Goals were to be established in the month of October 2022 with the intention of employees and managers could use what they learned to draft goals by October 31, 2022. This allowed time for coaching, feedback, and updates to goals before they started in January 2023.

Further coaching was available to managers/supervisors afterwards to provide guidance as the new process was being implemented. There were regular communications sent out to all levels of the organization throughout the transition. In addition to the written communications and training, there were also scheduled forums for employees and managers to ask questions.

The transition from the previous review form to the new one is happening gradually over the 2023 calendar year (2023). To make the transition from our current fiscal year calendar (which ends in June) to a calendar year review, reviews were still based on the hire anniversary date to ensure everyone has a full cycle of review and merit assessment. This allows the Agency time to practice and better understand the new process before fully rolling it out in 2024.

Additionally, an employee subcommittee was established to create an Agency-wide survey of training needs as input into a high-level professional development strategy. This strategy is the first step to creating better opportunities for all employees through improved on-line training opportunities, mentorship, consistency in offerings and an awareness of the variety of ways employees can learn and grow.

Next Steps

All employees created their baseline goals by January 2023 and the Agency has completed the first quarter check-ins. Each of the quarterly check-ins are less about an employee’s performance over that period and more about the dialogue. An employee is evaluating the progress made on a particular goal up to that point. The self-evaluated status and comments are meant to begin a conversation with the supervisor who will offer feedback and suggestions, if required. Employees and managers assess the goals with one of the following status designations:

- Did Not Start – This category is self-explanatory. Maybe an employee has not started making progress toward the goal because the goal is associated with a project that will occur later in the year. Conversely, maybe the employee is struggling due to a lack of resources or lack of support.
- Behind Schedule – An employee should make this selection based on where the goal currently stands. For example, this category would be selected if the employee wanted to complete a goal by mid-year but has only progressed to about 50% complete at that time.
- On-Target – This category would be selected if the employee feels progress has been made towards a goal that aligns with what was envisioned at the annual baseline meeting and there is no threat of this goal not being completed.
- Ahead of Schedule – At times, an employee can make greater progress towards a goal that what was first anticipated during the baseline meeting.
- Complete – The goal is successfully completed.

If an employee is not on track with a goal, there is a mutual discussion to evaluate if the goal was achievable at all - given that other priorities may have been assigned. These discussions allow for goals to be updated if there are changes in circumstances.

At the end of the year, an overall rating will be determined. The overall employee rating is based on several goals so even if one is missed, the overall rating can still be higher. If an employee receives “not met” overall, then the manager and employee work on a coaching plan devised through the current HR process.

Benefits

Benefits of the new process include:

- Open and honest communication between supervisors and employees regarding job responsibilities, expectations, performance standards and business goals.
- Provide the opportunity to review the period of evaluation and to discuss both positive and negative aspects of employee performance and to acknowledge meritorious performance.
- To enhance overall job performance with subsequent improvement of organizational effectiveness.
- To encourage employees to identify issues of concern, put forth new ideas, and assist in goal setting for themselves, the unit, and the Agency.
- Provides the opportunity to redefine the requirements for the next evaluation period, as necessary.
- Creates a forum for the supervisor and the employee to discuss opportunities for growth and identify training needs.

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