

Boost Returns on Your Human Capital

New performance-management and appraisal tools help you find staff with the right skills.

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The high cost of human capital makes it imperative for credit unions to find employees with the right skill sets, says Donna Ronayne, vice president of marketing and business development for Halogen Software.

She says finding, hiring, training, developing, and compensating employees accounts for 53% of expenditures at most companies. “That’s why every business needs to identify the competencies that are unique to it and its industry,” such as member service skills and compliance expertise.

Ronayne says employers often mistake traits for competencies. A trait might be something like punctuality, while a competency might be the ability to interact well with members.

“The world has changed—we’re not clock punchers anymore,” she says. “Decentralized management produces a need for capable, confident, self-motivated people. As soft skills change, you can’t keep working with the same old performance management and appraisal tools.”

Halogen’s cloud-based software—Talent Management Suite—rates peoples’ competencies and measures performance-related areas such as member relationship management and product knowledge, and such technical skills as loan management, risk management, and cash handling.

“Our system provides coaching tips and the ability to store, share, and call up comments,” says Ronayne. “We encourage managers to enter journal notes into the system they can refer to during formal appraisals.”

She says clients can configure the system to require managers to provide comments justifying why they gave employees certain ratings. The

system also enables clients to seamlessly link employee performance programs to other talent functions so performance data drives training and development, compensation, and succession planning in a cohesive way.

This ensures organizational alignment and makes it easier for clients to measure the impact of these programs on business results, Ronayne says.



For Nancy McGee, a human resources consultant at HRN Performance Solutions, an important element in performance appraisal systems is accessibility.

“Because credit unions might have numerous branches, employees might move around or managers might manage multiple branches,” she says. “A Web-based performance appraisal system allows performance history to be accessed from anywhere. A new manager can easily learn about an employee’s strengths and past performance without having to wait for paper files to catch up with them.”

A Web-based performance-appraisal system also allows for multiple inputs or appraisers, McGee says. “This functionality becomes

critical when an employee’s year has been split up between two locations, or the person has been working on multiple projects with different managers. This means multiple managers get to provide input.”

McGee says HRN’s performance-management system, Performance Pro, examines two factors: performance and goals. “Ours is a behaviorally anchored rating system that can weight factors such as job knowledge, communication, and customer service ability for each job. These clearly defined factors ensure employees with similar job titles are evaluated using the same criteria and performance-level definitions. This helps the credit union reduce biases and prejudices by clearly defining its overall standards and expectations.

“Performance goals,” she adds, “can be derived from the credit union’s general goals and ‘cascaded’ down through the organization.”

Employees also have access to the system and can review goals, input notes, and even conduct self-appraisals. “Self-evaluation can lead to great discussions,” McGee says. “Say an employee rates herself 4.5 out of 5 as a communicator but her manager thinks she only rates a 3.5. Talking about differences in perception can lead to good insights and better communication.”

Dos and don’ts

While software can improve the appraisal process, it doesn’t replace managers’ ability to understand their workforce, says Ronayne. “If you don’t invest in people or systems for managing talent, or you don’t know what the ‘engagement drivers’ are that motivate employees, you’re in trouble. If you rate performance on

something like punctuality, what you're really saying is that punctuality is the most important thing, not the quality of work employees do once they're there.

"You also have to align your workforce with your business strategy," she adds. "In credit unions, member intimacy is an important concern. But how do you measure that, and how do you recruit and train for it? A credit union must understand its mission and goals, and look for service-oriented people who are good at negotiations, sales, and member interactions."

Ronayne says Halogen's software gives structure to credit unions' missions and goals by making them clearly articulate what they are. "Say, for example, you have a five-year goal to reach a certain asset and membership level. You have to define which core competencies your workforce will need now to reach that goal.

With the right people on the bus you then establish and align your organization's goals with your workforce and refine them as you move toward them."

Take, for example, a credit union that establishes three high-level goals and defines what each branch, division, and individual employee must do to accomplish them. "Your talent programs can be set up to help employees develop the competencies they need to reach their goals and, more importantly, understand how their efforts contribute to the organization's success. This helps everyone understand what they're supposed to be doing."

Besides aligning goals with performance appraisals, McGee says training is an essential part of implementing an appraisal system. "Just because somebody has been promoted to manager doesn't mean he or she knows how to do a performance appraisal."

She cites two mistakes that could arise during the process: "One is the 'recency effect,' where a manager bases an entire appraisal on an employee's most recent performance rather than looking at the entire appraisal period. Another is attaching too many factors to a job. This makes it difficult for the employee to focus on what's really important."

RESOURCES

- ▶ Employment Technologies Corp.: etc-easy.com
- ▶ FMSI Financial Management Solutions Inc.: fmsi.com
- ▶ Halogen Software: halogensoftware.com
- ▶ HRN Performance Solutions: hrnonline.com
- ▶ O'Rourke & Associates: orourkeassociatesconsulting.com

Simulation Software Helps You Hire the Skills You Need

Before you can assess an employee's performance, you have to hire that person. But how do you know who you're hiring—especially if the jobs you're hiring for require certain interpersonal and team skills?

The answer, says Joseph Sefcik, is to have potential employees undergo simulations that mimic situations they'll encounter on the job. Sefcik is president/founder of Employment Technologies Corp., which offers EASy Simulation® software to help companies find the right hires and increase employee retention.

In the simulation program for tellers, for example, testing for competencies in such areas as member interactions and transaction and keystroke accuracy produce better information than written tests, he says. "What are people required to do on the job? What are the competencies that distinguish high performers from low performers? That's what our simulations measure."

Sefcik says simulations also check for discernment via the

options selected by test takers. "There's not always one right choice. But what we look for is someone who can choose what's most appropriate for the circumstances."

Besides pre-employment screening, Sefcik says simulations serve another purpose. "They're a way to look at bench strength: Who do you want to consider for eventual promotion? Simulation shows what it's like to do a certain job and gives the person doing it a realistic set of expectations."

By showing whether candidates are ready to move up, the simulations also give credit unions leeway in how they time promotions. "If someone's not quite ready," he says, "the credit union can say, 'To be considered for promotion, here's where we'd like you to improve.' This generates motivation and helps retention by giving credit unions time to bring employees up to speed."



Joseph Sefcik