



FINAL REPORT

Sound Transit

WORKFORCE PERFORMANCE MANAGEMENT PERFORMANCE AUDIT

March 3, 2020

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I. EXECUTIVE SUMMARY

A. BACKGROUND, SCOPE, AND METHODOLOGY

Sound Transit (the Agency) is a public transit agency that delivers transit projects to provide public transportation throughout Pierce, King, and Snohomish counties. In 2016, voters approved Sound Transit 3 (ST3), a plan that increased funding to the Agency by over \$50 billion and fundamentally changed the size and strategic orientation of the Agency.

To accommodate the steady and expanding growth of capital and operating functions, the Agency's employee count is increasing and recently reached over 1,000 staff members. In response to this growth, the Agency's Human Resources Department (HR, the Department) began implementing a new performance management program in 2017 to better equip departments and managers with the proper tools to sustain growth. In consideration of high level of growth and change within the organization in recent years, the Agency engaged Moss Adams, LLP to conduct a performance audit of the agency's workforce performance management program.

Performance audits conducted in accordance with generally accepted government auditing standards (GAGAS) assess whether a government agency is achieving optimal economy, efficiency, and effectiveness in its utilization of available resources. The two audit objectives of this performance audit are:

| Performance Audit Objectives | |
|------------------------------|--|
| Objective 1: | To determine whether Agency employee performance management practices are in alignment with best practice to sustain a high-performance workforce. |
| Objective 2: | To identify opportunities for continuous improvement with practical recommendations. |

The performance audit was conducted between November 2019 and March 2020. This audit was informed by interviews, document review, an employee survey, peer benchmarking, performance appraisal analysis, and research into best practices. The project consisted of four major phases: 1) project initiation and management, 2) fact finding, 3) performance assessment, and 4) reporting.

B. THEMES

Several major themes rose to the surface during this assessment, including the changing culture of the Agency, employee accountability and historical risk aversion, and transitioning to a comprehensive performance management system.

Changing Culture of the Agency

With the approval of ST3, the Agency has undergone a fundamental shift in terms of its strategic orientation, size, and culture. Previously, staff report that the Agency employed a hiring model that emphasized bringing on highly qualified top-level talent with extensive transit experience to execute



specific capital projects. In general, the organization's focus was relatively short-term, and the most important work was to ensure that projects were delivered on scope and within budget. Within this context, there was minimal emphasis placed on comprehensive talent development, staff career growth, or integrating organizational values across all departments.

Since the Agency is working on a 25-year+ capital program established with ST3, there have been both philosophic and practical changes related to the organization's longer-term vision. Examples of these shifts include the development of a strong strategic plan, an established focus on employee development and growth, and a fundamental change in what it means to be a leader within the organization. To support these changes, the HR Department has undergone a major shift in its orientation. Staff report that the Department's leadership is now prioritizing developing deep partnerships with individuals, teams, and departments—rather than focusing on compliance as the primary priority for HR activities. As a result, the Department is working to establish a full set of systems, processes, trainings, and policies to support comprehensive performance management and development for all Agency employees.

The HR Department is less than three years into this work. As such, many of the findings and recommendations within this report—including Findings #1, #2, #5, and #14—touch on ongoing work that the Agency is in the process of actively implementing. These recommendations are provided as confirmation of the HR Department's strategy and planned initiatives and may provide additional considerations for this work.

Employee Accountability and Historical Risk Aversion

In general, staff report that the Agency has a strong, productive work culture and typically hires high achieving employees. However, there is a wide variety of experiences across departments, and some employees report that their department, division, or team culture is influenced by a fear of making mistakes. This is very common for organizations that operate in highly politicized environments. Without strong leadership and team relationships, external scrutiny can foster a culture of finger-pointing, poor accountability, and risk aversion. When combined with the high personal standards that many staff have for their own work, this can create an environment where it is extremely challenging to provide or receive constructive feedback that is necessary for effective performance management and employee growth.

This environment is made more complex by the fact that the Agency culture is shifting and expectations for management are changing. Historically, staff note that promotions were largely based on technical skills, without much consideration of people/management skills. The Agency has been actively working to shift that expectation and make it clear that supervisors are expected to be both technically and managerially excellent. However, multiple interviewed staff noted a belief that managers and leaders—particularly those within departments most closely related to core functions—are not held accountable to embodying the values of the organization. Only 25% of Performance Management Survey (described further in Section I. B) respondents felt the organization was doing a good job of holding employees accountable for their performance.

As such, several findings and recommendations within this report are related to staff and leadership accountability—including Findings #3, #7, #8, #9, and #13.



Transition to a Comprehensive Performance Management System

As noted above, the Agency is in the early stages of implementing a comprehensive performance management framework. Therefore, there are many additions and modifications to current processes and systems that the Agency has planned for future work, but has not yet implemented due to staff or system capacity. Several findings and recommendations within this report are related to these areas. The most prominent topics include:

- Establishing additional pathways to provide feedback from staff other than a direct manager (Findings #8 and #9)
- Making improvements to the technical system supporting performance management (Finding #10)
- Redesigning the methods used to reward and recognize strong performers (Findings #11 and #12)

The Agency has made significant improvements to their performance management system within the past few years. We hope this report will be used to recognize the positive work that has already taken place and identify additional performance management enhancements.

C. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Findings and recommendations have been grouped into four categories that together provide a comprehensive assessment of performance management: 1) Employee Expectations, 2) Performance Appraisals, 3) Rewards, Recognition, and Accountability, and 4) Employee Development. Unlike a financial audit, a finding within a performance audit does not necessarily indicate a significant failure of the organization. Rather, findings are intended to identify opportunities for improvement as the organization strives to achieve optimal effectiveness. Findings and recommendations are summarized below.

| FINDINGS AND RECOMMENDATIONS | | |
|------------------------------|------------------------|---|
| Employee Expectations | | |
| 1 | Finding | Employee expectations are set through a variety of mechanisms including job descriptions and goal setting; however, some employees continue to report the need for additional clarity. |
| | Recommendations | A. In sequence with the Design for Growth initiative, comprehensively review and update job descriptions to ensure accuracy and completeness. B. Continue efforts to develop more consistent expectations and processes for employee goal setting. |
| 2 | Finding | Departments with matrixed employees report unique challenges in defining employee expectations. |
| | Recommendations | Once the Design for Growth initiative is complete, the Agency should support additional efforts to ensure matrixed employees receive adequate guidance on their priorities and goals by emphasizing open communication across management. |
| 3 | Finding | Expectations for managers are beginning to be defined, but have not yet been consistently adopted across the organization. |



| FINDINGS AND RECOMMENDATIONS | | |
|-------------------------------|------------------------|--|
| | Recommendations | <p>A. Continue defining expectations for managers and incorporate these standards into the performance management framework.</p> <p>B. Develop a management development program and formalized manager onboarding to support manager success in embodying established leadership expectations.</p> |
| Performance Appraisals | | |
| 4 | Finding | The timeline for performance appraisals and goal setting is lengthy, resulting in shortened evaluation periods and delayed performance feedback. |
| | Recommendation | To increase staff engagement and the usefulness of review feedback, evaluate the opportunities to condense the performance appraisal timeline. |
| 5 | Finding | The Agency implemented calibration sessions in alignment with standard industry best practice. Although managers generally report satisfaction with the calibration process, some employees question its internal purpose and whether the correct participants are involved. |
| | Recommendations | <p>A. Improve organization-wide communication about the purpose, goal, and process of calibration.</p> <p>B. As the Agency continues to grow and change its structure, the HR Department should review—and potentially reconfigure— calibration meeting participants.</p> |
| 6 | Finding | Employees lack a consistently applied concept of each performance rating category and had varying opinions about the level of gradation available in the 8-point rating scale. |
| | Recommendation | To achieve consistent understanding and application of the rating scale, either simplify the rating scale or focus on providing additional training on the existing scale. |
| 7 | Finding | Staff report that a variety of factors contribute to an operating environment where constructive criticism and development feedback are often avoided. As a result, some employees may not receive constructive feedback that could support their development. |
| | Recommendation | To support equitable employee coaching, incorporate the expectation to provide development feedback into the performance appraisal system and manager trainings. |
| 8 | Finding | The Agency's performance management process does not routinely solicit and incorporate feedback from additional contributors—including dotted-line managers and peers—who may have relevant information about a particular employee's performance. |
| | Recommendation | Establish a formal mechanism to consistently incorporate additional contributor feedback. |
| 9 | Finding | The Agency lacks formal channels to provide upstream and peer-to-peer evaluations for managers and executives, restricting opportunities for |



| FINDINGS AND RECOMMENDATIONS | | |
|---|-----------------------|--|
| | | employees to provide feedback on managerial performance and contributing to the perception that there is a lack of internal accountability for high-level staff. |
| | Recommendation | Establish a formal mechanism to regularly collect anonymous upstream feedback that encourages managerial development for leaders across the Agency. |
| 10 | Finding | The performance management system is not user-friendly and does not accurately reflect the Agency's processes or appraisal documentation requirements. |
| | Recommendation | Invest in an alternative performance management system that effectively supports current and anticipated business processes. |
| Rewards, Recognition, and Accountability | | |
| 11 | Finding | Opportunities to reward and recognize employees are largely manager-dependent, resulting in inconsistencies across teams. Most employees report that the Agency could better use rewards and recognition to motivate performance. |
| | Recommendation | Continue efforts to establish a programmatic approach for Agency rewards and recognition. |
| 12 | Finding | Staff report that the Contribution and Performance Award (CPA) structure is not an effective tool to encourage strong performance for most employees. |
| | Recommendation | Evaluate the effectiveness of the CPA and consider potential alternatives. |
| 13 | Finding | The Agency lacks a progressive discipline policy, which contributes to inconsistent and sometimes ineffective employee accountability. |
| | Recommendation | Develop and implement an Agency-wide progressive discipline procedure to support managers in effectively navigating personnel issues, provide transparency on Agency disciplinary practices, and establish a framework to consistently hold employees accountable. |
| Employee Development | | |
| 14 | Finding | Due to its historically smaller size, the Agency lacks clearly defined career ladders and opportunities for employees to participate in development activities like stretch assignments. |
| | Recommendation | Continue efforts to proactively expand and clarify career development opportunities within the organization. |
| 15 | Finding | The Agency offers a robust range of internal staff trainings that are generally considered to be useful and effective. Some staff report confusion or concerns about how external trainings are awarded in terms of interdepartmental and individual fairness. |
| | Recommendation | Evaluate how external trainings are budgeted, selected, and assigned to ensure that practices are aligned with the Agency's values of equity. |



II. INTRODUCTION

A. BACKGROUND

Sound Transit (the Agency) is a public transit agency that delivers transit projects to provide public transportation options through heavily congested urban areas of Pierce, King, and Snohomish counties. The Agency was founded in 1992 when the Washington State Legislature authorized King, Pierce, and Snohomish counties to create a single agency—the Central Puget Sound Regional Transit Authority, now known as Sound Transit—to develop public transit alternatives to meet the region’s travel needs. Since then, the Agency has expanded from a planning-focused agency to one that delivers capital projects and manages the operation of light rail, express buses, commuter rails, and streetcar services. Given its wide range of services, the Agency employs a rapidly expanding range of professionals performing an array of critical functions including design/construction management, planning, financing, operations, information technology, and more.

Since the Agency’s founding, local voters have approved several large funding expansions. Most recently, in 2016, voters approved an expansion of transit services over the next two decades via the Sound Transit 3 (ST3) plan, increasing funding to the Agency by over \$50 billion. ST3 has fundamentally changed the size and strategic orientation of the Agency. To accommodate the steady and expanding growth of capital and operating functions, the agency’s employee count is increasing and the Agency recently reached over 1,000 staff members. In response to this growth, the Agency’s Human Resources Department (HR) began implementing a new performance management program in 2017 to better equip departments and managers with the proper tools to sustain growth.

When used properly, effective performance management provides numerous benefits to an organization, including:

- Clarifying job responsibilities and expectations
- Enhancing individual and team productivity
- Developing employees through feedback and coaching
- Aligning behavior with the Agency’s values, strategies, and goals
- Serving as the basis for personnel decisions, including compensation
- Improving communications

B. SCOPE AND METHODOLOGY

Due to the high level of growth and change within the organization in recent years, the Agency engaged Moss Adams LLP to conduct a performance audit of its workforce performance management program.

Performance Audit Definition

Performance audits conducted in accordance with generally accepted government auditing standards (GAGAS) assess whether a government agency is achieving optimal economy, efficiency, and effectiveness in its utilization of available resources. Performance audits provide conclusions based on an evaluation of the organization’s current state using sufficient, appropriate evidence and a comparison of the current state against commonly understood criteria and industry best practices. Performance audits provide objective analysis to assist management and those charged with governance and oversight to



improve performance and operations, reduce costs, facilitate decision-making, and support public accountability.

Unlike a financial audit, a finding within a performance audit does not necessarily indicate a significant failure of the organization. Rather, findings are intended to identify opportunities for improvement as the organization strives to achieve optimal effectiveness.

Performance Audit Objectives

The two audit objectives of this performance audit are:

| Performance Audit Objectives | |
|-------------------------------------|--|
| Objective 1 | To determine whether Agency employee performance management practices are in alignment with best practice to sustain a high-performance workforce. |
| Objective 2 | To identify opportunities for continuous improvement with practical recommendations. |

In general, performance management can be defined as “a continuing process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization.”¹ While there is some debate about the best use of performance management within the public sector, when performance management is implemented in accordance with industry best practices—including effective training, leadership support, and mission-oriented practices—it has been shown to have a positive impact on the effectiveness of public organizations.²

For this performance audit, performance management was defined as encompassing four major areas:

- Employee expectations
- Performance appraisals
- Rewards, recognition, and accountability
- Employee development

When taken together, these categories present a holistic view of how the Agency supports overall employee performance management across the organization.

Audit Methodology

The performance audit was conducted between November 2019 and March 2020. The audit was informed by interviews, document review, an employee survey, peer benchmarking, and research into best practices. To effectively respond to the audit objectives, Moss Adams evaluated the Agency’s current practices for designing, administering, and consistently implementing its employee performance management program. To fully address both audit objectives, best practices include, but are not limited to, industry guidelines on performance management processes; program design; utility for employee

¹ Aguinis, H. (2013). Performance management (3rd ed.). Upper Saddle River, NJ: Pearson/Prentice Hall. <https://www.tandfonline.com/eprint/54PbC6HuNX258qgsyA7q/full>

² The Impact of Performance Management on Performance in Public Organizations: A Meta-Analysis <https://onlinelibrary.wiley.com/doi/full/10.1111/puar.12433>



growth, development, and improvement; and alignment with overall Agency goals. The project consisted of four major phases:

1. Project Initiation and Management: This phase concentrated on comprehensive project planning and management, including identifying interview participants, document review, communicating results, and regular reporting on project status.

2. Fact Finding: This phase included interviews, an employee survey, document review, peer benchmarking and best-practice research. We worked with Internal Audit and HR leadership to obtain the most currently available information and insights.

- *Interviews and Focus Groups:* To gain insight from management and staff, a cross section of approximately 80 employees within a variety of functional areas and management levels were invited to participate in individual or focus group interviews. Over the course of this engagement, we conducted interviews with 67 Agency employees.
- *Performance Management Survey:* All Agency employees were invited to participate in a confidential survey that asked questions about their experience with the Agency's performance management systems and processes. Of the 1,088 survey requests sent, we received 471 responses, a 43.29% response rate. A summary of survey results is included in Appendix A. Throughout this report, we cite two surveys: The Performance Management Survey, defined here, and the Employee Engagement Survey, which was conducted by the Agency in 2019.
- *Document Review:* We reviewed multiple documents, including but not limited to:
 - Organizational charts
 - Performance management policies and procedures, training materials, and framework documents
 - Past Employee Engagement Survey results, including the 2019 High Level Engagement Report, referred to as the Employee Engagement Survey throughout this report
 - Employee retention data
 - Organizational planning documents
- *Peer Benchmarking:* In collaboration with the HR Department, we identified 12 similarly sized transit agencies across the nation and invited them to participate in a survey and interview that provided insight into their organization's performance management practices. However, only two agencies ultimately decided to participate. Results of this analysis are included in Appendix B.
- *Performance Appraisal Analysis:* A random sample of 24 anonymized employee performance appraisals from the 2017-18 evaluation period were analyzed for completeness, length, and quality of goals and feedback. The sample was stratified to ensure inclusion of employees at various position levels (individual contributor, manager, and director). The sample included employees from nine departments and 22 divisions. Of the original 24 requested samples, 22 samples were ultimately available since two employees did not have performance appraisals for 2017-18, given their start date. High-level results of this analysis are included in Appendix C.
- *Best Practice Research:* Based on the opportunities for improvement identified, we conducted research to ascertain performance management best practices found in other public organizations and supported by industry guidance.

3. Performance Assessment: Using the information gathered, we evaluated the importance, impact, and scope of our findings in order to develop recommendations designed specifically to address the audit objectives.



4. Reporting: This phase concluded the project by reviewing draft findings and recommendations with Internal Audit and HR leadership to validate facts and confirm the practicality of recommendations. Following issuance of the final report, Moss Adams presented the results of this report to the Agency's Finance and Audit Committee.

C. GAGAS COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



III. COMMENDATIONS

Although this performance audit focuses on the audit objectives, it is important to note strengths in the Agency's work to make improvements within the organization. The Agency should be commended for the following accomplishments:

- **HR Improvements:** Multiple staff reported that the HR Department has implemented significant improvements over recent years. In particular, the HR Business Partner model was praised as an effective and meaningful method to provide employee support across the organization.
- **Performance Appraisal Improvements:** Staff frequently noted that there have been many positive changes in the performance appraisal process within the past several years. Notable changes include moving the performance appraisal process online and the shift to conducting appraisals on a consistent annual calendar basis rather than employee anniversary dates. In the Performance Management Survey, employees noted that this process has benefited from many thoughtful improvements.
- **Internal Trainings:** The internal trainings provided by the Agency are generally well received and multiple staff noted they find the internal trainings effective and useful. The Agency has recently implemented new training programs focused on management and interpersonal skills and has plans to roll out additional trainings that are highly anticipated by staff. These training programs will ultimately support effective performance management.
- **Performance Management Training and Documentation:** HR has developed and implemented a number of training efforts and supporting documentation to aid both performance appraisal and goal-setting processes. By centralizing all related items on the Hub, the HR team improved the accessibility of this important information.
- **Diversity, Equity, and Inclusion:** The organization has made major strides towards improving their diversity, equity, and inclusion efforts—most notably through the creation and support of the Office of EEO, Equity, and Inclusion.
- **Engaged Staff:** Based on survey results and interviews, many Agency employees are dedicated to and take pride in their work. In general, staff were willing and open to participate in interviews, the all staff survey had a remarkably high response rate, and the HR team was accommodating of the project timing—despite it taking place during an especially busy moment within the performance management cycle.
- **Ongoing Work:** The Agency is performing a significant amount of work to improve performance management and the broader organizational culture. We would like to commend the Agency as a whole on their dedication to continual improvement, learning, and growth.

We would like to thank the Agency staff, management, and leadership for their participation in this study.



IV. FINDINGS AND RECOMMENDATIONS

A. EMPLOYEE EXPECTATIONS

Employee Expectation Setting

| | | |
|---|------------------------|--|
| 1 | Finding | Employee expectations are set through a variety of mechanisms including job descriptions and goal setting; however, some employees continue to report the need for additional clarity. |
| | Recommendations | <ul style="list-style-type: none">A. In sequence with the Design for Growth Initiative, comprehensively review and update job descriptions to ensure accuracy and completeness.B. Continue efforts to develop more consistent expectations and processes for employee goal setting. |

Performance expectations for each employee should be clear and well-communicated through job descriptions, goals, and ongoing discussions between employees and supervisors. Clear expectations form the basis for how employee performance is evaluated.

In terms of the general clarity of expectations, over 80% of respondents to the 2019 Employee Engagement Survey noted they were “clear on work priorities—i.e., what I need to achieve in the next 3-6 months.” However, on the Performance Management Survey, around 60% of respondents noted they were either extremely or very clear on their supervisor’s expectations, and only 41% of respondents responded that the standards by which they are evaluated are extremely or very clear. Additionally, 9.7% of employees reported on the 2019 Engagement Survey that “greater clarity about what Sound Transit needs me to do—and why” would improve job performance.

HOW CLEAR ARE YOUR SUPERVISOR’S EXPECTATIONS FOR YOU?





HOW CLEAR ARE THE STANDARDS BY WHICH YOU ARE EVALUATED?



In interviews, employees across the organization reported different mechanisms in use for communicating job expectations—including job descriptions and goal setting.

Job Descriptions

In interviews, some employees reported that job descriptions were not useful tools in defining their job duties, either because they were not reflective of their role or they were too general. Approximately half (44%) of survey respondents reported that their job description is extremely or very accurate in representing their duties and responsibilities.

HOW ACCURATE IS YOUR JOB DESCRIPTION IN REPRESENTING YOUR DUTIES AND RESPONSIBILITIES?



One potential contributing factor is the Agency's significant recent growth, which some employees noted has contributed to a lack of clarity around roles and responsibilities for some new positions. For example, staff report that the Corridor Director role was not well defined in terms of the position's level within the leadership hierarchy when it was introduced. The lack of clear job scope can result in staff confusion, tension around authority, and a disruption in collaboration efforts.

Some Departments regularly review job descriptions and the HR Department works with hiring managers to review a position's job description before recruiting for an open position. However, the Agency has not recently conducted a comprehensive review of job descriptions and many job descriptions are reportedly outdated. Due to the organization's rapid growth, the HR Department has primarily focused its efforts on developing new job descriptions and reworking current job descriptions to increase alignment in terms of compensation and grade structure. As such, HR staff report that job descriptions are primarily used as a tool for administrative tasks like hiring, market pricing, and decisions around team structure, rather than as a communications tool to engage and support staff in understanding their roles. As a result, some staff reported that there can be challenges around scope creep and ensuring that staff are doing the job they were initially hired to perform. Because of the recent compensation work completed at the Agency, nearly



all available job descriptions were reported as modified in 2018 or 2019; however, this does not indicate that a comprehensive review of the job description content occurred.

Recommendation 1A: In sequence with the Design for Growth initiative, comprehensively review and update job descriptions to ensure accuracy and completeness.

The Agency is in the midst of conducting a Design for Growth initiative that evaluates its organization and team structures to better support cross-functional work and anticipated growth. This initiative will impact employees' roles, responsibilities, and reporting structures and presents an opportunity to reevaluate job descriptions to reflect these changes. As these changes are rolled out, job descriptions should be comprehensively reviewed and updated. Job descriptions should be viewed as a tool that equally supports recruitment, compensation, and performance management.³ Moving forward, the Agency should establish a regular timeline so job descriptions are reviewed on a 1- to 5- year cycle (in addition to the regular updates that are undertaken when jobs are reposted). While this is dependent on staff capacity and the relative prioritization of other projects, it is considered best practice for HR to involve employees and management in the update process for current job descriptions.⁴ The HR Department has already identified the need to revise job descriptions in relation to the Design for Growth initiative and incorporate annual job description review as a component of the compensation and performance review process.

Goal Setting

In interviews, employees often reported that expectations were primarily communicated through formal performance goals. The Agency has established a system of cascading goals where department, division, and individual goals flow from the organization's strategic priorities. This method is in alignment with best practice and has been shown to increase productivity and employee engagement.⁵ However, as the system was only fully implemented within the past year, staff report some remaining challenges.

Inconsistent Process

As goal setting is a process that has recently been introduced at the Agency, staff report that there is a wide variety of goal setting methods. For example, while some managers ask employees to develop goals and then review them together, others provide a library of general goals that employees can adopt and tailor, and some managers set goals without any employee involvement. Some staff also noted instances where managers changed employee goals without involving employees in the process.

Shifting Priorities

Multiple staff reported that goals felt like a moving target and fluctuated across the year as their department reacts to incoming needs or their manager (or other leadership within the organization) changes priorities. Goals can also be dependent on external factors such as contractors and local jurisdictions, which presents additional challenges in understanding and pursuing some goals.

³ How To Develop a Job Description <https://www.shrm.org/resourcesandtools/tools-and-samples/how-to-guides/pages/developajobdescription.aspx>

⁴ Job Worth Doing: Update Descriptions <https://www.shrm.org/hr-today/news/hr-magazine/pages/0113-job-descriptions.aspx>

⁵ Rodgers, R., & Hunter, J. E. (1991). Impact of management by objectives on organizational productivity. *Journal of Applied Psychology*, 76, 322-336 and Performance Management: A roadmap for developing, implementing and evaluating performance management systems SHRM <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Performance-Management.pdf>



Cascading Goal Timeframe

The Agency uses cascading goals to align employee performance with broader organizational goals and objectives. While this is a best practice, the timing of establishing organizational and departmental goals has historically resulted in delays for individual employee goal setting. For example, the 2019 strategic goals were established in late December 2018; therefore, corresponding departmental goals were established in January and February 2019, with most individual employees' goals developed in March 2019. The timing of establishing organizational goals late in the year essentially resulted in the loss of one quarter to actively pursue those goals. The delay also impacts employees' ability to complete their goals, since the evaluation component of performance appraisal process begins in late August/early September. As a result, the amount of time available for employees to actively pursue their goals and be evaluated on their progress is limited to about six months.

With the adoption of a multi-year strategic plan in 2020, this is unlikely to be an issue over the next several years since the strategic goals for the Agency will presumably remain fairly consistent. However, it is important to note that upstream goal setting timelines have an impact on employee goal setting and achievement, and therefore should be scheduled accordingly.

Difficulty Relating Work to Organizational Goals and Values

In July 2019, the Agency adopted its first strategic plan, which outlines five strategic priorities and ten related goals. The strategic priorities include:

- Strategic Priority #1: Design and deliver a customer-focused, high-quality and safe service
- Strategic Priority #2: Deploy a performance-based, community-centric, and safe capital program.
- Strategic Priority #3: Cultivate a diverse, inclusive, and high-performing workforce.
- Strategic Priority #4: Transform, unify and simplify core business practices and processes agency-wide.
- Strategic Priority #5: Ensure financial stewardship exists in all decision-making to guarantee long-term affordability of the voter-approved plan.

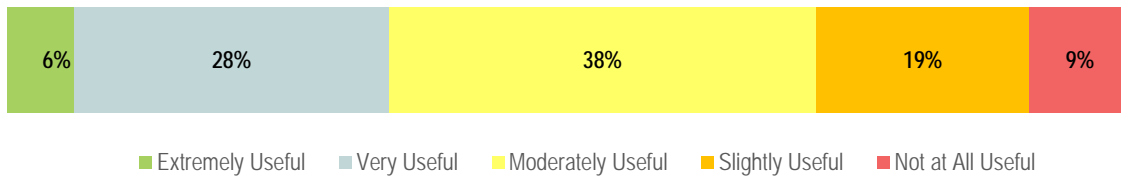
Some staff reported that it can be challenging for internal service team members, such as Finance and IT, to see a direct connection between their work and the strategic plan goals. Similarly, some employees reported challenges connecting their work to some of the Agency's recently adopted core values, such as safety and integrity. During the department goal setting sessions, internal service departments should work to identify clear relationships between their work and the strategic priorities and better define how each core value relates to their work.

Training and Skill Building

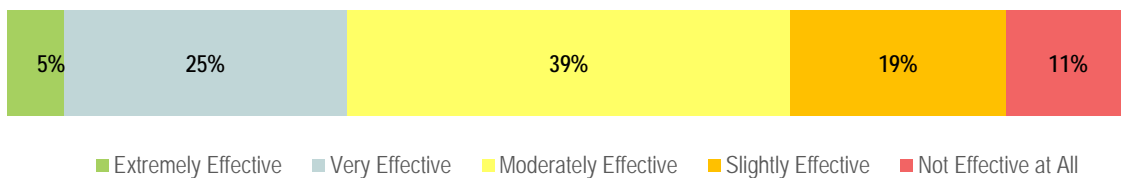
Although the HR Business Partners developed and hosted several trainings on goal setting, employees report some inconsistencies in their efficacy depending on their manager's current skill-level and comfort with the goal setting process. In the Performance Management Survey, approximately one-third of employees reported that their learning and development goals were very or extremely useful and that their goals were extremely or very effective in helping develop their skills.



HOW WOULD YOU RATE THE USEFULNESS OF SETTING YOUR LEARNING AND DEVELOPMENT GOALS?



HOW WOULD YOU RATE THE EFFECTIVENESS OF YOUR LEARNING AND DEVELOPMENT GOALS IN HELPING YOU GROW YOUR SKILLS?



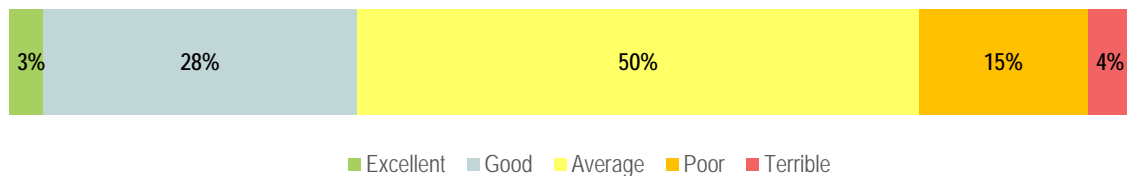
Additionally, the performance appraisal analysis showed that 80% of employee goals did establish a specific measurement to track progress—which is a key element for effective goal setting. However, the performance measures were often not used or referenced in the performance appraisal narrative comments, which may indicate that they are not actually being used to track or rate performance. This analysis also revealed that the length of goal descriptions varies drastically. While the average word count for a given goal was 59 words, the high in the sample was over 139 words per goal, and the low was just 14 words per goal. While longer goals do not necessarily equate with higher-quality goals, this does suggest that additional training could be helpful to establish more consistent standards.

Goal Setting Tools

The majority (50%) of Performance Management Survey respondents rated the trainings and tools the Agency provides related to goal setting as average. The HR Department is aware of this ongoing need and continues to enhance training materials to promote employee understanding and application of goal-setting best practices.



HOW WOULD YOU RATE THE TOOLS AND TRAINING SOUND TRANSIT PROVIDES TO SUPPORT MANAGERS WITH EMPLOYEE GOAL SETTING AND DEVELOPMENT?



Employees with regular check-ins with their manager also reported that tasks and expectations are defined informally through meetings. In general, the effectiveness of this method was highly dependent on whether the manager has strong or weak delegation skills.

Recommendation 1B: Continue efforts to develop more consistent expectations and processes for employee goal setting.

Goal-setting is a critical element of performance management as it defines the criteria against which an employee receives ongoing and year-end performance feedback. Goals should align with the employee's job description, development areas, and organizational objectives. As part of increasing the consistency of manager expectations (see Finding #3), HR should strive to develop a more consistent process for employee goal setting—especially in relation to how employees should be engaged in the process. Research has demonstrated that employee commitment to their own goals is a critical aspect in encouraging high performance⁶ and that understanding how individual work ties to organizational goals may increase employee engagement.⁷ As such, it is important that employees actively participate in the goal setting process, since they are responsible for achieving their goals. Managers should encourage employees to develop goals that align with the Agency and their department's strategy, then meet to discuss the goals to ensure they are realistic but challenging.⁸ HR should also provide guidelines and additional training to help managers better understand when it is and is not appropriate to shift goals throughout the course of the year. In many instances, it may be appropriate to change goals due to new conditions, whether internally or externally. In order to help determine when goals may need to shift, the Harvard Business Review recommends considering the following three questions:⁹

- Are the goals still realistic, given any changes in resources or constraints?
- Are they still timely? Is now the best time to achieve them?
- Are they still relevant? Do they still align with the company's strategy?

By providing a framework that employees and managers can use to evaluate their goals as priorities shift

⁶ Performance Management: A roadmap for developing, implementing and evaluating performance management systems <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Performance-Management.pdf>

⁷ Performance management and job -goal alignment a conditional process model of turnover intention in the public sector <https://www.emerald.com/insight/content/doi/10.1108/IJPSM-04-2016-0069/full/html>

⁸ Marking Sure Your Employees Succeed <https://hbr.org/2011/02/making-sure-your-employees-suc>

⁹ When to Change Your Employee's Goals <https://hbr.org/tip/2017/08/when-to-change-your-employees-goals>



throughout the year, the Agency can support continued employee success in achieving professional and organizational goals.¹⁰

Matrixed Employee Expectations

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| 2 | Finding | Departments with matrixed employees report unique challenges in defining employee expectations. |
| | Recommendation | Once the Design for Growth initiative is complete, the Agency should support additional efforts to ensure matrixed employees receive adequate guidance around their priorities and goals by emphasizing open communication across management. |

Departments with matrixed employees report unique challenges in defining employee expectations. For example, employees within the Planning, Environment, and Project Development Department (PEPD) who are assigned to a project sometimes reported feeling conflicted between the expectations of their manager and the project director who resides in the Design, Engineering, and Construction Management Department (DECM). Similarly, employees in internal service departments experienced some differing expectations between their department manager and customer departments when working on projects or implementing Agency policies.

Recommendation 2: Once the Design for Growth initiative is complete, the Agency should support additional efforts to ensure matrixed employees receive adequate guidance around their priorities and goals by emphasizing open communication across management.

Matrixed structures are best used when interdisciplinary functionality is key to success. When implemented well, matrixed structures help employees focus on a unified mission, vision, and purpose. However, it is common for matrixed organizations to struggle with clear expectations, which can be improved with open communication and regular, actionable performance feedback to maintain proper alignment. Trust among leadership and teams is key to ensuring the success of this model.

According to McKinsey research based on the Organizational Health Index, role clarity and associated accountability mechanisms are a key driver for organizational health.¹¹ This research suggests that organizations can mitigate the complexity associated with matrixed structures by enhancing role clarity, promoting ownership of tasks, and providing clear accountability mechanisms. Regular conversations to reinforce reporting structures, duties, and areas of responsibility are key in organizations where work demands can shift.

As part of the Designing for Growth restructuring initiative, the HR Department is considering how structural reporting changes may benefit matrixed employees and help clarify employee priorities. Once this work is accomplished, the Agency should re-evaluate whether matrixed employees are receiving

¹⁰ Mastering Matrix Management in the Age of Agility <https://www.gallup.com/workplace/242192/mastering-matrix-management-age-agility.aspx>

¹¹ Revising the Matrix Organization <https://www.mckinsey.com/business-functions/organization/our-insights/revisiting-the-matrix-organization>



adequate and clear guidance around their work priorities and goals, and develop tools to better support alignment. As noted in the research above, this work may also be supported by supporting management trust and communication (see Finding #3) as well as increasing the opportunities for dotted line managers to efficiently share performance feedback (see Finding #8).

Manager Expectations

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| 3 | Finding | Expectations for managers are beginning to be defined, but have not yet been consistently adopted across the organization. |
| | Recommendations | A. Continue defining expectations for managers and incorporate these standards into the performance management framework. B. Develop a management development program and formalized manager onboarding to support manager success in embodying established leadership expectations. |

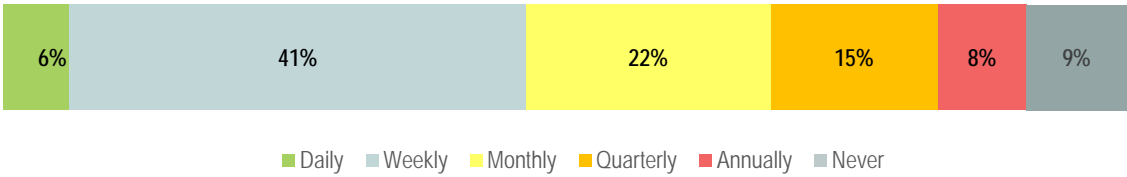
Managers play a critical role in setting expectations, evaluating performance, and developing employees. Rapid organizational growth has contributed to changing manager needs and expectations, which in turn results in organizational culture change. More specifically, staff report that the Agency has made a philosophic shift from deeming technical expertise as the most important skill to understanding the need for people managers to have highly-advanced relational, emotional intelligence, and leadership skills. This has impacted departments in different ways and staff report that it has been, and continues to be, particularly challenging in operations-focused departments like DECM, PEPD, and Operations.

The Agency has historically provided managers a great deal of flexibility to manage as they see fit. While this type of empowerment can yield many positive results, it has also resulted in inconsistent experiences across teams within the Agency. While the majority (80.8%) of respondents to the Employee Engagement Survey agreed that they have a great working relationship with their manager, interviewed employees reported a wide range of experiences in terms of communication and support from their managers. Commonly noted discrepancies included:

- *One-on-one meetings*: Employees report that regular one-on-one meetings between managers and employees is not a consistent practice across the Agency. In the Employee Engagement Survey, 69.1% of respondents noted that receive regular, specific feedback on their performance; while most Performance Management Survey respondents reported receiving informal feedback weekly or monthly, almost a third reported receiving informational feedback only quarterly (15%), annually (8%), or never (9%). The results of these two surveys align and suggest that approximately 30% of employees do not receive sufficient ongoing performance feedback.



HOW OFTEN DO YOU RECEIVE INFORMAL FEEDBACK ON JOB PERFORMANCE?



- *Midyear check-ins:* Staff reported a variety of experiences related to midyear check-ins, ranging from consistently checking in on major goals, to not speaking with their manager about goals at all apart from the annual performance appraisal. In the Performance Management Survey, over half of respondents reported that they receive formal feedback once a year during the performance appraisal process, with a third of employees receiving feedback more regularly.

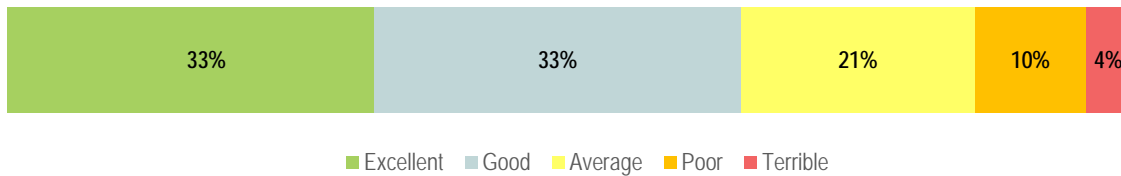
HOW OFTEN DO YOU RECEIVE FORMAL FEEDBACK ON JOB PERFORMANCE?



- *Reception of upstream feedback:* While staff report that some managers explicitly request feedback or take other actions to demonstrate openness to receiving input from subordinates, other managers appear to actively avoid input or react inappropriately to feedback. For example, some staff noted that they were asked to identify their responses on the anonymous Employee Engagement Survey that included questions related to manager effectiveness (see Finding #9 for more details on upstream feedback).
- *Goal setting practices:* As noted in Finding #1, some managers struggle to effectively coach their employees through the goal setting process in a way that is meaningful and supports the employee's career growth.
- *Employee development support:* Staff also report varying levels of management support in pursuing career growth opportunities. Managers often cited constraints to employee growth, including lack of budget to attend external trainings, the need for continuity in certain tasks, and unknown career ladders for employee positions. Fortunately, two-thirds of Performance Management Survey responses reported being well-supported to pursue development opportunities. This represents an area where greater consistency would benefit the Agency's ability to support employee development.



HOW WOULD YOU RATE THE SUPPORT YOU RECEIVE FROM YOUR SUPERVISOR IN YOUR PURSUIT OF GROWTH AND DEVELOPMENT OPPORTUNITIES?



As a result of these types of discrepancies, employees within the Agency experience varying levels of support from their managers.

The HR Department identified manager effectiveness as a gap and has begun investing significant resources to make improvements. For example, the HR Department has recently developed Agency-wide values and manager expectations. Additionally, the Department transformed its service model to HR Business Partners to support greater manager efficacy. The Learning and Development team within HR has also developed internal trainings to enhance manager performance and equip technical leaders with soft skills necessary to serve as an effective leader. Sample trainings include Crucial Conversations, Crucial Accountability, Facilitating Effective Meetings, Engaging New Leaders in Sound Transit (ENLIST) and the Leadership, Empowerment and Development (LEAD) program.

Recommendation 3A: Continue defining specific expectations for managers and incorporate these standards into the performance management framework.

Managers serve as the driving force of organizational culture and it is imperative that their behaviors and actions align with defined values.¹² In line with best practice around setting clear expectations, the HR Department has done extensive work to redefine what it means to be a leader within the Agency—including developing the Core Four leadership competencies framework, which includes systems thinking, equity and inclusion, emotional intelligence, and servant leadership. As a complementary step to this work, HR should continue work to clearly define the Agency’s specific actionable guidelines for people management activities. For example, managers should know the expectations for management activities like holding one-on-one meetings with direct reports and providing continuous feedback. Similar to individual contributors, managers at all levels need well-defined expectations that are continually enforced through coaching and accountability.¹³

As noted in Finding #9, the Agency currently lacks a mechanism for direct reports to provide upstream feedback to their managers. Manager appraisals should include specific requirements related to their efficacy in managing teams and supporting employees, while identifying actionable feedback to continuously improve management skills.¹⁴ This information should largely derive from the manager’s direct reports, but may also extend to other colleagues throughout the Agency. Incorporating specific

¹² Viewpoint: 5 Key Steps to Effective Manager Onboarding <https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/viewpoint-5-key-steps-to-effective-manager-onboarding.aspx>

¹³ If Your Managers Aren’t Engaged Your Employee Won’t Be Either <https://hbr.org/2019/06/if-your-managers-arent-engaged-your-employees-wont-be-either>

¹⁴ 5 Steps to a Performance Evaluation System <https://www.aafp.org/fpm/2003/0300/p43.html>



management goals into performance appraisals reiterates the Agency's commitment to the Core Four competencies, guides ongoing training, and ultimately supports accountability in serving as an effective manager. The Agency currently has plans to incorporate leadership competencies into the performance appraisal process for people managers.

Recommendation 3B: Develop a management development program and formalized manager onboarding to support manager success in embodying established leadership expectations.

The HR Department provides additional training and coaching to help managers who have been identified as needing support. As the HR Department is aware, this ongoing work requires long-term investment to permeate throughout the organization as a whole. As expectations are further defined, the Agency should continue to invest in efforts that help improve management skills around day-to-day activities that have been demonstrated to increase performance management effectiveness¹⁵—such as how to communicate clear expectations, how to provide ongoing feedback, and how to have difficult conversations. Currently, this training is optional for managers throughout the organization.

Ideally, the Agency should develop a comprehensive management development program that provides ongoing training to support success in their roles over the long-term.¹⁶ Training should include both knowledge and skill-building, and focus on areas that include organizational policy, values, communication, leadership, and conflict management. According to the Society for Human Resources Management (SHRM), there are six major skills middle managers need to be successful:¹⁷

- The ability to hire well
- Excellent communication skills
- The ability to delegate
- Performance management proficiency
- Collaboration skills
- Decision-making skills

Each of these elements should be emphasized in the management development program, covering both organizational policy and management best practices.

In addition to supporting existing managers, the Agency should also continue developing and implementing a robust manager onboarding process for newly promoted or externally hired managers. Often, managers are promoted due to excellence as individual contributors, but they have not been required to develop or practice people management skills.¹⁸ It is also imperative that managers who are new to the organization are well-versed in Agency culture, policies, management expectations, and available people management tools. The onboarding process should reflect individual manager's needs and measures of success that reflects both technical and leadership abilities. The Agency implemented a

¹⁵ Why Is Performance Management Broken? <https://www.cambridge.org/core/journals/industrial-and-organizational-psychology/article/why-is-performance-management-broken/7926BD046FF0DFCE2FC01E5422C18D4C>

¹⁶ Developing Management <https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/developingmanagement.aspx>

¹⁷ 6 Skills Middle Managers Need <https://www.shrm.org/hr-today/news/hr-magazine/0616/pages/6-skills-middle-managers-need.aspx>

¹⁸ Challenges New Managers Face and How Training Can Help <https://www.shrm.org/resourcesandtools/hr-topics/organizational-and-employee-development/pages/3-challenges-new-managers-face-and-how-training-can-help.aspx>



pilot manager onboarding program at the end of 2019; it should request feedback from participants and use this information to improve and roll out the program to the whole Agency.

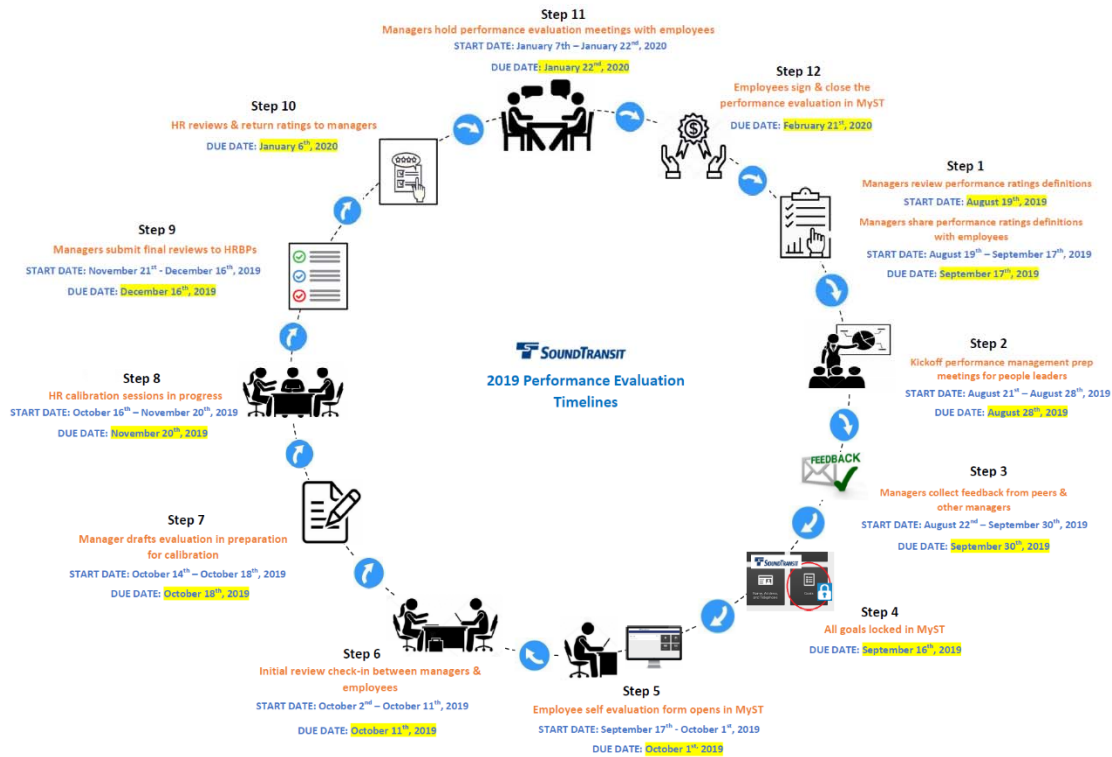
B. PERFORMANCE APPRAISALS

Performance Appraisal Timeline

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| 4 | Finding | The timeline for performance appraisals and goal setting is lengthy, resulting in shortened evaluation periods and delayed performance feedback. |
| | Recommendation | To increase staff engagement and the usefulness of review feedback, evaluate opportunities to condense the performance appraisal timeline. |

Performance feedback should be provided in a timely manner in order to be meaningful to the employee. The Agency's current performance management cycle is intended to operate from January 1 to December 31 and was designed based on manager input into the timelines required for each phase. However, in practice, employees typically set goals in February or March due to delays in broader organizational goal development. Managers begin reviewing performance ratings in August, and goals are locked in the system starting in September. The employee self-assessment period starts in September and must be completed by October 1, with manager evaluations due in mid-October. Due to the size of the organization, the HR Department conducts calibration sessions over the course of a month (from mid-October to late November). However, the employee does not receive their final performance evaluation until January or February.

The 2019 performance appraisal process that defines these timelines is summarized in the Agency's graphic below.



Staff reported frustration with several aspects of this timeline:

- **Length of Appraisal Period:** Multiple staff note that the current schedule does not allow sufficient time for achievement of their goals, since it measures work that takes place between goal setting in February or March and evaluation in October. As such, there is a perception that performance appraisals only cover employees' work for a period of approximately six to eight months. This can have a demoralizing impact on employees, since up to half of their time at work may not be reflected in their appraisal. As the Agency implements a multi-year strategic plan, the delay in goal setting can be addressed by proactively developing annual department goals in advance, enabling employees to develop their individual goals in a timely manner.
- **Length of the Process:** Managers reported concerns related to the length of the overall performance appraisal process, as they are highly engaged in the performance appraisal process from August to February. Some managers reported that the amount of administration in the formal process meant they are not able to focus as much attention on the daily performance management tasks that they felt were more important for guiding their team. This issue is especially relevant for managers with multiple direct reports and is exacerbated by the inefficiencies and manual processes created by the current performance management system (see Finding #10).
- **Delayed Feedback:** The length of the manager-involved process results in untimely performance feedback for employees who do not receive regular performance feedback from their manager. Although their self-evaluation is completed in October, employees are unlikely to see the results of their evaluation for four months, at which point the performance feedback may differ or deficiencies may have persisted instead of being addressed in a timely manner.

Recommendation 4: To increase staff engagement and the usefulness of review feedback, evaluate opportunities to condense the performance appraisal timeline.



To have the highest impact, performance appraisal feedback should be provided in a timely manner. As such, a condensed version of the process may support more meaningful performance feedback and greater employee engagement in the process. However, the performance appraisal process is time-intensive and requires significant work from HR Business Partners and managers across the Agency. Any shifts to the current schedule will have trade-offs, so the Agency should determine the relative priority of introducing changes to the timeline.

Potential options include:

- Move the goal-setting process closer to the end of the performance evaluation process. By introducing goal setting earlier in the year, employees will have a longer period of time to achieve goals before their next formal performance evaluation. For example, many organizations choose to conduct final performance appraisals and goal setting simultaneously, which allows goals to easily translate from development needs identified during the appraisal process.¹⁹
- Reduce the period of time over which calibration sessions take place. This shift would place a large burden on the HR Business Partners and would reduce scheduling flexibility for departments, but could potentially help with manager and employee engagement in the process.
- Shorten Steps 1-4 of the performance appraisal process to decrease the length of manager involvement in the formal process.
- Encourage managers to complete performance evaluations more quickly following calibration sessions so employees are able to receive timely feedback.

Two other additional factors—the cascading goal timing (Finding #1) and the performance management system itself (discussed in Finding #10)—have large impacts on the performance appraisal timeframe and associated workload. Improvement in these areas may also contribute to efficiencies in the performance management timeline and process. The HR Department has plans to coordinate with the Strategic Business Office and Finance Department to establish an appropriate rhythm for the Department goal setting, budgeting, and performance management goal setting processes.

Calibration Sessions

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| 5 | Finding | The Agency has implemented calibration sessions in alignment with standard industry best practice. Although managers generally report satisfaction with the calibration process, some employees question its internal purpose and whether the correct participants are involved. |
| | Recommendations | A. Improve organization-wide communication about the purpose, goal, and process of calibration. B. As the Agency continues to grow and change its structure, the HR Department should review—and potentially reconfigure—calibration meeting participants. |

¹⁹ Employee Goal Setting Tips <https://www.managersresourcehandbook.com/employee-goal-setting-tips/>



The Agency introduced the concept of calibration sessions in 2017. Calibration sessions are intended to ensure that different managers apply consistent performance ratings across employee performance appraisals. When implemented in alignment with best practice, calibration sessions have been shown to increase manager consistency²⁰ and strengthen the credibility of ratings.²¹ In addition, calibration can be particularly important when organizations have gone through a period of growth²² and the organization has not yet established a consistent philosophy in relation to performance management—as is the case with the Agency.

The Agency has implemented the calibration process with many commonly noted best practices,²³ including:

- Utilizing a skilled facilitator for all calibration sessions (in this case, the HR Business Partners)
- Having the employee and manager prepare preliminary evaluation before the calibration session
- Reviewing rating definitions that are specific to the department
- Reviewing and discussing proposed appraisal ratings for each employee, including targeted discussions for employees who have received feedback from multiple individuals.

During interviews, multiple managers reported satisfaction with the calibration sessions in 2019, in particular in removing outliers, aligning ratings across teams, and helping managers align their own thinking around performance management and ratings. In the employee Performance Management Survey, 75% of respondents reported that calibration was at least moderately helpful. Despite recent improvements, some opportunities for improvement related to calibration were noted.

- *Employee Messaging:* Some individual contributors who are not invited to participate in calibration sessions reported anxiety related to the process because of insufficient communication about calibration and its purpose. For example, multiple employees noted that they were concerned that managers who had no knowledge of their work were able to actively participate in changing their individual performance rating. This was potentially exacerbated by some managers who reportedly told their employees that they would have rated them higher, but were prevented from doing so because of the calibration process—which effectively undermined the validity of the calibration process for those employees. Another common misconception was that employees at different levels within the organization were being ranked against each other in a traditional stacking style. In addition, the length of time between calibration and completion of the performance appraisal process reportedly contributed to this anxiety (Finding #4).
- *Calibration Participants:* Some staff questioned if the correct managers are included in the calibration sessions. This is a particular concern for matrixed employees who have divergent administrative and functional reporting relationships. This topic was discussed in interviews and also reported in the Performance Management Survey. Open-ended survey responses provided a variety of perspectives on calibration. Some survey respondents explicitly praised the usefulness of the calibration process, while others reported that they were too anecdotal or that executives have undue influence on

²⁰ Why Managers Shouldn't Have the Final Say in Performance Reviews <https://hbr.org/2018/06/why-managers-shouldnt-have-the-final-say-in-performance-reviews>

²¹ Armstrong's Handbook of Performance Management: An Evidence-Based Guide to Delivering High Performance https://books.google.com/books?hl=en&lr=&id=wtwS9VG-p4IC&oi=fnd&pg=PR4&dq=evidence+for+%22performance+management%22+calibration+session&ots=eQbJIEwUFB&sig=DeqzAo_YA6qqzKjuRpeUKA_Ks-s#v=onepage&q=calibration&f=false

²² Calibrating Consistency <http://www.joannesammer.com/wp-content/uploads/2010/01/Sammer.Calibrating-Consistency.pdf>

²³ Improving Performance Evaluations Using Calibration <https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/calibration-sessions.aspx>



employees' ratings. This impacts the overall perception of fairness of the performance appraisal process, which is common in organizations that implement calibration.²⁴

- *Calibration Length:* Some managers reported that the sessions seemed too long or covered too many employees. In particular, there were concerns about spending a significant amount of time talking through the fine distinction between ratings like Successful – High and Excellent – Low. Ultimately, this may be addressed through changes to the rating system as discussed in Finding #6.

Recommendation 5A: Improve organization-wide communication about the purpose, goal, and process of calibration.

The HR Department should expand organization-wide communication about the purpose, goal, benefits, and process of calibration.²⁵ This may come through all-staff communication directly from HR, but it may also be helpful to clearly establish expectations about what information managers can and should be sharing with their employees about the calibration process. Although information was available on the Performance Management Hub webpage, employees may not have been aware of these materials and would benefit from direct communication about the calibration sessions. To increase the perception of fairness, the standards of conduct expected by calibration participants may be shared with individual contributors to alleviate concerns of being talked about poorly in front of a large group of managers. It may also be useful to have explicit discussions about the importance of manager buy-in and support for the ultimate decisions that come out of the calibration session. As the calibration process becomes institutionalized and improves year-over year, this messaging can shift to support transparency at all levels of the Agency.

Recommendation 5B: As the Agency continues to grow and change its structure, the HR Department should review—and potentially reconfigure—calibration meeting participants.

As the organization continues to grow and shift its structure, the HR Department should review calibration meeting participants—especially in relation to the performance insights for matrixed employees. While the Design for Growth initiative may present some changes related to who is involved in the calibration sessions for employees that work cross-functionally, it may not offer a full solution. Typically, calibration sessions involve supervisors and managers who are responsible for conducting performance appraisals and higher-level leaders over that functional area.²⁶ However, since matrixed employees work cross-functionally, their calibration sessions may be extended to include managers across other divisions that they actively engage with, in particular across DECM, PEPD, and Operations teams.

In addition, the HR Department should consider breaking calibration review groups into more manageable subgroups, as necessary. Some of the current groups include over 20 managers and supervisors, which can inhibit effective discussion and decision-making. By breaking groups into smaller sizes, the meetings may also be able to decrease in length.²⁷ Ultimately, the size and scope of these meetings should suit the Agency and can be an evolving determination.

²⁴ Why Managers Shouldn't Have the Final Say in Performance Reviews <https://hbr.org/2018/06/why-managers-shouldnt-have-the-final-say-in-performance-reviews>

²⁵ Calibrating Consistency <https://www.shrm.org/hr-today/news/hr-magazine/Pages/1hrmanagementagendasidebar.aspx>

²⁶ Practical Guide to Performance Calibration http://cdn2.hubspot.net/hub/91252/file-338193964-pdf/Practical_Guide_to_Performance_Calibration_October_2013.pdf

²⁷ Practical Guide to Performance Calibration http://cdn2.hubspot.net/hub/91252/file-338193964-pdf/Practical_Guide_to_Performance_Calibration_October_2013.pdf



Rating Scale

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| 6 | Finding | Employees lack a consistently applied concept of each performance rating category and had varying opinions about the level of gradation available in the 8-point rating scale. |
| | Recommendation | To achieve consistent understanding and application of the rating scale, either simplify the performance rating scale or focus on providing additional training on the existing scale. |

Following best practice, the Agency's performance appraisal form combines narrative evaluations with a graphic rating scale.²⁸ The Agency has also followed best practice by developing an articulated set of performance standards to help guide consistent ratings.²⁹ However, employees report that there are ongoing opportunities to improve the consistency and understanding of the rating system. During the 2019 performance appraisal cycle, the Agency implemented a new 8-point scale to rate employee performance in relation to the accomplishment of goals and the application of competencies. The ratings include:

- Unsatisfactory
- Needs Improvement
- Successful – Low
- Successful – Medium
- Successful – High
- Excellent – Low
- Excellent – High
- Outstanding

HR staff report that the scale was designed with several layers of gradation for two primary purposes: 1) to encourage managers to better identify employees who were performing above the "Needs Improvement" level, but who could still benefit from constructive performance discussions, and 2) to provide transparency for the Contribution and Performance Award (CPA) amount given to each employee (as the 8-point scale directly links to the CPA amount that each employee receives, while the merit pay corresponds to the simpler 5-point scale that lacks additional gradation). To support implementation of the rating scale, HR developed organization-wide descriptions for each level and encouraged each department to develop their own rating descriptions to promote consistent application across teams.

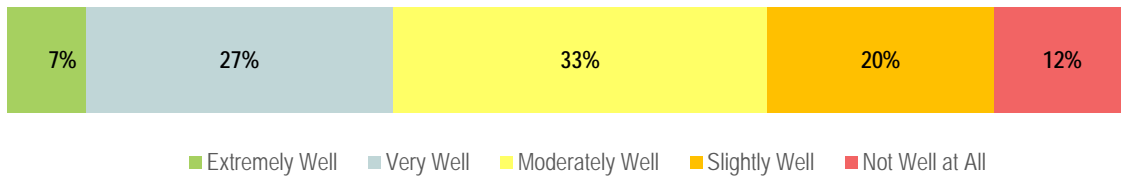
²⁸ A New Framework for Selection of the Best Performance Appraisal Method
https://www.researchgate.net/profile/Atieh_Bourouni/publication/228901398_A_new_framework_for_selection_of_the_best_performance_appraisal_method/links/0fcfd5101390753583000000/A-new-framework-for-selection-of-the-best-performance-appraisal-method.pdf

²⁹ Performance Management: A roadmap for developing, implementing and evaluating performance management systems SHRM
<https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Performance-Management.pdf>



In interviews, some managers reported that the rating scale’s level of gradation was helpful to distinguish between employees performing at the “Successful” or “Excellent” levels. However, many employees reported confusion related to the scale. In the employee Performance Management Survey, employees reported varying levels of understanding on the performance scale, with about one-third (32%) expressing confusion and another third (33%) noting they only understood the scale “moderately” well.

HOW WELL DO YOU UNDERSTAND THE DIFFERENT RATINGS ON THE PERFORMANCE SCALE (SUCCESSFUL-LOW, SUCCESSFUL-MEDIUM, SUCCESSFUL-HIGH, EXCELLENT, ETC.)?



For example, many employees noted that it was not clear what distinguished a “Successful – High” rating from an “Excellent – Low” rating. Multiple managers commented that this contributed to elongated conversations during calibration sessions, where significant time was devoted to making minor differentiations that ultimately did not have substantial impact on the employee’s CPA, merit increase, or performance feedback. Another common concern was around applying such a fine scale to organizational values like Integrity and Safety—which many staff felt would be better served by a simpler or binary scale.

Recommendation 6: To achieve consistent understanding and application of the rating scale, either simplify the performance rating scale or provide additional training on the existing scale.

A critical aspect of any performance management scale is that it is consistently understood and applied.³⁰ Therefore, the Agency should consider whether it can achieve a more consistent understanding by either simplifying the rating scale or providing ongoing training to develop more consistent practices.

If the Agency chooses to simplify the rating scale, it will need to determine an alternative scale. While 5-point scales are the most typical, there is no single recommended standard for rating scales.³¹ Rather, each rating scale has benefits and drawbacks that makes it more or less appropriate for specific organizations. For example, simple scales—such as a binary “on track” “off track” scale for goals—are commonly used by organizations where differentiation is less useful, either because the system was designed to be simple as possible or because there are minor differences in the bonus pay or other recognition that correlates to the rating.³² Given the relatively minor differences between CPA levels at the Agency, a simpler scale may prove beneficial to the performance appraisal process.

³⁰ Performance Management: A roadmap for developing, implementing and evaluating performance management systems SHRM <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Performance-Management.pdf> and

Best Practices in Incentive Compensation Bonus Administration Based on Research and Professional Advice <https://pdfs.semanticscholar.org/9b51/acc5b07de51af683d86e278cc318e96c0b8a.pdf>

³¹ Which performance rating scale is best, and what should an employer consider in adopting a performance rating scale? <https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/whattodowhendevolvingperfratescales.aspx>

³² A Study of Cutting Edge Performance Management Practices: Ongoing Feedback, Ratingless Reviews, and Crowd-Sourced Feedback <https://ceo.usc.edu/files/2017/11/G16-01-668-2.pdf>



More complex scales, such as the existing rating scale at the Agency, offer opportunities to make finer distinctions between employees and may result in other benefits such as combatting biases. For example, a four- or six-point scales that lack a “neutral” option can be useful to combat centrality bias where ratings are compressed toward the middle.³³ A sample four-point rating scale could include:

- Exemplary – Consistently exceeds expectations
- Successful – Consistently performs the full range of responsibilities
- Developing/New Hire – Demonstrates most responsibilities but needs development in some areas to achieve full success
- Needs Improvement – Consistently does not meet performance expectations

This scale provides sufficient gradation to separate high and low performing employees, while reducing the number of options to avoid centering in the middle of a scale. However, where more complex scales are used, there is little evidence to suggest that managers are consistently able to accurately make these distinctions.^{34, 35}

Regardless of the specific scale the Agency chooses, its focus should be ensuring that the scale is easy to use and consistently understood across management and staff. Each level should be clearly defined, applied consistently (with the support of calibration), and reflect the organization’s culture. To support appropriate adoption, employees at all levels should receive performance descriptions that are sufficiently detailed and may include examples of behaviors, skills, and activities that are exemplified at each level.³⁶

Development Feedback

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| 7 | Finding | Staff report that a variety of factors contribute to an operating environment where constructive criticism and development feedback are often avoided. As a result, some employees may not receive constructive feedback that could support their development. |
| | Recommendation | To support equitable employee coaching, incorporate the expectation to provide development feedback into the performance appraisal system and manager trainings. |

All employees, including high performers, should have the opportunity to receive development feedback and constructive criticism to support their individual efficacy and career growth. Currently, staff report that constructive criticism and development feedback is often avoided by management. As a result, some employees may not be receiving adequate feedback to support their development.

³³ The psychological effects of centrality bias: an experimental analysis <https://link.springer.com/article/10.1007/s11573-018-0908-6>

³⁴ Performance Management: Key Strategies and Practical Guidelines http://library.imtdubai.ac.ae/content/e_books/E0016.pdf

³⁵ Reinventing Performance Management https://hbr.org/2015/04/reinventing-performance-management?referral=03759&cm_vc=rr_item_page.bottom

³⁶ Which performance rating scale is best, and what should an employer consider in adopting a performance rating scale? <https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/whattodowhendevolvingperfratescales.aspx>

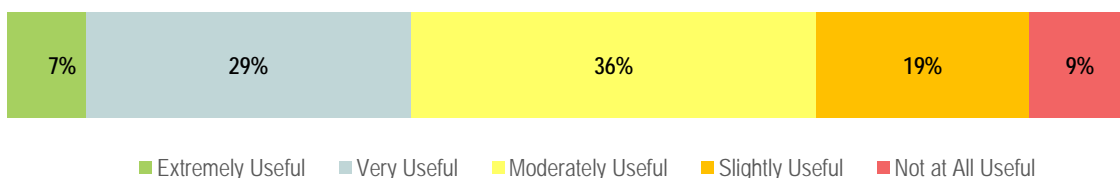


This observation is supported by the performance appraisal analysis conducted for this audit. Of the performance appraisals reviewed, only 36% of appraisal included any type of development feedback (either a needs improvement rating and/or comment in at least one category, or at least one comment that included constructive feedback in the narrative). Additionally, the analysis found significant variation in terms of the length and detail of feedback that employees received (highest word count was 5605 and lowest was 705). This variation suggests that the overall type and quality of employee performance feedback is inconsistent across managers.

Staff noted a variety of factors contributing to feedback differences, including:

- *Lack of communicated feedback:* Outside of the formal performance appraisal process, there appears to be varying levels of ongoing performance feedback between managers and employees. For example, on the Performance Management Survey the majority of employees (69%) responded that they receive informal feedback at least once a month, but some employees (17%) report receiving feedback only once a year or not receiving feedback at all.
- *Bias to provide positive feedback to support decision-making:* Because the performance ratings are tied to the employee's CPA and merit increases, some managers reported a reluctance to incorporate developmental feedback into the formal performance appraisal in order to advocate for a high rating during calibration. As a result, managers reported using the appraisals as a method to justify performance rather than provide complete feedback, which would ultimately support employee growth.
- *Manager's ability to provide useful feedback:* In the Performance Management Survey, only a little over one-third of employees (36%) felt that the performance feedback received was extremely or very useful. This sentiment was echoed in interviews. The Agency has a reputation for hiring high-achieving employees who are dedicated to its mission. As a result, employees reported the desire for more feedback that would contribute to their personal and professional development, including promotion opportunities (Finding #12).

HOW WOULD YOU RATE THE USEFULNESS OF THE PERFORMANCE FEEDBACK YOU RECEIVE?



- *Organizational culture:* As is common for organizations that operate in highly politicized environments, staff in some teams reported that it can be difficult to constructively address issues that arise in their work. As noted earlier, external scrutiny in the absence of strong management and accountability mechanisms contributes to a risk-averse culture. When combined with the high personal standards that many staff have for their own work, this can create an environment where developmental feedback is viewed as punitive or threatening.



- *Developmental goal setting:* While it is mandatory for managers to set individual development goals, it is not required for individual contributors. Development goals help support employee growth, engagement, and motivation, in particular for high performing employees.³⁷

These factors, among others, pose challenges in effectively coaching and developing employees, regardless of their performance level. In addition, a lack of constructive feedback can make accountability and progressive discipline processes more difficult (see Finding #13).

Recommendation 7: To support equitable employee coaching, incorporate the expectation to provide development feedback into the performance appraisal system and manager trainings.

All employees should receive constructive feedback on their performance to understand and discuss development areas. Because the Agency uses the formal performance appraisal process primarily for decision-making related to pay increases and promotions, it is presently ill-suited to serve as a mechanism to provide development feedback. This presents multiple challenges. First, when performance appraisals are used mainly for decision-making as opposed to guiding employee development, ratings tend to be more lenient and include less constructive feedback.³⁸ Second, employees who do not receive development feedback may lack direction and be confused about their performance rating. Feedback is necessary to encourage honest assessments, accountability, and forecast the future direction and goals of the employee.³⁹ Therefore, employees and managers should each identify at least one development area during each performance appraisal cycle. While this does not need to be reflected in the ratings, it could be included as a final comment on what the employee can work to improve.

According to the Center for Creative Leadership, ignoring weaknesses is a primary contributor to individual derailment in an organization and ultimately compromises organizational effectiveness.⁴⁰ Providing feedback is a unique skill that managers need to develop and can prove challenging when first implemented. When feedback is framed in a way that demonstrates that the employee's manager cares about their success, it can help deescalate potential points of tension.⁴¹ In order for this transition to be institutionalized, the Agency should develop knowledge and skill-based training on how to effectively provide employee development feedback, which may address areas of low performance or areas that are going well but would benefit from continued growth.

As the performance appraisal process evolves at the Agency, one area of continued focus should be using this tool to encourage employee improvement. This shift will be foundational in supporting ongoing culture change initiatives, including manager efficacy and career growth opportunities to increase

³⁷ Giving a High Performer Productive Feedback <https://hbr.org/2009/12/giving-a-high-performer-productive-feedback>

³⁸ Performance Management: A roadmap for developing, implementing and evaluating performance management systems SHRM <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Performance-Management.pdf>

³⁹ Viewpoint: Feedback, 'Feedforward' and Frequency for 21st Century Performance Management <https://www.shrm.org/resourcesandtools/hr-topics/organizational-and-employee-development/pages/viewpoint-feedback-feedforward-and-frequency-for-21st-century-performance-management.aspx>

⁴⁰ What Good Feedback Really Looks Like <https://hbr.org/2019/05/what-good-feedback-really-looks-like>

⁴¹ How to Give Feedback to People Who Cry, Yell, or Get Defensive <https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/how-to-give-feedback-to-people-who-get-defensive.aspx>



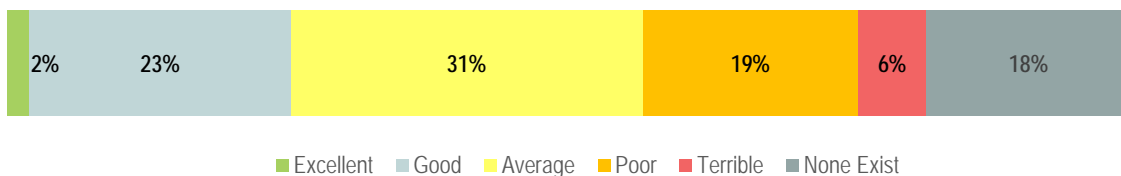
retention. Development feedback is necessary to both correct poor performance and encourage top performers to continually self-improve.⁴²

Additional Contributor Feedback

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| 8 | Finding | The Agency’s performance management process does not routinely solicit and incorporate feedback from additional contributors—including dotted-line managers and peers—who may have relevant information about a particular employee’s performance. |
| | Recommendation | Establish a formal mechanism to consistently incorporate additional contributor feedback. |

The Agency currently lacks a consistent process for managers to solicit input about their direct reports from dotted-line managers who have insight into the work of specific employees. In addition, there are no formal mechanisms for employees to receive peer-to-peer feedback. In the employee Performance Management Survey, only 25% of respondents reported that the opportunities to provide peer-to-peer feedback are excellent or good.

HOW WOULD YOU RATE THE OPPORTUNITIES YOU HAVE TO PROVIDE PEER-TO-PEER FEEDBACK AND EVALUATIONS



The HR Department developed a simple, user-friendly form that managers may email to other staff throughout the organization to provide feedback on a direct report. Multiple managers also reported creating their own short forms or surveys to meet this need. However, regardless of the specific form, this overall process is manual and relies on the manager to actively seek additional feedback—potentially without consulting with the employee about who should be considered for providing performance-related input. Additionally, managers sometimes report receiving too many requests for feedback and not having capacity to complete the forms (especially given that it is not currently an Agency expectation to do so). Therefore, the efficacy of feedback from additional contributors—whether dotted-line managers or peers—is reliant on the manager actively seeking it, another staff completing the request, and the manager incorporating the information into the original employee’s performance appraisal.

This presents specific challenges for employees who work cross-functionally throughout the Agency, including highly matrixed employees and internal service employees. Matrixed employees often have more interactions with project-specific staff than their direct manager. As a result, some staff interviewed

⁴² Giving a High Performer Productive Feedback <https://hbr.org/2009/12/giving-a-high-performer-productive-feedback>



reported that they felt their direct manager was at a disadvantage in terms of rating and providing useful performance management feedback. Likewise, internal service employees—within departments including HR, IT, Legal, and Finance—typically perform work that primarily supports a team, division, or department outside of their own.

Recommendation 8: Establish a formalized mechanism to consistently incorporate additional contributor feedback.

Multiple sources of input can increase the reliability and usefulness of performance feedback.⁴³ Research by Gartner indicates that peer feedback can boost employee performance by as much as 14%, in particular for teams that work cross-functionally.⁴⁴ Given the high number of employees who routinely perform the majority of their work for managers and peers outside of their home department, the Agency should establish a formalized mechanism to consistently incorporate additional contributor feedback.

When establishing this process, the Agency should consider:

- *Determining Additional Contributors:* Employees invited to provide performance input should have working knowledge about the employee's job and performance. Often, the relationship between an employee and their direct manager differs from their relationships with peers. Differing perspective can provide insight, but should be solicited judiciously to ensure the reviewer has appropriate contact with the employee to provide meaningful input.
- *Averaged vs. Direct Feedback:* The Agency will need to determine expectations about how additional contributor feedback is incorporated into the performance appraisal process. For example, managers should know whether they are obligated to incorporate all feedback, or simply use the feedback as additional context for their review. If all feedback is meant to be incorporated, the Agency should determine whether to average the collective ratings before reporting them to the employee. Some research has found this to be a helpful method to ensure accurate feedback.⁴⁵
- *Performance Appraisal Incorporation:* Some research has shown a decrease in the quality of multi-source performance rating when they are used for decision-making purposes.⁴⁶ Given that the Agency's performance appraisal process is used to make determinations around CPA and merit increases, the Agency should consider how to incorporate additional contributor feedback into the appraisal. Typically, peer-to-peer feedback is not tied to compensation,⁴⁷ but still provides useful insights that can be discussed during a performance appraisal meeting.
- *Content of Additional Contributor Review:* Reviewers should be encouraged to provide objective feedback that is specific about the employee's actions, behaviors, and impact to the team or project that they collaborated on. Ideally, additional contributors should provide feedback on areas that the employee's manager is unlikely exposed to on a regular basis.⁴⁸ The request should also be

⁴³ Best Practices in Incentive Compensation Bonus Administration Based on Research and Professional Advice <https://pdfs.semanticscholar.org/9b51/acc5b07de51af683d86e278cc318e96c0b8a.pdf>

⁴⁴ Peer Feedback Boosts Employee Performance <https://www.gartner.com/smarterwithgartner/peer-feedback-boosts-employee-performance/>

⁴⁵ Performance Management: A roadmap for developing, implementing and evaluating performance management systems <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Performance-Management.pdf>

⁴⁶ Greguras, G. J., Robie, C., Schleicher, D. J., & Goff, M. (2003). A field study of the effects of rating purpose on the quality of multisource ratings. *Personnel Psychology*, 56, 1-21.

⁴⁷ Peer-to-Peer Feedback: An Opportunity to Activate Employee Performance <https://www.hrbartender.com/2016/employee-engagement/peer-feedback-opportunity-activate-employee-performance/>

⁴⁸ Peer Feedback Boosts Employee Performance <https://www.gartner.com/smarterwithgartner/peer-feedback-boosts-employee-performance/>



relatively concise since managers already experience a significant burden evaluating feedback during the appraisal process.

- *Manual vs. Automated Processes:* While there are distinct advantages to collecting performance information from multiple sources, these actions do add to the overall administrative burden of the appraisal process. As such, the Agency may wish to hold off on formalizing the additional contributor process until requesting, submitting, and reviewing the information can be automated within the performance management system, UltiPro.

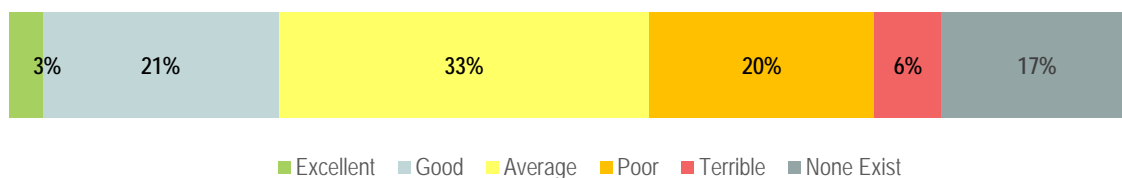
Because most employees are impacted by teamwork and collaboration, standardized additional contributor feedback would support these values.

Upstream Feedback

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| 9 | Finding | The Agency lacks formal channels to provide upstream and peer-to-peer evaluations for managers and executives, restricting opportunities for employees to provide feedback on managerial performance and contributing to the perception that there is a lack of internal accountability for high-level staff. |
| | Recommendation | Establish a formal mechanism to regularly collect anonymous upward feedback that encourages managerial development for leaders across the Agency. |

As the Agency focuses on developing a strong cohort of managers across the organization, feedback from employees is an important method to identify development areas. The Agency does not currently provide formal opportunities for employees to offer upstream feedback (feedback on the managerial strengths and weaknesses of managers). Staff reported highly inconsistent perceptions of their ability to discuss issues with their direct manager—experiences range from a completely open relationship where issues can be discussed and upstream feedback is encouraged to a traditional command-and-control culture where upstream feedback is actively discouraged. In the employee Performance Management Survey, only 24% of respondents reported that opportunities to provide upstream feedback were excellent or good.

HOW WOULD YOU RATE THE OPPORTUNITIES YOU HAVE TO PROVIDE UPSTREAM FEEDBACK AND EVALUATIONS?





Currently, the only formal mechanism to provide feedback on management effectiveness is the annual Employee Engagement Survey. HR reports that this tool has been useful to identify individual managers in need of additional development support and coaching. However, several interviewed staff reported that the survey may not necessarily reflect accurate information about manager performance, as some staff have been discouraged to share candid information. For example, while survey results are generally anonymized, some staff reported that their managers attempted to identify which employees provided which responses, perpetuating a culture of fear among some teams. While this experience is likely not widespread across the organization—over 84% of Employee Engagement Survey respondents noted that they trust their manager—it is important context as managers with performance issues are potentially the most likely to discourage staff from providing candid feedback.

Upstream feedback is a valuable tool in evaluating management's strengths and weaknesses at an organization-wide and individual level. This information should be candidly provided to best serve the Agency and all of its employees.

Recommendation 9: Establish a formal mechanism to regularly collect anonymous upstream feedback that encourage managerial development for leaders across the organization.

Upstream feedback is a useful tool to help leaders view their own skills accurately and improve their behavior as managers^{49, 50} as well as providing the obvious benefits of helping to identify managers in need of support. By bringing together the perspectives of direct reports, managers are able to understand their development areas and better support their teams, which in turn improves organizational effectiveness.

The Agency should establish a formal mechanism to regularly collect anonymous upstream feedback for managers across the organization. One simple option would be to offer an anonymized survey to each manager's direct reports (and potentially skip level reports for higher-level managers) on an annual basis. Comments should be aggregated and summarized into themes, rather than shared as raw data (which is a method that has previously been used by the Agency) to ensure true anonymity and encourage candor. Another option that some organizations leverage is in-depth interviews conducted by an external party, which may solicit more specific feedback but also elevates costs.

To be effective, the upstream feedback loop must be confidential, respondents must be candid, and the purpose behind the process should be transparent.⁵¹ Given some employees' experiences with managers attempting to identify individuals' engagement survey responses, the handling of upstream feedback survey results should be explicit and emphasize confidentiality. Using a credible external vendor to collect feedback often reassures respondents that information can be shared safely. In addition, a critical factor in ensuring employees provide honest feedback is having their manager explicitly state that they welcome and appreciate feedback.⁵² Managers across the organization should encourage employees to provide candid feedback that will help them improve and strengthen their team. Finally, transparency behind the intent of the upstream feedback is critical to ensure employee participation and meaningful managerial

⁴⁹ An Examination of the Effects of an Upstream Feedback Program Over Time <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1744-6570.1995.tb01744.x>

⁵⁰ The Influence of Upstream Feedback on Self- and Follower Ratings of Leadership <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1744-6570.1995.tb01745.x>

⁵¹ Getting the Most Out of 360 Degree Reviews <https://hbr.org/2019/11/getting-the-most-out-of-360-degree-reviews>

⁵² The New Rules of Talent Management <https://hbr.org/2018/03/the-new-rules-of-talent-management>



responses to feedback. This includes clearly communicating how, when, and what actions will be taken based on the feedback received about managers.

As part of implementation, it is critical that managers have an understanding of how to appropriately receive and utilize upstream feedback. Often, managers receive upstream feedback and accept pieces of information as useful, questionable, or invalid.⁵³ To support meaningful change in response to this feedback, managers should discuss the results with their manager and use the information in the creation of their goals or development plan. During these discussions, managers should consider the primary takeaways from the feedback, their impact on the team, and any reactions or judgments they had in response to the information provided. Managers should identify areas that they wish to develop and what training or support they need in order to enact desired changes.⁵⁴ Overall, the plan should include actionable items that can be used to improve the development area on a regular basis. This process supports continuous growth and improvement of managerial skills, which are constantly evolving as teams and work demands shift.

Performance Management System

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| 10 | Finding | The performance management system is not user-friendly and does not accurately reflect the Agency’s processes or appraisal documentation requirements. |
| | Recommendation | Invest in an alternative performance management system that effectively supports current and anticipated business processes. |

The Agency implemented UltiPro as its performance management system in 2016. Prior to the implementation of UltiPro, the Agency conducted its performance appraisals on paper. Multiple staff noted in interviews and the Performance Management Survey that the transition from a manual to digital system was a great improvement.

However, the system was selected prior to the onboarding of most current HR staff, reportedly for its integration with the payroll system. As such, the system was not scoped to meet current needs and has a number of hardwired features that are not aligned with the HR team’s new business processes. According to both staff and the HR team, the UltiPro system has the following shortcomings:

- *User Experience:* Users reported that the system is clunky and not intuitive. In the employee Performance Management Survey, more than half of respondents (60%) reported that the performance management system is average, poor, or terrible.

⁵³ 6 Steps Leaders Can Take to Get the Most Out of Feedback <https://hbr.org/2019/09/6-steps-leaders-can-take-to-get-the-most-out-of-feedback>

⁵⁴ How Leaders Can Get Honest, Productive Feedback <https://hbr.org/2019/01/how-leaders-can-get-honest-productive-feedback>



HOW WOULD YOU RATE THE IT SYSTEMS AND TOOLS THAT SUPPORT THE PERFORMANCE APPRAISAL PROCESS?



According to information gathered in interviews, it's challenging to locate how to edit items or where to find specific sections. Some managers also noted instances where the system restarted while they were writing an employee's performance appraisal, which resulted in lost data. As a result, some managers reported writing appraisals in a Word document and subsequently transferring the narrative into UltiPro.

- **Customization:** The system has many hard-wired features that prohibit basic edits to the performance appraisal form and submission process. Staff noted a wide range of examples, including:
 - The Agency instructed employees to provide ratings for each value and provide an overall summary; however, there were narrative boxes available for each value that could not be removed. As a result, some employees provided narrative for each value, increasing the overall workload for the performance appraisals.
 - Previous Agency strategic goals that were entered into the system cannot be deleted from the dropdown menus within UltiPro, causing staff confusion and errors when selecting appropriate strategic goals. In 2018, the system contained 187 goals aligned to previous organizational strategic goals. In response, the HR Business Partners must reach out to employees individually to have them change their goal alignment to current strategic goals.
 - The sign-off process is currently structured to require an additional and unnecessary final sign-off by both the employee and their manager. Often, HR must follow up with individuals who have not completed a sign-off because they believed they had completed the process.
- **Lack of Support for Current and Planned Business Processes:** The system lacks other features that would align with and support the HR team's current business processes. For example, there is no option within the system to collect information gathered during the calibration sessions or peer-to-peer feedback. Another major issue noted was the system's inability to handle form management. For instance, once a manager enters performance appraisal ratings and comments, the form must be sent to their HR Business Partner for review. This submission and review process is currently handled entirely through email, which is highly inefficient for the HR Business Partners and managers. In addition, as the Agency moves forward with implementing a full cascading goal structure, the system is not designed to support this type of structure (for example, it cannot auto populate new goals).
- **Reporting:** HR staff reported several shortcomings from an audit and reporting perspective. To get information out of the system and compile it in a meaningful way, HR staff have to extract raw data and manually manipulate it. This results in additional staff resources spent on collecting information, identifying employees who have not completed a task, and manually following up in emails to support compliance. Reporting within the system is also burdensome, since management dashboards are not readily available.



The system’s limitations are ultimately creating higher workloads for staff across the organization. In addition, it creates a perception that the performance appraisal process itself is not streamlined or efficient—which can be an additional barrier to meaningful staff participation.

Recommendation 10: Invest in an alternative performance management system that effectively supports current and anticipated business processes.

The HR Department hopes to explore an alternative performance management system within the next several years, pending progress on other areas of work. The Agency should support and invest resources in this area since multiple benefits can be gained from implementing a performance management system that effectively supports current and anticipated business processes. Most notably, staff anticipate the following improvements:

- Decreased management time spent on manual and task-related elements of the performance appraisal process, which ideally will free up time for the more important elements of performance management such as in-person conversations
- Improved staff satisfaction around the ease of use of the system
- Improved reporting capacity to help guide decision-making within HR and across the Agency

The Agency’s current Learning Management System (LMS), Cornerstone, has two accompanying modules available for performance management and succession planning. The integration of an employee’s learning and development plan, performance management, and succession planning would support many of the recommendations included in this report, in addition to aligning with best practices. This would be a potential solution that is relatively low-cost and easy to implement.

C. REWARDS, RECOGNITION, AND ACCOUNTABILITY

Opportunities for Rewards and Recognitions

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| 11 | Finding | Opportunities to reward and recognize employees are largely manager-dependent, resulting in inconsistencies across teams. Most employees report that the Agency could better use rewards and recognition to motivate performance. |
| | Recommendation | Continue efforts to establish a programmatic approach for Agency rewards and recognition. |

Extrinsic employee rewards and recognition supports retention of high-performing employees and encourages elevated performance. In accordance with industry standards, the Agency developed some formal opportunities to reward and recognize employees across the organization, including:

- Values in Practice (VIP) award
- Annual CPA bonus
- Annual merit increases
- Recently renovated tenure-based service award program



In addition, staff reported a range of informal methods that managers use for rewards and recognition. These include:

- Flexible work schedules
- Work-from-home options
- Additional time off
- Team events and lunches
- Stretch assignments
- Special team-specific awards

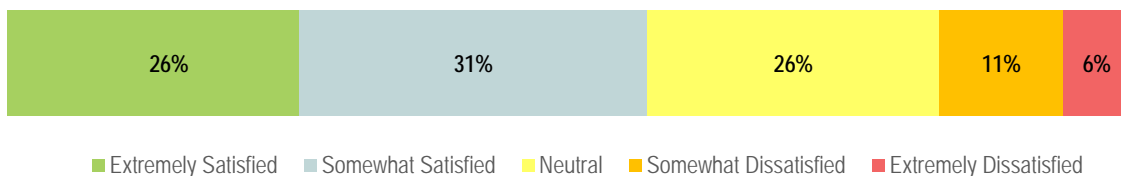
However, the Agency has not yet established a comprehensive strategy to its rewards and recognition efforts. Within this context, staff reported that rewards and recognition are often highly dependent on individual managers. For example, as team lunches are not an approved budgetary expense within the organization (likely on account of its status as a public agency), some individual managers take it upon themselves to pay for these types of experiences while others are not able to provide their teams with this benefit. As a result, staff reported in interviews and the Performance Management Survey that the employee experience of rewards and recognitions varies widely across the organization.

In the employee Performance Management Survey, only 20% of employees reported that the Agency uses rewards and recognition extremely or very well to motivate employees. Additionally, approximately half of employees (49%) were not satisfied with the recognition received for their work.

HOW WELL DOES SOUND TRANSIT USE REWARDS AND RECOGNITION TO MOTIVE EMPLOYEES? (EXAMPLES INCLUDE PROMOTIONS, PAY, AND NON-MONETARY REWARDS)



HOW SATISFIED ARE YOU WITH THE TYPE OF RECOGNITION YOU RECEIVE FOR THE WORK YOU DO?



A key factor here may be a mismatch between what managers are able to offer employees and what employees find most meaningful. For example, Performance Management Survey respondents who are managers reported that providing continuous feedback, internal growth opportunities, and assigning



stretch/challenge assignments were the most commonly used strategies to motivate high-performing employees. Conversely, employees across the organization that their top three motivating factors are compensation, internal growth opportunities, and promotions.

In addition, public sector organizations—especially those functioning in a highly politicized environment like the Agency—have specific challenges in terms of administering employee rewards. There can be a high level of scrutiny and regulatory restrictions around discretionary spending, which limits the range of reward and recognition opportunities the Agency can responsibly utilize.

The HR Department has been actively working to improve the rewards and recognition infrastructure at the Agency. For example, with the newly revamped service award program, HR has established a platform that it hopes will provide useful data about employee utilization and interest in specific rewards. The intention is that this new platform is the first step to develop a broader recognition program focused on in-the-moment rewards.

Recommendation 11: Continue efforts to establish a programmatic approach for Agency rewards and recognition.

The HR Department should continue efforts to establish a programmatic approach to employee rewards and recognition. When establishing the program, the Department should consider:

- *Developing Goals, Objectives, and Evaluation Criteria:* In alignment with evidence-based best practices, the Agency should define specific goals and objectives for its reward and recognition program that are based in the organization's values and aligned to support strategic priorities.⁵⁵ The program should also have fully established evaluation criteria, so that the Agency can perform a full evaluation of the program within one to three years of its implementation. The Agency may wish to follow a method like the Evidence-Based Rewards Management (EBRM) framework.⁵⁶ This work should be done in sequence with the performance reward structure recommendation (Recommendation #12).
- *Providing Additional Structure for Rewards and Recognition Opportunities:* In interviews and survey responses, managers expressed a strong interest in better understanding the array of available opportunities to reward and recognize their direct reports. For example, there was particular interest noted in the interviews about additional options for on-the-spot recognitions. However, managers expressed concerns around how to administer that type of reward in an equitable manner. Some staff also expressed concerns around how some opportunities—like flex schedules—were not consistently offered to employees across the organization. As part of formalizing the rewards and recognition program, it would be helpful to provide additional structure and training around what managers are able and expected to provide. Identifying what motivates employees may also serve as a useful training topic for the management development program (Recommendation #3). The HR Department reports that this training is being developed and should be rolled out to managers in 2020.
- *Working in Partnership with Staff:* The HR Department should continue their efforts to work closely with staff around what rewards and recognition would be most useful and meaningful, while still adhering to the requirement of using taxpayer dollars responsibly as a publicly-funded agency. Ideally, tools like the annual Employee Engagement Survey would be used to actively solicit input and feedback on potential or recent changes.

⁵⁵ Best Practices in Incentive Compensation Bonus Administration Based on Research and Professional Advice <https://pdfs.semanticscholar.org/9b51/acc5b07de51af683d86e278cc318e96c0b8a.pdf>

⁵⁶ Increasing the effectiveness of reward management <https://www.employment-studies.co.uk/system/files/resources/files/hrp6.pdf>



Performance Reward Structure

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| 12 | Finding | Staff report that the Contribution and Performance Award (CPA) structure is not an effective tool to encourage strong performance for most employees. |
| | Recommendation | Evaluate the effectiveness of the CPA and consider potential alternatives. |

Effective performance awards should be structured to motivate employees and encourage above-average performance. While there has been some debate as to the effectiveness of performance-related pay,⁵⁷ research indicates that financial incentives are positively associated with job satisfaction, organizational commitment, and trust in management.⁵⁸

The Agency currently uses two types of performance-related pay: annual merit increases where the employee's overall performance rating is tied to a percentage increase in their base pay, and the CPA, which is offered as a lump sum. When establishing this structure, the Agency followed many best practices, including linking the pay incentives directly to the performance ratings, which are based on personal behaviors and competencies, as well as goal results.⁵⁹

However, staff reported that the CPA structure does not provide strong encouragement to perform at a high level for two primary reasons. First, the award is a lump sum, so employees report valuing the amount differently depending on their base pay. Specifically, highly-paid employees note that the lump sum amount is generally too small to have a motivating influence. Second, the difference between CPA lump sums for each performance rating is fairly nominal—with a \$1,000 difference between each rating.

Recommendation 12: Evaluate the effectiveness of the CPA and consider potential alternatives.

Given that the CPA is a significant financial investment for the organization, the HR Department should evaluate the effectiveness of the CPA in achieving Agency goals around rewards and recognition, which may be articulated or shifted through work related to Finding #11. The HR Department has included this analysis on its 2020 work plan. As part of this process, the Department should consider potential alternatives to the current structure. Options may include:

- *Increase CPA Differentiation:* The Agency could choose to increase the differentiation between the highest and lowest CPA rates—potentially eliminating CPA for the Needs Improvement category and raising the amounts for the higher levels of performance. This option would likely involve additional financial investment, but could address one of the concerns raised by staff.
- *Repurpose the CPA:* If the CPA is not effectively driving performance for the majority of staff (thus, presumably not meeting the Agency's goal for this tool), the Agency could re-allocate these funds.

⁵⁷ The effects of monetary incentives on effort and task performance: theories, evidence, and a framework for research <https://www.marshall.usc.edu/sites/default/files/sbonner/intellcont/BonnerSprinkle2001-1.pdf> and Pervasive negative effects of rewards on intrinsic motivation: The myth continues <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2731358/>

⁵⁸ Research: How Incentive Pay Affects Employee Engagement, Satisfaction, and Trust <https://hbr.org/2017/03/research-how-incentive-pay-affects-employee-engagement-satisfaction-and-trust>

⁵⁹ Best Practices in Incentive Compensation Bonus Administration Based on Research and Professional Advice <https://pdfs.semanticscholar.org/9b51/acc5b07de51af683d86e278cc318e96c0b8a.pdf>



For example, the funds could be used for more on-the-spot incentives (including extra time off or small incentives), which may be a more effective tool to increase performance, as some research shows that the closer the compensation is received to the act of strong performance, the more effective it becomes.

- *Review the Total Rewards Package:* If the outcome of Finding #11 leads to an examination of other aspects of the rewards package, like the merit reward, then any alterations to the CPA should be considered as part of the broader changes. Some of this work has already occurred at the Agency as it works to enhance its total rewards package to drive performance.
- *Retain the Status Quo:* If the primarily goal of the CPA is something other than motivating performance (for example, the primary goal could be to retain employees), it may be an effective tool to reach that objective. If so, the Agency should explore whether the CPA is effectively meeting alternative goals and, if so, retain the current structure.

As compensation can be highly sensitive topic, the HR Department and Agency leadership should be extremely thoughtful to ensure that staff are brought into the decision-making process to share feedback and ask questions at appropriate times. This aligns with the ongoing work the HR Department has been conducting to increase transparency with respect to compensation processes.

Progressive Discipline

| | | |
|-----------|-----------------------|---|
| 13 | Finding | The Agency lacks a progressive discipline policy, which contributes to inconsistent and sometimes ineffective employee accountability. |
| | Recommendation | Develop and implement an Agency-wide progressive discipline procedure to support managers in effectively navigating personnel issues, provide transparency on Agency disciplinary practices, and establish a framework to consistently hold employees accountable. |

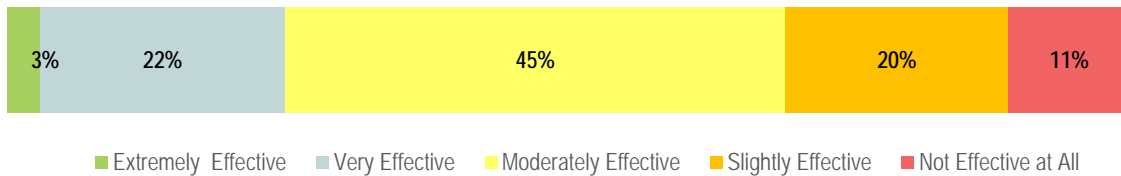
When applied consistently, employee accountability and progressive discipline can significantly contribute to positive employee morale.⁶⁰

Within the Agency, a common concern across interviews and Performance Management Survey results was a perception that accountability was inconsistently applied. In the Performance Management Survey, only one-quarter of employees (25%) reported that the Agency is effective in holding employees accountable for their performance (45% reported moderate effectiveness, and 31% reported slight or total ineffectiveness).

⁶⁰ A positive look at progressive discipline <https://www.ncbi.nlm.nih.gov/pubmed/11556549> and Power Sharing in Progressive Discipline <https://pdfs.semanticscholar.org/f3a1/26ccf67e60215e5a4dd6f2aaba39aca885af.pdf>



HOW EFFECTIVE IS SOUND TRANSIT IN HOLDING EMPLOYEES ACCOUNTABLE FOR THEIR PERFORMANCE?



Staff reported that whether or not progressive discipline is applied is highly dependent on the individual manager (see Finding #3).

To be effective, progressive discipline processes need to be well understood and leveraged by management. Most managers (79%) responded that they were at least moderately prepared to manage an employee who is not meeting expectations. However, around one-quarter of the managers (26%) noted they felt only a little or not at all prepared to manage a low-performer.

HOW PREPARED DO YOU FEEL TO MANAGE AN EMPLOYEE WHO IS NOT MEETING EXPECTATIONS?



This suggests there are additional opportunities to continue building management skills that support employee accountability. In particular, some managers in interviews reported uncertainty around when and how to place an employee on a Performance Improvement Plan (PIP). The general perception is that this is a difficult process that requires significant time and effort. As a result, staff report that low performers are sometimes transferred to other departments, enabling employee issues to perpetuate across the Agency.

In the absence of a progressive discipline policy or procedure, managers are not well-equipped to effectively manage poor performers. Progressive discipline can provide structure, transparency, and clarity while also being oriented toward due process with a focus on coaching employees to improve performance. Progressive discipline policies provide structure and guidance to managers in navigating performance issues, while also demonstrating transparency to the employee on how disciplinary issues are handled. Both agencies that participated in peer benchmarking had progressive discipline policies for unionized and non-unionized employees.

As noted previously, the Agency is going through a process of redefining high-level performance as encompassing *how* employees conduct their work, rather than just focusing on technical skills and the quality of the end product. Under this broader definition, the Agency has made efforts in the last several



years to take increased action to manage poor performers. Staff report this was one of the goals behind the implementation of the HR Business Partner model, which supports accountability by building ongoing relationships with management. The HR Department has also provided increased training around emotional intelligence and management topics like how to have difficult conversations. There is some initial evidence that these efforts are having a positive effect. For example, in 2018, six employees were terminated at the Agency—which is a six-fold increase from the prior two years. In 2019, 16 employees were terminated, demonstrating an additional increase. However, as these efforts have been implemented relatively recently, the full impact may not yet have been felt across the organization.

Recommendation 13: Develop and implement an Agency-wide progressive discipline procedure to support managers in effectively navigating personnel issues, provide transparency on Agency disciplinary practices, and establish a framework to consistently hold employees accountable.

The Agency presently lacks a progressive discipline policy or procedure, which has contributed to confusion among managers in effectively dealing with employees who are not performing or behaving according to expectations. Progressive discipline uses graduated steps for dealing with performance or conduct concerns, with the goal of helping employees resolve these issues in their early stages.⁶¹ By establishing progressive discipline in a procedure that applies to all non-unionized employees, the program is clear, consistent, and fair. While some organizations question the efficacy of these programs in an at-will environment, a well-defined procedure can help build a non-discriminatory and non-retaliatory basis for termination or other employment actions.⁶²

Progressive discipline procedures cannot anticipate every unique situation that may arise, but can and should be designed to have flexibility so that the discipline is appropriate for the breach of conduct. The typical steps in a progressive discipline program are a verbal warning, written warning, and final warning, and recommendation for termination.⁶³ However, there are cases where it may be more appropriate for an employee to be terminated on spot, which can also be outlined in Agency-wide guidance. For example, immediate termination may result due to:⁶⁴

- Fighting
- Assault
- Theft of any kind
- Serious insubordination
- Dishonesty
- Willful destruction of property
- Being under the influence of drugs or alcohol
- Falsification of records
- Sexual harassment

⁶¹ How to Use a Progressive Discipline System <https://www.shrm.org/resourcesandtools/tools-and-samples/how-to-guides/pages/how-to-use-a-progressive-discipline-system.aspx>

⁶² Designing a Progressive Discipline Policy <https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/designingaprogressive.aspx>

⁶³ Progressive Discipline Policy <https://www.shrm.org/resourcesandtools/tools-and-samples/policies/pages/progressivedisciplinepolicy.aspx>

⁶⁴ When to Skip Progressive Discipline <https://www.shrm.org/resourcesandtools/legal-and-compliance/employment-law/pages/when-to-skip-progressive-discipline.aspx>



- Illegal activity

Organizations risk liability when a worker who has engaged in severe misconduct remains employed.

Because Washington is an employment-at-will state, the procedure may also state that the Agency may deviate from its progressive discipline policy and leverage whatever form of discipline is appropriate under the circumstances, including termination. The progressive discipline procedure should not limit or alter the at-will employment relationship and may clarify that it is used for guidance only.⁶⁵ The merits of each individual situation should be evaluated by the employee’s manager and HR Business Partner in order to find the most appropriate solution.

Overall, the progressive discipline procedure should give an employee notice that performance is not meeting expectations and needs improvement, opportunities to improve job performance, and information concerning what to expect if performance does not improve. A clear and consistent progressive discipline program is a useful tool for retaining good employees and for fairly terminating those who fail to meet employment standards.⁶⁶ To be effective, supervisors need to be trained on the procedure and apply it consistently in partnership with their HR Business Partner.

D. EMPLOYEE DEVELOPMENT

Career Growth

| | | |
|-----------|-----------------------|--|
| 14 | Finding | Due to its historically smaller size, the Agency lacks clearly defined career ladders and consistent opportunities for employees to participate in development activities like stretch assignments. |
| | Recommendation | Continue efforts to proactively expand and clarify career development opportunities within the organization. |

Clear career paths support effective performance management by providing employees with goals to strive towards and opportunities to advance when excelling in their roles. As noted previously, staff report that the Agency has historically hired experienced employees who did not require as much development or have as many expectations for promotion. As the Agency has grown and begun hiring a significantly higher proportion of employees at a variety of experience levels, career growth has become an area of focus.

To its benefit, the Agency tends to hire hard-working and ambitious staff who are eager to advance their career. However, the Agency is not currently designed to provide linear career ladders for many of its positions. As a result, staff report that employees often have to move to a different department or leave the organization entirely in order to advance, which can present continuity and employee morale issues.

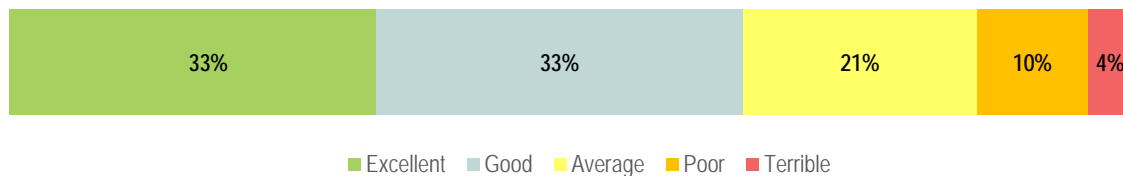
⁶⁵ The Traditional Progressive Discipline Paradigm <https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/the-traditional-progressive-discipline-paradigm.aspx>

⁶⁶ A 4-Step Approach to Progressive Discipline <http://mrsc.org/Home/Stay-Informed/MRSC-Insight/October/A-4-Step-Approach-to-Progressive-Discipline.aspx>



Depending on their department and field of expertise, staff report a range of experiences related to career opportunities. In the Performance Management Survey, the significant majority of employees (66%) reported that they receive good or excellent support in pursuing growth and development opportunities within the Agency.

HOW WOULD YOU RATE THE SUPPORT YOU RECEIVE FROM YOUR SUPERVISOR IN YOUR PURSUIT OF GROWTH AND DEVELOPMENT OPPORTUNITIES?



Likewise, within the most recent Employee Engagement Survey, 58.3% of respondents agreed or strongly agreed that they have career opportunities at the Agency, but 19.1% of survey respondents reported that career development opportunities would most improve their job satisfaction. In addition, staff report that a recent analysis of exit interviews noted a lack of career development opportunities as a major contributing factor in resignations. Finally, the Agency promoted 9.7% of its workforce in 2019. Taken as a whole, these data points suggest that while a lack of career opportunities may not be a major pain point for the majority of staff at the Agency, it is impacting a minority of employees who may be high-performers and/or filling critical operational roles.

Multiple managers reported some degree of confusion or frustration around what options they had to support their employee's career development goals. In particular, there was a strong lack of clarity around the processes and decision-making criteria to create new positions, reclassify current positions, or offer promotions. In addition, internal service departments reported specific challenges around identifying appropriate career development pathways for their staff that simultaneously supported the organization's goals and helped staff members stay up-to-date and relevant within their particular industry (whether IT, legal, marketing, etc.). One common fear heard across the Agency was the need to continue completing routine work despite the desire to perform higher-level tasks.

Recommendation 14: Continue efforts to proactively expand and clarify career development opportunities within the organization.

When employees believe that their employer cares around their growth and development, they are more likely to be positively engaged with their work.⁶⁷ Career development paths provide employees with targets for skill and knowledge development that benefits their professional growth and their employer's objectives. As managers noted, competition for highly qualified staff in the industry and local Seattle area is elevated. Career path planning serves as one effective tool to support employee recruitment and retention. The role of the Agency should be to provide tools that assist employees in enhancing their professional options within the organization, including training and stretch assignments. Managers are

⁶⁷ Developing Employee Career Paths and Ladders <https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/developingemployeecareerpathsandladders.aspx>



also responsible to guiding employee development using available organizational resources and opportunities.⁶⁸

The Agency’s HR Department has several ongoing and planned initiatives to proactively address career development within the organization. First, the Design for Growth initiative may present some solutions related to clearer career ladders as departments and positions are realigned. Second, the HR Department plans to develop a comprehensive map of internal career ladders and lattices to support employees in charting their own paths. In addition, the HR Department is planning to offer additional support—including career counseling sessions for employees who want to discuss their options, an internal career fair where employees can learn about other jobs that are available throughout the organization, and Internal Mobility Guidelines which are currently posted on the Hub Webpage.

As the Agency continues this work, several themes from the staff interviews and Performance Management Survey may help inform this effort:

- *Account for Department Differences:* In interviews, staff stressed that the career development landscape can be fundamentally different depending on the employee’s area of expertise. As the HR Department works to provide additional support and tools in this area, it may be helpful to identify key differences between department/field types and consider how those may be accounted for and addressed throughout their work.
- *Clarify Processes:* Based on manager interviews, it may be helpful to provide clearer information around the processes and decision-making criteria to create new positions, reclassify current positions, or offer promotions.
- *Provide Portfolio of Options:* Given that promotions are not always a feasible career development option, managers and staff should be encouraged to think more broadly about what career development can encompass. To support this work, it may be helpful to develop a portfolio of all the potential career development opportunity types (including promotions, stretch assignments, cross-training, skill-building, etc.) that managers and staff can reference when having career development conversations.

Employee Training

| | | |
|-----------|-----------------------|---|
| 15 | Finding | The Agency offers a robust range of internal staff trainings that are generally considered to be useful and effective. Some staff report confusion or concerns about how external trainings are awarded in terms of interdepartmental and individual fairness. |
| | Recommendation | Evaluate how external trainings are budgeted, selected, and assigned to ensure that practices are aligned with the Agency’s values of equity. |

Training is required to support employee development in both technical and social skills. Training has been shown to have a positive impact on organizational performance and culture, including job

⁶⁸ Developing Career Paths and Ladders <https://www.shrm.org/resourcesandtools/tools-and-samples/toolkits/pages/developingemployeecareerpathsandladders.aspx>



satisfaction, organizational commitment, and turnover.⁶⁹ In alignment with best practice, the HR Department's Learning and Development team has developed a robust catalogue of internal trainings. The Agency offers hundreds of sessions and courses offered throughout the year on topics ranging from safety and compliance to leadership and emotional intelligence. Within the past several years, staff report that there has been an increase in courses specifically related to both management effectiveness and diversity, equity, and inclusion.

In general, staff reported that the trainings are generally useful and effective. The only concerns noted around internal trainings were about appropriate use of staff time. Some managers expressed concerns that some employees were spending too much time in trainings that were potentially outside the scope of their role, or were unclear about the Agency's expectations for how much staff time can or should be dedicated to trainings. Employee workloads tend to be high, presenting challenges in prioritizing training attendance.

In terms of external training, each department utilizes discretionary funding to support continuing education opportunities for staff that are specific to that department's technical field. The decisions about which staff attend what trainings/conferences take place at the department level. In 2019, each department was asked to reduce discretionary spending on the following items to no more than 2% of gross salaries (which was identified to be in line with their industry benchmark) to decrease overall Agency costs. Discretionary spending included categories such as:

- Training
- Team retreats
- Dues and memberships
- Continuing education
- Travel and conferences
- Books and subscriptions

As a result, staff report that some teams' training budgets were significantly reduced, resulting in fewer opportunities to attend external trainings. In addition, some interviewed staff members had questions about whether a percentage of salary was the appropriate measure for trainings budgets—both because of the radically different training needs across different departments and because of the potential to compound equity issues for staff in fields that have historically received lower compensation. In addition, some individual contributors and middle managers reported frustration that training dollars appear to be dedicated to higher-level staff who are more removed from the day-to-day work.

Recommendation 15: Evaluate how external trainings are budgeted, selected, and assigned to ensure that practices are aligned with the Agency's value of equity.

As staff capacity allows, the Agency should evaluate how external trainings are budgeted, selected, and assigned to staff to ensure that these practices are aligned with the organizational value of equity. For example, training budgets may be developed using a different methodology than overall department budgets. Since most external trainings are advertised in advance, departments could compile training

⁶⁹ One More Reason Not to Cut Your Training Budget: The Relationship Between Training and Organizational Outcomes <https://journals.sagepub.com/doi/pdf/10.1177/009102600603500205>



plans and evaluate the budgetary requirements to attend each event. Additionally, the Agency should consider developing guidelines around who is selected to attend external trainings based on their purpose and scope. This would provide greater transparency for employee selection and provide enhanced growth opportunities for employees. This work may best be accomplished through a partnership between the HR Department and the EEO, Equity, and Inclusion Department.

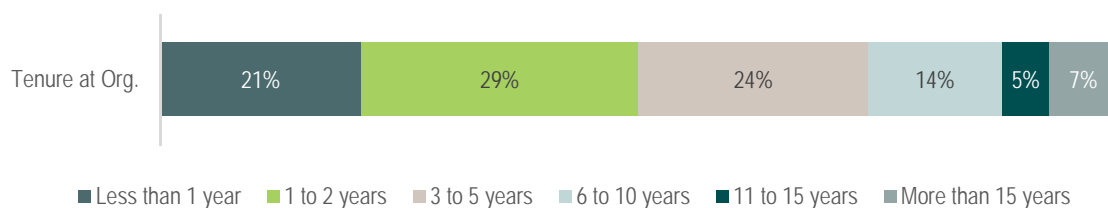


APPENDIX A: PERFORMANCE MANAGEMENT SURVEY RESULTS

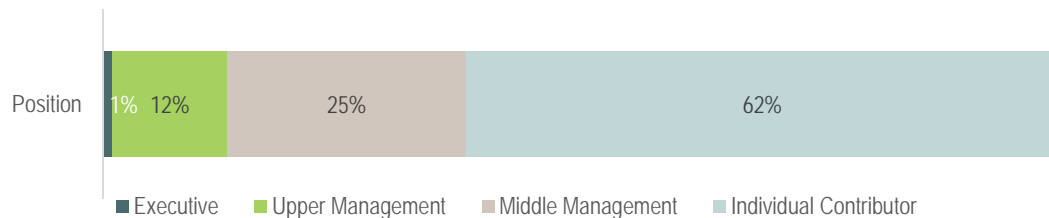
As part of our engagement, Moss Adams designed an online questionnaire and distributed to all Agency employees via the survey platform Qualtrics. Out of the 1,088 emails sent to the employee distribution list provided by the Agency, 470 individuals submitted either full or partial responses to the survey (a high participation rate of over 43%). The survey was open from November 19 to December 6, 2019.

A. SURVEY RESPONDENT PROFILE

LENGTH OF TIME YOU'VE BEEN EMPLOYED AT SOUND TRANSIT:

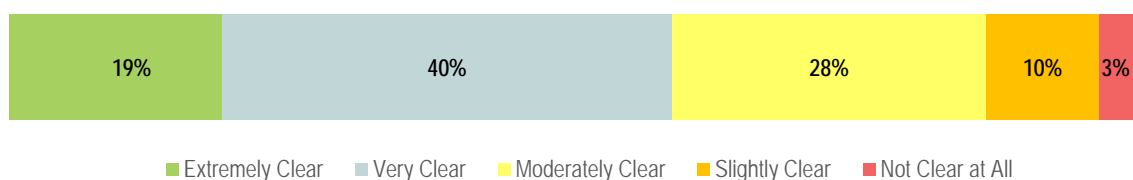


WHICH OF THE FOLLOWING BEST DESCRIBES YOUR POSITION?



B. SURVEY RESPONSES

HOW CLEAR ARE YOUR SUPERVISOR'S EXPECTATIONS FOR YOU?





HOW CLEAR ARE THE STANDARDS BY WHICH YOU ARE EVALUATED?



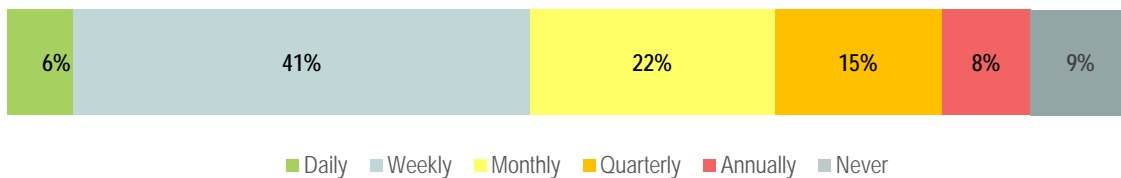
HOW ACCURATE IS YOUR JOB DESCRIPTION IN REPRESENTING YOUR DUTIES AND RESPONSIBILITIES?



HOW OFTEN DO YOU RECEIVE FORMAL FEEDBACK ON JOB PERFORMANCE?

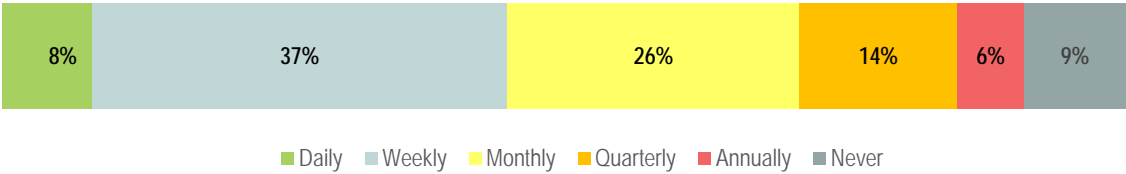


HOW OFTEN DO YOU RECEIVE INFORMAL FEEDBACK ON JOB PERFORMANCE?





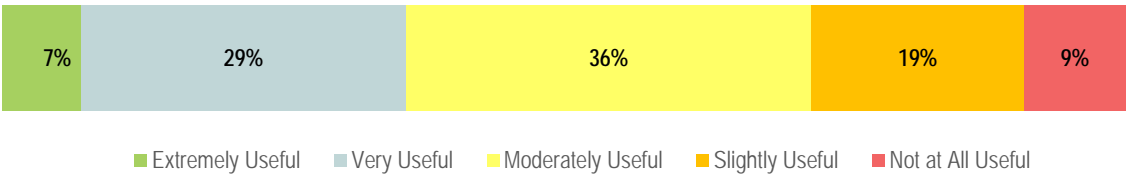
HOW OFTEN DO YOU GIVE FEEDBACK (EITHER FORMALLY OR INFORMALLY) ON JOB PERFORMANCE TO OTHERS?



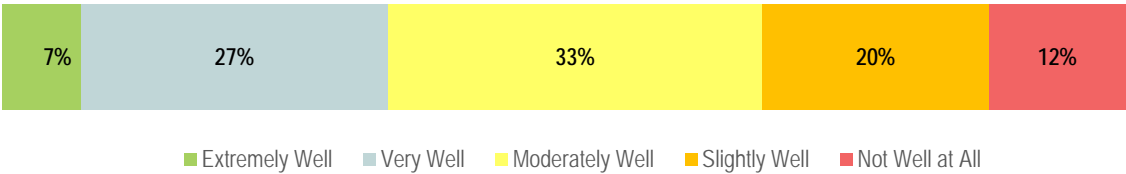
HOW FAIR WOULD YOU CONSIDER THE PERFORMANCE APPRAISAL PROCESS?



HOW WOULD YOU RATE THE USEFULNESS OF THE PERFORMANCE FEEDBACK YOU RECEIVE?

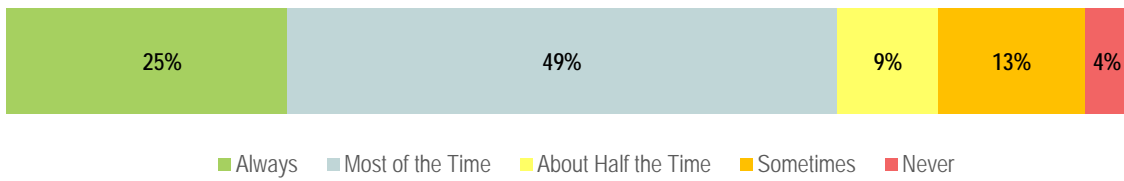


HOW WELL DO YOU UNDERSTAND THE DIFFERENT RATINGS ON THE PERFORMANCE SCALE (SUCCESSFUL-LOW, SUCCESSFUL-MEDIUM, SUCCESSFUL-HIGH, EXCELLENT, ETC.)?

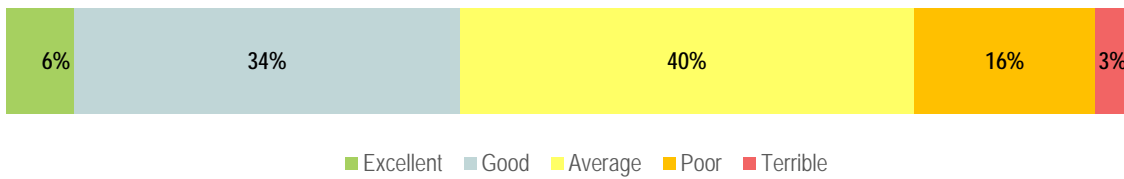




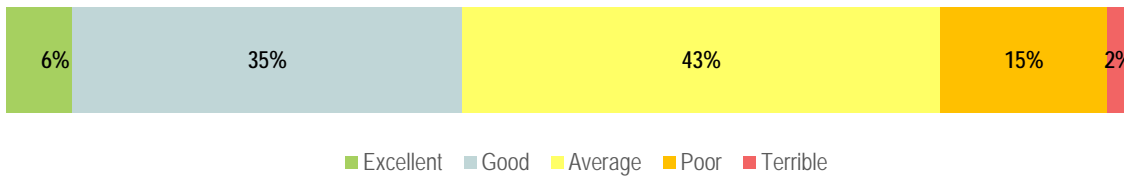
HOW OFTEN ARE PERFORMANCE APPRAISALS COMPLETED IN A TIMELY MANNER?



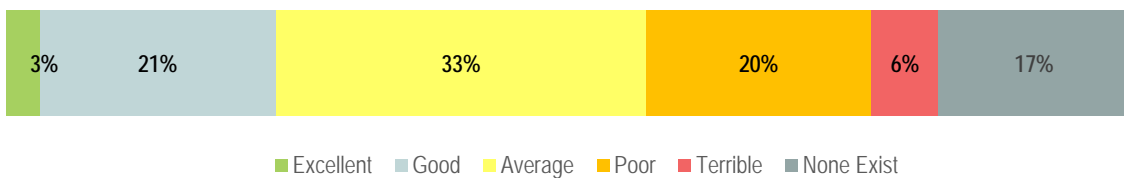
HOW WOULD YOU RATE THE IT SYSTEMS AND TOOLS THAT SUPPORT THE PERFORMANCE APPRAISAL PROCESS?



HOW WOULD YOU RATE THE TOOLS AND TRAINING SOUND TRANSIT PROVIDES TO SUPPORT PERFORMANCE APPRAISAL DISCUSSIONS?

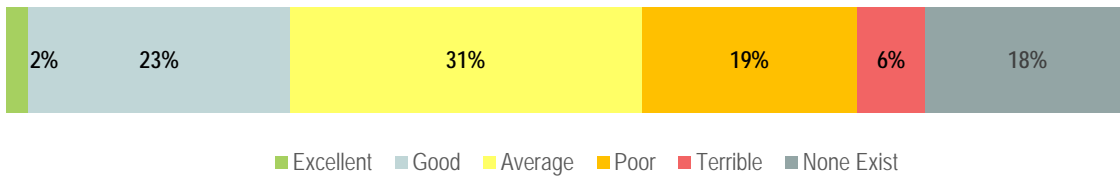


HOW WOULD YOU RATE THE OPPORTUNITIES YOU HAVE TO PROVIDE UPSTREAM FEEDBACK AND EVALUATIONS?

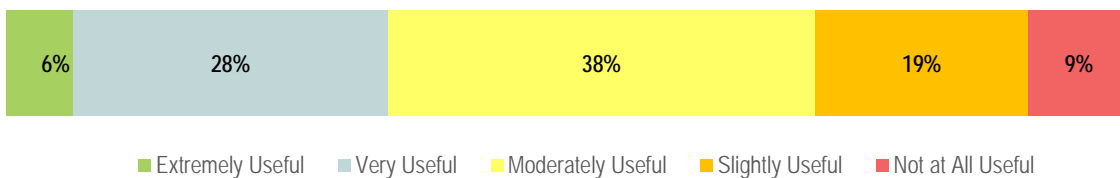




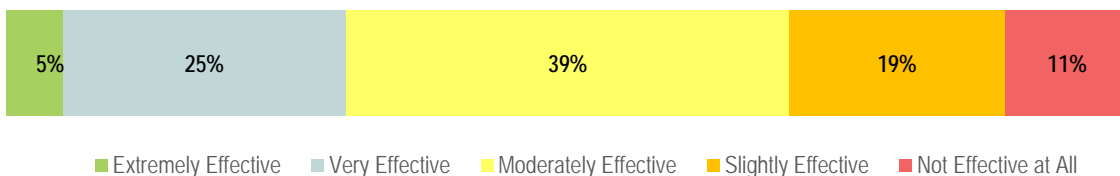
HOW WOULD YOU RATE THE OPPORTUNITIES YOU HAVE TO PROVIDE PEER-TO-PEER FEEDBACK AND EVALUATIONS?



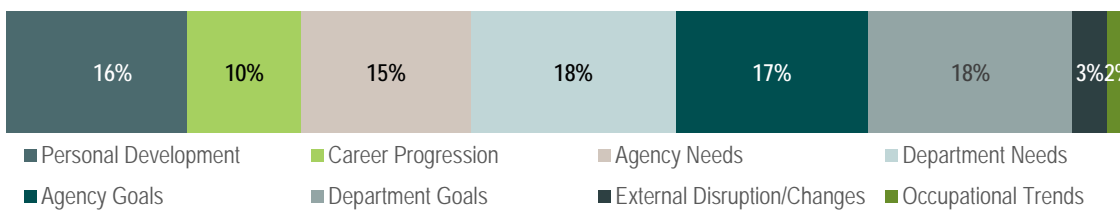
HOW WOULD YOU RATE THE USEFULNESS OF SETTING YOUR LEARNING AND DEVELOPMENT GOALS?



HOW WOULD YOU RATE THE EFFECTIVENESS OF YOUR LEARNING AND DEVELOPMENT GOALS IN HELPING YOU GROW YOUR SKILLS?

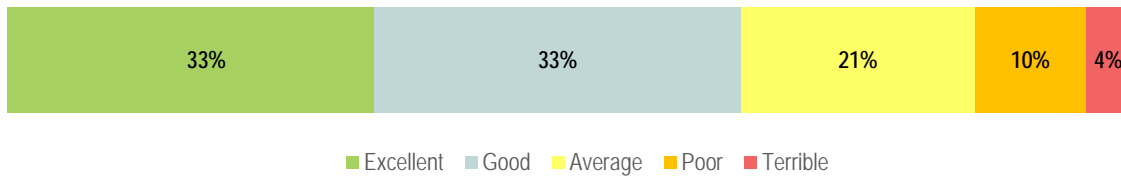


WHICH FACTORS DO YOU AND YOUR SUPERVISOR TAKE INTO CONSIDERATION WHEN SETTING YOUR GOALS?

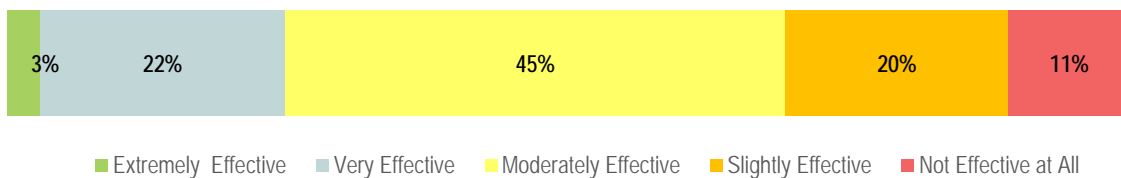




HOW WOULD YOU RATE THE SUPPORT YOU RECEIVE FROM YOUR SUPERVISOR IN YOUR PURSUIT OF GROWTH AND DEVELOPMENT OPPORTUNITIES?



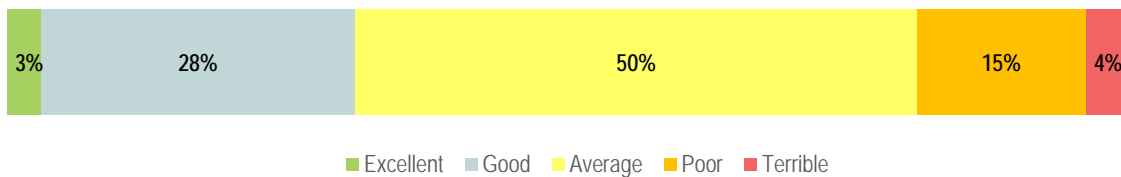
HOW EFFECTIVE IS SOUND TRANSIT IN HOLDING EMPLOYEES ACCOUNTABLE FOR THEIR PERFORMANCE?



HOW PREPARED DO YOU FEEL TO MANAGE AN EMPLOYEE WHO IS NOT MEETING EXPECTATIONS?

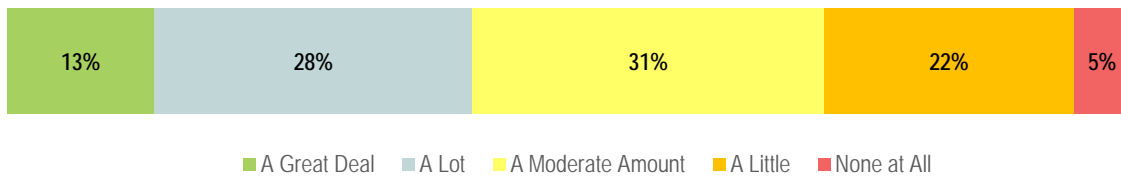


HOW WOULD YOU RATE THE TOOLS AND TRAINING SOUND TRANSIT PROVIDES TO SUPPORT MANAGERS WITH EMPLOYEE GOAL SETTING AND DEVELOPMENT?

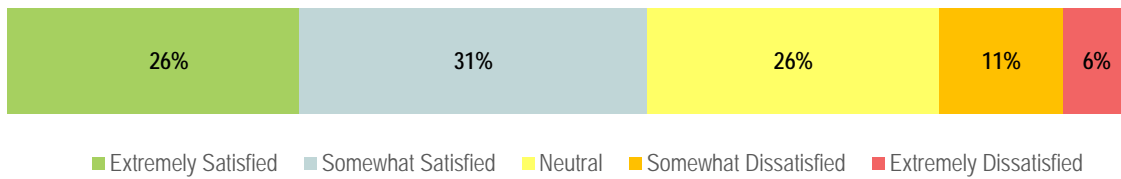




HOW MUCH RECOGNITION DO YOU RECEIVE FROM YOUR SUPERVISOR FOR THE WORK YOU DO?



HOW SATISFIED ARE YOU WITH THE TYPE OF RECOGNITION YOU RECEIVE FOR THE WORK YOU DO?

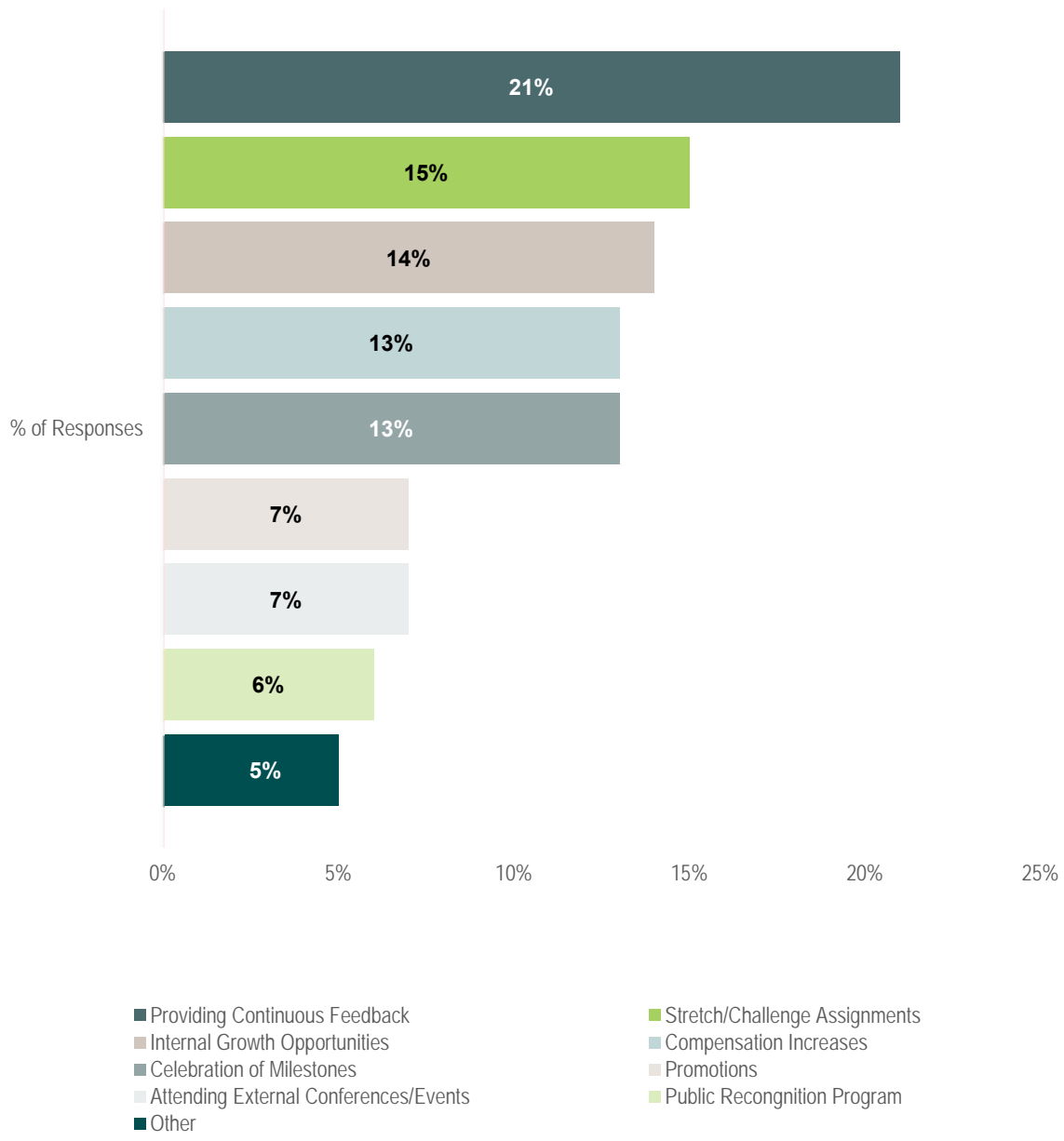


HOW WELL DOES SOUND TRANSIT USE REWARDS AND RECOGNITION TO MOTIVE EMPLOYEES? (EXAMPLES INCLUDE PROMOTIONS, PAY, AND NON-MONETARY REWARDS)



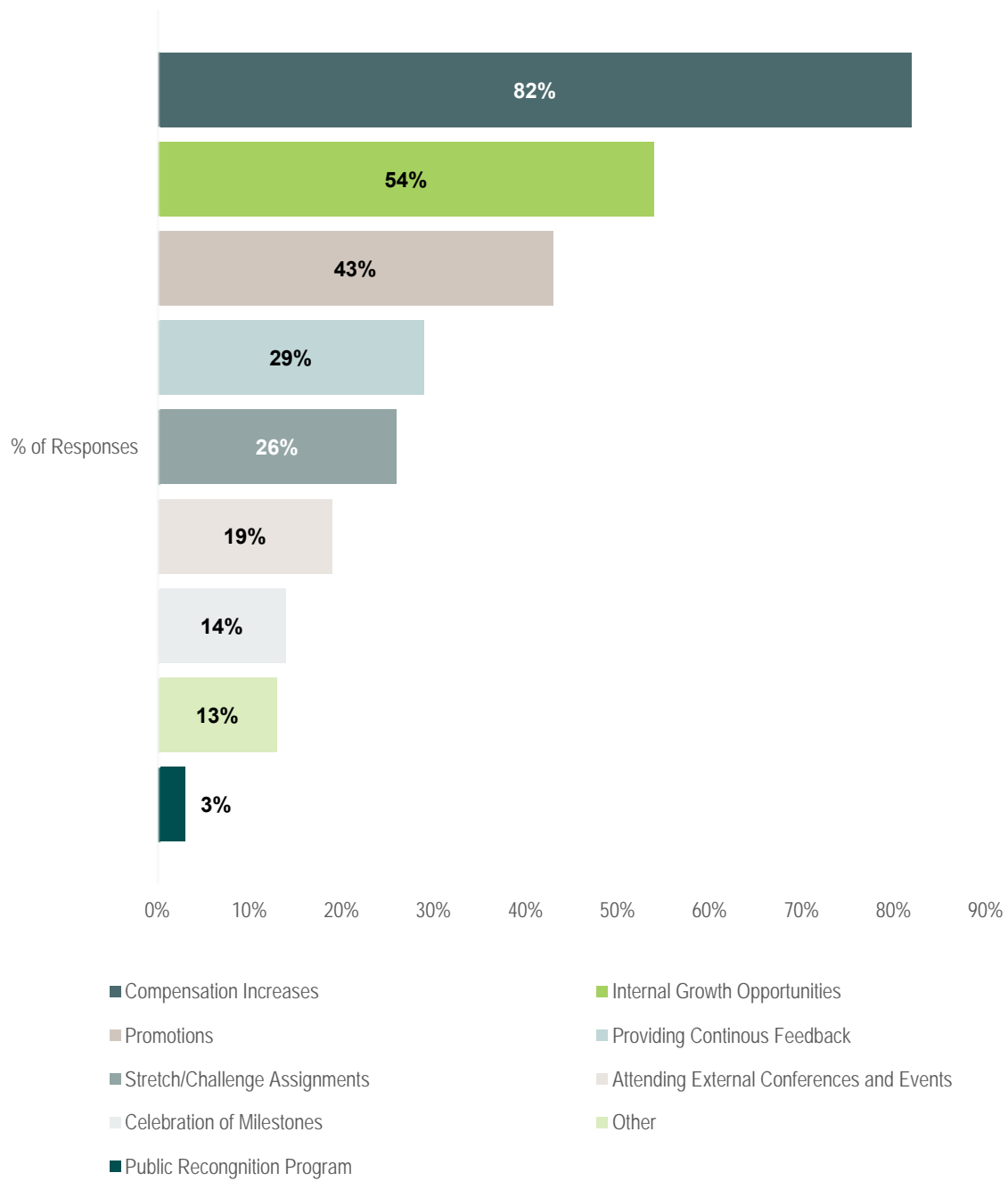


WHAT TOP THREE STRATEGIES DO YOU EMPLOY TO MOTIVATE HIGH-PERFORMING EMPLOYEES?





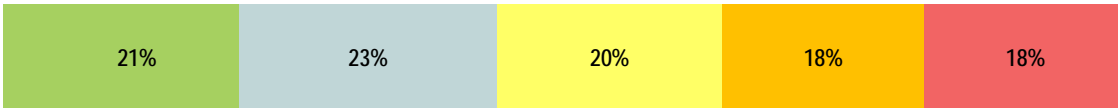
WHAT ARE YOUR TOP THREE THINGS THAT MAKE YOU FEEL THE MOST APPRECIATED AND MOTIVATED TO PERFORM YOUR JOB WELL?





OVERALL, HOW WOULD YOU RATE SOUND TRANSIT'S EMPLOYEE PERFORMANCE MANAGEMENT IN TERMS OF:

Usefulness/Meaningfulness



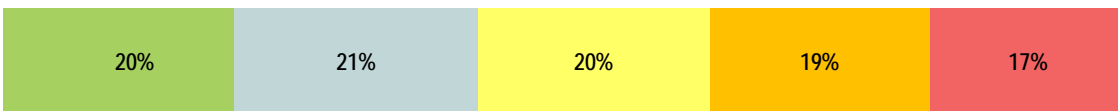
Personalization



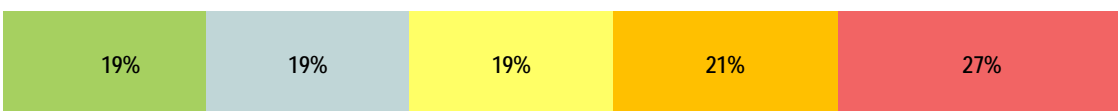
Effectiveness



Outcome Focused



Accountability



■ Excellent ■ Good ■ Average ■ Poor ■ Terrible



APPENDIX B: PEER BENCHMARKING RESULTS

Out of 12 potential participants we contacted, we received survey responses and interviewed two peer transit agencies. Because this response rate is low, the comparative results are presented below but are not heavily referenced in the report as support for any specific practice. Both of the agencies that responded to this request were based in California.

| Question | Sound Transit | Agency 1 | Agency 2 |
|--|---------------|----------|----------|
| Does your organization have a formal performance appraisal process? | Yes | Yes | Yes |
| What type of rating scale does your organization use in its performance appraisal process | 8 point | 4 point | 5 point |
| What elements are included in your organization's performance appraisal process? | | | |
| Goal Setting | Yes | Yes | Yes |
| Self-Evaluation | Yes | Yes | Yes |
| Manager Evaluation | Yes | Yes | Yes |
| Calibration | Yes | No | Yes |
| Peer-to-Peer Feedback | Yes | No | Yes |
| Upstream feedback | No | No | No |
| Mid-Year Reviews | No | Yes | No |
| Who is able to provide input on an employee's performance? | | | |
| The employee | Yes | Yes | Yes |
| The employee's manager | Yes | Yes | Yes |
| Other managers on the employee's team | Yes | Yes | Yes |
| Other managers in the employee's chain of command | Yes | No | Yes |
| How is performance feedback from other employees solicited? | | | |



| | | | | |
|--|---|-----|-----|-----|
| | Emails or conversations between the employee's manager and other managers/employees | Yes | No | Yes |
| | Through the performance appraisal system | No | No | Yes |
| | Calibration sessions | Yes | No | Yes |
| | Management meetings | No | No | Yes |
| What tools does your organization use to set employee expectations? | | | | |
| | Job descriptions | Yes | Yes | Yes |
| | Goal setting | Yes | Yes | Yes |
| | 1:1 meetings | Yes | Yes | Yes |
| | Training sessions | Yes | Yes | Yes |
| | Team meetings | Yes | No | Yes |
| Does your organization have defined, consistent manager expectations? | | | | |
| | | No | Yes | No |
| What strategies does your organization employ to encourage excellent performance? | | | | |
| | External training opportunities | No | Yes | Yes |
| | Merit increases | Yes | Yes | No |
| | Agency-wide recognition programs | Yes | Yes | Yes |
| | Stretch assignments | Yes | Yes | No |
| | Promotions | Yes | No | Yes |
| | Bonuses | Yes | No | No |
| Does your organization have formalized progressive discipline policies for unionized employees? | | | | |
| | | Yes | Yes | Yes |
| Does your organization have formalized progressive discipline policies for non-unionized employees? | | | | |
| | | No | Yes | Yes |



APPENDIX C: PERFORMANCE APPRAISAL ANALYSIS

A random sample of 24 anonymized employee performance appraisals from the 2017-18 evaluation period were analyzed for completeness, length, and quality of goals and feedback. The sample was stratified to ensure inclusion of employees at various position levels (individual contributor, manager, and director). The sample included employees from nine departments and 22 divisions. Of the original 24 requested samples, 22 samples were ultimately available (as two employees did not have performance appraisals for 2017-18, given their start date). Significant results are presented in the table below.

| | |
|--|--------|
| Percentage of appraisals fully complete (all comments and goal percentage progress included) | 32% |
| Percentage of appraisals with all comment sections complete (apart from the Final Comment, which is optional) | 73% |
| Average word count per goal description | 58.79 |
| Highest average word count per goal description | 139.2 |
| Lowest average word count per goal description | 14.2 |
| Average word count per appraisal (employees) | 1016.7 |
| Average word count per appraisal (managers) | 882.2 |
| Average word count per appraisal (combined) | 1898.9 |
| Highest word count (total appraisal) | 5606.0 |
| Lowest word count (total appraisal) | 705.0 |
| Average number of goals | 5.3 |
| Percentage of goals with specific performance measurement identified | 80% |
| Percentage of appraisals with development feedback (needs improvement rating/comment and/or at least one constructive feedback comment in the narrative) | 36% |



APPENDIX D: MANAGEMENT RESPONSE

MEMO



March 3, 2020

TO: Moss Adams LLP

FROM: Julie Honeywell
Chief Human Resources Officer

SUBJECT: Management Response to Workforce Performance Management Performance Audit

Sound Transit would like to thank Moss Adams for their thorough audit of our current Workforce Performance Management Process. We appreciate the team's thoughtfulness and partnership in performing an independent review of our process against best industry practice.

It was informative to learn where improvements in the process are starting to make an impact and what elements need further refinement and/or implementation.

The HR department has already created action plans for many Moss Adams recommendations to be implemented in our next performance cycle, such as simplification of performance ratings and developing a new manager onboarding program. We will also continue to discuss other recommendations to implement over the next 1 – 3 years as we work to improve the efficiency and efficacy of the program.

We look forward to reporting progress on the recommended process improvements in the future.



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