

### Pay-for-Performance: Compensation Tied to Key Results

PCCLD has been working to focus on Key Results and Pay-for-Performance. This includes work with Don Tanner and the Partners in Leadership company and Paula Singer and the Singer Group.

As a result, PCCLD is emphasizing three Key Results: Circulation, Visits, and Program Attendance. This is being done in the belief that PCCLD's delivery on these results will sustain our organization's health, well-being, strength, viability, growth and success.

PCCLD's Key Results outcomes in 2012 were:

- Circulation: 1,808,956
- Visits: 1,040,546
- Program Participation: 112,371

Considering 2012 the baseline for the Key Results moving forward, we can assume that as these numbers increase, we improve in our mission to provide the best possible public library service to our community.

The five-year average 2008-2012 in annual growth for each of the Key Results is:

- Circulation: +9.8%
- Visits: +4.5%
- Program Participation: +14.5%

A fourth Key Result is "Digital Use" in recognition of the value of computer use and online library resources in meeting library mission. In 2012, Digital Use was 689,827.

These Key Results should be clearly understood by every employee in the organization. They also should guide every employee's daily decisions regarding work priorities—what work to stop doing, what work to start doing, and what work to improve.

By focusing our organization on these Key Results, we will be able to reach levels of accountability and alignment that are substantially higher than where we are right now.

This means rewarding individuals who demonstrate progress toward Key Results. By doing so, we create a culture that incentivizes employees to do what really counts at PCCLD. We are better able to recognize good work and encourage responsibility and accountability among staff. To this end, PCCLD is

enacting a Pay-for-Performance model to better link results with compensation and the best possible library service for our community.<sup>1</sup>

Pay-for-Performance is a simple concept that can have great impact in driving our organization to better Key Results. Rewarding top performers more highly than others has many obvious advantages. The most important is to improve staff performance while helping our organization improve Key Results.

Scholars and Human Resources experts note psychological theories that support the use of pay as a reward. These include explanations that people respond to rewards by driving themselves further, they work harder when they expect to be able to buy the things that make them happy, and they expect to be paid proportionate to their contribution and expertise. These human-behavior traits suggest that Pay-for-Performance improves satisfaction, rewards performance, attracts and retains talent, and aligns pay with meeting goals tied to Key Results.

We can connect compensation to performance as measured by Key Results. But for Pay-for-Performance to work well depends upon a sound appraisal system. This starts with basing individual employee compensation on SMART goals established with Key Results in mind.

SMART goals are Specific, Measurable, Attainable, Relevant, and Time-bound. Establishing SMART goals tied to Key Results will help employees understand specific expectations in their individual jobs. It also will differentiate strong and distinguished performance from satisfactory or, even, unacceptable work.

Here's an example. At the Administration (START) level, each employee's goals will be tied directly to the Key Results. However, the focus can vary. For instance, more could be expected from the Information Technology Director (Computers) and the Technical Services/Collection Development Director (Online resources) for Digital Use, while more can be expected from Community Relations/Development Director for Program Attendance.

Here's how establishing SMART goals tying compensation to Key Results can work. Let's begin by using the Director of Public Service (DPS) as an example.

Circulation of 165,000 (150,000+9.8% growth) in any given month earns the DPS one performance credit. This equals the current level of circulation for PCCLD on a monthly average basis in 2012, our baseline year plus the five-year annual average rate of circulation growth (9.8%). Meeting this target is the SMART goal for circulation for the DPS. Beyond this, the DPS also will have a stretch goal. This is a SMART goal for circulation that is well beyond the set target five-year average increase. In this case, the

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<sup>1</sup> This paper describes the relationship between compensation and performance as measured by Key Results. But other types of reward and recognition should not be discounted nor ignored. Indeed, these also are important in fostering employee engagement and involvement, commitment to the organization, and job satisfaction. Non-compensation rewards should also be tied to providing the best possible public library service possible and Key Results. Such rewards can include work/life programs, formalized career paths, employee communication campaigns, time-off plans, team events, training and education, and special project opportunities.



stretch goal is 180,000 (+20% from the baseline). Attaining this number in any given month earns the DPS two performance credits.

The same process applies for the DPS with regard to visits. 91,000 (87,000+4.5% growth), the expected outcome, visits in any given month earns one credit. 95,000 (+9%), the stretch goal, earns the DPS two credits.

Finally, there is program attendance. 10,700 (9,400+14.5%) in attendance equals one credit for the DPS. 11,250 (+20%) earns two credits.

Another consideration is special projects or responsibilities. Accomplishing an assigned special project can help meet Key Results, either directly or indirectly. An example is the recent project overseen by the DPS to implement facilitated customer service. This project's objective allows more self-service in circulation freeing staff resources to move to newly-built libraries that creates significant potential for increased circulation, program attendance, and visits. Credits can be earned for performance for accomplishing special projects.

A different example can help clarify a SMART goal for other special job responsibilities. The HR Director can be expected to hire employees who, in turn, successfully meet their own SMART goals. If the HR Director does this at a rate that meets expectations, then a performance credit is earned.

After twelve months of tracking, a "report card" has been earned. A predetermined specific number of performance credits earned which meets expectations by an employee results in a "Meritorious" performance evaluation, while a substantially higher number of credits earns a mark of "Distinguished" performance. As our consultants from the Singer Group have advised, a composite score that meets expectations is "Meritorious" and will result in an increase in pay, while a mark that exceed expectations or is "Distinguished" will result in an additional bonus lump sum payment.

The specific amounts to award each year to individual employees for "Meritorious" and "Distinguished" performance evaluations will be based upon annual budgetary appropriations. Here is an example of what this might look like based on recent PCCLD budget history and practice. There will be 2% addition to base pay for "Meritorious" awards and an additional lump sum payment of 2% for "Distinguished" performance. Employees at the top of individual pay ranges for a job will be eligible for 2% lump sum payment for "Meritorious" performance and an additional 2% for meeting goals for "Distinguished" performance. Again, the amounts available for "Meritorious" or "Distinguished" performance earned in any give year will depend upon that year's approved budget allocation.

The intent is to create incentive for each employee to take actions designed to meet or exceed SMART goals tied to Key Results, and to reward accomplishment in the form of compensation.

START administrators will work with HR to determine SMART goals for each of their individual employee reports. For instance, the DPS will establish SMART goals for a branch library manager. The same proportions could apply for the branch manager as for the DPS, but derive from that library's specific

individual 2012 and five-year annual averages instead of the numbers for the entire District. In turn, the branch manager will establish SMART goals tied to Key Results with each of her/his employees.

Development in the job in specific areas also can add value in attaining Key Results. So, credits could be earned from specific continuing education and demonstrated proficiency in areas of development. Credits might be earned, for example, by a Librarian or Library Assistant for development and demonstrated proficiency in remaining current on PCCLD-supported consumer computer applications via testing or current readers' advisory trends. Administration will need to offer tools development and testing for middle managers. Such testing could be developed locally, although the state library, CLiC and a number of other institutions already have testing content that we could adopt at PCCLD.

The same sort of SMART goals will need to be established for other employees on the branch library team. Included in this could be such things as the Library Assistant earning credits for customers assisted per day, customers registered and updated, successful checkouts, program attendance or library visits during the staff member's shift. This might also include scores earned by public service employees with a "mystery shopper," which PCCLD could adopt. Another example is the Shelver, who earns credits for shelving volume and accuracy. In addition, extra credits could be earned for working particularly busy times, such as the Tuesday after a Monday holiday.

Of course, SMART goals tied to Key Results must be determined for each of the approximately fifty unique PCCLD jobs. The examples here are for a few public service jobs, but all jobs need to be responsive to KEY RESULTS. For example, SMART GOALS for HR should aim to create a culture of people who are able to accomplish Key Results. Finance Office SMART goals must be directed toward financial service activities that foster Key Results. And so on.

In summary, our goal is to begin implementing the new Pay-for-Performance system by the end of this year. But, importantly, 2014 will require major focus on work with individual supervisors to establish SMART goals tied to Key Results for each unique job. In addition, this requires ensuring there are methods in place for measuring outcomes for individual staff members. For example, how to measure how many items a Shelver shelves and how accurately.

A performance appraisal program based on SMART goals for every PCCLD employee tied to Key Results will result in more meaningful feedback for employees. It becomes a report card for each employee. It should increase employee satisfaction, knowing that pay is based on measurable and objective performance outcomes, which are valid and credible. This engenders trust and increases organization performance and individual employee commitment to the library. The result is greater productivity, improved Key Results, and increased customer satisfaction.