



A Great Place to Work Initiative: Reinventing the City of New Orleans Performance Management Program

Bharati Belwalkar, Ph.D.
Personnel Administrator

Amy Trepagnier, M.S.
Deputy Personnel Director

Richard Carter, M.S.
Senior Psychometrician (Retired)

Wayne Carriere, B.A.
Management Development Specialist

Civil Service Department
City of New Orleans
New Orleans, Louisiana

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A Great Place to Work Initiative: Reinventing the City of New Orleans Performance Management Program

Government employees account for a major component of the workforce in the United States. Combined across all (i.e., local, state, and federal) levels of government, they number over 20 million. Moreover, those employed by the government have been consistently outnumbering those employed in the manufacturing sector (Bureau of Labor Statistics, DOL). The sheer number of employees makes the management of human capital in the government sector an important issue.

A large share of the total cost of state and local governments is personnel costs; wages and benefits constitute 60 percent or more of the costs of many local governments (Funkhouser, 2012). It is, therefore, essential to consider measuring and improving productivity of government employees. Surprisingly, despite employing millions of individuals, government at all levels has rarely calculated productivity indices or even discussed this issue until a few decades ago (Fisk, 1984). In 1993, the U.S. Federal Government passed the Government Performance and Results Act was designed to require strategic plans and annual performance reports from all federal agencies. After hitting a few initial roadblocks, the Federal Labor-Management Council accepted recommendations to improve the government's performance management system in 2011, emphasizing better training for supervisors and more communication between them and their direct reports (Lunney, 2011). Considering this course of events, it would be safe to conclude that productivity advancements in the government sector have not kept pace with those in the private sector (Killefer & Mendonca, 2006).

The following report on the City of New Orleans new performance management program is an initiative supporting improvements in workplace productivity. Although this new program is based on informal benchmarking of other city governments, to our knowledge, the City of New Orleans is one of the very few government agencies that have adopted a *ratingless* approach to performance evaluations. That said, it may appear that we have not gotten rid of the performance

ratings but radically changed how we make them. This report walks reviewers through the changes, steps, and processes involved in developing this new program.

Old Performance Appraisal System: Service Ratings¹

The City Civil Service Rules and Louisiana State Constitution mandate formal performance evaluations for all eligible City employees every year. As a result, the City solicited Stephen M. Crow and Clifford Koen – professors at the University of New Orleans and practitioners of human resource management – to develop a standardized Job Counseling and Evaluation Report (better known as the Service Rating form) for the City of New Orleans. In 1978, the Civil Service Commission mandated that all departments of the City use it for evaluating all classified employees.

This (then new) Service Rating form used a Behaviorally Anchored Rating Scale (BARS) format to evaluate employee performance. It was a traditional numeric performance-appraisal system with 15 *Job Factors* in, such areas as job knowledge, use of equipment and materials, dependability, safety, and cooperation. Of the total 15 factors, only the first five (i.e., job knowledge, quality of work, volume of work, dependability, and cooperation) were mandatory for all employees. The remaining 10 factors (e.g., communication, safety, decision-making, and motivation) were used as per supervisory discretion. In other words, supervisors could select additional factors to rate their direct reports' job performance. A rating on each job factor could range from 1-*Unsatisfactory* to 5-*Outstanding*. The overall rating was determined based on the calculated average of all the ratings given to the employee. In addition, based on the calculated overall average, an employee was placed in one of the five categories – *Unsatisfactory*, *Needs Improvement*, *Competent*, *Exceeds Expectation*, and *Outstanding*.

As per the Civil Service Commission rules and regulations, employees should have worked under their immediate supervisors for at least 90 days in order to receive these service ratings.

¹The submission includes a sample of the old Service Rating form.

Employees were rated on their job performance for the period of January 1 through December 31 of each year. Supervisors were required to discuss these service ratings with their employees. Any disagreements regarding the overall ratings could be challenged and reported to the appellate board for resolution. Although supervisors were encouraged to maintain records of relevant work behaviors, there was no mechanism to monitor their record keeping.

City of New Orleans: Great Place to Work Initiative²

Mayor Mitch Landrieu's 2014 *Great Place to Work Initiative* focused on the reform of the Civil Service system in the City of New Orleans. A primary goal of this initiative was to create a meaningful performance management program in city government. The Great Place to Work Initiative was based on the recommendations of several independent studies including those conducted by the Bureau of Governmental Research and the Bush School of Government and Public Service.

Released in August of 2014, the Bureau of Governmental Research's report *System Upgrade: Retooling New Orleans' Civil Service*, recommended that, "the City's administration should take the lead in a cultural change that would make performance and its measurement a core value in city employment." This report recommended that the Civil Service Department and administration work together to align evaluation practice with the organizational goals of the City. Going further, the report recommended the monitoring and public reporting of evaluation statistics by department and penalties for managers who fail to conduct meaningful evaluations.

Moving Forward: Charting the Future of Civil Service in New Orleans was issued by the Bush School of Government & Public Service in May of 2010. This study emphasized the need for meaningful performance evaluations. The authors of the report noted that under its evaluation system at that time, the city was unable to capture any measure of employee productivity and

² For more information, refer to <https://www.nola.gov/city/great-place-to-work/>

effectiveness. The report recommended transitioning from the old uniform evaluation to a department-appropriate alternative as a significant step forward for the City.

Based on these reports, the City's Administration proposed sweeping rule changes relative to the Civil Service performance rating process. The Civil Service Commission adopted these changes to the performance rating process in 2014, to be implemented beginning in the 2017 rating year. We, as part of the Civil Service Department, developed a new performance management program.

City of New Orleans Performance Management Program³

In 2016, complying with the Great Place to Work Initiative, the City of New Orleans adopted a new, *ratingless* performance management program. The idea of moving to a ratingless system came as part of a broader initiative to move away from annualized performance appraisals that result in overall ratings for employee performance. Many have argued that a single rating does not accurately capture one's performance (e.g., Sorcher, 2016). Considering McGregor's (1957) Theory X and Theory Y, the traditional performance management system seems to adopt Theory X which emphasizes rewards for performance and reflects an underlying belief that management must counteract an inherent human tendency to avoid work. On the other hand, the new performance management program adopts Theory Y, because it focuses on participative style of management with attention to improving manager–employee communication and relationships. We can safely say that.

The concept of year-end performance ratings is often referred to as backward looking (Buckingham & Goodall, 2015). Moreover, they reinforce perceptions that employees are neither empowered nor trusted (Rock et al., 2013). Ratings of employee performance without sufficient rater-training are essentially judgement calls, and even this doesn't completely remove the subjectivity. As a part of ratingless performance management approach, organizations have begun to drive effective performance-management behaviors like setting clear and agile goals, ongoing

³ The submission includes a sample of the new performance management form.

informal performance feedback, and working collaboratively with employees (CEB Corporate Leadership Council, 2004).

To varying degrees, a number of organizations, including Microsoft, Cargill, Adobe, Kelly Services, NY Life, Juniper, Intel, Gap, and Sears, have transitioned towards ratingless performance management (Amritage & Parrey, 2013; Baer, 2014; Buckingham, 2013; Rock, Davis, & Jena, 2014). We wanted to move in a similar direction; however, it was unclear whether the effective implementation and success of ratingless performance management is a function of the type of industry/sector in which it is used. Therefore, we conducted an initial (informal) benchmarking of other Cities similar in size and scope (e.g., City of Austin and City of Phoenix). Our findings indicated that the City of Austin's performance evaluations link employee actions directly with agency goals, and the City of Phoenix requires its supervisors maintain a record of whether or not employees meet the core values. Additionally, at the City of Phoenix, supervisors maintain records of performance on job duties and goals, as well as, prescribe new duties and goals for the next rating period. Some of the findings from the benchmarking survey were encouraging. As a result, we took inspiration from some of these elements and applied them to our performance management program.

We found that organizations that are no longer using performance ratings have generally adopted one of two models of operation (Rock et al., 2014) – (1) a guided conversation focused on self-set goals and their progress towards these goals, or (2) a highly structured conversation of five to six performance areas. We decided to use a balanced combination of these two models in our performance management program. We figured that such a system would allow for a more clarified picture of objectives for each employee, emphasizing specific areas of their work performance. Additionally, it would devote more attention to improving the supervisor-employee relationship and communication through flexible and more responsive settings.

An effective performance management program must have strength in design and implementation (Carr & Kline, 2016). While designing our new performance management program,

we attempted to answer the question that Mueller-Hanson and Pulakos (2015) posed in *Putting Performance Back in Performance Management*: How can organizations best design their performance management approaches to add value, reinforce key behaviors, and avoid the aforementioned negative consequences observed so often? We ensured that the new system is job related (performance goals tied to the City's overall strategy), involves employee participation and consent, is based on certain performance standards (using key measured-indicators for performance goals), involves continuous monitoring and feedback, requires quality documentation of performance, and involves sufficient follow up. We envision this as a *feeding-forward* process.

Performance Management Cycle

The new performance management program is conducted in three stages. The first stage – Performance Planning Period – is conducted annually between September 1 and December 31 for the following year. During the second stage – Performance Period, employee performance is monitored throughout the year from January 1 – December 31. Finally, the third stage – Performance Evaluation Period occurs annually between January 1 and April 1, for the preceding year's performance. Evaluations are due to the Civil Service Department by April 1 of each year.

Performance Planning Period (September 1 – December 31 of the preceding year)

- Part I: Goal Planning: Employees and their supervisors design annual performance goals.
- Part II: (A) Work Tasks/Behavioral Expectation: Supervisors drafts specific actions that facilitate goal achievement.
- (B) Competencies/Knowledge, Skills, and Abilities (KSAs): Supervisors select them from the given list based on the indicated Work Tasks and performance goals.
- Part III: This section should include supervisors' notes and employees' comments during the meeting.

During the performance-planning period, supervisors begin the conversation by explaining the performance management process to their employees. Supervisors explain the components of performance planning (i.e., performance goals, tasks/behavioral expectations, and competencies/KSAs) and are expected to know and explain to their employees the definition(s) of

successful performance. Through the performance planning session, employees gain an understanding of the consequences of their performance and the way their performance information will be used in organizational decisions. With this knowledge, we expect that the performance management process is sufficiently transparent, and that employees understand performance expectations.

Performance Period (January 1 – December 31 of the current year)

Evaluation of employee performance as per the new program requires consistent monitoring and feedback. Much research on feedback shows that it in fact results in improved performance (Grove, 2010; Hackman & Oldham, 1976; Mignerey, Rubin, & Gordon, 1995; Morrison, 1993; Murphy & Cleveland, 1995; Steelman, Levy, & Snell, 1994; Wanberg & Kammeyer-Mueller, 2000; Zhou, 2003). Therefore, we encourage our supervisors to provide timely and frequent feedback. The objectives encouraging our supervisors to consistently monitor employees' performance on the job are to review and improve their performance, motivate them, and identify opportunities to enhance overall work practices within their departments. Both the employee and the supervisor are encouraged to brainstorm ideas about ways to improve performance and goal achievement (Aguinis, 2013). During our training sessions, we explain to our supervisors that the immediate feedback must include information regarding specific behaviors that is accurate and verifiable. Supervisors are asked to first describe the behavior observed in detail and then provide their evaluation of the behavior. Supervisors are also asked to discuss with employees the ways in which employees can increase the frequency of positive performance behaviors and decrease the frequency of negative performance behaviors.

Performance Evaluation Period (January 1 – April 1 of the following year)

Part IV: (A) Evaluations: The supervisor is required to provide evaluations for Performance Goals, Work Tasks, and Competencies/KSAs. These evaluations are based on clearly documented monitoring and feedback throughout the performance year.

(B) Narrative Feedback: Supervisor discusses employee's achievements, setbacks, challenges, strengths, and weaknesses. This section is also used to note the resources

and support that the department/supervisor is required to provide employees. There are specific questions provided to facilitate the Narrative Feedback session. Answers to these questions are not scored.

For the performance evaluation and feedback session, supervisors usually inform employees of the agenda for the evaluation and feedback session prior to the actual meeting. This agenda ideally contains a detailed plan for the meeting and all topics to be covered. The purpose is to ensure that both employees and supervisors have a clear understanding of what will occur during the evaluation and feedback session. We offer very specific instructions during our training sessions, while allowing them some flexibility to tailor the session to the needs of their departments and employees.

Some may assume that an organization should have one performance management program across the board; however, in local government agencies, due to different departments, different processes, and different technology, we have allowed some level of customization to the program. For example – the New Orleans Fire Department sets sub-goals within each performance goal for their firefighting employees. The New Orleans Police Department uses its own *Continuous Feedback and Monitoring Form* due to the requirement of additional documentation by supervisors per a Federal Consent Decree currently applicable to them. Additionally, supervisors within specific City departments (e.g., Sanitation, Park & Parkways, Sewerage and Water Board) that predominantly operate in teams develop unit goals for their employees.

Performance Management Components

We desired a system that not only holds poor performers accountable in the form of negative evaluations but also rewards good performers in the form of merit pay. We recognize that a good performance is not a sufficient condition for promotion; an employee also needs to demonstrate the ability to serve in the next hierarchical level. Therefore, we have designed a system that effectively identifies high performers with the potential to serve successfully in the next level.

Performance Goals

Performance goals are incredibly important; they increase employee productivity by roughly 35% (CEB, 2013). We, therefore, have adopted a goal-setting approach that will combine performance as well as developmental objectives for City employees. Overall, this performance management program is designed to hold every employee and supervisor accountable for contributing to the achievement of the overall organizational goals – a “linking up” rather than “cascading down” approach in our goal setting (Hansen-Mueller & Pulakos, 2015). Such goals are generally relatable and clearer compared to the overall cascading goals, which may be unclear and time-consuming to set (see Figure 1).

In the absence of traditional rating, there needed to be some metric for setting and evaluating goals. Supervisors consider respective departmental objectives when setting goals. We encourage supervisors to set SMART (i.e., specific, measurable, attainable/achievable, relevant, time-bound) performance goals for their employees. That said, we acknowledge the concern SMART goal-setting approach may pose in general (Ordóñez, Schweitzer, Galinsky, & Bazerman, 2009). We, therefore, have recommended that supervisors set specific yet relatively agile goals (with a scope for revision in certain circumstances). Supervisors are encouraged to develop up to five performance goals, considering the problems employees may face when pursuing multiple goals at one time (Mueller-Hanson & Pulakos, 2015; Shah, Friedman, & Kruglanski, 2002). Supervisors have to set at least one developmental goal specific to their employee needs.

Work Tasks or Behavioral Expectations

Employee performance is a combination of efforts (i.e., behaviors) and outcomes (i.e., results). For us, this was one of the essential considerations in designing our performance management program. Some management literature (Anderson & Oliver, 1987; Cravens, Ingram, LaForge & Young, 1993; Oliver & Anderson, 1994; 1995) suggests that performance management is divided in behavior- and result-based performance management. Most of the time, the choice

between the two depends on the organizational environment and has consequences for the organization (Oliver & Anderson, 1994; 1995). Sometimes, an employee may be doing the right work but are unable to deliver results (Koopmans et al., 2013). Unfortunately, this issue has been only investigated in sales organizations so far (Wierks, *n.d.*); for instance, employees in the sales industry may be doing all they can, but their sales figures may not reflect their efforts. Hence, the distinction between behavior- and result-based performance management is important.

A behavior-based performance management is characterized by close monitoring and directing employee *actions* by management and the use of subjective assessment of the employee's performance (Anderson & Oliver, 1987; Cravens et al., 1993; Oliver & Anderson, 1994; 1995). We decided to account for the behavior-based evaluations in our performance management program by incorporating the *Work Tasks or Behavioral Expectations* section. We have noticed that work tasks or behavioral expectations are easier to understand for the front-line employees and their supervisors. In this section, supervisors are asked to list specific tasks or behaviors that their employees are required to perform in order to achieve their performance goals. Due to clearly laid out behavioral expectations, employees become more attentive to the procedural aspect of their jobs and develop strategies to get the work done (Chawla, Gabriel, Dahling, & Patel, 2016). Additionally, employees do not experience psychological strain, low motivation in case of goal failure despite effortful actions (Ordóñez et al., 2009), because they know that, along with the results, their behaviors/efforts are being accounted for in their performance evaluations.

Competencies and KSAs

We adopted a competency mapping approach to develop this section of the performance management program. Based on the City of New Orleans Core Values (i.e., *integrity, excellence, transparency, teamwork, responsiveness, innovation, and diversity and inclusion*), we developed a list of core competencies and KSAs. We connected the City's Core Values to our performance management program by going through a process of selecting competencies that aligned with the

values (see figure 2). The process of competency mapping is generally very intense and time-consuming, so we relied heavily on the competency literature and subject matter experts within the City of New Orleans.

Too often, organizational values remain at a conceptual level and are never embodied (Beckett, 2015). We asked ourselves how City employees could demonstrate these values in their day-to-day work, and we figured that coming up with tangible functional competencies/KSAs based on these values would be a great way to operationalize them. After all, competencies are tools to support values important to the organization. If we cannot explain what these core values mean to the entry-level employees, they will most likely remain mere buzzwords. In the new performance management program, therefore, we have explained what the City's core values mean at operational and objective level and introduced competencies/KSAs.

The rationale for incorporating this section in the performance management program was to define successful employees within the City and the environment they can thrive in. Employees, in order to perform tasks and subsequently achieve their performance goals, are required to learn and/or develop these competencies/KSAs. We explain to our supervisors how important learning and developing these competencies/KSAs are. We, therefore, tied these competencies/KSAs to our Citywide training and development activities. Moreover, based on the developmental goals, supervisors recommend their employees these training courses as a part of their performance plan. Traditionally, performance evaluations have put employees at the receiving end of the bargain; however, with the new performance management program, we intend to offer employees opportunities to grow themselves professionally and to make supervisors accountable for their employees' growth and performance.

Performance Evaluations

We have designed a relatively simplified evaluation process whereby supervisors provide overall evaluation of performance – *performing with concerns, well placed, or high potential*⁴ – with a supporting narrative statement. The overall evaluation is required to be based on supervisor’s response to seven factors – goal achievement, performance of work task/behavioral expectations, learning and development of competencies/KSAs, level of required supervision, quality and completeness of work, person-role fit, and overall placement. Supervisors are given adequate discretion to determine the overall evaluation of their employees, considering their performance can be a function of various other factors (such as, new in the role, resource constraints).

Additional Considerations

Legal and Ethical Considerations: A Due Process Model

This performance management program has taken into account the elements of the *Due Process Model* which includes adequate notice, a fair hearing, and judgment based on evidence (Folger, Konovsky, & Cropanzano, 1992). The performance goals are established in advance and the employees are allowed to offer inputs. The supervisors encourage the employees to bring up any questions or concerns they may have regarding the performance management process or their performance. The supervisors are asked to provide timely and frequent feedback to their employees. The employees are given the opportunity to express their views on their own performance in attempt to refute the final evaluations provided by the supervisor. The Department of Civil Service and the Chief Administrative Office have suggested steps that the supervisor should follow so that performance management practices are applied consistently and free from corruption. Although adopting the due process model has helped us manage some of employee reaction, we had to take additional steps to socialize this change with the City of New Orleans.

⁴ These overall performance categories are based on our benchmarking of other organizations that have adopted ratingless performance management.

Handling Employee Reactions: Change Management

Employee reaction is central to the success of the new performance management program, so we are cautious of how City employees perceive this change. Our research revealed a number of possible hurdles to a successful implementation of this program, e.g. political motivation (Longenecker et al., 1987), the need to avoid confrontation with difficult employees (Plessis & Niekerk, 2017), a lack of manager ownership (Bretz & Milkovich, 1992), managers' general dislike towards the idea of influencing an employee's career (Thomas & Bretz, 1994), manager's own level of motivation (Harris, 1994), manager's view of the purpose of performance appraisal (Tziner, Lathan, Price & Haccoun, 1996), manager's attitude towards the organization (Tziner & Murphy, 1999), manager's personality preference as well as confidence in the performance appraisal system (Tziner et al., 2002), employees' expectations (Curtis, Harvey, & Ravden, 2005; Yun, Donahue, Dudley & McFarland, 2005), employee's likability (Shore & Strauss, 2008), manager's performance appraisal skills and motives (MacDonald & Sulsky, 2009), conflicting roles, such as playing both a judge and a coach during performance appraisal (Aguinis, 2013), manager's perception of performance management as a bureaucratic necessity (Candy & Munjal, 2016), and lastly, confusing terminologies in performance management (Van De Mieroop & Vrolix, 2014). Many of these issues apply to the City of New Orleans; hence, our training efforts are geared towards addressing most of them. Plessis and Niekerk (2017) recommend that more research of performance management should be geared towards training initiatives for managers, as there is currently very little information on this topic. We have focused our attention to rigorously training supervisors City-wide. This training available all City employees. Moreover, they have access to the performance management related resources on our webpage.⁵

⁵ For more information, refer to <https://nola.gov/civil-service/resources/performance-management-training/>

A Look from the Administrative and Developmental Lenses

Employees can perceive administrative decisions as both distributive and procedural justice (Wallace et al., 2016). The effect of our ratingless performance management on the distribution of rewards is, therefore, an important practical issue. Compensation decisions are often complex and include many factors, e.g. annual budget, especially in the public sector. Although research has indicated variable relationship between performances and pay (Pink, 2005; Rhynes, Gerhard, & Park, 2005), we have incorporated both administrative (i.e., merit pay) and developmental aspects into our performance management program. In order to create a pay-for-performance system, it was essential to focus on how the performance is measured. With the new program, we believe that compensation decisions are done with multiple data points (i.e., monitoring and feedback incidents) rather than a *single* overall rating.

We acknowledge that the performance management program designed to fulfill multiple purposes does not successfully fulfill any (Hanson-Meuller & Pulakos, 2014). Cognizant of this issue, we took certain measures, such as recommending supervisors to consider performance on developmental goals *less heavily* in their evaluations. Although this may not eliminate the issue altogether, we have attempted to address it in the best way we can.

Technological Considerations: Online Performance Management Form

The Employee Growth and Development Division of the Department of Civil Service coordinated with NEOGOV – a human resource management software & HR system – to implement the new program online. The NEOGOV has a performance management platform named PERFORM that is used predominantly by public and education sectors. The City implemented its online new performance management program through NEOGOV PERFORM in mid-2017. We built the template in the system that was rolled out in late 2017 for the 2018 performance year.

The migration of paper-pencil performance management program to an online system has been challenging. Considering the City's workforce consists of field workers and blue-collared

employees, the online performance management system had to be simple, easy-to-understand, and user-friendly. The Citywide HR personnel were trained on the new system when it was newly rolled out. Since the implementation until today, we have been conducting regular training sessions for all appointing authorities, HR personnel, and supervisors/employees. The format and nature of the training content is tailored to the needs of our target employees. Like any change, the system was not well accepted by the employees. Continuous efforts are being made to make this transition as smooth as possible for everyone!

Measuring Program Effectiveness: Return on Investment (ROI)

After the official rollout of this new program in September 2016, we are planning to measure the program effectiveness after the completion of its first cycle in April 2018. Because employee reactions are important to us, we have been continuously gathering information on how City employees perceive the new program. Additionally, we have planned to conduct an evaluation asking City-wide employees whether they in general prefer the new system to the old one, inspecting if the responses are affected by such factors as departments, classification titles, performance levels, of responding employees, etc.

A common trend appearing in employees today, especially in the public sector, is that they tend to follow their own career paths and not the paths created by their organizations (Carr & Kline, 2016). Our hope with the new performance management program is to creating employee perception of growth opportunities. One of the factors we may consider in measuring the effectiveness of this program is the retention and attrition trends following a successful implementation of this program after few years.

Concluding Thoughts

The City of New Orleans needed an objective and transparent means to evaluate employee performance, identify high and low performers, improve low performers, encourage

high performers to do better, and subsequently allocate merit increases; hence, we have designed this ratingless performance management program. We acknowledge that there were (and are) a number of potential risks and considerations involved in moving to a ratingless performance management program. With this in mind, we have focused on minimizing risks and maximizing benefits in an effort to utilize the program to its full potential. We anticipate many advantages of the new performance management program, including close alignment of employee performance to the City's strategic goals, increased communication between supervisors and employees, a high performance environment, and minimized skill gap, to name a few.

Our performance management program incorporates five essential elements outlined by Carr and Kline (2016): collaborative performance planning, creation of a development plan, goal-setting, provision of feedback and ample resources, performance assessment, and performance review discussion. In conclusion, we think that the new performance management program is helping the City of New Orleans create a high-performance culture. Human resource personnel across all City departments have been trained to serve as performance-management liaisons. Additionally, we have been providing continued support and guidance through regular training and a call-in help line to all City employees.

Although we have been successful in designing and implementing this new program, there are still some questions that we are thinking about along the way and currently addressing through our applied research and practice. These are (1) has the ratingless performance management made the training of supervisors even more challenging? (2) How do we more effectively combine administrative and developmental aspects of this performance management program? And, (3) how do we effectively measure ROI of the new performance management program? We would appreciate inputs from the reviewers.

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Figure 1: City of New Orleans Performance Management

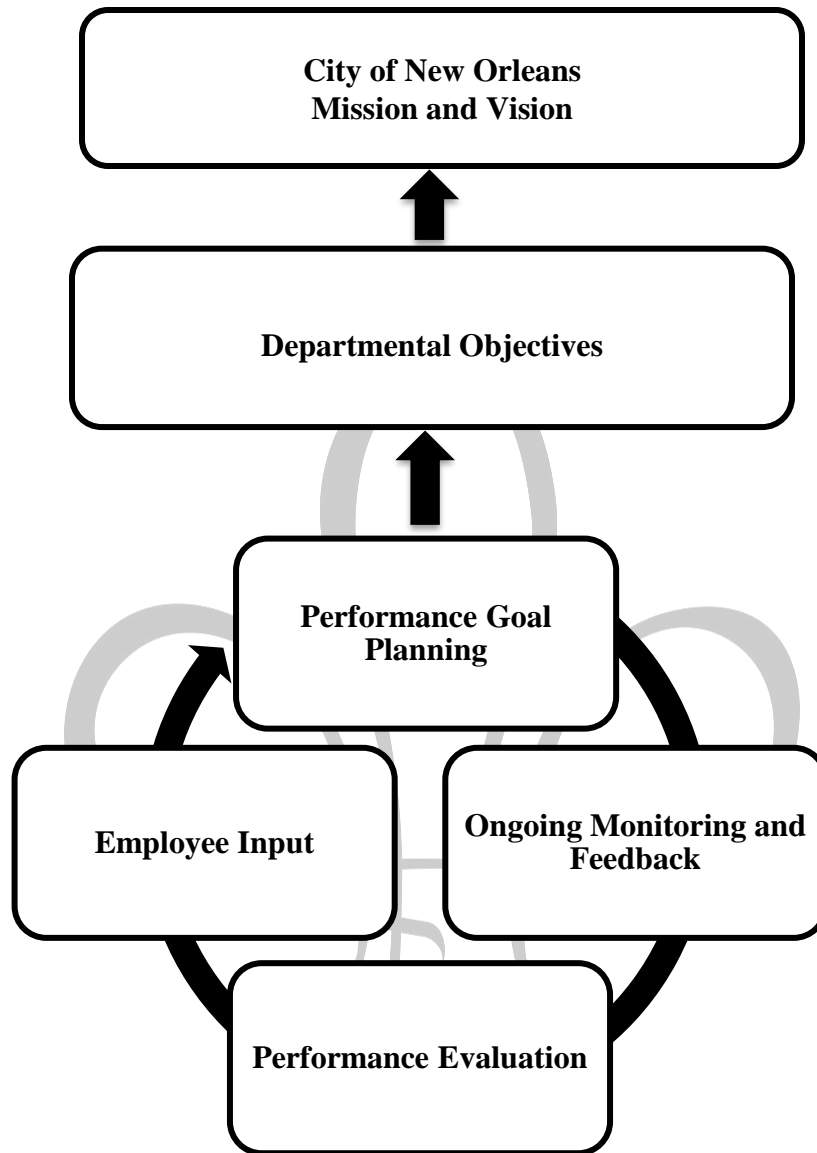


Figure 2: City of New Orleans Core Values with corresponding competencies/KSAs

