PERSONNEL NOTEBOOK
For Your Most Important Resource—The Human Resource
Prepared By:

Human Resource Associates

Employment Consultants

The Performance Evaluation
Part X - Review

According to a recent Harvard Business Review article, 37 percent of all employee activity is not aligned with the company's strategy. It's just "busy-ness' and that means that, on average, only 63 percent of your employees are going in the same direction as you are. How do you realign that activity? You do it in four steps:

1. Be sure you know what the company's business strategy is.
2. Observe each employee's activity and whether or not it's going in that direction.
3. Let each employee know if they're going in that direction or not.
4. Guide, mentor and coach each employee in the direction of the company's business strategy.

Those four steps are happening when you do a proper performance evaluation. The performance evaluation is often the most intimate and prolonged communication an employee ever has with the supervisor. That's a golden opportunity to realign and improve the performance of the individual and the company.

Let's spend a little time in this final issue on Performance Evaluation Part X reviewing the what, why and how of the performance evaluation.

What Is Performance Evaluation?
Fundamentally, any stated opinion of an employees work is a performance evaluation (PE). But one done by an HR professional includes knowing what you want, knowing if you're getting it, a two way conversation identifying these things and a plan upon which to proceed.

It is not a pay review. Pay reviews are a separate and distinct process.

Why Should We Do Them At All?
A study by Hewitt Associates of 437 companies showed that approximately one-half of them used PEs. All companies were analyzed over a three-year period. They found that companies using PEs:

- Posted higher profits
- Showed significant gains in financial and productivity ratios
- Showed higher sales growth per employee.

And when those companies not using PEs later implemented them, they began showing the same gains. It was not that companies using PEs were so high above average, but instead companies that did not do PEs were so far below average.

Seldom do employee problems or bad performance issues resolve themselves. People must know how they are doing by supervisors who know what they want.

A Virginia Chamber of commerce report showed the following about supervisors:

- Almost 50 percent did not understand that people repeat behavior that is rewarded
- 70 percent did not believe that a mutually agreeable solution was an acceptable way to handle a grievance
- Nearly 80 percent did not understand that observations made in a PE should be specific rather than general or vague.

Comments from employee surveys show that almost half of employees feel that there is virtually no difference between doing a good job or a bad job. Clearly employees need better feedback, coaching and performance evaluations.

There Are Also Legal implications.
PEs have gained increasing legal significance because they are often the first company documents to be subpoenaed in legal proceedings involving employee terminations. Non-existent, inaccurate or inflated PEs can establish liability against an employer for discrimination. Terminating an employee who has no PE in his/her personnel file can be a careless risk. Terminating an employee whose PE shows only good to excellent ratings is a documented statement that the termination was not for poor performance. A West Coast manufacturer paid out $2.3 million to a fired salesmen when it could not prove that poor performance and not age discrimination was the cause for his termination. An East Coast electronics firm paid $800,000 for firing a manager for poor performance despite a history of raises, honors, awards and promotions.

There are several laws affecting PEs. They include:

- The Equal Pay Act (EPA)
- Title VII of the Civil Rights Act
- Age Discrimination in Employment Act (ADEA)
- Americans with Disabilities Act
- The Family and Medical Leave Act (FMLA)
- Executive Order 11246 (Affirmative Action)

All forbid discriminating against protected classes in pay matters. And in a rare example of federal enforcement of an excellent business and PE standard:

- The 1978 Uniform Guidelines established by the joint agreement of four federal enforcement agencies requires that the values you assign to employees must be in direct support of your company's values and goals. Those values and goals must represent a "business necessity" and must be essential to the safe and efficient conduct of the business.

Performance evaluation needs to be done in every company and it needs to be performed in an objective, effective and professional manner.

Doing The Performance Evaluation
The purpose of the PE is to improve performance through communication. Your company has identified (or should

do so now) the values, missions and/or goals of the company. What does the company do? What does the company want? What does the company want to achieve? Profits? Market Share? Public image? Employee enhancement? Efficiency? Advanced technology? New markets? Growth? There may be any number (or combination) of financial, quality or altruistic values it seeks. Identify them. Your division or department must produce some part of that value. The individual employee must provide some part of the value assigned to your group.

You then want to identify the results or the quantifiable end product you expect of this employee. In doing the appraisal you are seeking:

1. Results
2. Knowledge and
3. Effort

Here's what you can look for in each of these.

Measuring Results

Look for:

- Accomplishments
- Goals achieved
- Targets met
- Accountabilities satisfied
    - Time frames met
    - Quantities (numbers met)
    - Customer satisfaction
    - Problems solved
    - Projects completed

Measuring Knowledge

Look for:

- Training completed
- Courses taken
- Skills acquired
- New jobs learned
- Cross training experiences
- Career development plan completed
- Developing work-related knowledge
- Ability to be assigned to other jobs
- Acquisitions of degrees, certificates, licenses, etc.
- Testing for competency
- Completed apprenticeships

Measuring Effort

Look for:

- Focus on how the work is done more than the results
- Work behavior
- Comparison of others' work to theirs
- Time spent
- Seeking help and guidance
- Communication experienced (from employee)
- Quality of work
- Adaptability
- Dependability
- Application
- Initiative
- Productivity/efficiency
- Taking responsibility
- Time management
- Working smart over working hard
- Getting and using information
- Work relationships
- Flexibility
- Technical ability

The PE Interview

Give the employee a copy of the PE form a day or two in advance and ask him to evaluate his/her own performance. When you sit together, each of you should have both copies.

- Ask the employee to discuss the items you both rated high. Then you respond.

- Ask them to discuss the items rated high but where there is still a difference in the rating, or a difference in the reasons or comments about the rating. Agree upon a rating.
- Ask them to discuss those items where you both gave low ratings. Then you respond.
- Ask them to discuss those items where you both gave low ratings but for different reasons. Then you respond.
- For the final step, ask them to discuss those items where there is a significant difference in ratings. Discuss these openly and try to arrive at an agreement.

Be realistic and open minded. This is not a negotiated compromise, but a mutual understanding of the past performance, the results you need and the methods to achieve them.

8 Good Things To Do

1. Evaluate performance on the delivery of stated values only. Not longevity or loyalty; those may be pay issues but are not performance issues. Do not consider personality or allow prejudice to be an influence.
2. Use work records, notes, dates, letters of commendation, letters of warning. Try to have a documented reason for your evaluation. Your notes are documented reasons.
3. Focus on the most important part of the job. Do not over-evaluate lesser criteria. Getting along with employees or punctuality may not be as important as meeting goals of production or sales.
4. Agree on a future plan. Have employee participate in discussing, planning and setting goals for the next six months, 12 months.
5. Be prepared to adjust your evaluations and the ratings on the form, not by compromise or negotiated argument. The goals must be met! However, the employee may show how to better define the goals or bring up facts of which you were not aware.
6. Review your appraisal for logic. You cannot rate someone “excellent” overall when no single evaluation criteria is higher than “very good.” The total overall rating should equal the individual ratings.
7. Be objective in your appraisal.
8. Do the follow up and review what you finally agree to.

Do not put yourself in their shoes. Put them in their shoes. The employee should understand that the performance of their job is up to them, not you. You are neither their decision maker nor their disciplinarian; you are their mentor and their coach. Your job is to guide them not only in their performance, but to the next step in their careers, rather that’s with your company or somewhere else.

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Bill Cook
Human Resource Associates
E-mail: wcook62@comcast.net