

PERSONNEL NOTEBOOK

For Your Most Important Resource—The Human Resource

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PERFORMANCE APPRAISAL PART II. THE NEW WAVE

The evolution of the American workforce is beginning to look more like a revolution. With the new waves of downsizing, rightsizing and restructuring followed by the now realized concepts of “Workforce 2000,” the “Rethinking Of Work” and now “The End of the Job,” the old daily grind is beginning to look like a live wire, high-risk arena.

The “job” is no longer the get along, go along, security-minded work shop of the past. Today’s workplace is more becoming a place of high risk, high reward opportunity. It has a new concentration on quality, productivity and efficiency. In order to achieve these necessary goals, companies today have to identify what those qualities mean to them. What is the highest quality for my product? What is high productivity for my product? What is the most efficient way to produce my product? And, are there any other values I seek in my company?

Once those values are identified, they must be translated into goals and objectives for the men and women in your company to make them happen—and that’s where the problems start.

How can you tell your people what specific part they each must provide in order to produce those values you seek? How can you correct the mistakes, encourage the successes and assure the continuous, on-track development needed to reach those goals, and produce those values? There are three steps in this quest.

1. Identify the values you seek.
2. Translate these into goals and objectives for each department and each individual in your company.
3. Train, coach, monitor, support and develop each individual to perform their part of those goals and objectives.

In the last issue of *Personnel Notebook*, “Performance Appraisal, Part I. The Annual Classic,” we dealt with the issue of performance. We determined that in order to achieve the performance we need, we must identify the performance we want, appraise the performance we get and feedback the results in a manner that allows the individual to redirect their course, learn from their successes and failures and develop to their highest possible potential.

The process has become standardized and is often referred to as “the annual classic.” Beyond the annual classic, in which the supervisor measures and analyzes an employee’s performance over the previous year, today’s management often calls for more ingenious new methods. As we see more examples of self-managed teams, employee empowerment and in many cases the elimination of the supervisors themselves, companies are responding with a new wave of more appropriate and more effective appraisal systems.

WHAT'S WRONG WITH THE ANNUAL CLASSIC?

For most of us, nothing is wrong with it. However, in many cases it is misused or ignored altogether. Let's take a look at some observations and complaints of the basic Performance Appraisal ("PA").

- Seldom were the company's overall plans, goals and values ever translated into specific individual goals.
- The major goal in most PAs was to please the boss.
- The traits recognized and evaluated were more related to hygiene, image, compliance, education, length of service and length of experience. They seldom dealt with specific productive actions and achievements. This often led to a kind of "royalty," an inherited right to rewards and fame without having to accomplish very much.
- Employees tended to be over-graded because it was easier than dealing with problems., It was also thought to encourage employees (but, when was the last time you studied a subject after you got an "A" in it?).
- Performance appraisals often become too related to personality and chemistry, where it is not necessary to the job. We often forget that it's not who is right but what is right.
- Supervisors and management too often felt the whole PA process was too burdensome and bureaucratic. No one was trained in how to complete PAs.

A William M. Mercer Company study in New York showed that although many companies are going to self-directed (or independent) teams, few ever change their PA system to support that new value.

The new team concepts require Americans to go against a significant cultural trait. We, unlike the Japanese, are far more individualistic, less

group oriented and find it more difficult to work in team concepts. Companies that use any of these newer concepts must also translate those new values into the PA system. Employees who produce these new values for you must be recognized, redirected, encouraged and rewarded when they do so. This means that companies must design and create new methods to perform PAs.

Let's take a look at some examples of what has happened beyond "the annual classic" and into the new wave of PAs.

I. INDIVIDUAL PAs

In this category the emphasis is on the individual's performance. Many of these methods are used in conjunction with the annual classic.

1. Assessment Centers.

Employees (and sometimes candidates for employment) are sent to a central location where professionals, usually along with the individual's supervisor, participate in a broad evaluation of managerial abilities, skill level, future potential and past accomplishments.

Generally not concentrated on tests, interviews and background, employees are placed in managerial situations, games, interactive situations with other attendees, case analysis, leaderless group discussion, in-basket exercises and discussions over a 2-3 day period.

Observations are analyzed and evaluations are discussed with individuals and documented. Assessment centers are established and operated by individual companies, consultant contractors or trade associations.

2. Assigned Coach.

Johnsonville Foods of Sheboygan, WI, a sausage manufacturer, designed the successful "Assigned Coach" PA system. Each employee has a coach assigned, who is there to assist, guide and develop individuals. Every six months everyone at Johnsonville is evaluated.

Employees fill out a form ranking themselves from 1 (excellent) to 9 (unacceptable) on 17 different items. These items are formed into three categories: Performance, Teamwork and Personal Development. All low scores of 1 or 2 and all high scores of 6 to 9 require an explanation. Scores of 3, 4 or 5 are entered without addendums.

Each employee's coach fills out an identical form. The two sit together to discuss all 17 areas. There is often disagreement, however, the only mandate is that their overall point total must agree within 9 points. If not, then an arbitration committee is ready to step in. So far mediation has never been needed.

3. B.A.R.S. (Behaviorally Anchored Rating Scales).

B.A.R.S. is designed to assess behaviors that are valued or that are expected to lead to successes. (See Chart No. 1.) [A separate B.A.R.S. sheet needs to be created for each value to be appraised.] The chart sample uses "Planning" as the value to be appraised. B.A.R.S. is often used when quantifiable goals cannot be identified or where the individual is in a training position. Other values might be "scheduling," "delegation," "follow up," etc.

4. Critical Incident.

Supervisor notes any significant incident or event, whether good or bad, that relates to performance. The employee did something or neglected to do something or reacted to something of significance. The incident is recorded and becomes the primary basis for the PA. If each incident is immediately discussed with the employee, then the system tends to work quite well. If, however, the supervisor accumulates them and waits for several months to discuss them, the system is much less effective and usually becomes known to employees as "The Little Black Book" method.

5. Essay Appraisal.

The rater is required to describe an individual's performance in a written, narrative form. The rater has usually been provided the

topics to be covered by the human resources (HR) department where the forms were created in cooperation with the individual's supervisor.

Typical instructions/questions might include: Describe in your own words, the employee's quality of work (or quantity, job knowledge, strength, weakness, development progress, need for training, etc.).

Supervisors usually like the idea of being able to describe what they see in their own words, however, a poor employee can be made to look better by skillful wording.

6. Field Review.

A HR technician visits the "field" or work site and obtains information from the supervisor about an individual's performance. The technician asks detailed questions designed to bring out all pertinent information. He/she then returns to the HR department and prepares the evaluation report. The reports are returned to the supervisors for final revisions and signature. The primary value of this method is that it solves many classical PA problems such as supervisors not doing the PAs, doing them late or doing them wrong. However, the interface between employee and supervisor is greatly reduced.

7. Forced Choice.

The HR department creates a form that selects a predetermined, generic set of values that applies to all or most jobs in the company. The form also describes various levels of performance on those values. The supervisor checks the statements that best apply to the individual being rated. (See the previous **Personnel Notebook**, "Performance Appraisals, Part I. The Annual Classic," for an example and a sample form.)

This provides one of the quickest but least accurate methods of PA. It is very generic and employees tend to view it as less relative to their performance.

8. Forced Distribution.

This is a ranking method that assumes that all employees' performance can be ultimately

distributed into a bell-shaped curve when examined on a graph. The rater is, in fact, required to force the entire work force to fit this bell-shaped graph. (See Chart No. 2.)

This is accomplished by predetermining that 60% of all employees will meet average expectations while 20% will exceed those expectations and 20% will fail to meet expectations.

9. Gold Standard.

The company, often a hotel or a company where employees interact with customers, continuously surveys customers and elicits feedback from them. The results of these surveys become the “Gold Standard” for employees to achieve.

Employees are informed every day of these sometimes floating values. Employees are coached, supported and managed to meet those values and are evaluated regularly on the results.

10. Intangible Factors.

BEA, a fund management firm in Pennsylvania, has designed a method to evaluate intangible results. Each BEA fund manager’s performance is measured monthly by the Return On Investment (ROI) of funds under their management. Portfolios are also reviewed periodically for risk and diversification.

Annual performances are analyzed by a research unit that determines where value was added and by whom. Final results are collected and given to the individuals.

11. Management By Objectives (MBO).

Although long in use, MBOs are still a very viable process and many new wave systems are, in fact, based on the classic MBO.

Although today’s new wave systems often assign MBO objectives to all levels of the company, as a rule MBOs are normally focused on the top 50% of the positions. MBO is a top-down process. The objectives of the CEO are the stated objectives of the company. The objectives of all subordinate executives

(reporting to the CEO) must support the CEO’s objectives. All objectives must be identified, all must be assigned and accepted by whomever is responsible for carrying them out. At the lower levels the MBO must identify the major problems facing the accomplishment of the goals. The problem areas must now also be assigned. At each level some specific “stretch” goals are added to develop the individual.

There are usually no more than six to eight major objectives in each individual’s MBO plan. Beyond that, the process becomes costly, bureaucratic and its efficiency decreases. Hygiene, attitude and chemistry seldom are included in an MBO plan. The primary concentration of an MBO is more so on the future than the past.

12. Paired Comparisons.

The employees to be ranked are listed on the left side of a page. A list of criteria to be evaluated is prepared (i.e., quantity of work produced, maintenance of equipment, profit, quality of work produced, etc.). (See Chart No. 3.)

The first person on the list, John, is compared to the second person on the list, Susie, on quantity of work produced and the one who is judged highest is given a check (or tally) mark. Employee No. 1, John, is then compared to the third employee on the list, Jim, again on quantity of work produced. The one who is judged highest is given a check mark. Continuing down the list, employee No. 1, John, is now compared to employee No. 4 on the list, Bill, again on the quantity of work produced. The one who is judged highest is given a check mark. This process is continued through the entire list of workers in that department or function until John has been compared to all other employees on the list on quantity of work produced.

Then proceed to employee No. 2, Susie, who is then compared to each of the other employees on that same value, quantity of work produced in the same manner. Continue through the list of employees, comparing each individual to each of the others for this particular criterion.

When all employees have been ranked on quantity of work produced (by the number of check marks each received), start over on the next item on the criteria list, maintenance of equipment. Start again with John and compare him to each of the other employees.

Proceed through each employee and through each criterion of value. At the end of this process all employees have been ranked in comparison to each other on all the significant criteria. Although cumbersome, it becomes an excellent profile for assignments, training, and many other purposes throughout the year.

13. Performance Diary.

At least once a week, the supervisor writes a series of notes observations, statistics, incidents, measurements, goal progress, costs, and problems. These notes are dropped into a field personnel file and used to provide feedback and to do PAs.

14. Self-Appraisal.

In many of the systems listed here, self-appraisal is part of the process. If you determine that one of these systems will work best for your company, you can add self-appraisal to the system. It usually requires that the individual to be evaluated uses the same forms or process to evaluate themselves and then uses this as a basis for discussion or comparison with the supervisor.

Self-appraisal is often used where a self-employed or totally self-managed employee is not given a PA by someone else. In such cases, honesty and objectivity are paramount. But further, such individuals must start by identifying the values they are seeking and choose or develop the system to measure the attainment of those values.

The following kinds of questions are often used in totally self-appraised processes.

- What job do I want to accomplish?
- How will I get it done to my satisfaction?
- How would I get this job done at home, alone?

Paint the picture you want to exist one year from today. Describe that picture, in writing.

15. Staff Appraisal.

A questionnaire with room for additional comments is distributed to all staff members of a manager or supervisor. Staff members respond anonymously. The questionnaires are collected by an objective HR professional or an outside consultant to maintain confidentiality. The results are pulled together and reviewed with the manager, often in a seminar environment where professionals lead the assessment/response process. Sample questions include:

- Are my instructions clear or must you spend time trying to figure out what I want you to do?
- Do I change my mind often and ask you to alter your assignments after you've already started working?
- Do I often ask you to make changes in your work without really improving it?
- Am I open to new ideas?
- Do I operate in a crisis mode?
- Do I seem disappointed in your work?, etc.

II. TEAM ASSESSMENT PAs

1. Cross-Functional Team Appraisal.

In the oil industry, self-directed and/or cross-functional teams evaluate their own performance as they move from one assignment to the next. The objective is to evaluate and mentor both the individual and the team and to complete each project successfully.

The team assigns a number of people from the team to perform the PA function. A representative from the company and a representative from the department or customer for whom the team is doing this assignment or project is added to the PA group (the raters). These raters determine the benefits or values to be derived for the company, customer or department and determine how the team will be evaluated against those values. In addition, the raters identify team processes that are

determined necessary to complete this project or to achieve those higher goals.

As the project matures, the need to adjust and fine tune the values and processes becomes apparent and changes are made. The desired result is that the evaluation process is accomplished for the company goals as well as the team progress, the individual's development and the project completion.

2. Work Teams Development.

Where teams are used as the key method in production, managers, supervisors, executives and customers form a PA committee. That committee is initially committed to creating the team concept. A process given equal value to job performance.

Goals, objectives and values that reinforce team concepts are identified. Qualities such as achieving an assignment that requires trust, cooperation and sharing information is identified as a rewardable goal. Training someone else or acting as a mentor are also included. Arriving at conclusions or resolving group conflicts through leaderless discussions and establishing opportunities for team accomplishment are additional values to be identified. These are the kinds of values that instill teamwork.

This ongoing day-by-day PA process is geared to team development and starts early in the change from individual work to team assignments.

Recognition and rewards also come early. They are in the form of team T-shirts, caps, coffee mugs, jackets. Further development comes through team athletic events, team achievements, team visits to customers who have experienced benefits from the team.

As the team evolves and develops, the team begins to identify goals, values, etc., that relate to job accomplishments.

3. Partnership Assessments.

At Southern California Edison (SCE), one department, unhappy with the PA results, decided to evaluate the system. The outcome was jolting.

SCE was trying to replace hierarchical, pyramidal systems with networks and individual commitment, and to encourage teamwork and individual risk taking.

Their values, therefore, were more related to challenge, candor, empowerment and commitment. They discovered then that their PA system instead called for conformity, single-standard effort, one-sided judgment and keeping a low profile.

The company told department teams they could create any PA system they desired as long as it met two requirements:

1. The PA must include both individual and team goals and must be in support of the company's strategic plan and corporate values, and
2. The PA plan must have three phases.
 - A. file a performance plan at the beginning of each year,
 - B. have at least one mid-year review,
 - C. have a final evaluation at year end.

III. CUSTOMER PAs

Although some of the earlier PAs we reviewed included customer input, the following two systems, currently in use, are heavily dependent on customer involvement in the PA process.

1. Customer Feedback PAs.

Computer Specialists, Inc., (CSI) in Monroeville, PA has 150 employees who are in contact with customers. Those employees rate themselves twice a year and they complete evaluation forms. The client is sent the same blank evaluation form and is asked to evaluate the CSI employees with whom they work.

The company president then sits with each employee and compares the two evaluations.

Their PA system includes the following elements:

- Recognizing good performance
- Diagnosing performance problems
- Setting expectations
- Coaching
- Developing and providing feedback
- Linking performance to rewards.

2. 360° Assessments.

The people who actually deal with the employee regularly create a pool of information and perspectives on which the supervisor may act. This group is made up of a number of internal and external customers which may include clients, suppliers, consultants, peers, department heads or anyone who has useful relative input.

This information is solicited and accepted in any format the provider chooses. This may be prepared forms, narratives or possibly one of the feedback methods described in this *Personnel Notebook*. This information is given to the supervisor who, as a rule, maintains the confidentiality of the providers.

This system has many advantages including the fact that peer feedback is immensely effective to employees and customer feedback is very influential on the employer.

Companies using 360° appraisals have added that you should train employees to give and receive constructive feedback and to pilot test the program in one part of the company.

HOW DO YOU KNOW IF YOU NEED TO CHANGE YOUR PA SYSTEM?

In the 1960's American railroads were awarding generous bonuses to their executives while the railroads were filing bankruptcy and being taken over by the government.

In the 1970's the federal government paid out millions of dollars in bonuses to employees who

were busting their budgets and failing at goals they didn't even know how to measure.

In the 1980's Chrysler Corporation executives (before Iacocca) were rewarding their sales executives millions of dollars in bonuses while their parking lots and warehouses were overflowing with thousands of unsold cars. These are certainly glaring examples of ineffective PA systems.

If you find evidence of the following problems in your PA system, then start exploring something new that better fits your company.

- You find no linking of individual performance to team or department goals and to the company's stated goals and values.
- There are no consequences for poor performance. Rewards are not linked to performance results.
- Supervisors cannot articulate the performance requirements to an employee or identify clearly the level of performance that was produced.
- Evidence that the PAs use a wishy-washy standard that accepts, praises and rewards mediocre performance.
- There is too much focus on behavior and not enough on accomplishing goals and values.
- There is no indication of performance planning resulting from the PA.

WORDS OF WISDOM FROM THE FIELD

“If you're not close enough to the work to observe the performance, then you're not close enough to the work.”

“If you don't know what values to appraise, you don't know what the purpose of the job is. Maybe you don't need this job to be done.”

“If you don't know what you want from a job you supervise, then it doesn't matter what you get.”

Even with this wide array of PA systems and the ever-changing new work environments, a major key to performance appraisals lies in reaffirming a few basics: Define the values, define the job that produces those values and define the desired performance in that job.

What are the values of your company? Is it just to make money? Then determine who makes the most money for you and reward them the most. But are there any other values? Is there value in your company for an employee to satisfy customer needs, solve problems, gain knowledge, build teams, build public trust, add value to the community, build employee commitment, handle emergencies, discover new markets, create new products or services? Few companies could long survive without some of these values being provided by someone.

What are the values of your company? What should they be? What could they be?

Once you have locked that down, you can determine who is or could be providing those values for you. Even in today's new world of work, identifying the values you want to create in your company is the foundation to evaluating employee performance and possibly to the success of your company.

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CHART 1

BEHAVIORALLY ANCHORED RATING SCALE (B.A.R.S.)

“PLANNING”

SCALE VALUES

ANCHORS

7	<input type="checkbox"/>	Excellent	Develops a comprehensive project plan, documents it well, obtains required approval, and distributes the plan to all concerned.
6	<input type="checkbox"/>	Very Good	Plans, communicates, and observes milestones; states week by week where the project stands relative to plans. Maintain up-to-date charts of project accomplishments and backlogs and uses these to optimize any schedule modifications required. Experiences occasional minor operational problems but communicates effectively.
5	<input type="checkbox"/>	Good	Lays out all the parts of a job and schedules each part; seeks to beat schedule and will allow for slack. Satisfies customers' time constraints; time and cost overruns occur infrequently.
4	<input type="checkbox"/>	Average	Makes a list of due dates and revises them as the project progresses, usually adding unforeseen events; instigates frequent customer complaints. May have a sound plan, but does not keep track of milestones; does not report slippages in schedule or other problems as they occur.
3	<input type="checkbox"/>	Below Average	Plans are poorly defined, unrealistic time schedules are common. Cannot plan more than a day or two ahead, has no concept of a realistic project due date.
2	<input type="checkbox"/>	Very Poor	Has no plan or schedule of work segments to be performed. Does little or no planning for project assignments.
1	<input type="checkbox"/>	Unacceptable	Seldom, if ever, completes project, because of lack of planning, and does not seem to care. Fails consistently due to lack of planning and does not inquire about how to improve.

Source: C.E. Schneier and R. W. Beatty, “Developing Behaviorally Anchored Rating Scales (BARS),” *Personnel Administrator*.

CHART 2

FORCED DISTRIBUTION

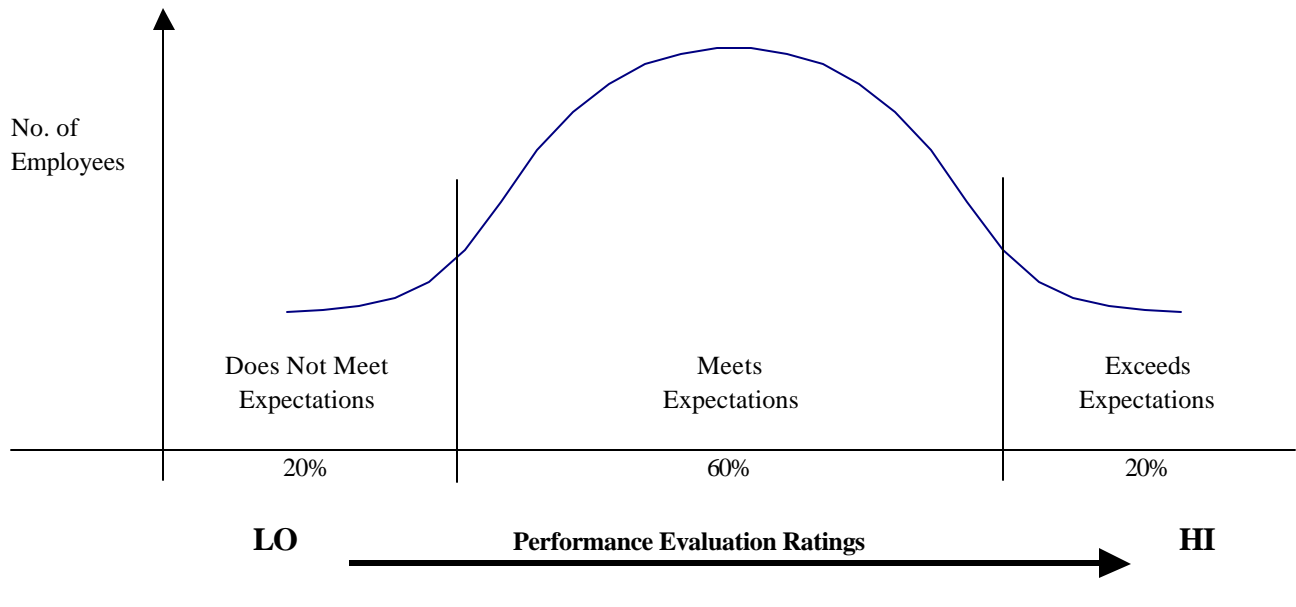


CHART 3

PAIRED COMPARISON

	1	2	3	4	5	6	7
John	IIII	III					
Susie	IIII	IIII II					
Jim	IIII	IIII					
Bill	II	III					
Patty	IIII III	IIII III					
Pete	IIII I	IIII					

CRITERIA:

- 1 Planning
- 2 Quantity Of Work Produced
- 3 Maintenance of Equipment
- 4 Profit
- 5 Quality of Work Produced
- 6 Punctuality
- 7 Tardiness