

Performance Art

Make sure your managers aren't taking creative license with their performance reviews.

By Kathryn Tyler - HR Management – August, 2005

David Currier felt like the chief patrolman for the “HR Police.” Every year, the manager of organizational development ran around trying to get supervisors to turn in their performance appraisals. Just getting the documents completed, signed and filed was the highest priority, leaving little time or energy to ensure the consistency or quality of the performance evaluations.

Such an ad hoc process can negatively affect managers’ development, employees’ productivity and morale, and, ultimately, the firm’s success.

“Performance management is the single largest contributor to organizational effectiveness,” says Robert J. Greene, SPHR, CEO of Reward Systems Inc., a consultancy in Glenview, Ill. “If you ignore performance management,” Greene adds, “you fail.”

Fortunately for Currier’s organization, Serono, a global biotechnology firm with 4,700 employees headquartered in Rockland, Mass., he recognized the importance of a successful performance management process and set out three years ago to improve it.

As a result, Serono now has three milestones in its performance appraisal system: beginning-of-the-year goal setting, midyear evaluations and end-of-the-year appraisals. All three come with checks and balances from senior management, HR and employees to ensure consistency.

Such mechanisms are vital because inconsistent employee appraisals are a recipe for employee dissatisfaction. “Inconsistency breeds contempt as your top performers start to wonder why they are working so hard and getting the same rewards as the so-so employee,” says Bob McKenzie, SPHR, president of McKenzieHR, a consultancy in Ponte Vedra, Fla.

The goal for HR, then, should be to minimize the differences between managers’ reviews to ensure a process that is as fair as possible to all employees across the organization.

The Cornerstone

Effective performance management is critical because companies rely heavily on this annual rite. Two-thirds of companies use performance reviews to determine pay increases, and almost half use them to calculate bonuses, according to a recent study by Hewitt Associates.

Yet, few companies measure how well performance reviews are being carried out, according to Hewitt. Almost half of organizations measure only if paperwork is submitted on time, and nearly a third don't attempt to evaluate the program at all.

“The performance appraisal is the most powerful and misused tool for improving the performance of employees,” says McKenzie.

Employees agree. According to a recent study by People IQ, only 13 percent of employees and managers feel their performance appraisal system is useful. Respondents said their performance systems do not sufficiently differentiate between high and low performance, are cumbersome to complete, and lack meaningful feedback.

The danger is that employees who aren't receiving clear, constructive feedback won't know what they're doing well and what they're doing wrong, making it difficult to know whether to continue or to change their behavior.

One of the most important factors affecting employees' engagement—and, thus, employees' productivity and effectiveness—is knowing what is expected from them at work, according to The Gallup Organization's employee engagement surveys. Performance reviews are a big part of communicating these expectations.

And, as such, they can affect retention. “Often, people quit because they have no clue how they're doing,” says Galina Jeffrey, executive vice president of The Forum Corp., an organizational learning consultancy in Boston. “They are not supported, coached or learning. So they look for that opportunity elsewhere.”

The Process

Given the importance of performance reviews, it pays to ensure that your system works well from top to bottom. Start by looking for performance appraisal forms that clearly encourage parity and thoroughness. The form should have a simple, standard scoring method and should measure the competencies required for success for each position and all employees. It should include plenty of space for personalized, written comments after every score.

When HR Director Elizabeth Cox joined Lakefront Supportive Housing in 2002, one of her first assignments was to revamp the performance evaluation form for the 200-person nonprofit organization dedicated to fighting homelessness in Chicago.

“It was a narrative form, and scoring could be all over the place,” says Cox, who redesigned the form so that it would retain the helpful narrative comments but evaluate employees on the same criteria and have standardized scoring.

Cox also helped facilitate conversations between managers and employees. This is wise, according to Jeffrey. Improving the form without doing anything else is a mistake. “If [revamping the process] is just about the form, forget it,” Jeffrey says. “What really needs

to happen is an ongoing dialogue between the manager and the employee. The form won't make a difference if those ongoing conversations don't happen."

To ensure that those conversations occur regularly, HR professionals must mandate formal development conversations and corresponding documentation with standardized deadlines throughout the year.

Richard Chang, CEO of Richard Chang Associates Inc., a consultancy in Irvine, Calif., and author of *Performance Scorecards: Measuring the Right Things in the Real World* (Jossey-Bass, 2000), recommends quarterly formal performance discussions. "If you have progress checks every quarter, the final consolidation of those—the annual review—is a simple process," says Chang. "If you've been coaching and giving feedback along the way, nothing should be a surprise. Only about 25 percent of the discussion should be about what happened in the past, and the rest should be focused on future improvements."

The Checks and Balances

Checks and balances must be ingrained in the fabric of the process. Three branches can hold managers accountable: senior management, human resources and the employees themselves.

Senior management. Of these branches, senior management offers the most effective method for ensuring that performance reviews are done consistently and on time.

For example, Russ Wise, vice president of HR for the small-business division of Best Software, a software manufacturer in Norcross, Ga., with 2,800 employees in North America, says: "We don't have to chase down reviews that don't get done. All our results get consolidated and reviewed by upper levels of management. If something is late, that prevents the next-level manager from completing his part. The vice presidents have to review their organization's information. If somebody's information is missing, they deal with it."

Greene recommends using a merging or recalibrating process, where the leader in each business function reviews the appraisals of subordinates for inconsistencies.

Greene takes this process one step further by having managers compare each other's reviews for consistency. Each manager goes into a meeting with the other managers and justifies his or her ratings of each employee. Then those reviews go to the leader of each business function, and on up the chain.

"If I have six scientists and I'm fair-minded and consistent, I lay their appraisals side by side [and evaluate them equally]," says Greene. "Then I go into a meeting with four other managers and level them across in a group session." The process continues as it moves up the chain of command. This system minimizes the discrepancies between managers in different parts of the organization.

The merging system encourages managers to compare and support their rationale for why they gave employees the ratings they did. Managers who rate employees inconsistently among their peers become glaringly apparent when reviews are compared side by side. Added benefits of this system are clearer internal communication about employee competencies and better mechanisms for identifying candidates for promotions.

Serono uses an online performance management system that provides similar distribution information to senior management. "All managers can view any employee that falls under their responsibility in real time. They can see the total distribution. The head of the function can see how every manager rated all their people," says Andrew Suchoff, vice president of HR.

Additionally, senior management can make a correlation between a department's productivity and the total average performance of the employees in that department. "If there is a disconnect between the two, it sends a red flag that warrants further consideration," says Suchoff.

Human resources. Senior executives and HR at Rea and Associates Inc., a public accounting and consulting firm headquartered in New Philadelphia, Ohio, audit a random sample of performance reviews together. "We pick two employees [from each workgroup] and look at three years of evaluations. Then, we give comments to the office manager based on what we see on those six evaluations," says Dan Toussant, SPHR, HR consulting director.

"Critical emphasis is placed on the number of specific feedback comments, the number of constructive positive comments and the quality of goals that were set," he says. "We spend a lot of time talking about the importance of written comments."

At Florida Community College at Jacksonville, "every annual review is read by an HR staff member," says Christine Arab, vice president of human resources, who heads a staff of 17 HR professionals for roughly 2,000 employees. "Statistics on overall ratings are analyzed for patterns and reported to the college president and cabinet."

Employees. Rea and Associates uses another checks-and-balances technique as well: employee feedback on their managers' coaching abilities. "We had an upward evaluation survey," Toussant says, that found older managers had trouble speaking to their Generation Y employees.

"If we had just done the performance appraisal program and not had an upward evaluation process shortly afterward, it might not have made as much of an impact" on how managers communicated expectations to employees, says Toussant.

Managers' Training

The keys to fair, thorough and consistent performance appraisals are the managers who deliver them. Unfortunately, too often, managers are promoted based on their individual contributions, without the proper training needed to coach others.

To help managers understand how to communicate their expectations to employees and how to apply the same standards to all subordinates, HR must give them sufficient training. This training should be mandatory and cover the following areas:

- **Terminology.** The performance evaluation training at Sunrise Senior Living, a national senior housing services company in McLean, Va., includes a large component on defining terminology and expectations. "The vocabulary is so well defined that there's no guessing as to what it means. It narrows the window of opportunity for misinformation," says HR Director Corinne Abramson.

For instance, if the performance appraisal asks managers to rate employees on "adaptability," then the form should define what that means. At Sunrise Senior Living, adaptability means "embraces change," not "willing to make a change, even begrudgingly."

- **Ratings and examples of employee performance.** Most performance appraisal forms have a 5-point rating scale. Define what each number represents, such as 1 is "failing to meet expectations"; 2 is "needs improvement"; 3 is "fair"; 4 is "above average"; and 5 is "role model."

Then, give an example of what an employee would need to do to achieve each goal. For instance, if a criterion was "Employee communicates in a timely manner with co-workers," a 1 rating would mean the employee fails to return phone calls or e-mail messages; 2 is answers phone calls and messages inconsistently, often a week later; 3 represents answers voicemail and e-mail messages within 3 days; 4 means answers messages within one day; and 5 is answers messages within hours.

Whatever the performance expectations are for your company, be sure to give concrete examples of what each performance category looks like.

- **Goal setting.** Managers need to develop clear, measurable outcomes based on strategic company priorities, says Chang. "It sounds simple, but it's hard to do," he adds. "Goals have to be linked to key outcome measures for the organization, such as customer satisfaction."

Equally important, these goals need to be shared with employees in a timely manner. "The only way to ensure fairness is to review measurements with the employee at the beginning of the review period. How fair is it to review the rules at the end of the game and then penalize players for not following the rules?" says McKenzie.

- **How to give feedback.** “To be able to deliver feedback in a way that people can hear and take action is a practiced skill,” says Abramson.

At UnumProvident Corp., a disability insurance company in Portland, Ore., performance appraisal training is part of a larger managerial training course. “Teaching, coaching, counseling and motivating are all responsibilities of those who manage,” says Ann Houser, vice president of human resources, business support and training. “They must be bound together and ongoing for any performance appraisal system to be effective. If you do this effectively, then more often than not the dreaded annual performance review will be a piece of cake.”

- **Recordkeeping.** Keeping thorough, detailed records is critical to offering specific, constructive feedback. “If you don’t keep records every day, you’re going to fail. No one can construct the whole year with accuracy,” says Greene. “Performance appraisals should be a continuous process. If I told you to do an appraisal on Fred tomorrow morning, you should be able to do it.”

What should managers record? “Brief examples of incidents. Key milestones help you justify or support the evaluation you give. Unless you keep some tickler files, it’s hard to remember those things,” says Chang. He recommends managers think of performance in terms of categories: day-to-day responsibilities, projects, key initiatives and behavior.

HR professionals can create blank journal pages with writing prompts to help managers get started, such as “The best thing this employee did this week was ...” or “Today, this employee’s lack of skill in this area was apparent when”

Many companies use external vendors to help them establish competencies and design the job performance review forms, technology and processes. But, most use internal staff to do the training. Why? Performance management is one of the foundations of any company. Internal HR professionals understand the company’s business and culture.

Moreover, this type of training needs to be delivered regularly—a full course to new employees and annual refresher courses to veteran employees—which makes it more economical and sensible to have it delivered by an internal HR professional.

Employees’ Training

While more companies are training their managers on how to conduct performance reviews, few train their employees on what to expect and how they can participate. Employee training should be mandatory. Employees must be taught the definitions of terms, what ratings mean, how to receive feedback, what to expect from their managers in terms of feedback, and where to turn if they are not receiving the feedback they need.

Employees need to understand they are not passive listeners in the performance review process.

Employee training was a big part of Lakefront Supportive Housing's performance appraisal process. "Often, employees feel that the performance evaluation meeting is where they sit and listen. I wanted people to understand that it should be an interactive meeting. I said they should bring their employee 'toolbox' to the review—a list of accomplishments, positive feedback they received, training they attended, goals for next year, etc.," says Cox. "Employees liked the idea they could come into the meeting with something to contribute."

Abramson tells employees that if they aren't getting enough feedback, they should ask to receive more. "It's OK to say to someone, 'How am I doing?'" Employees are also taught how to contact the company's ombudsman with additional concerns about fairness or lack of constructive feedback.

"The biggest thing I took away from the training was the clear, thorough explanations of the different ratings [and how to achieve them]," says Aimee Weaver, public relations representative for Best Software who attended its employee training for performance reviews.

Consistency Without Surprises

Performance appraisals will never be absolutely objective. But consistency across the organization can be built into the process.

"Performance management is not a science. We're trying to make it as scientific, methodical and objective as possible, but there's always going to be an interpretive human element," says Suchoff. "But, through reporting, the subjective element can be minimized."

HR's job is to create a performance appraisal process that requires managers to give continuous feedback, to train them in how to deliver that feedback, and to insert the checks and balances into the system that create consistency across the organization.
