Effective Employee Performance Management

Performance reviews are an essential tool for managing a company’s workforce. A comprehensive review system will establish performance expectations, aid in retaining good employees and can ultimately improve a company’s overall business performance.

Performance reviews also give management the information needed to support decisions regarding compensation, promotions, training and career development, transfers, and termination. Often, performance reviews are dismissed as overly time-consuming. However, when used properly, the benefits are worth the investment in terms of increased performance, productivity, quality of work, reduction in turnover and decreased employee relations problems.

Four Common Types of Performance Reviews

▲ RANKING. These systems list all employees in a designated group (such as a department or job category) from highest to lowest in order of performance.

▲ 360-DEGREE FEEDBACK. This process collects information from the employee’s supervisor, colleagues and subordinates about an individual’s work-related behavior and its impact.

▲ COMPETENCY-BASED. This type of system focuses on performance as measured against specified competencies (as opposed to specific tasks or behaviors) that are identified for each position.

▲ GRAPHIC RATING SCALES (GRS). GRS appraisals list a number of factors, including general behaviors and characteristics (e.g., attendance, dependability, quality of work, quantity of work, etc.) on which a supervisor rates an employee. The rating is usually based on a graded scale (e.g., unsatisfactory, needs work, satisfactory, highly satisfactory and outstanding). These grades enable the rater to determine the performance of an employee along a continuum.

Key Elements in a Performance Review Program

▲ SUPERVISOR RESPONSIBILITY. The appraisal of an employee’s job performance is a part of the day-to-day responsibility of every supervisor and relates directly to the supervisor’s responsibility for planning and assigning work.

▲ PERFORMANCE CRITERIA. Criteria for job performance must be set to reflect accurately and realistically the unique requirements of different positions, levels of assignment and operating conditions.

▲ COMMUNICATION. Supervisors should communicate job standards, goals and other expectations to employees before the evaluation period begins. Employees thereby learn what constitutes good performance, and supervisors can then more objectively assess performance.

▲ CONTINUOUS FEEDBACK. Employees are inclined to accept suggestions for improving or maintaining their performance when they receive feedback continuously (e.g., daily, weekly or monthly). Ongoing feedback also ensures that employees are not surprised by negative feedback during the formal appraisal, and it helps maintain their focus throughout the year.
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▲ LINK TO COMPENSATION. Effective compensation systems must link performance achievements to salary increase considerations.

Formal Performance Review Process

Typically, formal reviews occur once or twice annually. Effective formal reviews include the following items:

▲ TRAINING. Management is well trained on how to use the system to evaluate workers and on how to communicate the appraisal system to employees.

▲ SELF-EVALUATION. Employees may be asked to complete a self-evaluation either before or simultaneously with the supervisor’s evaluation. This process gives employees the opportunity to critically evaluate their own performance and tends to help manage expectations and reduce the potential for conflict.

▲ SUPERVISOR’S EVALUATION. Once the evaluation is complete, the manager will typically review the rating with his or her own immediate supervisor. Involvement of two levels of management in the rating decision contributes to fairness and impartiality.

▲ PERFORMANCE DISCUSSION. Managers at all levels schedule performance discussions with each of their direct reports to communicate about both positive and negative aspects of their performance, based on the goals and expectations set at the beginning of the appraisal period. Common areas of feedback include attendance, initiative, job knowledge, quality of work, productivity, teamwork, safety and interpersonal communications.

▲ ACKNOWLEDGMENT. Often, both the supervisor and the employee sign the evaluation form. Sometimes, an employee may refuse to sign the form even if told that signing it simply indicates that the employee is aware of its content, not that he or she agrees with it. Consider adding a statement to this effect above the signature line on your organization’s appraisal forms.

▲ RECORD KEEPING. Both the supervisor and the employee retain a copy of the written and signed performance evaluation.

Beware of these Performance Review Mistakes

▲ CENTRAL TENDENCY. Clustering everyone in the middle performance categories to avoid extremes of good or bad performance; it’s easy, but it’s inaccurate. This isn’t fair to employees who are really making an effort, and it can be demoralizing.

▲ GROUPING. Excusing below-standard performance because it is widespread; “everyone does it.”

▲ THE HALO EFFECT. Letting one positive work factor you like affect your overall assessment of performance.

▲ THE HORNS EFFECT. The opposite of the halo effect – letting one negative work factor or behavior you dislike color your opinion of other factors.

▲ PERSONAL BIAS/FAVORITISM. Some managers may allow their impressions of employees or their personal feelings about them to dominate the performance rating process. Focusing on the specific job and predetermined criteria and standards is the best tool for avoiding bias. Bias can come from attitudes and opinions about race, national origin, sex, religion, age, veterans’ status, disability, hair color, weight, height, intelligence, etc.

▲ RECENCY. Rating only recent performance, good or bad. Data should be representative of the entire review period. If you’re not keeping good notes, you may not remember the whole period.