

Best Practices Guide to **Performance Management**



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Tools To Manage And Motivate People[®]

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Introduction

Your company should not underestimate the value of performance appraisals and effective performance management.

Performance appraisals outline expectations for your employees by providing specific performance feedback and setting objectives for future performance. They provide a forum for supervisors to praise good performance while offering specific guidelines for improvement if needed. When used effectively, performance appraisals encourage employees to proactively manage their careers by recognizing their strengths and contributions, highlighting areas needing further development or training, and communicating expectations for advancement. Appraisals also serve as official documentation to support promotions, raises, demotions and terminations, and may provide the legal backup you need to justify employment decisions and defend your position in court or unemployment compensation disputes.

Read on for more information about the benefits of effective performance management, and tips for managing your employees' performance at appraisal time and on a day-to-day basis...

Managing Performance

Managing performance may seem like a lot of work, but the benefits far outweigh the time and effort you put into the job of helping your people excel.

With effective performance management, you can expect:

- *Higher productivity*
- *Lower absenteeism*
- *More innovative thinking*
- *Improved team spirit*
- *Higher morale and motivation*
- *Continuous improvement*
- *A workforce that cares, and is eager to learn new things*
- *Employees who challenge themselves to do better*
- *More opportunities for advancement, both for you and your people*

So, what does managing performance involve?

Follow this process faithfully, and you'll reap the benefits just listed:

1. Set objectives with your employees.
2. Monitor performance on a daily basis.
3. Document performance conscientiously.
4. Review performance with employees periodically, with at least one formal appraisal per year.
5. Set new objectives.

Read on for more information on each important step.

Setting Objectives

It is important that company values and goals used as the basis for goal setting be understood and communicated to all employees and managers. Objectives, or goals, are the foundation for good performance. They energize workers, spurring them on to do not only what's expected of them but even more. Your employees will never have to sit and wonder, "What should I do next?"

But goals energize only when they challenge employees, when employees have a say in setting them, when a manager shows that goals are taken seriously, and when the employee knows reward and recognition are the result of good effort.

When setting objectives, do not:

- *Hand employees a list of objectives for the year and walk away without explanation.*
- *Give employees too much leeway in setting their own goals.*
- *Come up with objectives and then forget about them until the appraisal meeting.*
- *Give employees goals way beyond their capabilities.*

Instead, spend time with your employees to develop goals well-suited to their position and capabilities. Come up with specific objectives, such as the number of sales to be made within a certain timeframe or another measure involving quantity or quality.

Monitoring Performance

Once you have developed goals and objectives with an employee, it's important to check in with the employee frequently to monitor his/her progress. Managing performance is a daily task. Talk with your employees and review their work regularly.

To monitor performance effectively, it's important to keep notes about your observations. Document both positive and negative performance issues, and make notes consistently throughout the year – whether it's appraisal time or not. Include specific instances when employees meet and exceed expectations, and when they fall short of performance goals. Your notes should be objective, job-related and accurate, focusing on behavior and void of personal opinion

and emotion. By doing this, you'll have a record of employee performance that can refresh your memory about specific situations when it comes time for formal reviews, termination, unemployment compensation disputes, or other legal challenges.

When it comes to monitoring employee performance, do not:

- *Micromanage, hover, or spy on employees*
- *Put off confronting poor performers*
- *Lecture employees without giving them a chance to respond*
- *Confront employees over rumors or hearsay evidence of misdeeds*
- *Discourage feedback from employees*
- *Show favoritism amongst employees*

Documenting Performance

It's important to document performance as it happens. Document behavior, incidents, and issues that have an impact on employee performance, and on your organization's results, in a solid, fact-based and nondiscriminatory manner. Your documentation will help you make sound employment decisions and will help justify your actions if later challenged. Good documentation does not make you invulnerable to lawsuits, but it provides a sturdy shield if you land in court.

When documenting a performance issue, it's important to:

- *Document the incident immediately*
- *Be fair and consistent; employees should be subjected to the same treatment (e.g., counseling or warning) for the same misconduct*
- *Stick to the facts, and include witness information if available*
- *Describe the company policy violated*
- *Describe the consequences of further violations*
- *Chart the good with the bad*
- *Watch your language. Never refer to an employee's age, sex, religion, disability status, color, nationality, pregnancy status, veteran status, or other protected characteristic in the context of a performance issue. Instead, focus on the employee's words or actions that are at issue*

Do Not:

- Leave disciplinary documents lying about where people can see them. Managers should respect employees' privacy and treat disciplinary records as confidential.
- Deviate from your company's disciplinary process. Follow your company's own guidelines if there is a policy on point about the type of misconduct at issue. For example, if your company allows an employee to arrive late three times per year before getting a written warning, do not issue a warning prematurely if an employee has only been late twice.

There is no particular type of form managers must use to effectively document employee performance issues. The important thing is that the information is recorded and communicated to the employee. The following are examples of effective performance tracking tools:

Performance journal. Every supervisor should keep a running log, or journal, of employee performance matters. Write down significant events concerning each of your employees as they occur, whether positive or negative. These informal notes will provide valuable references for writing formal memos, warnings, and reviews.

Performance memos. Informal memos may be used to communicate with an employee about significant events both good and bad. List details of the event or incident and describe the impact of the event on the company. Send a memo, for example, when an employee beats a quota or wins an award. Likewise, send a memo to alert an employee that you're watching an issue that could become larger if performance does not improve (like absenteeism, slipping quality, etc.).

Counseling forms. Managers should create a written document whenever they hold a closed-door session with an employee over a performance issue. The document should include the facts of the situation, description of the impact on the company, the improvement expected, the consequences of continued sub par performance, and an action plan for eliminating the problem. The manager should discuss the issues with the employee and obtain the employee's signature on the formal documentation. As with any disciplinary documentation, employees may be forced to sign the document to acknowledge that it was presented to them, whether they agree with the contents or not. The completed form should be filed with the employee's personnel records.

Warnings. Managers should use a formal warning form when they've counseled and coached to no avail. Document the type of violation, describe it, record the employee's response to the situation, and describe the consequences of additional violations. Review it with the employee and file the signed document with the employee's official personnel records.

Appraisal forms. A good appraisal form lists core objectives, provides space for developmental goals, and lists behavioral traits upon which you can assess employees. Managers should conduct a formal appraisal at least annually. The appraisal should incorporate specific examples throughout the entire review period. Managers should take adequate time to complete each review and should fill out appraisal forms thoroughly and candidly.

Conducting Formal Appraisals

When used correctly, performance reviews can be a powerful career development tool and help a company retain its current workforce by boosting performance and morale.

There are many types of performance appraisals, each with a specific purpose. If your company has an initial probationary period, you may choose to give an introductory performance appraisal at its conclusion to assess initial performance and address recommendations for continued employment. Self appraisals may be used to solicit feedback from employees regarding their own performances. This is a great way to let employees “toot their own horns” and may prove useful in capturing accomplishments that supervisors may not have documented and may have forgotten about. This feedback can then be reviewed by the employee’s supervisor and incorporated into the employee’s formal performance appraisal. Another type of performance appraisal gaining popularity is the 360-degree appraisal, which enables employees to rate each other as peers, or internal customers, and may include feedback from coworkers, subordinates, and supervisors.

The most common type of performance appraisal is used as part of an annual review. Its purpose should be to highlight an employee’s strengths and contributions throughout the review period, pinpoint areas for improvement where expectations were not met, and establish goals for the upcoming review period.

TIP: Appraise as often as needed - yearly appraisals are enough if you are diligent in managing employee performance throughout the year. If that’s just not possible, for any reason, schedule semi-annual or even quarterly reviews.

Whatever format(s) your company chooses to use, the key is consistency. It is important to use the same rating system (with the same format and frequency) for similarly situated employees, or those performing similar jobs with common supervision. This will help maintain a perception of fairness and equality in your workplace, and will motivate employees to achieve better results.

A performance review should not be the first place an employee is made aware that performance expectations are not being met. Informal and formal counseling should occur throughout the year, as necessary. It is important to counsel employees with a positive approach when the need arises, as regular feedback is the key to improving employee performance. It is also important to issue warnings and other disciplinary write-ups in a timely manner to ensure an employee is aware of his/her inappropriate behavior and/or performance issue(s) as soon as they occur. Never wait until appraisal time to address serious disciplinary infractions or performance deficiencies.

There are a few steps to preparing for and administering performance appraisals:

- 1. Prepare to write the appraisal.** Gather the employee's job description, objectives, performance journal, copies of performance memos, warnings, interim reviews, and anything else that will support your views. Review them all before you set pen to paper. What were the employee's successes? Disappointments? Breakthroughs?
- 2. Write the appraisal.** Your form should capture factual information like employee name, pay level, appraisal date, and so forth. Include the objectives you set earlier in the year, as well as goals for the upcoming review period. The form should also have space to rate characteristics that may be relevant to the job—service orientation, teamwork, creativity, and dozens of other traits that may be relevant to the job. If you've done your job, filling out the form should be painless. You've been watching performance for a year; you know each employee's strengths and weaknesses well.

If you're not using a prepackaged appraisal form, use a rating scale similar to this one:

- 1:** Inadequate Performance
- 2:** Sub par Performance
- 3:** Adequate Performance
- 4:** Above-Average Performance
- 5:** Outstanding Performance

Your appraisal form should also have a section for comments. Fill out each section beforehand, using examples of behavior or outcomes to back up your claims. Give each comment some thought, while making it a point to state your views succinctly.

Don't forget you're creating a record when you rate and comment upon an employee's performance. It can serve you well in court, for one thing. For another, it can serve your organization well: You can alert other managers to an employee's strengths, or make a case for the employee's promotion or termination.

- 3. Prepare to give the appraisal.** The appraisal may or may not be all that significant to you, but you can be certain your employees have been thinking about it for days with a combination of fear and excitement. Don't let them down by projecting a blasé attitude. You might also find yourself nervous or stressed at the thought of delivering the review. Review the appraisal beforehand so that you'll have a firm idea of how you want to proceed. Clear your desk, and then clear your mind of all other issues so that you can focus on the employee. Relax! A nervous boss can turn an already-nervous employee into a basket case.
- 4. Give the appraisal.** Most performance appraisals are positive experiences, and the meeting should be productive and motivating. Be sensitive to the employee, but don't apologize or back down when discussing areas for improvement. If the employee becomes upset, sad or distraught, give him/her the opportunity to vent - now and/or later. And last, but not least - be positive. Let the employee know that a performance review is just that: a review – and that this is the opportunity to change things going forward.

Be prepared to discuss the future. You may choose to set new objectives for the next period in the appraisal, or you may want to have another meeting for that purpose. In any case, be prepared to discuss new challenges, new developmental goals, and new opportunities. Take a step back from the job together with the employee and brainstorm about the job, and the employee's potential.

Keep these tips in mind to help make the appraisal process effective and painless:

Do:

- *Have evidence to back up your ratings (besides your own documentation, you can use time cards, production reports, customer feedback, or any other records as evidence).*
- *Rate job performance and verifiable behavior, not attitude.*
- *Use evidence from the entire appraisal period, not just the most recent past.*
- *Start with praise for work well done.*
- *Discuss each objective you set months earlier.*
- *Rate and discuss behavioral traits that are relevant to the employee's job.*
- *Invite feedback or responses all along the way.*
- *Point out areas where the employee must improve, and explain why good performance in certain areas is so important.*
- *End "upbeat" about the future.*
- *Have the employee sign the appraisal form.*
- *Make a copy of the appraisal form for the employee, one for the HR department if necessary, and one for yourself (to be kept in a secure file).*

Do Not:

- *Prepare for or hold appraisal meetings in haste.*
- *Be swayed by the most recent events.*
- *Rate everyone "adequate" or "good" just to be nice or avoid stirring up trouble.*
- *Surprise your employee in an appraisal with harsh judgments or really bad news not previously addressed.*
- *Give any opinion without supporting it with facts or examples.*
- *Deliver bad news or a poor assessment without giving the employee a chance to respond.*
- *Neglect to write down comments or impressions after the appraisal meeting.*
- *Forget to file the appraisal form in a safe place away from prying eyes.*

Setting New Objectives

Managing performance is an ongoing process. In the appraisal meeting, or shortly thereafter, it is important to set new objectives with your employees. Before you meet, revisit the job description and edit it based on new conditions, corporate goals, or any other variable that might have changed over time. Then, as before, set objectives based on your needs, the employee's capabilities, and the employee's input. Monitor performance carefully until the next appraisal. And there you have it...the performance management cycle begins again!

Addressing performance management issues is just one of the tricky problems that managers face on a daily basis. The legal repercussions of handling any employment-related situation can be costly for your company, so it's a good idea to provide all of your supervisors with adequate training and education about performance management and other employee relations issues. This will make them more effective as leaders, and may prevent them from making costly mistakes landing your company in legal hot water.

In Conclusion

By following the process and tips outlined in this guide, you will be well on your way to managing and retaining a workforce that understands their goals and objectives and is highly motivated to achieve.

For effective, innovative solutions to this and other daily workplace challenges, visit us online at gneil.com today, and join the thousands of companies that rely on us to manage and motivate their personnel.

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