

# A PAS Guide To Building Or Improving Your Performance Evaluation Programs

Here are some practical suggestions and model practices for creating or fine tuning your performance evaluation program. If you find this guide helpful, let us know. If you have suggestions for other subjects you would like to see addressed, send us an email ([ron@pas1.com](mailto:ron@pas1.com)) or give us a call at 800.553.4655.

If your intention is to find out what works, then reviewing the evaluation practices of other companies is a good way to begin. We did just that in researching and writing our *Performance Appraisal Practices In The Construction Industry*. To prepare the first and second editions of that particular work, we collected the opinions, practices and evaluation documents from well over a two hundred construction companies. This comprehensive reference describes what evaluations companies are using, how they are using them, and what works and doesn't work. If you are looking for samples of evaluation forms, training outlines, or policies and practices regarding worker performance evaluations, this book is worth the investment.

This brief guide summarizes some of the findings in that book. First, we will review common uses to which performance evaluation systems are put and pitfalls to avoid. We will then outline a relatively simple and painless way of creating an evaluation system for your company.

## The Program Should Fit the Objective

Worker evaluation programs that try to accomplish too many objectives usually fail to accomplish any of them very effectively. For example, evaluations that try to improve performance, develop careers, determine salary increases, distribute bonus monies, and identify company stars and deadwood, confuse both managers and workers alike. Hence, the lesson is to make the evaluation fit a clear and singular objective. In short, if the objective is to improve employee performance, design the program to do just that. If the objective is to reward impact players that improve company profits then create an incentive program that does just that.

Besides having too many objectives, a common pitfall is to have conflicting objectives. This is the case when companies combine the goal of worker improvement with the goal of *pay for performance*. To achieve these goals requires the use of two very different kinds of evaluations that are not at all at home with one another in the same program.

## Performance Improvement Systems

Evaluation systems that are intended to increase knowledge and hone skills are performance feedback systems. A simple example is the way most people learn to use a computer mouse. The person tries to make the mouse do something, gets feedback on what actually happened and then uses that information to improve the next try. Eventually the person becomes accomplished at using the mouse. This represents a basic system for improving worker performance. Set performance objectives, give feedback on success, and encourage the worker to try again.

## Pay For Performance Systems

Evaluation programs that are used primarily to determine pay, on the other hand, are referred to as *pay for performance* systems. The goal of these programs is to rank worker performance levels and adjust pay rates accordingly. Typically, this type of evaluation rates a worker's performance against some standard and then compares that worker's performance level to fellow workers. Pay adjustments are then made, giving the higher performers greater increases and lower performers less of an increase. The program's main objective is to distribute rewards based on levels of performance.

The mistake companies make is to put these two systems together in one evaluation program. When this occurs, the goals of one or both are blunted. The reason is relatively straightforward. It is awkward to focus on learning, getting better, improving myself and then to talk about what I am worth to the company compared to Sally, Joe and Mary. It's like expecting a person who just missed the cut on her college entrance exam to really be motivated to go hit the books. It's just really hard to pull off.

Our advice is to avoid trying to achieve both goals with the same system. An alternative some companies have opted to take is to abandon formal ranking altogether. Instead of trying to rate performance, these companies are basing wage adjustments on changed job responsibilities, promotion, experience, cost of living, and the job's market value. These are objective, meaningful, and quantifiable criteria. Most rating systems, on the other hand, are highly subjective, inconsistent, and unreliable. If your company insists upon ranking worker performance, then it is a good idea to separate the timing of pay increases and worker performance conferences. This provides some distance such that worker conferences can focus on performance improvement rather than justifying wage increases.

If you wish to provide additional reward such as profit sharing and bonus to those employees that clearly have contributed to the bottom line of the company, then consider using a well designed incentive plan. Incentive programs reward workers based upon the achievement of pre-defined, quantifiable objectives such as profitability, new contracts and the like. These types of programs have their failings, of course, but employees generally accept them as reasonably fair and objective. Most importantly, rewards are not tied to a subjective assessment of an individual's work behavior.

## **Building Your Performance Evaluation System**

Below is an outline of activities and practices that have proven successful in making employee evaluation programs effective.

### **Be Clear About Your Goal**

Goal: To provide instruction, feedback and encouragement to employees in order for them to improve their work performance, enhance their opportunity for advancement, and achieve their career objectives.

### **Evaluator Preparation**

1. Identify the employees that supervisors are to evaluate. Particularly in today's flat organizations, it is not always clear who best evaluates whom. Make that identification explicit.
2. Train supervisors in how to conduct employee evaluations. This is essential to insure thoroughness, consistency, and fairness
3. Use a tracking number for each evaluation to insure that every employee is evaluated. This helps keep track of documentation and insures that evaluations are completed.
4. Make employee evaluations part of every supervisor's evaluation. Supervisors need to know that employee evaluations are part of their job responsibility. Putting it in their job description and evaluating the supervisor on that task helps emphasize its importance.
5. Have a way for employees to give feedback on the evaluation process. This evaluation of the evaluation is a good way to know how to make improvements.

### **Employee Preparation**

1. It is a good idea to train employees in the evaluation process as well as the supervisors. That way everyone has the same expectations.

2. Have employees evaluate their own performance. This helps employees to understand the process and be able to have a two-way conversation with their evaluators.
3. Have the employee take responsibility for the success of the evaluation. For example, have the employee
  - Set the time and place for the evaluation discussion,
  - Update the job description,
  - Gather feedback on performance from those with whom she works,
  - Assess her strengths and weaknesses,
  - Suggest a plan for improvement and
  - Document final results.

Having the employee take this kind of responsibility changes the character of the evaluation process. The employee becomes an active participant/evaluator in her own evaluation and permits the supervisor to assume the consultative role of offering suggestions, pointing out the overlooked, and directing the employee's efforts.

### **Discussion of Achievements, Goals & Career Objectives**

1. Have the employee and evaluator focus on things the employee has achieved, new duties taken on and skills added or improved.
2. The evaluation should establish new work and skill objectives that are achievable and over which the employee has control.
3. Review the employee's progress towards her career objectives and identify some steps to move toward those objectives. This might be needed cross training, schoolwork, seminars, etc.
4. Use the evaluation process for improving the employee's value to the company, NOT to assess and assign salary increases. Consequently it is important to reemphasize for the employee that the performance evaluation objective is to assist the employee in making work improvements and career advancements.

### **Performance Criteria & Assessment**

1. Update the employee's job description to include current duties and responsibilities.
2. Note additional training, certifications or licensures the employee has achieved as well as added duties and responsibilities.
3. Use the employee's job description as the primary evaluation form. Both the supervisor and employee should clarify performance expectations for each duty and responsibility listed in the description.
4. Provide and discuss any feedback from clients, fellow workers and supervisors relevant to helping the employee improve job performance.
5. Document employee achievements, enhanced levels of performance, and readiness for additional responsibility.
6. Identify and discuss the employee's career objectives and what further work experiences, training and course work will enhance attaining these objectives.

## Where To Go From Here

1. Make a to-do list of the activities the employee agrees to work on between now and the next evaluation.
2. Make a to-do list of the activities the supervisor has agreed to work on between now and the next evaluation.
3. Have the employee assess the value of her experience during this evaluation process and suggest ways to make it better at the next evaluation.
4. Set the date and time for the next evaluation.

Much detail can be added, but generally this process works. Both supervisors and workers much prefer it because the worker is never compared to other workers, never judged average or superior. There is no need to make these comparative judgments. If a worker wants to improve her work knowledge and skills, and most do, all she needs to know is what is expected, information on how to meet those expectations, feedback on progress, and the company's encouragement and support to be the best she can be. If, on the other hand, a worker shows no concern for improving her performance, it is unlikely that the prospect of a few dollars more in the take-home is going to suddenly instill achievement motivation.

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