PAUL FALCONE WINSTON TAN

THE PERFORMANCE APPRAISAL TOOL KIT

Redesigning Your Performance Review Template to Drive Individual and Organizational Change

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Introduction

THERE'S HISTORICALLY much controversy surrounding the topic of performance reviews, and it's time to take a fresh look at reinventing the entire process—from the appraisal template to the content descriptors that set the measurement bar—in order to initiate positive organizational and cultural change within your company. Performance appraisal as a whole must be relevant to everyone—those being evaluated, those doing the evaluations, and those senior leaders who look to the performance management system to gain a better understanding of how their people are performing year after year. It's time to make performance management and measurement concrete and actionable. The system needs to get right to the bottom line and remain very transparent in terms of its format, structure, and intent. And it needs to focus on positive, transformative, and breakthrough performance not only to *assess* but also to *drive* corporate and individual change. Despite what you may have heard or have come to believe, these are all possible through the performance review, and we're writing this book to make it easy for you to accomplish. It's actually a lot simpler than you think . . .

Remember that the "people muscle" of any organization will always be its most critical asset in a knowledge-based economy, so companies that "speak performance," that know how to measure and manage that particular asset will, by definition, set themselves apart from their competition.

Is measuring human capital difficult? Yes. Does it depend on a whole number of variables and assumptions? Of course. Will it always be subject to criticism and a certain level of dissatisfaction. Absolutely! But that's because we're human beings measuring and evaluating other human beings, so the system will never be—and isn't meant to be—perfect. It does, however, have to become part of your organization's daily lexicon, and there are some simple yet profound ways of rolling out this message, measuring results, and building an achievement-oriented culture where workers are able to motivate themselves in the light of the wisdom and expectations that emanate from the top.

Traditionally, performance evaluations generate responses like this: "I always hate this time of year. Doing performance reviews is such a time waster and a drag. No one really pays any attention to them anyhow, and you go through all that work just to have your bosses check off some boxes showing their generic perceptions of your strengths and weaknesses, all so that they could justify giving you a minuscule merit increase. I wish they'd just give us the equivalent of a cost-of-living adjustment and allow us to skip all of this nonsense. I've got *real* work to do!"

That view is fairly well distributed among workers in corporate America, and front-line managers have similar feelings: "Oh no, it's that time again. This is such baloney—I'd rather stick needles in my eye than have to hold one-on-one meetings with my employees and tell them how they're doing (which they already know since I give them daily feedback anyway). I have to fill out those evaluation forms, which I end up completing the same way for everyone on my team because they're all basically doing the same job. And then you go through all that, only to see the person get a whopping 3 percent raise at the end of the day. Why doesn't someone finally just abolish performance appraisals altogether and take us out of our misery?"

Sadly, senior leadership also sees little strategic value in the exercise. Annual performance reviews become a "check-off" exercise ritual to justify giving merit increases to employees and little more. The forms themselves return to employees' personnel files immediately afterward, never to see the light of day again, and little if any organizational knowledge or value that can be used to steer the ship in a new direction or realign it in light of the economy's newest challenges percolates up to the executive team.

But even though you can go on existing with a program like the one described above or you can opt not to have any type of performance measurement program in your organization at all, these may not be the choices that serve you best. Now is the time to change all the negative assumptions historically associated with performance appraisal and reinvent yourself as a high-performance culture, and we're going to lay out a program that walks you through each step of the program. First, let's be clear: "Performance reviews" aren't about a *form*, they're about a *process*. This process should become a mainstay of topical discussions at all levels throughout the year from this point forward. Second, you can't afford *not* to measure and manage this particular program because your company's people asset is the most important one you have.

We know, we know. "People are our most important asset" is the most overused, trite, and hackneyed expression out there these days, and companies are more inclined to avoid that phrase because layoffs prove that people aren't really the company's most important asset after all. In fact, as long as payroll remains a variable expense on the company's profit and loss statement under U.S. generally accepted accounting principles, then let's face it: Payroll, typically the largest or second largest expense item, will be cut in relation to any organization's decrease in revenues.

Okay, we get that and we can't change it, but that's not what we're talking about here. When we say that people are your most important asset, we're not kidding. What makes one company excel and thrive while others "struggle to the minimums" can typically be found in its culture; its ability to attract, develop, and retain the best and the brightest; and its willingness to encourage innovation and creativity. That has to be the case by definition for any company competing in a knowledge-based economy. Isn't it funny, though, that most organizations pay scant attention to measuring such a critical asset? Business leaders get their MBAs and study Peter Drucker, whose timeless wisdom included the critical business strategy of *what gets measured gets managed*. And they learn to apply it to all facets of their business—R&D, sales, average cost per transaction, average return rate, overhead costing trends, supplier expenses, and the like.

But how often do you hear of business schools teaching about measuring the human capital asset (i.e., worker performance)? We're not talking about expense-related metrics—recruiting costs per hire; contingent labor expenses; and benefit costing trends, including unemployment insurance and workers' comp experience ratings. Instead, we're talking about:

- Performance review patterns and trends over time (matched to specific company initiatives)
- Succession planning exercises, bench strength, and pipeline development

- Voluntary vs. involuntary turnover, especially of high-performing talent
- ROI (return-on-investment) calculations that tie human capital performance to key financial metrics

These critical items need to be on everyone's radar screen from now on at all levels of management. The goal of this book is to take that first item—performance review trends and patterns over time—and make it an organizational staple from this point forward. It's time that senior leaders reinvent their concept of what performance evaluations are: not just "forms" that justify the company's doling out annual merit increases, but a key development and evaluation tool of the entire enterprise that can be customized, measured, and managed to produce key intelligence that sits right up there alongside revenue, profit, and expense driver analysis.

Managers and supervisors who are responsible for issuing reviews and constructively critiquing their teams will be held accountable for strengthening the muscle of your organization's human capital asset, and their key focus as leaders should lie in attracting, developing, and retaining the best and brightest talent that the *industry*—not just your company—can produce. Employees who up to now have "tolerated" being reviewed will see this renewed process as an ongoing dialog with specific communication points where they're responsible for scheduling time with their supervisors to evaluate their performance against the goals they've established. And once employees realize that your organization focuses on results—achievements and accomplishments that can be bulleted on a resume or internal self-evaluation form in preparation for their annual review—your supervisors can then view themselves as shepherds of great talent who know how to create a work environment where their team members can motivate and reinvent themselves in light of your company's changing needs.

Likewise, senior leaders can then look to the annual performance review "culmination" as a balance sheet of sorts—a living, breathing snapshot of your company's human capital performance at a particular point in time—and then and only then can you claim to be a performance-driven organization. In addition, we'll discuss alternative compensation strategies that will allow you to create a remuneration program that rewards your highest performers relative to the rest of the organization without creating a variance beyond your planned merit pool.

If this sounds like a lot to ask for or pie-in-the-sky HR consultant-speak, don't be fooled. Like everything else in life, it all starts with you. If you're the CEO, CFO, or COO and want to implement a performance management program focused on *customizing* and then *upgrading* your organization's performance evaluation program (i.e., process, system, and form), then pass this along to your head of HR, who can follow its guidelines step-by-step to transform your culture without much drama or angst. If you're a human resources practitioner who loves the idea of reinventing your company's performance management program but needs buy-in from the top, then fret not: This book's premise is clear and the steps necessary to get you there will be straightforward, fairly easy to explain, and can be implemented partially or as an all-at-once transformation. If you're a line manager and want additional evaluation tools to support your company's strategic direction and help you become a stronger people leader, look to this book to add those transferable skills and tools to your arsenal.

Folks, this is meant to be fun. The greatest gift the workplace offers lies in helping others grow within their own careers. Creating an environment where people can motivate themselves is what performance management and leadership development are all about, and this manifests itself in so many ways—acquisition of new skills and abilities, increased internal promotions, decreased turnover, decreased workers' comp and intermittent FMLA claims, and a brand and reputation as an organization that cares about its people while simultaneously holding everyone to the highest standards. And helping people thrive in their roles has limitless organizational benefits—increased revenue and efficiency, a heightened sense of innovation and creativity, a raised awareness of and assumed responsibility for controlling costs, and a growing sense of camaraderie and healthy competition that keeps everyone focused on moving the ball forward in a constructive and positive manner.

All you have to do is change your concept of what performance management and performance appraisal are all about and what they can do for both your organization and your own individual career development. This is a win-win-win for company, supervisor, and employee, with little downside risk. So go ahead. Be the change agent you've always aspired to be. Become the go-to person for cleaning up bottlenecks that plague individual and group performance, and develop a human capital dashboard that measures patterns and trends in your company's performance. In short, create a reputation for being a turnaround expert in the area of leadership and human capital performance. You'll be giving your company the gift of competitive advantage, all the while developing a reputation as an outstanding leader and problem solver that will help propel your own career to new heights. Finally, you now have the tools necessary to reinvent yourself and turn your organization into a high-performance machine. We're so happy to take this exciting journey with you.

Paul Falcone, Los Angeles, California
Winston Tan, Spokane, Washington

CHAPTER 1

Why It's Time to Stop Complaining and to Start Building the Right Performance Measurement System That Can Transform Your Company

THE CURRENT SYSTEM of performance appraisal used in most companies relies on outdated information and technologies that don't deliver the payoff you want or need. And the "you" in this case refers to employees, supervisors, and senior company executives. There's a disconnect between true "performance management" and the system we've all allowed ourselves to become accustomed to—i.e., an administrative and bureaucratic exercise used simply for justifying merit increases.

Merit pools have been very tight for the past decade or so, tying in to a Consumer Price Index (CPI) that has barely edged upward since the new millennium began. Since merit increases tend to keep up with inflation, the minuscule budgets have made it difficult to differentiate and truly reward top performers with some sort of financial carrot. Indeed, the only way for most U.S. workers to get ahead has been to either leave the company for greener pastures or try to get promoted internally; otherwise, the merit pools themselves leave very little to inspire and reward top performance for those who have remained in place.

Software solutions can be helpful in getting front-line supervisors to find the proper wording to describe their team members' performance, but let's face it: Most software doesn't allow for much customization, and if the performance categories, or "competencies," don't accurately reflect what you're trying to measure as an organization, the whole exercise turns out to be a bust. After all, how could it be that the same form gets passed down in most companies—generation after generation—without so much as a tweak to reflect the enterprise's changing priorities? Software programs can't fix that, so until the content becomes more insightful and strategic, the program will remain shortsighted in terms of its ability to accurately reflect the strength of your organization's human capital muscle.

If the performance review programs employed by most organizations are sorely lacking and way out of date—akin to an analog land-line telephone in today's proliferating smart phone technology—how do we move the pendulum forward? We're glad you asked. . . .

We have to assume that the rapid pace of change stemming from technology, globalization, and the overall economy requires companies to change quickly, and the performance review template—as a measure of the company's assessment of its workforce muscle or "human capital asset"—must change by definition every year or every few years to reflect a company's changing priorities. In other words, if the format and performance factors aren't being upgraded relatively often to reflect the organization's changing needs and priorities, then you can stop right there: The program will be viewed as a big disconnect.

To make this whole exercise of evaluating, developing, and strengthening human capital worthwhile, the format must be flexible and capable of integrating changing parts. Those changing parts reflect the company's newest priorities—its opportunities, threats, and weaknesses—so that everyone on the team is trimming the ship's sails to move in the same direction and working together toward a common goal.

It's more than just about the format and structure of the appraisal template, however. The content of the performance descriptors must be raised to heighten performance expectations as well. How many times do you read a typical performance appraisal form and think, "This is so ho-hum. Is this really *all* we're expecting of our employees? And how could it be that the same content is contained in evaluations that cover early career administrators vs. technical and professional experts vs. senior leaders? They all have vastly different skills, knowledge, and abilities, and this one form doesn't even come close to measuring the differences in the impact they make or what we expect of them."

As a society, we've missed the mark in associating the annual performance review with the merit increase. Don't get us wrong—performance should be tied to merit pay. Our mistake in corporate America has been in allowing the *degree* of linkage to distort the program. In other words, performance management is a critical leadership tool that helps companies and executives build stronger teams of engaged workers who find new ways of reinventing themselves and creating value. Whether you've got 10 percent or 1 percent in this year's merit pool, the performance management piece shouldn't really change: You're still using the system to motivate, reward, and develop talent. After all, you can't control how much your company sets aside for the merit pool in any given year, but you certainly can control the way you motivate, recognize, and acknowledge your team members' contributions. This whole process is about recognition, appreciation, and, at times, confrontation (for poorer performers). That shouldn't be tied to how much your organization happens to have in the merit pool in any given year. We all know managers who pooh-pooh the whole process because the company only has a 2 or 3 percent merit pool to play with. But that "causal connection" between the size of the merit pool and the effectiveness of or investment in the company's performance management system couldn't be further from the truth in terms of the value of a strong performance measurement program.

This information about the organization's most critical and fickle asset—its human capital—rarely makes its way to the top of the organization as a key, measurable metric. Instead, these one-off exercises happen across the company and then never see the light of day again once the documentation makes its way into each individual employee's file. The performance trends and patterns don't percolate to the top of the organization, where that "strategic asset" should be measured and evaluated relative to revenue generators, key expense indicators, and the like.

Finally, and most importantly, a strong performance management system will not only reflect your organization's past performance—it will drive future change within your company by setting your strategic direction. That's right—

your performance review template should allow you to set organizational priorities and move the ship of state in new directions based on your immediate challenges and longer-term organizational goals.

Let's look at it this way. Every company in corporate America has its own unique performance appraisal form, system, and process. Public, private, for-profit, not-for-profit, domestic, international, union, nonunion, and small and large employers alike all have some semblance of a performance management program and system that they rely on to document and reward performance. Even if they have no formal system, they still have an informal way of measuring and communicating these same values.

We recommend building a program that addresses all the various types of companies and programs already in existence out there, using flexibility and customization so that employers can reflect the true state of performance management within their organization at any given time. Flexibility and customization are the keys. We just have to make it easy to adapt both the form and content of the performance review so that readers can mix and match their organizational priorities to move their companies forward.

For example, what are the stages of a typical company's growth? What are the typical challenges faced at each stage? How do organizational goals and priorities translate themselves to the departmental and individual level? For that matter, how do you shift your culture to that of a performance-based organization?

Believe it or not, this isn't really that hard to do, and it doesn't take tens of thousands of dollars in management consulting or software fees. Instead, this is where life in corporate America gets most creative. It's where we get the biggest bang for the buck in wanting to become strategic contributors to our organization's overall direction. And bottom line—this is where all the fun is! We know that startups disrupt the status quo and create innovation, while large, established companies are typically on the defensive. (After all, they have a lot to protect!) We know that as growth companies become mature companies, they tend to lose that creative spark that juiced everyone up when they were working out of someone's garage years ago, before things were managed more by the accountants and lawyers and the creative spirit got squelched. And we also realize that mature companies can go on the decline if they're not careful and thinking of new and innovative ways of reinventing themselves in their competitive space, so reinjecting a spirit of innovation and creativity may be critical—although it may come more from building matrix teams rather than from solo performers (like your company's original founders).

Achieving consistent customer replenishment and cash flow from your startup will rely on your ability to offer creative and innovative products in a particular niche, combined with outstanding customer service and value pricing. Turning your startup into a competitive growth company will rely on your ability to hire and develop a strong leadership team, build your core around exceptional communication, and install a clearly delineated chain of command. Morphing from a growth organization to a stable and mature company will then focus on your ability to install appropriate compliance measures, reduce turnover, and capture a greater return on investment for your human capital asset.

No one performance review form or template can apply equally across the board to so many different organizations in different industries at different stages of development. But do you see how the factors outlined above—*innovation and creativity, strong communication, effective hiring*, and *compliance*—all help to drive your company forward at different stages? That's the *real value* of an effective performance management system in a performance-based organization—your template articulates and drives your organizational goals and values!

This book is the first in its class to attempt to build a tool that reflects your company's current needs and challenges and that could be morphed to adapt to the new directions you're looking to pursue. No one size would—or should—fit all, but as is typically the case when it comes to individual or organizational performance modes, the value lies in the discussion. The communication and the dialog about where you're going and how you'll best get there, as framed through the vision of your most critical capital asset—your human resources—is what performance management is truly all about.

Yes, this is about individual performance evaluation, but it's so much more than that! This is about organizational forecasting, about strategic leadership and making your employees feel engaged and involved in where the ship is heading. This makes it easy for them to have skin in the game, and there's no greater gift you could give your company than a motivated and dedicated workforce. We live in a knowledge-based, information-driven society where human capital selection and leadership defines who succeeds and thrives. This tool will give you the opportunity to bring your company to that next level.

The Achilles' Heel of Workplace Management—Historical Challenges with Assessing Performance and Placing a Monetary Value on People

So much has been written on performance management and performance appraisal over the past few decades, including books on abolishing performance appraisal outright, that launching this book project posed somewhat of a risk. We certainly didn't want to become "just another book on performance reviews" and decided early on to venture into the essence of the performance management world: designing an evaluation model that could help companies move performance forward, both at the individual and enterprise-wide level.

Still, it *is* inherently difficult to assess the contribution of your fellow workers to your department's morale or your company's bottom line. How do you evaluate fairly and consistently? How do you ensure that you're holding your people to the same standards that other organizational leaders are attempting to follow? What's the real significance of a score of 3 (meets expectations), and what does someone have to do to reach a 5 (stellar)?

An additional risk, of course, lies in attempting to reinvent a critical element of workplace performance that's particularly unpopular in the business press these days: tying performance to monetary rewards. On the one hand, we observe company after company complaining that they have an outdated system that is not delivering the payoff they want or need. On the other hand, we see an incredible resistance to engaging in exercises that will develop employees' long-term career potential because there's so little money in the merit pool to differentiate high from medium performers. The disconnect has never been so evident because few companies truly practice "pay for performance" and simply use the employee's individual evaluation form as an administrative tool to justify annual merit increases. With merit increases so tight and employee disengagement at such a high level, the last thing needed in the annals of business literature is yet another book on measuring performance, right?

Abolish Performance Appraisals? We Think Not! The Sad State and Demise of Performance Appraisal Today

Well, not so fast . . . We're all making this much harder than it has to be. There is a lot of noise out there about abolishing performance appraisal, the disconnect between the administrative forms and the organization's true needs of measuring performance, the damage a poorly written review could do when an organization tries to terminate someone in light of high-scoring performance appraisals on record, and the general sense of apathy and indifference that surrounds what should inherently and intuitively feel like the most important exercise of the year in an employee's eyes. After all, aren't report cards necessary to reflect on past productivity and guide future performance and behaviors? Without a scorecard, how do you know who's winning the game?

Performance appraisal isn't just a *form*—it's a *process*—and the critical link that the performance management process seems to be missing is ongoing communication between superior and subordinate throughout the review period. When done correctly, the annual performance review is one step in a continuing cycle of ongoing performance measurement, progress against goals, and shifting priorities. Where those twelve months of historical performance and goal attainment culminate is during the annual review period—much like a balance sheet reflecting a snapshot of an organization's financial and operational performance at a given point in time. And we all know how important balance sheets are in evaluating companies' performance.

Performance reviews aren't just built around individual workers—they're even more critical at the enterprise level where that human capital muscle needs to be measured and managed. So few companies track and trend performance appraisal scores over time. Even fewer use the data as part of an ongoing scorecard to move the organization forward by strengthening its human capital muscle. And that typically occurs because few organizations look at the tool *strategically*—as an indicator of human capital strengths, weaknesses, opportunities, and threats. If they could only see what it looks like to capture the data and measure it over time to ensure that employees are working in harmony toward revised company goals and initiatives. And just think how nicely that would lend itself into succession planning and other exercises down the road!

With payroll remaining the largest or second largest variable expense on an organization's profit-and-loss statement, any time an across-the-board 3 percent increase is in discussion, a sizeable investment is at stake. If senior leaders and managers take the process for granted and simply award merit increases for fogging a proverbial mirror, then they're not acting as wise stewards of their company's financial assets. Even if "pay for performance" is not something your organization is doing right now because there are no budgets for merit increases or because the budgets are so small that it's difficult to differentiate between high and low performers, the performance management process is still as critical as ever as a bellwether of worker performance and development.

Finally, our proposition is as simple as it is profound. This is a lot easier than you think. With just a few shifts in our concepts of what this process is all about and what it's meant to accomplish, we can turn off an entitlement, "cost-of-living" assumption about pay for performance and raise performance expectations not just for individuals but for enterprises as a whole. With all due respect to many of the other books available on the market today, what's missing is the key connection between individual and organizational performance measurement as well as a "how to" approach to customizing a program that's right for your organization at this point in time and that will be adjustable to the future challenges your company may face.

So consider this book a *consultant in a box* of sorts, providing you with templates, content, and flexible combinations that you could use to reinvent your current program and retool it year after year to reflect your organization's heightened expectations and changing needs. After all, if you're using the same form over and over again—passed down from one generation to the next without much forethought or concern about its dated assumptions—you can almost guarantee that your employees aren't taking it seriously either and that your senior leadership team isn't using the data as a strategic tool to move your organization forward.

We don't intend for this book to become yet another boat anchor of workplace do's and don'ts. We're not taking you down the road of explaining how to meet with your individual employees and speak with them about your expectations or explaining your justification for the scores you're doling out. Instead, we want to offer you a *system* that fully culminates in and realizes itself at the year-end review but provides you with insights into crafting and designing a program your organization will love. From individual contributors to front-line supervisors to senior leaders and corporate boards, this program will help you help your company thrive and grow. It will cast light on what has arguably become a neglected resource, and it will offer you guidance and wisdom along the way to ensure that you're moving the ship in the right direction.

Yes, our plan is a bold one, but if we're going to offer something unique in what's become an overpopulated field, we've got to stand out as a rarity among our peers. And the only way we can do that is to supply you with a template and content that will help you reinvigorate your performance management program while showing you what a proper program is meant to look like, both at the individual and the enterprise level. Thank you for allowing us to make this important journey with you, and we truly hope that both you and your organization and its employees benefit tremendously from this slight shift in thinking.

The Six Essential Steps to Getting the Most Out of Your Performance Management Tool Kit

Chapter 1 wouldn't be complete without a look behind the curtain to see where we're going with this book and pointing out the templates and tools that you'll want to study along the way as you prepare to customize the optimal program for your organization's current needs (Figure 1-1). Remember that if you're not amending this template every year or every few years, you're missing the point of the exercise. This is a living, breathing human capital performance management and measurement system—not a static form or immutable program that denies the realities of change over time.

Step 1: Set your strategic vision for performance management and measurement

As tempting as it might be to draft out where this program could lead and how it could develop over the next three to five years, focus initially on short-term and immediate needs. Like any other major initiative you undertake, you'll need to approach this from a "small bites" perspective so as not to be overwhelmed by the immensity of the task.

Figure 1-1. The Six Essential Steps

Ideally, you'll work closely with your C-suite senior leadership team—the CEO, COO, and CFO—to build and design this program, working carefully to capture your organization's key values, core competencies, and short-term (i.e., one-year) goals. But don't put this off if your C-suite executive team isn't quite ready to engage initially. As the song says, you don't always get what you want, and it would simply be too easy to put this off just because executive sponsorship wasn't available on the front end. In short, *you be the change*, you design the program for senior leadership review, and you make this happen (with the appropriate approval, of course). At that point, and with a compelling program and tool at your disposal, you can make a formal proposal to help others come around to your way of thinking. In fact, there's little downside risk to proposing changes to a corporate program that's simply not working—especially if the changes you're recommending are fairly easy to explain and make common sense.

Step 2: Design the performance appraisal form/template/structure so that it adheres to your organization's current challenges and goals

This book isn't simply about providing you with sample templates from various organizations so that you can choose the one that appears to be the closest match to your organization's current needs. Instead, the goal will be to develop and design a format that will capture your key priorities as an organization, including your values, business drivers, and strategic imperatives. Designing a template is fun. We'll share several samples of ours with you as well as a proposed blueprint that you may want to start with to save time. But this is an opportunity for you to reflect on what performance measurement and management should look like in your organization. Choose a "face" that will closely align with your culture and your overall feel as a company: formal, relaxed, profound, colorful, bold, inhibited, innovative, aggressive, unassuming, eccentric, idiosyncratic, you name it. Literally, *you name it* . . . and brand it . . . and own it. The format and structure you choose are key to the program's identity and successful adaptation.

Also, keep in mind that there are three major types of competencies that should be represented in your performance appraisal template (Table 1-1). In general each type will help to send a strategic, core, or performance message to employees as shown in Table 1-1.

Step 3: Craft winning content that pops and puts a fresh focus on both organizational and individual initiatives

But form and winning design alone aren't enough to craft a program that uniquely reflects your company's expectations and goals. The content you use to describe the core measurables and parameters of performance need to be reinvented as well. Most companies do a particularly poor job of outlining what a particular performance category represents. For example, a core description of "Communication" within a typical performance appraisal template may be documented as follows:

> "Communicates clearly and effectively at all levels. Produces easily understandable reports and presentations. Effectively deals with others, both

Competencies	Definition
Strategic	**Strategic initiatives** are set at the senior leadership level and are designed to establish organizational focus and priorities. Challenges face companies year after year in terms of new competition, the need to work more efficiently and hold costs down, merge with and/or acquire other companies, expand into international markets, and the like. Strategic initiatives set at the organizational level ensure that everyone's trimming the sales to move in the same direction, working in harmony toward the larger organizational objective, and keeping individuals and departments focused on organizational priorities that move the ship in a new direction.
Core	**Core values** represent the stable behavioral characteristics that your organization stands for, its cultural DNA, its mission statement actualized, and its cultural norms embodied and reinforced. Core values, like ethical conduct, are typically codified at the policy level and define who you are in light of workplace culture and employer branding identity.
Performance	**Performance factors** represent the core competencies of any organization in terms of the skills, knowledge, and abilities of its workers to move the ball forward, execute and accomplish practical and measurable tasks, and tie individual effectiveness to overall organizational performance. Think of this category as "practical employee maintenance," where achievements and accomplishments are garnered that help individuals add value to the company while building their resumes and preparing for the next move in their careers.

Table 1-1. Major Types of Competencies

> internally and externally. Respects confidentiality. Provides timely feedback and follow-up and manages others' expectations appropriately."

But if you give some thought to what you're truly trying to convey in terms of your expectations as well as what to measure in your employees' performance, you may want to redraft the content of this particular core competency as follows:

> "Cultivates a culture of openness in information sharing. Regularly solicits constructive feedback, builds consensus, and asks well-thought-out and

well-prepared questions. Encourages open communication, cooperation, and the sharing of knowledge. Remains open-minded and willing to entertain others' ideas. Builds trust through regular, open, and honest communication. Demonstrates candor and level-headedness in all business dealings. Listens actively and always responds in a respectful tone. Engages appropriately when in disagreement and pushes back respectfully and in a spirit of goodwill and cooperation. Speaks persuasively and convincingly but is not afraid to say, 'I don't know' and research an answer. Manages others' expectations appropriately and proactively communicates any potential problems or roadblocks. Effectively feeds information upward and rarely leaves others flying blind or unaware of important updates."

Do you see the difference? While the initial descriptor is tired and uninspiring, this revised descriptor reflects a much higher level of company expectations—a proactive vs. reactive approach to communication, a spirit of inclusiveness that goes beyond passive engagement, someone who inspires trust in others and engages in constructive feedback when faced with the potential of adversity and confrontation. *How* you phrase your expectations is critically important in terms of raising awareness of your revised philosophy. In short, both *form* and *content* need to be equally amplified to reflect your organization's heightened expectations.

Step 4: Communicate your new vision and expectations and gain buy-in from your employees

As a basic rule, *you cannot overcommunicate* at times when you're launching new initiatives and expectations like this. As exciting as this all sounds, expect your employees to respond in a negative way to what they may perceive as the newest "HR idea du jour," the newest fad that will surely pass given enough time. Even with the fancy wording in the new format, after all, isn't this just the same old same old—a form they need to fill out or a process they need to undergo to get their 3 percent merit increase, right?

Oh, and while we're at it, please don't expect front-line leadership to automatically warm up to this idea either. And in a spirit of full disclosure, let's throw in executive leadership and the board as well. Why? Because they won't necessarily understand the simple premises that we're proposing. On the other hand, maybe executive leadership gets this and sees an immediate need for a turnaround in the organization's human capital management strategy. After all, if you were recently purchased by a private equity firm that has a myopic eye on your revenue targets and expense drains, then this type of human capital turnaround engagement may be necessary. Likewise, maybe your company's revenue model suddenly shifted from stable to variable and created a need to dramatically migrate the total compensation balance from base pay to an incentive focus to better reflect the company's cash flow cycles. Okay, then senior leadership could be on board and may even be insisting that this new program be implemented as quickly as possible.

But whatever the case, accept the fact that you'll be swimming upstream for the most part, because you'll definitely get resistance from certain parts of the organization at any given time. As the saying goes, people don't resist change—they just resist being changed. To whatever degree you feel that saying may apply here, you'll be hitting a nerve when attempting to reinvent your organization's performance management program because some will adhere to the old system, others will believe that this is just a matter of change for change's sake, and still others will demonstrate outright resistance if they feel you're potentially messing with their money (i.e., the amount of their merit increase). Organizational courage is required to suggest and recommend large-scale change in any entity, but few initiatives have the upside potential to strengthen the core of your organization's workforce—and your reputation as an effective leader and human capital turnaround guru—than spearheading a program like this. So communication will always be the key, and we'll map out some simple strategies to help you clarify your message and allay any unnecessary anxiety from potential naysayers.

One final tip: Some business leaders believe more in evolution than in revolution, which we agree with. If that's also your philosophy or the general underlying trend in your organization, then fear not. The elements in this program can just as easily be introduced individually rather than as an entirely new system. In short, if you choose to roll this entire program out over a two- to three-year period rather than all at once, then that will work just fine as well.

After all, what's the benefit of a customizable program if you can't customize it according to your own timeline?

Step 5: Roll up your strategic enterprise dashboard to executive leadership to reflect the current state of your human capital asset

How effective is your organization as a whole at mapping the performance of its workforce? Does your company's performance distribution curve look more like a healthy bell curve—with documentation of overall scores showing an expected spread of performance from stellar to acceptable to poor—or is there an arbitrary scattering of performance grades with no real rhyme or reason? Worse, does your organization's performance review score pattern reveal more of a "rising string," where the majority of employees receive scores of 5 (i.e., stellar) while fewer employees receive scores of 4 (excellent), 3 (solid), 2 (substandard), and 1 (failing)? If there's no inherent discernment of the overall mapping of your enterprise-wide scoring system, then something's seriously amiss.

Top Performer Profiles

Your performance review rankings will arm you with some valuable insights. You'll hopefully see what percentage of your workforce falls under the 4 and 5 categories as "top performers" so you could examine them separately to see what's working, where they come from, and how they differentiate themselves. For example, what level of education or certification do your top performers seem to have in common? Do they come from particular industries or companies? How many have been promoted at least once since joining the company, and how many promotions have they averaged within three or five years? What do top performers cite as the main reason they joined your company initially, and what do they say during exit interviews were their primary and secondary reasons for leaving the company?

As you can see, building profiles of top performers isn't that hard to do, and the results could be telling. It just takes a little healthy curiosity. Speaking of which, what does your overall workplace demographic look like in the following areas?

Employee Demographics

- Average tenure
- Average age
- Prominent ethnicity
- Prominent gender
- Average salary
- Average performance review score

Now, please don't misunderstand: We're not asking for this information for any type of ill-willed or unlawful "profiling" reasons. We just want to know what the "average bear" looks like so we have some kind of starting point to better understand our workers' overall makeup. Next, once you learn that your average employee is a Hispanic female, age thirty-two, who's been with the company for three and a half years, earns $38,650 per year, and has an average performance review score of 3.4, you can start framing questions to some of the challenges you may be facing. For example, if your organization is facing a challenge due to an exceptionally high number of people calling in sick without advance approval, then you could drill down further:

Excessive Employee Absenteeism Snapshot

- Average number of days of unscheduled absence
- Average length of time of an unscheduled leave
- Percentage of days taken around weekends and holidays
- Percentage of employees currently under some form of corrective action for excessive, unscheduled absence and at what level (e.g., verbal, written, or final written warning)
- Average performance review score of employees currently under discipline for some form of excessive, unauthorized absenteeism

You might soon realize that the majority of workers taking time off seem to all be getting sick on Fridays and Mondays, pointing to a morale and entitlement problem that requires one form of intervention (e.g., progressive discipline). Or you might realize that unexpected absences are occurring sporadically throughout the workweek, possibly because many of your workers may be younger mothers who need to take time off to care for ill children. In that case, a more flexible work schedule or remote workforce options may alleviate the challenge of unscheduled absenteeism by building more flexibility and control into the system.

Yet again, those being disciplined for excessive absenteeism may surprisingly have higher performance review scores than the overall population. Are front-line supervisors not paying attention to the problem or otherwise deflecting it when documenting overall performance during the evaluation process? Or maybe those supervisors don't feel they can discipline their employees because their absences are subject to intermittent FMLA protections. The point is, you can't know what's driving the problem or what the respective solutions may be until you engage in healthy dialog based on your *quantitative* findings, especially those involving performance review rankings—which are always your best place to start.

The numbers and quantitative data will help you identify or at least approximate what the real issues behind the problem are and where they may lie. You don't need to hire a full-time analyst: You just need a healthy dose of inquisitiveness and curiosity along with an Excel spreadsheet, and you'll be off to the races! Later in the book we'll address more strategic types of quantitative exercises that stem from performance reviews and that focus on developing top talent in the succession planning process.

Step 6: Reflect, retool, recalibrate, repeat—and *reinvent* the program to drive your organization's future direction

As stated earlier, the true value of any performance management program lies in ratcheting up expectations over time in light of the newest challenges your organization may be facing. In one year, for example, your primary focus may lie in solidifying your customer base and cash flow while focusing on reducing costs. In another year, you may be looking at acquiring a competitor and integrating that organization's staffers, systems, and policies into your own organization. In yet another year, you may be looking to launch an IPO and go public in order to raise capital, or you may be looking to privatize and become a portfolio client of a private equity firm that could help you restore your business to profitability and then spin you off five years later as a much more efficient and relevant player in your industry.

More often than not, though, you won't be undergoing drastic changes like these. You'll simply want to increase revenue and/or productivity per employee, gaining a greater return on your investment for the years of blood, sweat, and tears invested into this company you've come to call home. What's important to remember is that all facets of organizational change can be addressed in a well-oiled performance management system. The only difference is that when you're benchmarking your human capital output within a system like ours, you'll have concrete numbers to justify driving your business a particular way, and you'll create a broader and more well-refined prism through which you can view the output of your human capital asset. The days of reactive management change where things just happen with no rational connection to or with your employees can finally be put behind you.

Performance management has been characterized as something that is old and tired and almost glacial in creating change. We would like you to think of this as a renaissance of performance in your organization and a way to shift from a resigned organizational tradition to a living process with design cycles that occur fairly frequently. Clothing designers know they must capture the current wave of fashion by discerning consumer trends, habits, and interests. They are constantly learning, processing, testing, and talking in order to present the most relevant styles and collections. Organizations of all types need to engage in similar discussions regarding the state of affairs of their most critical asset—their human capital.

Performance systems need to be retooled every other year or at least every two to three years to reflect the changing nature of your company's demands, industry competition, and economic realities. Establish a clear process that starts with lessons learned and feedback from employees and raters alike. How can the plan be more effective? What are the rough edges that need to be smoothed? Are the competencies still relevant? With feedback in hand, simply reflect, retool, recalibrate—and then repeat—the process.

These six essential steps will help you re-engineer, rebuild, and refresh the optimal performance measurements and incentives that will complement your business strategy and dovetail employee focus and vision.

CHAPTER 2

Unleashing the Power of Performance Management: Driving Cultural Change and Strategy Development

BECOMING A PERFORMANCE-FOCUSED organization often means rethinking your approach to both business and people operations, and most business leaders agree that innovation is a critical element to any firm's profitability and survival. But creating a spirit of innovation eludes many front-line leaders who are more concerned about avoiding mistakes than unleashing the creative and innovative powers of their teams. You'll be surprised to learn that engaging in "human capital turnarounds"—i.e., significant increases in your employees' energy level as well as their productivity, focus, and output—isn't at all impossible and isn't even that difficult when viewed in a new light. But it will definitely take some getting used to. Changing the mindset of an entire organization needs to happen one individual, one group, one department, and one division at a time. In short, you'll need to get your managers in the habit of trusting their employees and your employees in the habit of trusting their managers at a new level. Let's take a look at a few simple but effective ways of approaching the "how" of developing a performance-based culture.

First, let's look at what we've seen in the past decade or so. Many workers in corporate America feel exhausted and burned out. Survey after survey shows that a majority of workers would change companies if they could. And there's a simple reason why: Automation and technical advances, globalization and offshoring, and the destabilizing effects of the Internet have significantly shortened business cycles and made the workplace a much more extreme landscape to navigate. By many economists' reckoning, we've been toeing the line in corporate America for a decade and a half of unparalleled change. The boom economy of the late 1990s left many companies hemorrhaging younger workers to dotcom organizations that were cash-rich and able to offer lucrative equity packages and long-term incentives that appeared to promise a wealthy retirement by the ripe old age of thirty. Then in the summer of 2000 came the "dot bomb" tech implosion that created a significant recession that lasted until 2003. Layoffs, hiring freezes, and suspended merit increases became the norm, and those fortunate enough to remain employed did everything they could to keep their jobs and avoid the unemployment lines.

A stunning return to a business up cycle then kicked in from 2004 to 2007, and workers were hard-pressed to keep up with demand, especially since the U.S. labor market tightened up so quickly and it once again became difficult for companies to find qualified talent to fill staff vacancies. Those boom years were suddenly choked off in 2008 when the Great Recession roared onto the scene, leaving massive layoffs in its wake. These extreme and abrupt business cycles left many workers scrambling to keep up with heated company production demands on the one hand and the additional workload (and guilt) after a layoff of their coworkers on the other. In either extreme, workers ran themselves ragged to keep up in a workplace full of immense and unparalleled challenges.

So no matter which way you look at it, people are weary and unnerved by the rapid pace of change and its accompanying uncertainty. Both extremes have left workers feeling either tired of having to do the work of multiple coworkers who were laid off; tired of keeping up with the tremendous changes that new technologies, competitive speed to market, and offshoring trends demanded; or tired of having to drive a tremendous work volume because there just wasn't enough talent available to recruit to offset the pressures of the workplace. What *is* certain, however, is that we'll not likely have the luxury of a stable, placid, and predicable economy any time soon. We'll simply need to get more out of our existing workforce, and the solution will be found more in workforce *wisdom* than in any particular action plan that could appear to be the "HR idea du jour."

A New Look at Motivation in a Performance-Driven Economy

They say there are two kinds of employees who quit companies: Those who quit and leave vs. those who quit and *stay*. It will always be your toughest job as a supervisor to turn around people who have long lost the motivation to make a difference and make a positive contribution to the team. Yet turning an entitlement culture into a performance culture can start with just a few simple steps.

Let's start with one basic assumption: Your job as a manager is *not* to motivate your staff. Motivation is internal; people are responsible for motivating themselves, and they can't motivate you any more than you could motivate them. Instead, as an organizational leader, you *are* responsible for creating an environment in which people can *motivate themselves*. It may sound like a subtle difference, but its implications are profound.

The weight of the world is not on your shoulders to keep your people happy, especially in light of the lurching recessions and booms that we've experienced back-to-back for upwards of four cycles in the past fifteen years. Few companies have had opportunities to promote people internally, and many have withheld equity adjustments and even annual merit pool increases because the bottom line has been squeezed so tightly. More important, there exists an underlying tension that corporate America is about to burst—once the market frees itself up, employees will scatter to the winds in hope of making up for lost time spent treading water in their careers.

Good leadership is much more about *beingness* than *doingness*. We all seem to be scrambling these days to *do* things: How do we recognize and reward achievements? What can we do to raise the performance bar? How do we attract the best and the brightest? And with all those *things* that we're constantly *doing*, we inadvertently create more tension and angst and miss the greater point of it all.

Now here's where the workplace wisdom comes in. A performance-focused organization concentrates more on *beingness* than on *doingness*. It's more concerned about *who it is* than *what it's doing* at any given time. Think of it this way: When you think about your greatest boss and career mentor, you would typically describe that particular person as follows. He or she:

- Listened to you and really cared about what you had to say
- Helped you find your own solutions to questions that challenged you at the time
- Cared about you personally and helped you plot your course for career growth and development
- Made you feel welcome and created an inclusive group experience
- Held you to very high standards but was fair and consistent in the application of company rules
- At times expected more of you than you expected of yourself or believed you were capable of

What's the one thing all these descriptors have in common? They all describe your prior supervisor's *beingness*—personality, approach to interpersonal communication, level of care, personal interest in your career development, and the like. And this critical message should become the norm in your organization as well. How can you, as a front-line supervisor, become that type of leader to the members of your team? How can you, as a department or a division head, create leaders in your group who can inspire their subordinates? How can you, as a CEO or HR leader, craft a culture that's calmer, more personal and intimate, and more focused on achievements and innovative thinking?

The simple answer lies in following a basic tenet of adult learning theory: Allow adults to assume responsibility for their actions and get out of the way. The key to enlightened leadership lies in setting people up for success and then allowing them the freedom to gain traction and excel in their own personal way and individualized style. So as authors, we're not going to tell you that there are a million and one things you need to *do* now to reinvent your company as a performance-driven machine. Instead, we're going to advise you to look to the wisdom that allows you to follow a "less is more" approach to leadership, understand the value of creating a culture where workers can motivate themselves, and become a best-in-class organization that invites your people to fall in love with your company. And please note that there's zero cost in a turn-around of this type.

Revised Expectations for a Performance-Driven Culture

Next, let's look at the latter half of the "recruitment and *retention*" equation. Assume that a tighter labor market is right around the corner, which would leave companies like yours vulnerable and potentially scrambling as some of the more senior or highest-performing players threaten to leave for the greener pastures of newer employment opportunities. Even if the opposite occurs and the overall job market remains weak and flaccid, you'll still need to drive higher productivity from your existing workers all the more. Will your performance review system indicate who your top performers are? If you were to conduct a vulnerability audit, could you quickly identify which players are the ones you absolutely couldn't bear to lose? Do you have the bench strength in place to replace that critical talent? And what arguments would your top performers make about potentially leaving your organization for the benefits of a new challenge? Similarly, if a layoff cloud was to suddenly hover over your company, would your performance management system indicate the least effective performers who might not make the cut?

Resignation Drills and "Stay" Interviews

As is often the case, communication, recognition, and learning are the glue that binds someone to a company and to an immediate boss. If one of these three items is missing, people become vulnerable to the lure of greener pastures. Therefore, focusing on your top performers—the top 10 or 20 percent of your workers who set the standard for performance and productivity and make your life so much easier—and communicating your appreciation of their contributions and interest in their career development within your organization in general, and on your team specifically, is critical.

The key to developing your people in light of corporate America's changing demands lies in making them feel like they're making a positive contribution at work (a company benefit) while developing their own skills and building their resumes (an individual benefit). If a headhunter approached one of your employees with an enticing interview at a competing firm, the headhunter might ask:

- What's your reason for wanting to leave your present company?
- What would have to change in your present position for you to stay?
- What's your next logical move in career progression if you stay with your current company, and how long would it take you to get there?

A typical response from an employee to this set of questions might be, "Well, there's really no room for growth at my current company. I don't see myself learning anything new—I'm just doing volumes of the same work that I've been doing for the past few years. And I just feel like I'm treading water career-wise. There's no room for growth here, either in terms of dollars or new responsibilities." Assuming that one or more of your key players might respond to a headhunter's call in a similar fashion, it's time for you to spend more time with them and get to know them better. You may have been working together for ten years without your *really* knowing them. Note that we're not asking you to blur the line of separation between a supervisor and staffer when it comes to personal matters. We're simply recommending that you use this starting point as an entrée into deeper discussions about their ideas for improving the workflow in your area, building their own careers while remaining at your firm, and finding new ways of reinventing themselves in light of your department's current needs.

Start your discussion by asking your staffer how he'd rank his experience at your organization in terms of how happy, engaged, and rewarded he feels. If he asks why you're asking, just tell him that you want to reinvent the relationship and are looking to spice things up a bit in terms of raising the engagement level of the people on your team, but that you're starting with your star players first to get a gauge on how they're feeling and how they think the rest of the team may be feeling.

Expect an answer of 8 on a scale of 10 (10 being extremely happy, 1 being unbelievably miserable). After all, most employees are discontent to a certain degree for the reasons outlined above. While most won't tell you that directly, they also won't give you, their supervisor, a score lower than 7 for fear that you'll think they're looking to jump ship. Likewise, anyone who defines themselves as a 10 is probably not being totally honest with you (barring any recent promotions or special assignments that really benefited them). If the average response, then, will typically come in around an 8, ask the follow-up questions: (1) Why are you an 8? and (2) What would make you a 10?

The goal here is to find out, in a subtle and caring way, where your people stand relative to your organization and how vulnerable they might be to becoming "recruiter's bait" when a headhunter calls. To drive the conversation even further, ask them, "Which of the six following categories hold the most significance for you career-wise?"

1. Career progression through the ranks and opportunities for promotion and advancement
2. Lateral assumption of increased job responsibilities and skill building (e.g., rotational assignments in other areas, overseas opportunities, and the like)
3. Acquisition of new technical skills (for example, via external training and certification)
4. Development of stronger leadership, management, or administrative skills
5. Work-life balance
6. Money and other forms of compensation

While almost all will open up with the money/compensation invitation, most will quickly shift to one of the other five areas, which are the real drivers of their motivation to remain with or leave your firm. Remember, employees don't leave companies solely for money; money is typically fourth or fifth on the ranking scale. The top three or four slots are typically reserved for open communication, recognition for a job well done, career progression opportunities, and the ability to make a difference at work.

Use this conversation to launch more in-depth discussions about each of your key performers' needs, wants, and desires, and then ask them for their suggestions for how to get them there. Yes, you run the risk of opening up pie-in-the-sky wish lists, but in a one-on-one setting, the chances of a runaway train of unrealistic requests diminishes. Instead, ensure that you understand what's driving your top performers and how vulnerable you and your company might be to losing them. This headhunter scenario makes for a great intro to an otherwise difficult conversation. But if it's sincere and comes from your heart, your employees will respect the effort you're making, and that alone could go a long way in strengthening your working relationship.

Of course, you have to be prepared to follow up on requests for promotions, equity adjustments, and the like, but you can always clarify that you can't necessarily control the budget constraints the organization is facing. Explain that the purpose of your conversation is not only to gauge how they're feeling about the organization—a mini climate survey of sorts—but to remind them how much you value them and appreciate their contributions. Tell them outright that you wouldn't want to lose them to a random headhunter's call, and this kind of "stay" interview is far more valuable than an exit interview after the fact. Finally, confirm that you want to work with them to develop a realistic and customized retention plan that will help them prepare for their next career move and that you're willing to support and sponsor them to break new ground. Likewise, ask for their input now in terms of what can be improved, made more efficient, reinvented, or re-created. And how can we give more support to the team to increase their confidence level and willingness to stretch the rubber band a bit?

The best ways to identify performance gaps and opportunities will always be to ask your front-line contributors for their suggestions and recommendations. Repetitive answers from top performers will create a plain line of sight from the group's current performance level to a heightened level of performance and output. But you've got to ask because it all starts with the people in the trenches. No one knows the system and its flaws and workarounds like those who manage it day in and day out. Tap that potential by creating a safe and comfortable environment to share ideas, empower your top performers to excel according to their self-defined priorities and support them in achieving their goals, and ensure that each leader on your team has this level of interpersonal trust with staffers in the trenches. Your foundation for improved group performance will then be set in motion from the ground up, and you won't become vulnerable to the old saying that "workers join companies but leave supervisors."

Quarterly Achievement Calendars

Getting every team and group on the same page and focused on developing an achievement mentality can occur simply with the help of an Excel spreadsheet and a departmental share drive. Everyone on the team should have equal access to this spreadsheet that tracks key projects, developments, upcoming events, and completion notes. With a tool like this in hand, little will fall through the cracks, achievements can be easily codified for everyone to see, and achievements can be celebrated.

This one document unifies your group's efforts and allays any concerns individual workers sometimes fall victim to when they say, "I'm the only one who does any work around here and no one else seems to do nearly as much as I do." Next, it keeps your team focused on the end goal at all times, which helps them prioritize their workload and allocate resources efficiently. Ask them all to focus on quantifying the results in terms of either increased revenue, decreased costs, or saved time. They could do that in the forms of dollars and cents or percentages. And voila! You have a team that's fully abreast of what's going on, of who's working on what, of how many projects are pending vs. closed, and how to quantify their results in terms of dollars or percentages. That's just the material they need as employees to add bullets to their resumes and self-evaluation forms when holding performance discussions with you, their supervisor, every three or four months. And you could create a desktop shortcut on your boss's desk so that he or she is aware of your group's focus areas and quarter and year-to-date achievements.

Talk about informed leadership, open-book management, and efficient time management! Most importantly, it helps you steer your time strategically in terms of gaining the benefit of a broad overview of all the moving parts. Suffice it to say that this particular step of creating a performance-driven philosophy is fairly simple to implement and a key benefit to any front-line leader, department, or division head. Always go for the low-hanging fruit. This could be a game changer for individuals on your team as well because internal competition for garnering hard-core achievements places peer pressure on those who might otherwise be "performing to the minimums."

Open-Book Management Practices

More companies adhere to the philosophy of minimal communication rather than "open-book" management. In other words, senior executives often assume that the less their employees know, the better. "I want them to come in and do their work, not busy themselves learning about our organization's P&L statement" goes the old-fashioned logic. Even if your senior management adheres to this closed communication style, practice open-book management with your own staff to reinforce the performance culture that you're implementing: Whenever possible, research your organization on an Internet search engine like Google or Glassdoor.com. Find out what people, both Wall Street analysts and current and former employees, are saying about you.

Send a member of your team to the library to find information in the *Reader's Guide to Periodical Literature, Who's Who in Finance and Business,* or *Ward's Business Directory*. Determine how individual roles within your group are geared for future growth by researching the Bureau of Labor Statistics' *Occupational Outlook Handbook*. Look for the dominant and growth-oriented companies in your industry by researching *Forbes, Fortune, BusinessWeek,* and *Inc. Magazine* for listings of the largest and strongest public, private, regional, small cap, and mega cap organizations in your field. In essence, you'll have a chance to research your firm as well as your competitors, and little stimulates interest and competition more than pointing employees to the right tools where they can educate themselves (and the rest of your staff). Knowledge is power, and the Internet and library make for free resources of invaluable information.

Intermittent Rotational Assignments

Sometimes known as the "horizontal loading of jobs," staff rotations, on an occasional, limited basis, allow employees to learn new skills and develop new perspectives on their own work. It helps people broaden their knowledge about their own career interests and gain a more comprehensive perspective of their company's operations.

Here's how staff rotations might work in your company: An insurance claims adjuster who normally handles personal lines claims might work one day a month for the next three months in the commercial lines claims unit under the watchful eye of the commercial lines supervisor. Someone who handles property damage claims may want to mirror or follow an adjuster who deals with bodily injury claims and negotiates settlements with plaintiffs' attorneys. Maybe all adjusters could spend one hour next week visiting the underwriting department to understand how actuaries determine risk levels and set premiums on policies.

Similarly, a staff accountant who works in the accounts receivable area might appreciate an occasional rotational assignment into accounts payable or payroll. A finance manager who primarily budgets for expatriate relocation assignments might benefit from the opportunity to work with the international benefits administrator or counterpart in domestic finance for a day. What works in one company for one employee might not make sense for another organization or for all individuals within your group. Still, what's important to remember is that your staff will always respond favorably when given the gift of time.

Finding ways of giving your employees more of your time is the only real remedy that exists when they appear to be overwhelmed themselves. You may not be able to snap your fingers and double the number of staff members who are doing the work, but you can exponentially increase the satisfaction and sense of career development that they experience as they drive volumes of work day in and day out.

When you occasionally put their career needs above the needs of your day-to-day production demands, you'll find that people will generally respond in kind: They'll work harder to demonstrate their appreciation of your leadership. They'll find new ways of reinventing their work in light of your department's changing needs. And they'll hold themselves accountable for the end result. There's no surer formula for individual or group success in up or down employment markets, and you'll continue to set a new level of expectations of higher engagement and greater innovation as they compare and contrast ways of doing business across company lines.

External Training Workshops

Assume that many of your best employees are resume builders: They'll stay long enough to prove their worth so long as they're on the fast track. Once they feel blocked from upward mobility, however, they'll look elsewhere rather than forgo their personal agendas. The key is to give all your employees a chance to make a difference now. People are much more inclined to feel like they're making a positive contribution to your organization if they're in a learning curve. So even if you can't promote them because of hiring freezes, you could indeed challenge them to challenge themselves.

Training organizations like the American Management Association offer one- and two-day offsite workshops as well as onsite seminars on everything from business writing to team building to supervision for first-time supervisors. Many other training organizations offer hundreds of situation-specific seminars via Web-based e-learning self-study courses like finance for nonfinancial managers, foreign language acquisition, and software certification. Two or three seminars per employee per year may add little to your overhead budget and allow employees a one-day "sabbatical" to reflect on their careers and find unique ways of applying the theories learned in class to your organization.

"Book of the Quarter Club" Implementation

You've heard of the Book of the Month Club. Well, that schedule may be a little aggressive for your management team, but if you're looking to stimulate your staff and challenge them to look outside the box, then this "best practice" may win some big fans for you. Simply decide on one book that you'd all like to complete within, say, sixty or ninety days. Assign each member of your staff a chapter and have that individual discuss the merits of the chapter in your weekly staff meeting. The real challenge will lie in getting your employees to apply the theoretical knowledge from the book to the day-to-day workplace. The company should pay for the books, but that money will never be as well spent or have such a potential return on investment. Keep in mind that people continually want to learn, contribute, and make a difference at work. They'll do this better if they feel a direct connection with your company that benefits their own careers. The makings of an innovative and performance-driven culture come from studying best practices in other organizations and then finding new ways of applying them at home.

Rotational Staff Meeting Leadership

Employees who suffer from entitlement mentalities often wear their emotions on their sleeves and openly express their dissatisfaction when they feel that management lacks leadership and character. When that perception reveals itself in the form of complaints about the company being cheap, not paying fairly by investing in its people, or the like, you have a choice: You can either play the role of "professional crying towel" and allow your employees to bemoan to you the perceived problems with your company's senior management team. Or you can take the opportunity to shift that responsibility for leadership away from senior management and toward the front line. Specifically, allow each of your employees to run a weekly staff meeting—its structure, delineation of responsibilities to others, and follow-up. Placing future leaders into management development roles is probably the most important benefit you have to offer your people. Besides, it's much easier to complain than it is to fix the problem. People responsible for attempting to fix problems are less likely to blindly blame others because they're more sensitive to the challenges involved in rendering a solution.

Retention programs and incentives tend to go by the wayside when the market is flat and no one has anywhere to go. For retention programs to be effective, however, they need to be in place for a year or so in order for employees to have time to buy in to the program and receive its benefits. The time to begin recognizing, appreciating, and motivating your staff, therefore, is now. Use these approaches to craft a retention program that glues your top performers to your company and encourages trust, individual responsibility, and innovation.

Profiling the Model Employee

Culture change is arguably the most difficult type of change to implement in the workplace. It often starts from the top down due to some new form of external challenge or potential destabilizing factor (e.g., a merger, takeover, cash flow shortage, or the like). It is just as likely, however, to emanate from the ground up in an attempt to capture the key attributes of a top performer in your organization at a certain point in time. To understand how to encourage culture change, it's worth a look at a model employee profile. What are the ideal core characteristics or behaviors that you would like to see emulated across the organization? What types of performance metric results distinguish excellence from mediocrity?

Start first with an overview of your workforce demographics as mentioned in Chapter 1. What does the average worker look like in terms of tenure, performance review scores, corrective action history, promotional track record, customer satisfaction ratings, production averages, and the like? Next, what does a top performer look like in terms of those very same demographics?

Remember that you don't only want superstars—you also want your share of consistent performers who make solid contributions without necessarily looking to set the world on fire. (Both are "models" in their own sense.) The question is, what proportion of superstars to solid performers do you need in particular roles? You may have a different answer if you're looking at your sales team than if you're considering your administrative services department. It's important, however, to dedicate some time to this exercise to ensure that your entire leadership team is operating off the same assumptions and principles of what makes a model employee for your organization's current needs.

Bear in mind as well that performance alone makes up only half the circle: Conduct and attitude represent the circle's other half and in many ways may be more important. "Rebel producers" may perform at the top of the charts, but if they do so at the expense of those around them, their impact is a net negative. Commonly seen in the sales world, rebel producers hit the highest numbers month after month, but if her particular sales branch can't retain a stable sales team, it may be because the rebel is "eating her young" and abusing her peers who are attempting to develop their own sales contacts in competition with her. While that top producer may account for 80 percent of the branch's revenue at any given time, the branch overall will never produce much more than that individual's contributions because the rest of the team keeps turning over.

You'll likewise find brilliant analysts and researchers who are exceptionally talented at performing analytical work but who sometimes refuse to get along with others. They may insist on being left alone because they're performing critical work for the organization, but they don't realize they intimidate and aggressively confront those who have to work with them. Because of this, they create constant drama by isolating themselves and alienating others, leading to group dysfunction and frustration.

While there may be places in any organization at any given time for rebel sales producers and analytical types who refuse to play nicely with others, their behavior and conduct—the second half of the circle—lead to excessive hostility and turnover in the workplace. It therefore becomes critical for the organization to identify in advance its key "soft skill" factors that a model employee should exhibit. Respect for others, open communication, the fostering of a sense of welcome and inclusion, and fairness and consistency are the foundation upon which a certain level of performance should be predicated. In short, don't look only at profiling the model employee based strictly on performance numbers and output; look as well at defining model employee conduct and behaviors that create an environment in which everyone can excel.

The Use of Employee Focus Groups to Aid in Evaluating System Performance and Setting New Parameters

Soliciting input from leadership regarding the model employee profile is only half the equation, however. Ideally, you'll also want to solicit focus group feedback on what's working and what needs to be redesigned and emphasized in your revised performance management system. The following is a series of standardized questions for employee groups to help you identify trends and patterns that should be considered in the formulation of your revised performance management model. Using focus groups from a cross-section of functional and management levels will provide a broad perspective from across the organization and help gain buy-in for the new program.

Redesigning and Customizing XYZ Company's Performance Appraisal Program to Reflect Our Company's Changing Priorities and Key Values

1. What features of the current performance appraisal system do you like and would like to see carried over into the new system? What are the key attributes of an excellent performance appraisal system?
2. What features of the current performance appraisal system would you like to see changed, especially in terms of its emphasis on performance measurement and cultural fit factors?

3. As you consider the normal day-to-day operation of our organization, what types of employee behaviors are essential for us to remain competitive in the marketplace?
4. What should we specifically measure to define both individual and group performance and productivity?
5. If you had a magic "fix anything" wand that you could wave over the organization, what would you want to repair? What types of employee competencies would be needed to be successful in that transition?

Simple and to the point, a questionnaire like this, used by a group facilitator to drive the conversation and keep it on track, represents a useful tool for information gathering that may provide insightful feedback regarding employees' perceptions of both performance factors and cultural values that can drive your organization forward. The goal of this exercise is to create a collective opinion that is representative of the employee population as a whole. Tell participants that the intention is to integrate as many comments as possible provided they support the overall objective. Compile the responses to determine the level of agreement across each of the focus groups, and look for cause-and-effect relationships to identify current leadership development areas or additional performance metrics that will enhance line of sight among employees.

Responses from this short battery of questions will help define the key competencies of the new performance system and generate some collateral benefits too. By creating a venue for honest dialog, you will always learn more than performance system design criteria. You'll also learn what perception problems and shortcomings exist within the entity—even if they're not necessarily true. Perception is reality until proven otherwise, and this is your chance to garner feedback that you wouldn't get from any other forum. Expect to hear about issues regarding inconsistent ratings and inadequate compensation increases, perceptions of favoritism, and inappropriate leadership behaviors. Catalog those responses and look for trends and patterns in the feedback as a whole. While you can't fix on the spot the perception or actual problems that exist, you can move forward in designing your template with those concerns in mind and address specific concerns at a later time.

Connecting Organizational Strategy to Your Performance Management System

Defining your organization's human capital and cultural strategy is very much a function of your company's stage of development, its culture, history, and traditions, and the particular challenges posed by your industry and the economy as a whole. What are the typical stages of a company's growth, and what are the typical challenges faced at each stage? Having a macro-level understanding of your organization relative to its competitors and within its industry will help you develop the core elements of your people and operational strategy. Large-scale organizational goals can then be developed that in turn dictate the nature of departmental and individual goals.

A typical organizational life cycle includes the major stages of Startup, Growth, Maturity, and Decline. A fifth stage, often referred to as Revival (or Reinvention), can also occur between the Maturity and Decline stages when mature companies attempt to reinvent themselves and trigger the innovation and creativity of their founders. Such stages involve a broad range of activities and structures that will dictate the organization's people strategy and cultural imperatives. This natural evolution is influenced by systems and infrastructure that develop as the organization grows in complexity and size. More sophisticated and specialized organizational structures, information systems, and job roles become the norm as more stakeholders become involved, and innovative phases tend to turn conservative as companies go into a "defensive" mode to protect their turf. As a result, different stages of a company's life cycle warrant changes in the organization's strategy, objectives, cultural style, and decision-making process.

Multinational companies that dominate their markets and that have been around for decades face very different challenges than startups that may pass through these development phases (e.g., Startup through Growth through Maturity) fairly quickly. As you'd expect, organizations tend to develop structures and systems that mirror the stage of development they're in. Startup high-tech firms, for example, tend to have far less structure and a much stronger emphasis on innovation than their large-cap peers. To compete, many large-cap behemoths are opting to fund incubator startups to nurture that spirit of innovation and quick turnaround. Likewise, companies transitioning from a stable evolutionary phase to one of crisis (due to market conditions or industry mergers) may face demanding human capital and cultural challenges, and they may find it difficult to change on a dime.

Let's look briefly at the major challenges facing organizations in these key life-cycle phases and the organizational imperatives they face to better understand how they might want to refocus their performance management systems. Consider where your organization—or at least certain segments of your organization—fits best in terms of the descriptors below.

Phase 1: Startup

The Startup phase is marked by an organizational structure with centralized authority at the top. The goal is to bring a particular product or service to market and generate sufficient cash flow to sustain operations. This is typically where innovation is strongest and über-performance is required to gain the greatest lift as swiftly as possible. In an environment focused on building a viable business model, the goal will be to exploit a niche that is not currently being filled within the market. Employees are factotums, meaning they are flexible generalists who handle all sorts of tasks, from answering incoming calls to closing the big deals. And as the organization grows in sustainability, expansion issues typically occur regarding the appropriate corporate structure, systems implementation (especially scalability), and more formal hiring and leadership practices.

Financial, operational, and human capital challenges that could be reflected in a startup's performance management program include:

Cash flow bottlenecks (financial)

Sales not meeting projections (financial)

Pressure from investment partners because milestones aren't being met, products are behind schedule, or scalability remains a challenge (financial and operational)

Growing the business with limited access to capital and resources (financial and operational)

Lack of positive (or even downright negative) buzz about the company's core product or service (operational)

Unforeseen zoning, licensing, insurance, or permit (i.e., infrastructure) challenges (operational)

Team members not getting along or communicating poorly as well as contradictory messages from company leadership (human capital)

Unexpected turnover, stress claims, or even potential lawsuits that threaten the organization's reputation and financial health (human capital)

And while the financial and operational imperatives will be situation-specific, the strategic drivers of a startup organization's human capital strategy reflected in its performance management program might include:

Installation of a clearly structured and delineated chain of command

Introduction of well-defined policies and procedures, for example, via the rollout of an employee handbook

Implementation of free or low-cost labor via MBA interns from a local college or temporary professionals to set up operational business systems

Retention of an executive coach to facilitate team-building initiatives and to work out the kinks in communication as well as establish appropriate performance and conduct standards

Development of a competitive salary and benefits structure to help employees make ends meet while the organization is getting off the ground

Phase 2: Growth

The Growth phase begins once the organization attains profitability. Roles within the organization become more differentiated and specialized, with authority delegated to heads of sales, marketing, production, and accounting/finance. Human resources and IT (information technology) heads may be appointed at this stage. Procedures become more formalized at this stage, roles within the organization become more differentiated and specialized, delegation becomes the norm, and more formal methods of communication become necessary for keeping everyone abreast of changing priorities. Top-level managers sometimes become reluctant to share information with subordinates, increasing the level of frustration among middle managers. Finally, once sales start to stabilize and slow, the Growth stage melds into the Maturity stage.

Financial, operational, and human capital challenges that could be reflected in a company's performance management program in the Growth stage include:

Market share growth, acquisitions, and/or overseas expansion (financial and operational)

Product distribution and internal systems scalability to meet the growing needs of customers and employees (operational)

Expansion of the management structure and the natural need for delegation and increased trust of workers, which may feel like a loss of control by the original founders (human capital)

Selection of key senior and operational leaders to lead and establish business functions like sales, marketing, finance, IT, and HR (human capital)

Increased communication in light of a growing team that is regularly adding new members (human capital)

Talent shortages (human capital)

Strategic drivers of a growing organization's human capital strategy reflected in its performance management program might include:

More effective recruitment and retention practices

Increased front-line supervisory and staff training

Implementation of employee on-boarding, mentoring, and on-the-job orientation programs to reduce learning curve cycle time

Implementation of weekly staff meetings, all-hands gatherings, a standing newsletter or internal blog, or other forms of consistent group communication

Introduction of incentive compensation plan elements that help workers participate in and benefit from the organization's prosperity

Phase 3: Maturity

The Maturity stage is marked by stable sales, conservative risk taking, and increasingly bureaucratic organizational structures and decision-making processes. The organizational focus becomes more defensive and focused on risk aversion and efficiency, and it's not uncommon at this stage of development to see the finance and legal functions taking on more of a lead role in ensuring that appropriate controls, measures, and processes are in place to maintain the status quo. The top-down, "just because I said so," management-by-fiat style tends to soften and morph into a more participative leadership style as sophisticated, higher-performing professional workers join the organization due to its prior successes and higher name-brand recognition.

Mature organizations tend to emphasize more formal cost controls, budgets, and performance measures, and a culture of red tape and delayed decision making therefore tends to develop in this phase. Proactive risk taking and innovation give way to risk-averse behaviors, and the tendency is to follow the herd and wait to see what the competition does before moving forward with a particular imperative. Efficiency trumps innovation, and as long as sales are stable, there is little incentive to rock the boat and change the status quo. The organization may be restrained by overly bureaucratic structures and an unwillingness to take risk, and it may suffer from a lack of innovation and from "analysis paralysis."

Financial, operational, and human capital challenges that could be reflected in a mature organization's performance management program include:

Transition from being privately held to publicly held (financial and operational)

Greater competition from smaller upstarts and challengers (operational)

Ongoing challenges in meeting ever-rising customer expectations at a manageable cost (operational)

Attrition/turnover/lack of successors to head critical business functions (human capital)

More frequent changes in senior leadership (human capital)

Enhanced corporate governance standards (operational and human capital)

Strategic drivers of a mature organization's human capital strategy reflected in its performance management program might include:

Initiation of formal leadership development and team-building programs

Installation of more sophisticated and expensive infrastructure systems, including enterprise resource planning (ERP) programs that coordinate sales with finance data

Investment in external educational resources for senior and budding leaders

Introduction of a formal succession planning program

Emphasis on code-of-business-conduct training—the "spirit" vs. the "letter" of the law and conflict-of-interest considerations

Greater focus on ex-pat assignments for rotational international experience

More highly structured on-boarding processing and soft skills training for staffers

Phase 4: Revival (aka Reinvention)

As mentioned above, the Revival stage is optional, depending on a particular organization's business trajectory. Sometimes companies are faced with the possibility of extinction if a new stream of income generation or competitiveness cannot be established. Mature companies seeing themselves either on the decline or in need of immediate diversification may suddenly implement drastic change and turnaround in order to remain solvent and relevant. This phase is typically marked by diversification, expansion of product markets, and/or acquisition of competing companies. Rapid growth becomes the new goal, a spirit of innovation is reinjected into the business culture, and risk taking once again becomes a highly valued virtue.

It is common at the Revival stage to build task forces and project teams to explore acquisitions, investments, and innovations, thereby capitalizing on the skills and experience of a more highly skilled workforce (e.g., MBAs). Matrix structures develop across departments, depending on individuals' areas of expertise, to explore more complex and challenging markets. Likewise, decision making needs to be accelerated and bureaucracy diminished to compete effectively.

Information and data sharing take on a critical role in exploring potential market opportunities because collaboration and cooperation are critical to successful turnarounds. Immediate sales results from newly identified revenue streams and sustainable growth become the newest organizational challenges, which can spur excitement as well as chaos. The risk of course lies in teaching an old dog new tricks, and creating a mindset of rapid growth through acquisition, diversification, and innovation can certainly pose significant destabilizing challenges to organizations looking to reinvent themselves.

Financial, operational, and human capital challenges that could be reflected in a reviving organization's performance management program include:

Spinoff and incubator costs to launch new products in competitive markets (financial and operational)

An abrupt change in culture and philosophy to transition from a staid environment to "upstart entrepreneurism" despite mature resources and limited investment (financial and human capital)

Identification of opportunities that encourage stronger collaboration across groups to benefit from the diverse input of a well-defined knowledge base, combined with a willingness to make firm decisions in short turnaround times (human capital)

The need to establish operational distance from the parent company, which may attempt to influence or control the decision-making process (operational)

When an organization is reinventing itself, some of the strategic drivers of the organization's human capital strategy reflected in its performance management program might include:

Focus on collaboration and open communication across diverse work groups that touch the newly launched product or project in some key way

Organizational capability to successfully integrate the cultures, systems, and policies of newly acquired companies

Establishment of think tank meetings and cross-functional task forces that push the envelope of organizational possibilities

Outsourcing repetitive business functions that may reduce costs without sacrificing quality

Effective and abundant communication to allay concerns regarding potentially chaotic changes in organizational direction and culture as well as to inspire a new sense of innovation and creativity

Phase 5: Decline

The Decline phase is typically marked by limited revenue and profitability. An organization has the option of initiating a Phase 4–like turnaround attempt or simply holding on to whatever it has left while the organization and its founders wait out their final days. Innovation, change, and risk taking are anathema to organizations in Decline mode, and communication across the entity is typically stifled. Decision making is often characterized by extreme conservatism and is associated with slowness and delay, and the organization's key activities may deal with selling off formerly profitable pieces of the business. Systems become outdated, there is little or no investment in infrastructure, and individual opinions and any expressions of discontent are discouraged. In short, the organizational founders may simply wait out the inevitable demise of the entity as cash flow slows to a crawl.

Financial, operational, and human capital challenges that could be reflected in a declining organization's performance management program include:

A "maintenance mode" culture where little is ventured voluntarily and expenses are kept to a minimum

Pessimism, lower morale, and increased bureaucracy inherent in maintaining the status quo and coming to terms with declining revenue and earnings

A defensive, more compliance-driven culture bent on avoiding mistakes rather than taking on risk

Resignation to the fact that it's only a matter of time until the enterprise will see its own demise

Under circumstances like these, there really aren't many "strategic drivers of an organization's human capital strategy" because the key focus will remain on minimizing expenses and gaining necessary approvals so there are no surprises. An organization in Decline mode likely wouldn't be looking to upgrade its performance management system because such change could challenge the status quo and would, by definition, run counter to its culture of minimal disruption. Therefore, this fifth model of business evolution won't be considered further in this book.

Other factors to consider in terms of any organization's performance and cultural goal-setting objectives will depend on its union vs. nonunion, public vs. private, and domestic vs. international operational structure. Clearly, driving cultural change and creating a performance-driven human capital strategy will depend on all the considerations above, and a one-size-fits-all approach will not fit any given organization's particular needs. Our strategy as the authors of this book is to help you customize a performance management system and appraisal template that coincides with the level of organizational maturity at hand (i.e., the stages outlined above) and the degree to which performance management and measurement are valued by your organization.

With this broader context of organizational development and maturity in mind, let's move next to the mechanics of performance measurement from a compensation consultant's unique perspective.

CHAPTER

3

Compensation and Performance Measurement Mechanics: Your Technical Look Under the Hood

THIS CHAPTER WILL DISCUSS tying compensation planning to merit budgets, systems design issues including compa-ratio evaluation, and pay progression trending and analysis. So put your math hats on and join us for a behind-the-scenes look at compensation planning mechanics.

Essentially every company uses performance appraisal as the delivery mechanism between an employee pay action and the corporate compensation plan. If the compensation plan is not administered properly, the performance system will not distribute compensation adequately. Miss the mark at delivery and the entire performance process will be perceived as flawed when the problem may actually be found in the structure and funding of the compensation plan. (This is similar to judging the value of a car by the shine of the paint or the bells and whistles when in fact the transmission and drivetrain are foundationally critical to forward mobility!) An excellent performance appraisal system must be built on the foundation of a solid compensation plan.

There is a balance between what a prospective employee brings to an organization (experience, competencies, network, and knowledge of other com-

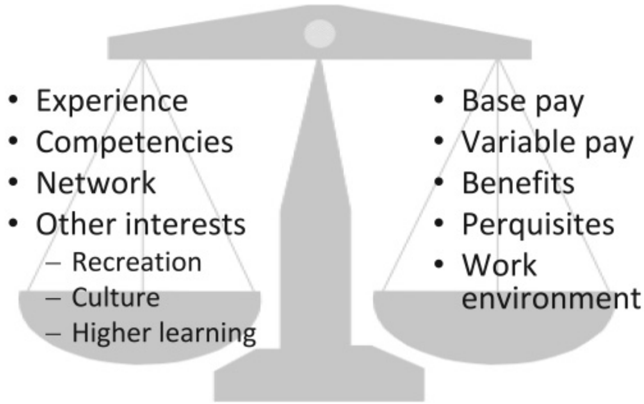

Figure 3-1. The Employment Value Balance

pensation offers) and what an organization provides in terms of total compensation and the cultural experience (Figure 3-1). Upon a successful recruitment there is a balance. With the passage of time, employees (hopefully) increase their competencies, which inevitably creates an imbalance. This imbalance is not typically offset by a change in benefits or culture, as they are generally stable. Rather it is restored by a change in compensation, which is sourced by the compensation plan and metered by performance appraisal. No wonder there is so much emphasis on that annual event!

The functionality of a compensation plan is one that allows a company to attract, retain, and motivate the employees needed to accomplish the mission. *Attracting* involves positioning the competitive level in such a manner that a company will be able to recruit effectively in the marketplace. Once an applicant becomes an employee, *retaining* relies on the ability of the plan to activate salary increases to track the labor market and reflect individual competency, and *motivating* requires creating a direct link between individual performance and rewards (pay for performance).

Compensation Market Strategy

Most every organization believes in compensating employees at the market. Unfortunately the term "market" is extremely generic and must be defined by company philosophy and HR strategy. Where is that market and with whom do we need to compete in order to be successful in attracting, retaining, and motivating workers?

Attraction

Most people reference the "average" perspective when reviewing a compensation survey. This is with good reason. The average is comfortable, well-accepted, and in good company. Although the average is a socially acceptable posture, however, it is not necessarily the "market" for a particular position. (Recall that when referencing an "average" in a normal distribution, half of the respondents are below the average and half are above.) The "market" for a particular position is actually the range of values that stretches from the lowest to the highest reported value. Presuming that the data are accurate, there is an organization compensating its employees at the lowest and highest levels of the range of data at any given point in time.

Compensation strategy is deciding where within that range a company will determine its target. It may be reasonable to presume that the lowest levels of compensation may represent organizations that have an early-career workforce, that have workers with skills that are basic or that may be difficult to differentiate, or that are just lower-paying organizations in general. On the other end of the spectrum, entities providing the highest levels of compensation might be employing experienced, high-performance employees with specialized skills and educational backgrounds, or might be organizations that are compensating aggressively in order to attract talent or minimize turnover.

A target market focus may be derived from historical experience ("We have always been successful hiring qualified candidates at the fiftieth percentile") or may simply be a competitive reality ("In order to keep qualified technicians from leaving, we need to be at the seventy-fifth percentile because that's just above our competition"). Market value is not a number; it is actually a *pay philosophy* that sets salary ranges that effectively support attraction, retention, and motivation of the employees that will keep the organization thriving. Once the target market is defined, then the challenge shifts to retention.

Retention

There is a highly gifted equestrian trainer named Sarah who is quite effective in attracting new students because her demeanor and philosophy are innovative and different. But Sarah noticed that after four lessons, interest seemed to wane. As a result, she developed an enhanced-value proposition directed at retaining a regular and consistent clientele: Buy four lessons and the fifth will be free. What's our parallel lesson here? Recruiting and attracting new employees is a good sign that the compensation value proposition is effective, but a different mechanism may be needed for *retention*.

Within a compensation plan, retention is addressed by moving employees to achieve target market value (generally the midpoint in most plans) at the appropriate time. There are three major regions of a salary range (Figure 3-2). Presuming a minimal level of experience, an employee would be brought into the plan in the lower region. At that point, workers may be starting in a new role where their capabilities have not yet been established or proven. The middle region of the salary range is where fully qualified and competent performers should be compensated because solid performers are those who adequately perform all aspects of their position in a competent manner.

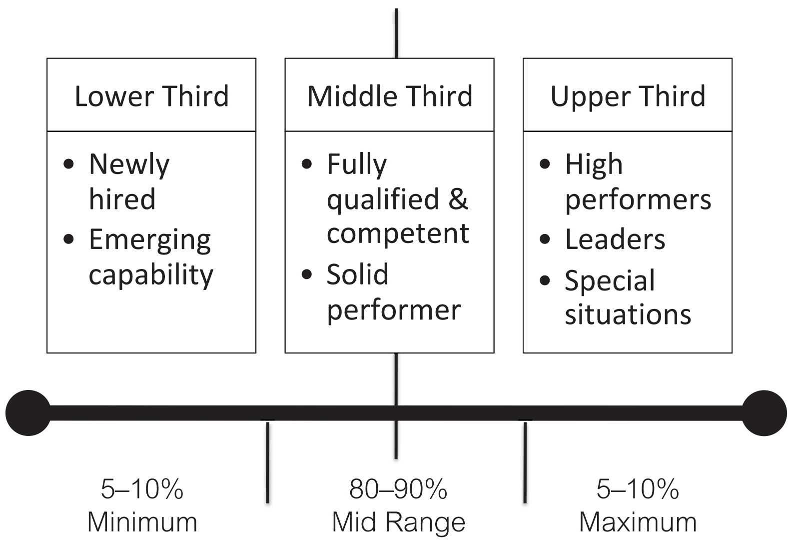

Figure 3-2. Salary Range Administration Regions

The upper region of the salary range is an area in excess of the target market value. So why would a company pay above a targeted market value? High-performance employees with deep-dive experience provide additional value to an organization and thereby justify the exception. Above-market compensation may be a position that some employers may want to maintain as part of their employment value proposition or standing in the industry (e.g., Delta Airlines pilots were considered to be the highest paid in the industry, which was both a strategic pay philosophy and a bragging right).

Job descriptions generally define the basic minimum criteria necessary to perform a specific position. When a company hires candidates who possess the minimum (threshold) competency, it would be reasonable to start them at the lower part of the salary range. Starting from day one, these employees begin developing knowledge and understanding of their roles and likewise begin adding value and contributing to the organization. Presuming that the middle portion of the range represents the target market value, salary range progression should optimally occur at a rate commensurate with the employee's ability to function in that role in a fully qualified manner. If a person were 85 percent qualified in a position, it would be equitable to compensate that person at 85 percent of the market rate. When the person reaches 95 percent proficiency, we adjust compensation accordingly. Simple, right? Unfortunately, application is more challenging because of minuscule payroll increase budgets and the movement of the broad labor market.

Managing a Moving Labor Market

Do you remember in the old western movies how cowboys were able to shoot from a galloping horse and hit their targets with amazing accuracy? Unfortunately that only happened in the movies because for the rest of us "real lifers" out there, working with a moving target is a constant challenge. In the compensation arena, the labor market is constantly moving and changing based on the economic laws of supply and demand (in this case, regarding the cost of labor). Managing salary increases to ensure that workers progress to the correct market rate within a reasonable time period is a challenge made even more difficult because the labor market is constantly changing.

Recall the angst and concern back in 1999 when the year 2000 (Y2K) uncertainty was ramping up. During that year, we witnessed huge increases in the ranks of computer programmers in preparation for the Y2K challenge that would allegedly stop all computer systems from functioning at midnight on January 1, 2000. That increase in supply was needed to mitigate the suspected damage from the turn-of-the-century computer transition (or so we thought). With the supply low and the demand high, it was clear that the path to financial success and security was to pursue computer science. This helped trigger a migration to technical schools and colleges across the country. About four years later, however, we witnessed a glut of computer programmers on the market, and we began to see programmer roles and compensation patterns moderate and come more into line with other job families.

Consumer Price Index vs. Employment Cost Index

The change in the labor market rate for a position is often confused with a "cost-of-living" increase, but the two concepts are entirely different. Bargaining units have tied contracted annual changes in wage rates to the Consumer Price Index (CPI), precipitating the belief that CPI is synonymous to labor market change. It is not.

The Bureau of Labor Statistics produces an overall CPI value every month, which represents the change in price of a market basket of goods and services. The danger here is the practice of adjusting market ranges by a CPI value from year to year and then presuming that the plan is tracking the labor market. The labor market never moves in an across-the-board manner because not all jobs experience the same levels of supply and demand.

The employee base is quite familiar with the CPI produced by the Bureau of Labor Statistics since it is well-recognized as the de facto inflation indicator. The CPI measures the change in cost for a standard market basket of goods that reflect the spending habits of the general public. This indicator has become so well-accepted that it is used as an overall indicator for labor market changes. Unfortunately, most people are not aware that the Bureau of Labor Statistics also produces a cousin to the CPI known as the Employment Cost Index (ECI), which offers solutions much more in line with labor costing strategies. (See www.bls.gov for more information.)

The ECI is actually a much better indicator of labor market change. Rather than evaluating the change in a market basket of goods and services, ECI measures the change in wages and benefits. Additionally, each industry is impacted differently due to new investment, technology, and market demand. Between 2009 and 2012 the construction, manufacturing, and retail sectors have experienced minuscule market changes, but industry sectors that have experienced new investment (energy, healthcare, and the federal government) have seen upward movement at a time where other industries have been flat. The market constantly changes, and it is the job of your compensation plan to track and reflect those market changes relative to the fair market value of the salary ranges that impact your business.

Within apprentice-type programs, retention and competency progression is well-defined and structured, where defined levels of knowledge and titles are assigned to specific levels of compensation (also known as "career laddering" or "career progression" plans). These types of defined progressions capture competency acquisition extremely efficiently because employers understand that in apprentice programs compensation must closely mirror competency. If not, employers stand at risk of having their training investment walk out the door and into the hands of a competitor. Oftentimes, however, compensation plan administrators seem to neglect this competency progression in the absence of a defined pay or step mechanism like those seen in career laddering plans.

Tracking Competency Progression and Retention

So how long should it take for someone to attain midpoint? The answer is not quick or universal because not all jobs have the same learning curve, and individual workers come to the workplace with their own configuration of strengths and weaknesses. The correct length of time to progress to target market is directly related to an individual's capability, which we capture in the performance appraisal process.

An excellent way to obtain a quick snapshot of how well your company is managing competency progression is to regress current employee compa-ratios and employee years of service to generate a trend line model. (A "compa-ratio" is calculated by dividing current pay by the midpoint of the assigned salary grade. For example, if the salary involved is \$15/hour and the midpoint of the salary range is $20, the compa-ratio is 15/20, or 0.75.) Figure 3-3 stems from a telecommunications company located in the Southwest where we reviewed this relationship between individual compa-ratios and years of service.

This company has historically kept employees for their entire careers and has experienced very low turnover. Due to a strategic expansion of services and products, however, they needed to hire new employees, and they quickly learned that to recruit new employees, they needed to pay a higher rate than they were paying existing employees in the same positions—many of whom had been there for years. This wake-up call indicated something was seriously wrong!

The straight-line trending analysis provided a broad overview of the actual funding efficiency of their plan. The trend line model showed that it takes an average of 9.1 years for an employee to reach a 100 percent compa-ratio, or

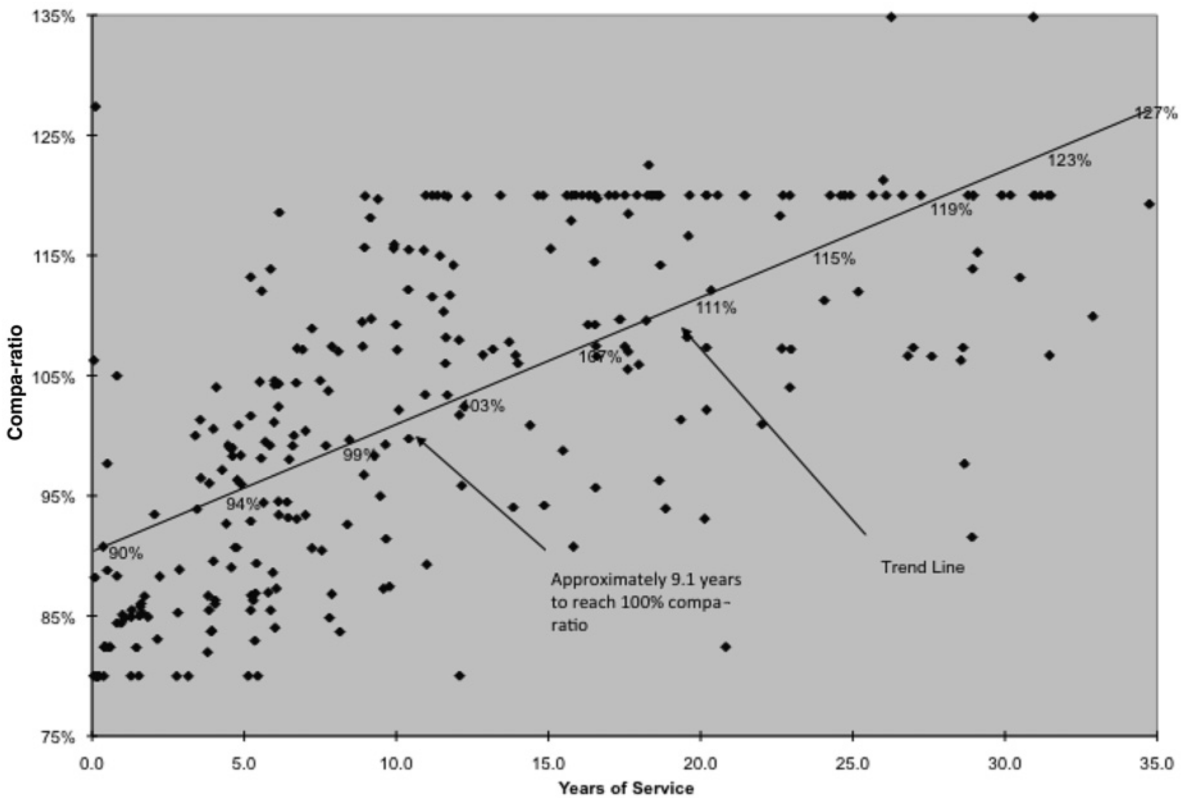

Figure 3-3. Compa-ratio Progression Trend Line

midpoint position. This was a shocking revelation and an indication that annual plan funding has been inappropriately low.

From 2009 to 2012, salary plans have been funded at levels between 0 and 3 percent. Due to tight salary increase budgets, managers have responded by reducing the variance between their highest and lowest performers ("I can't possibly give George less than 2 percent"), leading to an unintended compression in salaries. Extended over several years, low plan funding increases the average time to achieve midpoint beyond what might otherwise be expected. The telecom management team in the example above was horrified to learn that it took so long to achieve range midpoint. They expected that range midpoint would have been achieved within three to four years, so that was quite an "a-ha" moment!

Here's another case in point that shows an additional way that plan underfunding appears: Susan was the CEO's administrative assistant for ten years. She handled information requiring the strictest level of confidence, and the organization came to revere her almost as a matriarch. When Susan retired, she left the organization with a range penetration of only 90 percent of midpoint. Poor performance? Not hardly. A lack of annual salary increases? No, Susan received increases every year, just like all the other employees.

What happened? A long history of inadequate plan funding was the culprit. Susan received the same across-the-board salary increases that all other employees received, and those amounts matched the CPI-benchmarked market changes from year to year. Therefore, although she received annual CPI cost-of-living adjustments, she began at 90 percent of midpoint ten years ago and maintained that same 90 percent of midpoint throughout her employment. Funding the salary increase budget at the same rate that the market moves can wreak havoc on your *retention* goals in a similar way if you're not careful.

It took Susan's retirement to trigger a review of the plan funding and to put into place a "safety net" calculation to identify any other "Susans" in the company. Here's how the calculation worked in Susan's situation (Table 3-1). First, adopt a standard that indicates the maximum amount of time it should take for an employee to attain midpoint (i.e., full competency in his or her position). Second, measure the employee's date of hire or date in position relative to that individual's respective compa-ratio. At that point, any employees that have a lower compa-ratio than in this table should be flagged and reviewed for having fallen behind in the market.

	5-year compa-ratio progression	4-year compa-ratio progression	3-year compa-ratio progression
Start	.80	.80	.80
Year 1	.84	.85	.866
Year 2	.88	.90	.936
Year 3	.92	.95	*1.00*
Year 4	.96	*1.00*	
Year 5	*1.00*		

Table 3-1. Expected Compa-ratio Progression Levels

In Susan's case, you'll see that at retirement, she had a compa-ratio of 0.90 that should have been corrected in her third year of service had the company done this analysis. Instead, the company failed to bring her to a 1.0 compa-ratio by year four and then perpetuated the problem throughout her career.

This "safety net" analysis should be run on periodic intervals to avoid the "Susan" scenario. The analysis works in organizations both large and small, and it quickly identifies lower than expected compa-ratios that, in turn, question whether this situation is due to an individual "falling through the cracks" regarding funding or for some other reason (probationary, disciplinary, developmental, etc.). Keep in mind that any EEOC audit will conduct similar compa-ratio studies to find disparities in gender, age, and/or race.

Motivation and Pay-for-Performance

Separate from economic change and progressing employees to midpoint, pay-for-performance is the compensation component that sends a personalized financial message that recognizes and differentiates individual performance. Where market increases impact all positions and competency increases only affect those who are below midpoint levels, pay for performance (aka "merit") should recognize meritorious performance across the board. If employee B continues to lead the division in sales revenue, there should be a financial recognition associated with that behavior that is separate (or in addition) to market and competency increases. This is true pay for performance.

Unfortunately, in practice, because most organizations have constrained budgets, they focus a major portion of the salary increase budget on the "market" component of salary increases, leaving only a small amount of funding to address competency and performance (Figure 3-4). If a company has a 3 percent total budget to spend, very often 80 percent of that budget is distributed to all employees across the board, leaving only 20 percent for merit distributions.

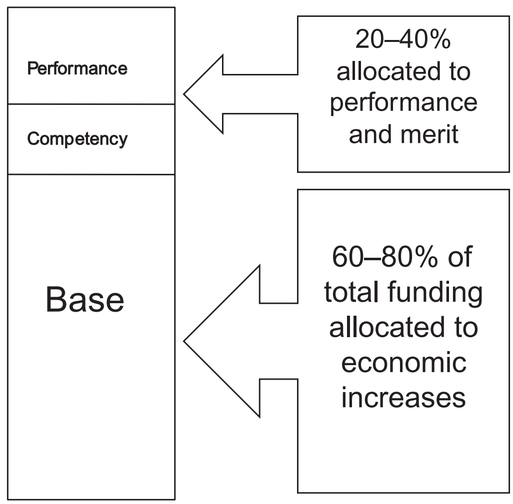

Figure 3-4. Salary Increase Budget Allocations

Funding Salary Increase Budgets

There are three different types of salary increase actions that should tie directly into salary increase budget funding—market, competency, and merit increases—and these three aspects directly address attracting, retaining, and motivating your employees. It takes active calculation, budgeting, and funding of all three components to support a pay-for-performance environment.

The most fundamental is the external economic component, which represents the change in the labor market over the past year. This change is the economic result of the influence of supply and demand in the labor market, whether you call it a COLA (cost-of-living adjustment) or an "economic increase." The second aspect is internal to the company and recognizes increases in competency, skills, or capacity. If an individual is brought into the company at less than target, increased competency should be recognized financially in the form of a salary change, and the employee should progress within the salary range. The third component is the recognition of meritorious efforts, capability, or skills that are demonstrated in the organization and that are typically above what is expected performance in the position on a day-to-day basis. (See Table 3-2.)

Optimally, all three components should be considered in establishing the salary increase budget that will support an effective pay-for-performance (also known as "merit pay") environment. Funding increases at the same level as market changes is good but doesn't allow for competency increases (remember Susan?) and extends the time it takes to achieve target market (remember the telecom company?). That certainly does not send a meaningful financial message to your most talented and high-performing employees, and you should think of creative ways of compensating them differently.

Type	Addresses	Example
Economic	Change of rate in the labor market	The average rate for an Electronics Technician increased 3.25% over the past year.
Competency	Salary range or progression to a target market rate	Employee A started work at XYZ Corporation 20% below the midpoint. With improved abilities, he was moved up 10% in his range.
Performance	Meritorious efforts, capability, or skills	Employee B continues to lead the highest revenue-producing sales group in the company.

Table 3-2. Components of Salary Increases

If this sounds like you, don't despair, because you're in good company. Managers are tasked to manage resources that are less than what is needed. So let's look at the best options to manage this challenge.

Alternative Compensation Strategies to Reward Top Performers and Boost Your Organization's Competitive Edge

Salary increase matrices are the most common method of distributing salary increase budgets and are designed to address both salary range progression and pay for performance (Figure 3-5). When funded adequately, this matrix can reward all three types of salary increases (economic, competency, and performance).

Over the past several years, salary increase budgets have been lackluster and conservative. In response, companies have dialed down their distribution matrices, adjusting the percentages to achieve the limited level of funding. The percentages between performance levels often get closer together, and at a certain point, the pay-for-performance message becomes lost (Table 3-3). For example, the difference between meeting expectations in the first quartile (3.35 percent) and exceeding expectations (3.60 percent) is basically meaningless. As a result, the distinction between meeting expectations and exceeding expectations is not only financially negligible but also borderline insulting.

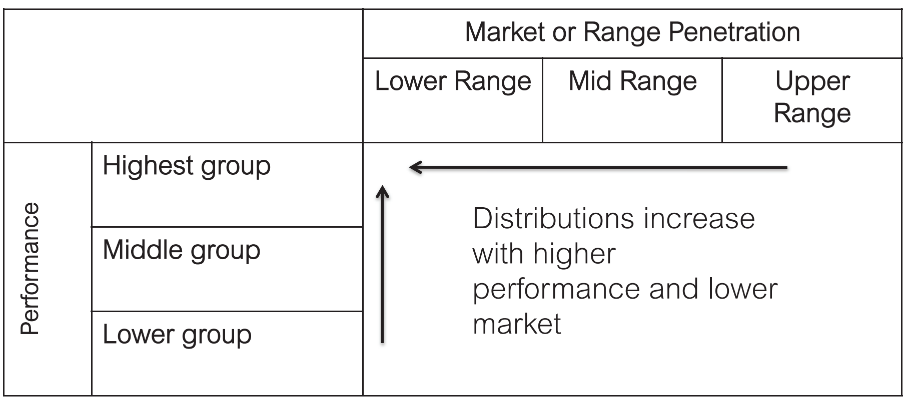

Figure 3-5. Salary Increase Matrix

Performance Rating	Q1	Q2	Q3	Q4	Over
4 Exceptional	6.00%	5.00%	4.00%	3.00%	2.00%
3 Exceeds	3.60%	3.25%	2.60%	1.95%	1.65%
2 Meets	3.35%	3.00%	2.35%	1.70%	1.40%
1 Needs Improvement	0.00%	0.00%	0.00%	0.00%	0.00%

Table 3-3. Matrix with a Diluted Performance Message

In cases where the salary matrix cannot be funded adequately, the key strategy is to adopt an approach that will be certain to differentiate payouts. Even if the percentages are low, as long as there is a meaningful financial difference between performance groups, a pay-for-performance culture will be supported and sustained.

Budget Reallocations Based on Performance

One strategy for managing inadequate budgets is to segment each type of increase (economic, competency, or performance) and decide which will be represented in the salary increase. Each one is important, but with a limited budget, prioritizing is the only way to support and sustain a pay-for-performance environment. In this scenario, the goal is to eliminate the economic increase that is awarded to *all* employees and allocate it to only top performers—say the top 10 percent of your organization (or those who receive 5s on their performance reviews).

Segmenting the performance component will necessitate creating a single-dimension performance distribution matrix (Table 3-4) that could be broadly communicated to all employees. You can adjust the percentages to meet your funding target, but the key here is to communicate the matrix to employees so they will know what the distribution is and is not. It is not economic (i.e., based on a cost-of-living adjustment or the CPI or ECI), and it is not competency-related (i.e., based on a three- or five-year compa-ratio plan). Instead, it is based on pure performance and intended to award those superachievers who stand out as rarities among their peers.

Performance Group	Individual Increase
Highest	4–6.0%
Middle	2–3.0%
Lowest	0%

Table 3-4. Sample Performance-Only Matrix

Under this scenario, funding is essentially transferred from the lowest performers to the top performers while an overall budget cost of 3 percent (where most employees will fall into the middle category) is maintained. This could be a tough decision to make because it goes contrary to most organizations' humanitarian assumptions that "everybody's got to get something—even just a cost-of-living increase." This expectation, however, lends itself to an entitlement mentality that arguably stems from our nation's history of collective bargaining. That being said, your organization has every right to focus its merit budget on those workers who rank among the top 10 percent (or whatever percentage you deem appropriate).

Lump Sum Distribution Alternatives

A second, alternative strategy for managing costs and maintaining a pay-for-performance distribution can be accomplished by setting a control point (Figure 3-6) within the salary plan (e.g., a compa-ratio of 1.05), above which increases are paid in a lump sum distribution, rather than being added to base pay. Paying as a lump sum provides a clear financial message that recognizes individual performance but avoids the benefits load associated with base pay and can stretch your limited funding.

A word of caution when the merit budget is too small: Communication and education are always important, but they are even more so when working with a tight merit budget. Be honest and transparent with your employees if you're really not able to pay for performance because the merit budgets are so small this year. If you decide to administer salary increases as an across-the-board

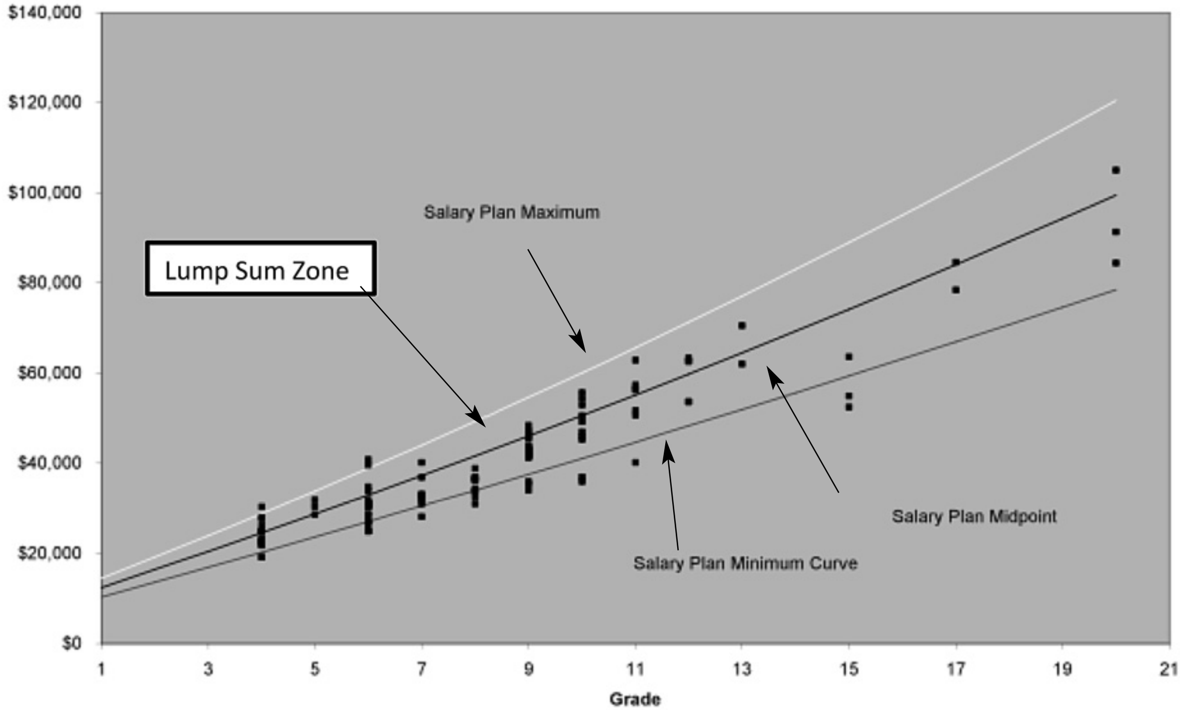

Figure 3-6. Identifying Lump Sum Candidates

multiple for everyone in the company, simply inform your employees of your intention. While that may also be a difficult message to deliver, if everyone's getting 1 percent because it wouldn't be worth it to try to differentiate percentages between 0.5 percent and 1.5 percent, then your straightforward and honest message may garner goodwill and appreciation and help you gain some extra mileage out of a constrained budget. You can always aim for a pay-for-performance program next year.

Paying attention to compensation plan administration is a dynamic and crucial role for the compensation manager. Certain land mines within the compensation landscape may inadvertently lead to demotivation and lower morale, making your employees prone to leave the organization when other opportunities arise. The "Top Three Ways to Lose Employees" in the compensation arena therefore include:

- Company instability (perception of financial viability, recent or recurring management changes, perception of a lack of innovation or progress, or workplace stress)
- Workplace stagnation (limited advancement potential, few opportunities for cross-training or opportunities to learn, perception that to move up necessitates leaving the company to gain more breadth and scope)
- Lackluster compensation and benefits (feeling underpaid, lack of incentive opportunity, poor benefits packages, raises inconsistent with performance, employees feeling they must leave in order to raise their compensation to market levels)

By effectively addressing all the salary increase components above, you will set the stage for building a solid performance appraisal delivery system that can drive performance and increase retention and motivation. This is the goal of performance management and this book: discerning and appraising employee performance and then linking a financial outcome to that behavior. Are you ready to make it happen in your organization?

CHAPTER

4

Evaluating Results and Assessing Individual and Enterprise-wide Performance: A Report Card That Allows You to Measure and Raise the Performance and Productivity Bar

LET'S BEGIN THIS CHAPTER by immediately addressing the number one problem plaguing companies across America: grade inflation. We know that the path of least resistance is avoidance, and people generally avoid confrontation whenever possible. This all too human trend often finds its way into the annual performance appraisal process, where supervisors inflate grades to appease subordinates in an effort not to "demotivate" them. Unfortunately this practice creates documentation that subordinates' performance met company expectations for the period, which makes it much harder to terminate or lay off people who in reality may be creating more problems and challenges than they're solving (especially relative to their peers).

But let's assume this isn't about problematic individual performance; let's assume instead that the organization may be suffering because the enterprise-wide scoring system doesn't realistically address workplace performance. In other words, we don't want an organizational scorecard that shows that everyone is a 5 on a scale of 5 (i.e., superheroes). And we want to avoid distributions where everyone is a 3 on a scale of 5 (i.e., "meeting expectations") because supervisors, like unyielding college professors, won't give an A unless an act of Congress is involved. Instead, we want a distribution that accurately and fairly distributes performance scores across the company's footprint and fits more of a bell curve distribution.

Reinventing "Overall Score" Terminology to Avoid Grade Inflation

When solving this enterprise-wide grade inflation challenge, it all comes down to reinventing and redefining some tired terminology that's been passed down from one management generation to the next without much forethought or insight. Your goal then will be to create the scoring section of the review so that it's more relevant, up to date, and engaging to your employees.

Supervisors are often embarrassed to award a score of 3 because the description of 3 equates to "meets expectations." That's an exceptionally flat and potentially insulting way of describing an individual's sum of contributions to your organization over an entire year. But the problem isn't only with 3s. The other scores often have similarly flat descriptors assigned to them as follows:

5—Superior
4—Exceeds Expectations
3—Meets Expectations
2—Partially Meets Expectations
1—Fails to Meet Expectations

It's no wonder that managers often avoid awarding a score of 3 and that employees interpret a 3 as the equivalent of a C in school. Talk about demotivation! But annual performance reviews aren't supposed to be a paper chase that managers have to conduct and employees have to endure to simply justify awarding a merit increase. Instead, they should represent a special time of the year where the company and supervisors formally focus on their employees' performance and career development needs, acknowledge the many achievements accomplished, and discuss ways of preparing individuals for future challenges and more advanced responsibilities.

Following this logic, we could reinvent the scale above as follows:

5—**Distinguished Performance and Role Model**: Clearly and consistently demonstrates extraordinary and exceptional accomplishment in all major areas of responsibility. Others rarely equal performance of this caliber in similar roles.
4—**Superior/Highly Effective Performance**: Performance is continually and consistently superior and regularly goes beyond what is expected. Performance consistently exceeds expectations.
3—**Fully Successful/Effective Performance**: Performance consistently meets the critical requirements of the position, and the individual continually performs at the level expected.
2—**Partially Successful Performance/Needs Improvement**: Performance does not consistently meet or occasionally falls below what is required of the position; improvement in specific areas is required.
1—**Unsuccessful/Unacceptable Performance**: Performance fails to meet minimum expectations for this role, and immediate and sustained improvement is mandatory.

With this fine-tuned rating scale in hand, your managers will have a much easier time awarding "Fully Successful" scores of 3 (where roughly 50 percent of your workforce should rank on average at any given time), and your employees will have a much easier time accepting them. It's a fairly simple fix that, when combined with the appropriate communication, can help companies reinvent their performance review programs overnight and steer away from the dreaded "grade inflation" land mine that undermines the value of many performance management programs.

Note as well that from a legal perspective, grade inflation typically has to do with awarding an overall score of 3 (meets expectations) rather than 2 (partially meets). If you issue a performance review that states that the individual has met expectations for the entire review year, it becomes more difficult to then terminate for cause because your records indicate that performance was acceptable. This "wobbler" space between a 3 (successful) and 2 (unsuccessful) could land your company in legal hot water if through grade inflation you mistakenly issue a 3 when the more accurate assessment should be a 2. In short, if you believe that the person shouldn't be around a year from now for any of a multitude of reasons, then your review's overall score should show a 2. Chapter 8's questions and answers discuss in more detail how documentation can help or hinder your case in justifying a termination for cause.

Bell Curves vs. "Rising Strings"

"Forced ranking" was a system that developed historically to ensure that employee performance scores were fairly distributed throughout an organization. Made famous by Jack Welch at General Electric as the 20-70-10 "rank and yank" system, it forced GE managers to basically place all employees into one of three boxes. The first box (20 percent) was for superstars and superheroes. The second box (70 percent) was for everyone who wanted to become a superstar or superhero but wasn't quite there yet. The third box (10 percent)—and this is where the GE program became so controversial—was assigned to those who weren't strong enough to compete and literally needed to be fired. At GE, since 10 percent of the population needed to be terminated year after year, the goal of every employee was to stay out of that box. And as you might guess, it created a "survival of the fittest" environment and mentality that created indescribable competition. Of course, this also made the whole performance assessment system a moving target: You could have genius employees making fantastic contributions to the organization, but *someone* had to land in that third box and be fired. It was this "relative" aspect of GE's program that became so infamous, and for good reason.

Did forced ranking work at GE? It depends on whom you ask. Anyone who was forced out because he or she was identified as the bottom 10 percent of this workforce of superhumans would probably argue no. Then again, GE has produced more CEOs for other companies than any other organization on the planet. It became a literal breeding ground of top-performing CEOs that brought many organizations in a multitude of industries to new heights. So while that level of corporate "survival of the fittest" may not be your cup of tea (and it's not ours either), you can't necessarily argue with its results.

While the forced-ranking system itself may have its limits, especially when viewed in the light of GE's draconian implementation of the program, there is definitely something to be said about the importance of providing fair and accurate feedback. "Fair and accurate feedback" would typically tell you that the majority of your employees are performing well—not necessarily with distinction—but well overall. Common sense would then dictate that people performing well are doing what they're supposed to be doing in moving your organization forward and should therefore be categorized as "fully successful and effective." And if you agree with that premise, then the majority of workers in any given organization at any given time will come in at a numerical score of 3. A traditional bell curve would consequently look something like Figure 4-1.

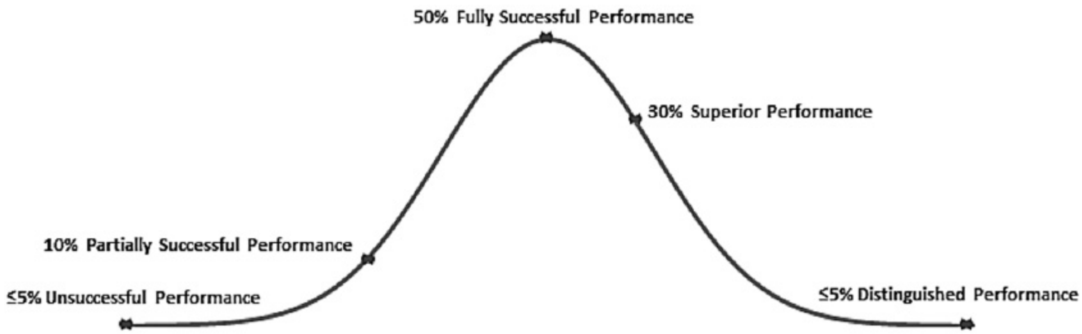

Figure 4-1. Traditional Bell Curve Distribution

In reality, performance-related bell curves skew a bit more to the right than in traditional bell curve distributions as more workers fall under the 3, 4, and 5 categories than under the 1s and 2s. But the point remains the same: The majority of workers should make up the "bell" in the middle when review scores are distributed across the organization. Here's how the "overall performance" numbers (i.e., the final, overall score at the end of each performance appraisal) might stack up across your enterprise to make a "healthy" bell curve graph like this happen:

Bell Curve Score Distribution—Macro	
35%	Distinguished or Superior Performance
45–50%	Fully Successful Performance
5–15%	Partially Successful or Unsuccessful Performance

Broken down even further, your organizational scoring might look like this:

Bell Curve Score Distribution—Micro	
≤5%	Distinguished Performance
30%	Superior Performance
50%	Fully Successful Performance
10%	Partially Successful Performance
≤5%	Unsuccessful Performance

One important note of caution, however, about attempting to replicate a true bell curve in terms of performance score distribution: Smaller companies or individual departments won't necessarily fit the bell curve model because bell curves, by statistical definition, typically require thousands of data points to be valid. So it wouldn't make as much sense to *force* departments into bell curve configurations by limiting the numbers of 5 and 4 scores they may assign. In fact, the numbers don't proactively drive the curve on the front end: The curve is actually a back-end result if the numbers are input correctly. In other words, if you're assigning grades evenly and consistently, you'll naturally end up with a bell curve that skews somewhat to the right, even in smaller organizations or departments.

But if you force limits on your supervisors and say, "In your group of eight employees, only one person can be a 5, two people can be a 4, and the rest have to be 3s or below," you'll probably garner some well-justified resentment. Communicate your philosophy to your organizational leaders, but give them the discretion to grade their teams as they see fit. If they overinflate grades, hopefully you'll know that in advance of the reviews being delivered and can discuss your concern with their proposed scores at that point.

Still, the idea behind bell curves—fairly even and realistic assessments of both individual and group performance—can help you avoid a "rising string" configuration where the majority of your employees receive 5s (i.e., superhero status) and fewer employees receive 4s, 3s, 2s, and 1s. If the bulk of the employees in your organization are receiving 5s, you're inflating grades, and the data itself—as a measure of and tool for workforce development—becomes meaningless.

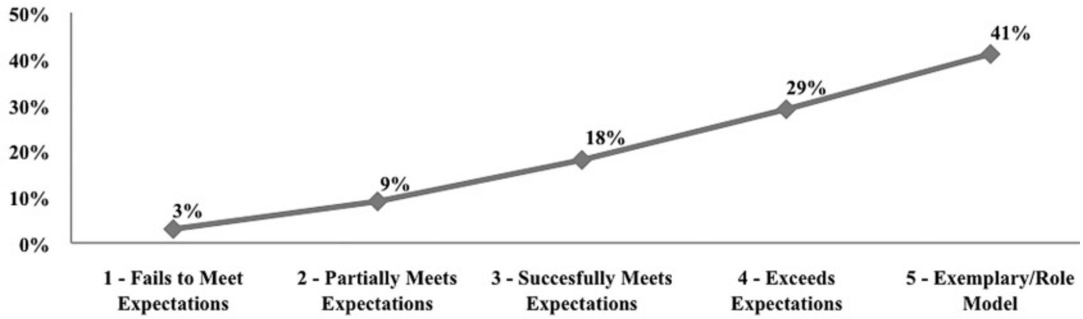

Figure 4-2. Rising String Problem

You'll know this is a "rising string" problem if your distribution curve for overall performance review scores looks more like Figure 4-2.

The bottom line is that no matter how much money you spend on sophisticated software and performance management systems, if you're overinflating grades and falling victim to the "rising string syndrome," then you must go back to square one because your data will be invalid in terms of accurately assessing organizational or individual performance. After all, they can't (and shouldn't) all be superhumans! If your assessment is that they are, your "report card" will be worthless as a viable tool to move your human capital asset forward.

How Many Levels of Descriptors Are Necessary?

Companies' templates vary, and you'll usually find anywhere from three to five levels of "overall performance" assessments to choose from. We generally recommend five because it provides you, the employer, with more discretion to distinguish between performance contributions. Let's first look at a system with three levels of overall performance description, which typically looks like this:

(1) Exceeds Expectations
(2) Meets Expectations
(3) Does Not Meet Expectations

While it's certainly not *wrong* to offer three levels of description, give some thought to how much informative feedback this system provides the individual employee as well as the enterprise as a whole. Assuming that 85 to 90 percent of your organization's employees will fall under the first two categories, do two choices—exceeds or meets expectations—really provide you with the level of distinction you need to measure incremental differences and create a development plan around your enterprise's human capital asset? Likewise, is there a strong enough message in the grade you are assigning to an individual to motivate that person and create an accurate snapshot of that person's overall contribution to your company?

In comparison, a program with five tiers provides you with more creative discretion to accurately assess historical performance and craft more meaningful development plans. After all, not everyone is meant to be a superstar. Companies need both "racehorses" and "plow horses"—the racehorses working in short sprints that cover incredible ground and cause everyone to stop and take notice, and the plow horses that perform consistently day in and day out without complaining and provide the backbone to keep your organization moving forward. Whereas racehorses often find themselves in the "superior" (4) or "distinguished" (5) categories, plow horses are more likely to register in the "fully successful" (3) or occasionally in the "superior" (4) range. And that additional level of distinction provides you with an opportunity to develop a plan around building your 3s into 4s and your 4s into 5s.

It works on the other end of the spectrum as well. A message that says that someone "does not meet expectations" may certainly get your point across, but what about players who are very talented in certain areas and make meaningful contributions to the team but who don't necessarily make a consistent contribution across all areas of their responsibilities? While they may not necessarily only be picking and choosing to work on tasks they enjoy while purposely avoiding others, let's face it, they may just not be as good in other areas of their jobs. So a flat-out "fail" score may not make as much sense as a description that shows that they're *partially* meeting expectations in certain areas but showing significant room for improvement in others.

In short, fewer descriptors limit any employer's ability to define and refine performance. Give yourself the bandwidth to ratchet up expectations and build incremental performance improvement plans around individuals and around entire segments of your population. That being said, we'll include a model template in Appendix D for those of you who prefer a three-scale to a five-scale model in the overall rating category (for example, for startup organizations engaging in performance review exercises for the very first time) and show you how that can be used effectively.

In comparison, two categories—pass vs. fail—aren't enough. Ten categories of performance description are probably too broad and make tracking and trending more challenging than it has to be. But for most organizations, five categories seem to be that sweet spot and comfort zone where you, as the employer, have the right amount of discretion to track and trend both individual and enterprise-wide performance results accurately.

Agreement on Rating Definition and Consistency in Interpretation

Okay, you're on board with the idea of five rating categories, you realize the importance of avoiding grade inflation, and you agree that a bell curve *philosophy* (if not a bell curve itself) is a goal to strive for when evaluating overall performance review score distributions. Now the question is, *how* do you implement it and get all your managers and supervisors on the same page? Communicating this portion of your revised philosophy and gaining consensus as to what these terms mean and what they might look like in your organization isn't as hard as you think. Like everything else in the business world, it just takes a hefty dose of communication.

Here's a scenario that's more common than you think in many organizations that are about to undertake ratings exercises for annual performance reviews. You learn that the division president and the CFO have very different ideas of what scores represent as follows:

> "A 5 isn't so much about individual performance as it is about exceptional circumstances: You can only get a 5 if there's an extraordinary opportunity available to do something spectacular like cover for a coworker who's out on FMLA for twelve weeks, accept a rotational assignment in another part of the country to turn a unit around, or the like. Otherwise, there shouldn't be any 5s awarded."

> "I don't want any 3s on my team. If someone gets a 3 two years in a row, I want them off the team. Or better yet—they should have been fired already."

> "I feel that a 3 means someone is fully successful in their role and that a 3 is a great score. But what if the other finance people in our other two divisions think that my 3 equals their 5 in terms of an equivalent score? Then their 5s across the board will make our 3s look weak, and our merit increases and bonuses will be smaller than theirs. Maybe I'll keep all of our people at 5 as well."

And these are all logical and valid interpretations, depending on the rater's point of view. So how do you get everyone across your enterprise on the same page in interpreting the "overall score" section of the appraisal form? Simple. Come together as a leadership team before performance review exercises launch and discuss and question what the overall scores mean and how they will be interpreted in your organization this year. Put your expectations in writing so that supervisors have a benchmark to measure against and a common baseline to discuss differences in perception. And ensure that your senior leadership team is on board. If your organization has three presidents, GMs, or CFOs overseeing three separate divisions, it's critical that they have the same understanding of your organization's scoring system and expectations to ensure consistency across the footprint.

This is a simple exercise that each division or department should perform every year as a leadership team to focus on key organizational priorities and goals. For example, your company may be focusing on developing and rolling out new products, going from number four to number three in your local market, acquiring a new organization, or capping costs to avoid layoffs. Those are all different organizational goals and require different discussions in terms of assessing performance contributions over the past year. Figure 4-3 (for management use only) may serve as a useful tool to help open the lines of communication and get all leaders "speaking the same language" about what success looks like relative to your company's goals and challenges.

5—Distinguished Performance (≤5%)

Role model status. Potential successor to immediate supervisor/highly promotable now. Performed above and beyond under exceptional circumstances during the review period. Generally recognized #1 (Top 5%) ranking among peer group.

4—Superior Performance (30%)

Overall excellent performer and easy to work with—smart, dedicated, ambitious, and cooperative, but may not yet be ready to promote because there's still a lot to learn in the current role. May not have been exposed to exceptional circumstances or opportunities that would warrant a higher designation. However, definitely an exceptional contributor who exceeds people's expectations in many ways and is a long-term "keeper"—just needs more time in current role to grow and develop and gain additional exposure.

3—Fully Successful Performance (50%)

(3a) Consistently performs well and is reliable, courteous, and dedicated. Always tries hard and looks for ways of acquiring new skills but doesn't necessarily perform with distinction. Works to live rather than lives to work. May not stand out as a rarity among peers but consistently contributes to the department's efforts and is a valuable member of the team.

(3b) Meets expectations overall but may be challenged in particular performance areas. May perform well because of tenure in role and familiarity with workload but does not appear ambitious about learning new things or expanding beyond his comfort zone. While performance may be acceptable, conduct may at times be problematic.

2—Partially Successful Performance (10%)

Fails to meet minimum performance or conduct expectations in specific areas of responsibility. Is not able to demonstrate consistent improvement. May appear to be burned out or lack motivation, and fails to go the extra mile for others. Lacks requisite technical skills or knowledge relating to particular aspects of role. May perform well but conduct is so problematic that the entire year's performance review score may be invalidated. A partial merit increase or bonus may be awarded.

Figure 4-3. Rating Definition Consistency Tool (continued on next page)

1—Unsuccessful Performance (≤5%)

Fails to meet minimum performance or conduct expectations for the role in general. The individual's position is in immediate jeopardy of being lost. The performance review may be accompanied by corrective action documentation stating that failure to demonstrate immediate and sustained improvement will result in dismissal. No merit increase or bonus should be awarded.

Figure 4-3. Rating Definition Consistency Tool (continued)

How these general parameters fit your organization and what they might look like at any given time should indeed differ from year to year. What makes most sense is to blow these descriptors up in a PowerPoint presentation or draft them on butcher-block paper and openly discuss as a management team which employees clearly fall in certain categories. Start with the highest generally recognized performers and see if you can gain agreement as to why the 5s are 5s. Your discussion can then proceed to 4s and 3s, although you may not want to address 2s and 1s in an open forum like that. The point is, *get the conversation going*. From senior leaders to front-line supervisors, conversations like these need to happen to raise awareness of your organizational expectations and to provide leaders with benchmarks and guideposts to align their assessments.

What's the difference between a 4 and a 5? Is it simply a matter of someone who could be promoted into the boss's role now as opposed to two years from now? Is the difference attributable to outstanding circumstances that allowed the individual to assume responsibilities well beyond their job description (which may be out of their control)? Likewise, what's the difference between a 3(b) and a 2? Is it acceptable to have someone on the team who's technically capable due to long tenure in the role but who appears to demonstrate little ambition or interest in anything outside of his or her immediate area? What about occasional inappropriate conduct? How "occasional" does it have to be to fail someone for the entire review year? Should we award partial merit increases to anyone who receives an overall score of 2, or should we take that money and return it to the pool to reward the higher performers?

As you might surmise, there aren't necessarily right or wrong answers to these questions, and much of this is subject to debate. But it's healthy debate, and it's necessary to have at least one discussion like this before anyone sits down to start writing performance reviews. Otherwise, you'll end up with an entire management team working in a silo without any guidelines or structure, "self-interpreting" what the organization wants to see in its overall performance review scores. These group meetings set the tone for the upcoming performance appraisal discussions and documentation strategies. In fact, as the general level of performance increases across your company, raising the bar and setting higher expectations should become the norm and should change the interpretation of these definitions over time. For example, what looked like superior performance last year may only look like fully successful performance this year. And if that's the case, congratulations. You're using this tool and your organization's performance management system correctly to leverage productivity across the enterprise.

Calibration Sessions

But a group meeting like this is only the first step in getting all managers and supervisors on the same general page philosophically. Before any front-line supervisors put a pen to paper in formally documenting anyone's performance, an additional communication step needs to happen with that leader's supervisor: A very simple numerical assessment of the proposed scoring distribution for all team members should be discussed and agreed upon up front.

Note that "calibration" isn't the same as "forced ranking." In a forced-ranking system, people are forced into performance boxes (e.g., GE's 20-70-10 rating system), and supervisors are only allowed to award so many 5s, 4s, 3s, and the like *regardless* of individual performance and merit. In a calibration session, in comparison, people's advanced grades are discussed up front to ensure there is overall agreement in the general ranking exercise before anyone puts pen to paper. That advanced communication gets everyone in the department on the same page in terms of discussing individual contributors' performance over the past year and the supervisor's overall scoring recommendation for the upcoming review.

A simple exercise with planned scoring like this makes for interesting conversation and saves lots of time: The department head's time is saved because she can control the scoring distribution in her area and ratchet individual and overall scoring recommendations up or down, thereby avoiding surprises or disagreements after the reviews have been drafted. And immediate supervisors' time is saved by coming to an advanced understanding of what the scoring should generally be, thereby guiding their review-writing efforts.

However, just because you come to an agreement up front that Paul Falcone and Winston Tan on your team should be graded as 4s, that doesn't mean that you can't change Paul's score to a 3 and Winston's score to a 5 after the actual reviews are written. Again, calibration doesn't "mandate" that a certain number of people must be 3s vs. 4s vs. 5s. But everyone goes into the review-writing exercise with an advanced understanding of Paul's and Winston's agreed-upon overall scores. This helps supervisors write more effectively, saves time on the back end by avoiding rewrites, and leaves the door open for further discussion if the supervisor later changes his mind about Paul's and Winston's ultimate scores.

In short, if you're not discussing proposed scoring before committing pen to paper, there's a haphazardness about drafting reviews that could result in unnecessary drama after first drafts of the reviews have been composed, leading everyone back to the drawing board to redraft reviews in light of renewed scoring expectations. Here's how these roll-up calibration sessions might work.

Let's assume the CEO makes it known that, generally speaking, no more than 5 percent of the population should be ranked as a 5 and roughly 50 percent of the population should come in as a 3. Great. You've now got direction from the top that helps division and department heads gain a better understanding of performance distribution expectations. (If your CEO doesn't engage in this process, fear not. Division and department heads can arrive at similar agreements so that fears of higher scoring in other divisions will subside.)

Next, understand how the calibration roll-up will naturally occur. For example, in a call center, your organizational structure might look like this:

VP, Customer Care (over six call centers)

Call Center Director #1 (of 6)

Call Center Manager #1 (of 3)

Call Center Supervisor #1 (of 10)
Call Center Representative #1 (of 100)

Okay, let's assume the VP of customer care received and agrees with the direction from the regional president regarding overall score allocation expectations. The VP would likely communicate that to his team of six call center directors. The group would discuss what that distribution might look like relative to last year's distribution. The team could then discuss different challenges facing the six call centers that might influence overall scores for that particular group (e.g., one particular call center may have jumped from sixth to second place in customer satisfaction, one call center might have suffered from excessive attrition because of problematic leadership from a handful of errant supervisors, and the like).

Discussions would then naturally lead to what makes a 5 vs. a 4 or what distinguishes a 3(b) from a 2 using the rating definition consistency tool in Figure 4-3 (or some version of it). After some healthy debate, the VP gets to conclude how the team of six call center directors will score their six call centers in general and what they'll communicate to the managers and supervisors back at their respective call centers. That higher-level discussion will then repeat itself at the call center level, first with the call center director's direct reports (i.e., the managers) or with the managers and the supervisors together. One or two simple meetings and everyone's singing from the same hymn book in terms of what performance measurement will look and smell like this year as performance appraisal season approaches. Again, as the VP of customer care, you're simply giving guidance and parameters around the overall grading process, and the spreadsheet with proposed overall scores helps you guide the directors, managers, and supervisors on your team by setting their expectations appropriately.

If that "roll down" emanates from the VP of customer care down to the front-line supervisor at the six call centers, then the next step is to roll projected scores back *up* the food chain, which naturally starts with the front-line supervisors. For example, if each supervisor is responsible for roughly ten call center representatives, then before anything gets documented or any writing begins, each supervisor should rank his ten agents numerically and discuss those recommendations with the call center manager (Table 4-1). Here's what it might look like on one supervisor's team:

Call Center Rep Name/ID	Proposed Overall Annual Performance Review Score
1. Smith	3—Fully Successful Performance
2. Jones	4—Superior Performance
3. Taylor	3—Fully Successful Performance
4. Watanabe	2—Partially Successful Performance
5. Napolitano	3—Fully Successful Performance
6. Kennedy	4—Superior Performance
7. Gutierrez	3—Fully Successful Performance
8. Hsiao	5—Distinguished Performance
9. Hussein	4—Superior Performance
10. Patel	3—Fully Successful Performance

Table 4-1. Sample Performance Ranking

Supervisors will quite naturally discuss their proposals and justify their recommendations. The allocation above appears to work numerically at first glance: 50 percent are 3s (fully successful) and 30 percent are 4s (superior), while 10 percent are 5s (distinguished) and 10 percent are 2s (partially successful). Now it's time for the individual supervisor to discuss why Lucy is a 5 but Charlie is a 2. Assuming the manager agrees with the supervisor as to these proposed rankings, the manager will then forward this group of rankings to the call center director. The call center director will aggregate all scores from that particular call center and forward them to the VP of customer care, who can then lay out the proposed scores for the entire call center population and make sure that everything makes sense and appears to be in alignment. Only at that point should performance evaluation writing officially commence.

Wait—wait—wait! This is way too much work! We don't have the time to do all this back-and-forth negotiation and these proposed roll-ups. This will take forever! I thought the idea was to simplify the process and make it all more transparent.

Okay, are you ready? (Deep breath.) You just saved yourself a ton of time and made your life incredibly easier. These roll-up discussions are straightforward and don't take much time at all. The time it takes for a supervisor to map out proposed numerical rankings on a sheet of paper or spreadsheet is fairly minimal. That supervisor should be talking to his manager about the individual players on the team and their contributions over the past year. The manager should know the call center representatives well enough to reach agreement with the supervisor fairly quickly, and the subsequent roll-up to the call center director should be straightforward and seamless.

Now picture this: The call center director at that particular location now has proposed numerical rankings from the three managers covering all one hundred call center representatives. Sure, there will be some questions and back-and-forth discussions—that's only natural—but the results are likely to be consistent and as expected. By the time the call center director rolls up the proposed numbers to the VP, the director will feel much more in control of the recommendations for the call center overall and be prepared to discuss perceptions and recommendations.

Meanwhile, the VP can look across the entire footprint at all six call centers and size up their recommendations and trends relative to each call center's contributions. For example, if the call center suffering from high attrition this year is skewing higher than the call center that rose from sixth to second place in customer satisfaction, then some natural and healthy questions and adjustments may ensue: Why are the scoring proposals in our most celebrated and successful call center skewing lower than the call center that's suffering from excessive turnover? How did those individual supervisors rank who are generating excessive turnover among their teams? And how did we rank the supervisors in the call center that rocketed from sixth place to second place in customer satisfaction? Do their individual scores reflect their tremendous group achievement?

The point is that such a simple numerical exercise facilitates open discussion and healthy dialog and makes all leaders at every level more confident about their recommendations. And because of the natural roll-up progression of the information, it becomes easy to compare and contrast both individual and group performance. Spending a little more time up front saves lots of time on the back end in rewrites or disagreements after the fact.

In this example, the VP of customer care may follow up with the call center director who's experiencing high attrition and instruct that individual to skew the overall scores downward a bit to reflect the reality of the challenges they've faced from excessive turnover. The VP of customer care could likewise reach out to the call center director whose group moved from sixth to second place in customer satisfaction and ask that director to skew the numbers upward a bit. The give-and-take and back-and-forth is the healthiest way to ensure consistency across the enterprise, and it could typically be achieved in just a handful of meetings or discussions.

Note that this is simply an exercise in strengthening communication and providing greater clarity. Individual scores outlined on a piece of paper like this aren't necessarily etched in stone. Individuals of course may remind their supervisors about achievements garnered during the review period that those supervisors may have forgotten about, and individual scores can be adjusted upward or downward depending on each individual and circumstance. But those advance overall scoring recommendations serve as structural guidelines that help supervisors write their reviews more accurately.

It's not a "write as you go" type of exercise where you see where you've ended up after all reviews are completely drafted. (Talk about poor time management!) Instead, supervisors begin their writing with an end result in mind, an end result that may change of course, but one that keeps them focused and on the right track. Surprises are minimized, changes in plans can be discussed, and the VP can keep a strategic eye on the entire process the whole time.

If this sounds like a "forced-ranking" system of sorts in a negative sense, it isn't meant to be. Simply view this as a workforce grading exercise where performance scores are assigned in accordance with the productivity and contribution of all members—individuals (call center representatives) and groups (call centers themselves). There's no need to pit workers against one another or mandate that anyone be fired because they come in at the bottom tenth percentile of performers. Instead, discussing and agreeing up front on what these definitions will look like in your organization and how individual contributors will score helps set clear expectations for your supervisors, alleviates concern that managers are applying scores haphazardly or according to their own subjective definitions (of whether a 3 is the goal or the minimum acceptable, for example), and provides you with a more accurate barometer of organizational performance, which can then be matched to revenue growth and profitability.

Using Statistics to Help Improve Consistency Across the Company

When employees are polled regarding their opinion of the performance appraisal system, the number one complaint (here is the battle cry) is inconsistency among work groups or departments. Due to differences in supervisors' personalities or individual experiences, varying perspective and philosophies are an organizational reality that needs to be monitored and addressed to minimize rating inconsistency. And while calibration on the front end of the evaluation process is designed to lessen the possibility of rater inconsistency, sometimes a little math comes in very handy when evaluating overall scoring trends.

Statistical analysis is a great tool for management to employ when attempting to true up overall rating score proposals. And please note that this exercise needs to occur *before* any employees receive their finalized performance reviews. On one assignment in a three-hundred-employee organization where we deployed a new performance appraisal system, senior managers were concerned that the final results might not be consistent among their five departments. Comparing and plotting the average and quartiles for each department's performance scores against the overall organization scores is an excellent way to reveal interdepartmental variances. In this particular case, the differences were significant and we had to decide whether the statistical variances were accurate (Penny's department actually performs 10 percent higher than Jerry's group) or were an indicator of rating bias.

The fine art of management requires the ability to take hard data, identify the cause, and create a solution. When faced with the data, the management team decided that the variances were not warranted but were indicators of their need to better communicate the performance levels of the plan to their first-line supervisors. Because this was the first iteration of the new performance plan, we recognized that supervisors would become more consistent and objective over time as they became more familiar with the tool and with management's expectations.

In order to bring about greater interdepartmental consistency in ratings, we agreed to use the variance of the departmental average to the organizational average to create an index or offset that would apply to all employee scores in a particular department. As an example, if Penny's department's average was 10 percent higher than the organizational average, all of Penny's employees' scores would be offset by 10 percent to correct for the overrating. If Jerry's department's average was 2 percent lower than the organizational average, his group would be indexed by 2 percent to correct for the underrating.

Here's an example of what this looks like on paper (Table 4-2). Let's say that within a particular company, performance is scored on a scale between 3.0 and 4.0, and the average score for the entire company is 3.50. The employees are spread into three departmental groups (operations, logistics, and administrative), and the average scores for each department are the following:

Group	Average Score
Overall company	3.50
Operations group	3.78
Logistics group	3.34
Administrative group	3.55

Table 4-2. Performance Score Averages

We can then calculate a departmental correction factor (Table 4-3) by calculating the variance of each department against the overall average:

Department		Average Score	Variance	Adjustment Factor
Overall		3.50	100%	
1	Operations group	3.78	108.2%	92.45%
2	Logistics group	3.34	95.5%	104.73%
3	Administrative group	3.55	101.6%	98.45%

Table 4-3. Performance Score Variance Correction

The resultant adjustment factor can then be applied to each employee in that particular department (Table 4-4) to determine a modified performance score.

Position	Performance Rating	Dept. Code	Adjustment Factor	Modified Performance Rating
Purchasing Agent	3.00	1.00	92.45%	2.773
Bookkeeper	3.51	1.00	92.45%	3.245
Accounting Clerk	3.53	1.00	92.45%	3.263
First-Class Lineman	3.14	2.00	104.73%	3.288
Apprentice Lineman II	3.17	2.00	104.73%	3.320
Serviceman	3.18	2.00	104.73%	3.330
Serviceman	3.19	2.00	104.73%	3.341
First-Class Lineman	3.20	2.00	104.73%	3.351
Crew Leader	3.23	2.00	104.73%	3.383
First-Class Lineman	3.23	2.00	104.73%	3.383
Crew Leader	3.24	2.00	104.73%	3.383
First-Class Lineman	3.26	2.00	104.73%	3.414
Exec. Sec./Staff Asst.	3.47	3.00	98.45%	3.416
First-Class Lineman	3.29	2.00	104.73%	3.446
IT Technician	3.29	2.00	104.73%	3.446

Table 4-4. Calculating Modified Performance Scores

Consistency is an essential ingredient for an effective performance management system. By using basic statistics like these, your company can adjust for interdepartmental inconsistency and bias. These revised scores in the "Modified Performance Rating" column can simply be placed into the salary increase distribution matrix to correct for departmental inconsistencies. Your organization now possesses *a performance indicator of the performance system*. With increased efforts in communication and supervisory training (and presuming a consistent workforce), we would expect department scores to improve from year to year and interdepartmental variances to diminish. Performance reviews are the organizational report card for your human capital asset. These suggestions for discussing and calibrating performance will help you measure and manage them with care.

CHAPTER 5

Building Your Performance Appraisal *Content* and *Form*

WHETHER YOU'RE BUILDING a new performance appraisal template from scratch to address your organization's current needs or upgrading your standard model to reflect your company's changing priorities, it's important that you have a menu of descriptors at your fingertips that you can employ to drive your organization to the next performance level. And since this book is meant to build flexibility into the performance management process and serve as a "Lego Land" of sorts in terms of offering alternatives and options for moving both individual and group performance forward, it becomes important that you have a library of resources available to choose from.

Revising Descriptors to Raise Company Performance Expectations

There are generally three areas of performance measurement that any organization will want to take into account when building or upgrading its performance evaluation model: strategic initiatives, core values, and performance factors, as follows:

Strategic initiatives are set at the senior leadership level and are designed to establish organization focus and priorities. Year after year, companies face challenges of new competition: the need to work more efficiently and hold costs down, merge with and/or acquire other companies, expand into international markets, and the like. Strategic initiatives set at the organizational level ensure that everyone's trimming the sales to go in the same direction, working in harmony toward the larger organizational objective, and keeping individuals and departments focused on organizational priorities that move the ship in a new direction.

Core values represent the stable behavioral characteristics that your organization stands for, its cultural DNA, its mission statement actualized, and its cultural norms embodied and reinforced. Core values like ethical conduct and respect and inclusion in the workplace are typically codified at the policy level and define who you are in light of workplace culture and employer branding identity. They represent *how* you get work done through others and what you stand for as a corporate citizen.

Performance factors represent the core competencies of any organization, the skills, knowledge, and abilities (SKAs) of its workers to move the ball forward, execute and accomplish practical and measurable tasks, and tie individual effectiveness to overall organizational performance. Think of this category as "practical employee maintenance," where achievements and accomplishments are garnered that help individuals add value to the company while building their resumes and preparing for the next move in progression in their careers.

These categories overlap of course, and you can mix and match many of these individual areas as the designer of your organization's revised performance management program. But for ease of use and to help keep these focus areas measurable and manageable, it will be easiest to separate these three overarching categories and build customizable modules in each category. Remember as well that while core values, for example, may not change much from year to year, performance factors and certainly strategic initiatives will and should vary over time. Therefore, we'll lay these examples out in terms of both individual and organizational progression, allowing you, the architect and designer for your company's performance management system, to choose from descriptors that are meant to step up expectations over time.

In addition, as a general rule, you might want to include eight to twelve core values and performance factors on your performance appraisal template. An additional two to four strategic initiatives will likely round out your focal areas of measurement to provide a balanced overview of individual performance contributions and areas for development in light of the strategic direction of your organization. Let's start by looking at these categories one at a time, describing initially some basic, standard competencies and then moving to more creative descriptions.

Again, you can pick and choose which descriptors will work best for your organization's current needs in light of its performance management orientation as it exists today. The basic, standard competencies presented below aren't *weak* or *wrong* per se—they're just overly simplified and fairly mundane and reflect the language used in many organizations' performance review templates today. The purpose of our book, however, is to determine how to ratchet up those expectations over time (using our examples and suggestions, of course!) to strengthen that muscle of human capital as you see fit.

Finally, remember that it's a two-way street here: The more sophisticated language outlined in our recommended formats both reflects the higher-level performance expectations you've established in the past, and then also drives higher performance expectations in the future in and of themselves. For example, the core, traditional descriptors below under "productivity and efficiency" read:

> **"Produces high-quality work on a timely basis. Meets deadlines and maintains accurate records."**

The enhanced descriptors, in comparison, might read:

> **"Sustains peak performance. Exhibits in-depth product knowledge and serves as a subject matter expert for others."**

Clearly, the latter description connotes a much higher expectation level on the company's part and goes beyond the standard, more routine language in use in many organizations today. While the enhanced language isn't extraordinarily different than the traditional description, it may better communicate how you're evaluating past performance and what your expectations are in this particular performance area in the future.

Don't be surprised, therefore, if this revised and more challenging content lowers overall organization scores initially. After all, up till now, employees have only been working to "produce high-quality work on a timely basis." Once you communicate up front and then capture on the back end that your new expectation is that individuals "sustain peak performance" and "serve as subject matter experts for others," your employees historically receiving scores of 4s (excellent) and 5s (exceptional) may initially trend down to 3s and 4s. Still, ratcheting up expectations isn't just a quantitative exercise: It's also spelled out qualitatively in the language you use to define what's acceptable vs. what's exceptional.

Section 1: Strategic Initiatives

Tying organizational and enterprise-wide goals to individual performance is challenging for two key reasons: It can be daunting to create a link between goals set at the organizational level and those at the individual performer level. More practically, many companies don't share what their enterprise-wide goals are because that's either considered top secret information or—more often than not—the organization hasn't created any goals for the upcoming year. And that's a big mistake on the part of senior leadership. "Performance review," in its highest form, is an *enterprise-wide* assessment of the entire organization's human capital muscle, the asset that drives all operations. Yet many senior executives view performance appraisals as one-off assessments of *individual* employees' performance and miss awareness of the critical link between individual contribution and enterprise results.

Once that "a-ha" moment happens and C-suite executives understand the value of the performance review exercise as a quantifiable scorecard of current human capital performance relative to operational results, then this "game changer" philosophy will place the entire initiative of *performance management* into a whole new context. In other words, once a tie-in is made between human capital measurement and financial and operational results, then this whole exercise of performance appraisal will assume an entirely new meaning in enlightened organizations.

That being said, just because your organization doesn't publish company-wide goals doesn't mean you can't create them yourself for your team. More likely than not, you already know the top two or three initiatives your firm is working on and what the logical goals should be over the upcoming year. Therefore, it's okay to draft these goals for your team and/or incorporate them into your departmental goals so that team members have an idea of what they should be focusing on and connecting to at the broader, macro level.

When you consider which goals would serve your enterprise at its highest level, there's much to consider: market changes, new technologies, heightened competition, leadership turnover, and anything else you could fit into a classical SWOT analysis:

- Strengths
- Weaknesses
- Opportunities
- Threats

We're not talking about esoteric concepts that are typically found in mission statements, core value or core purpose statements, or what James Collins and Jerry Porras referred to in their book *Built to Last: Successful Habits of Visionary Companies* as "BHAGs"—big, hairy, audacious goals that typically take ten to thirty years to realize. Instead, we're talking about the strategic initiatives driven at the corporate level to help the organization thrive over the upcoming twelve-month period. Examples of practical organizational goals might include the following:

- Become an employer of choice, a destination company dedicated to best practices and work-life balance in order to attract, develop, and retain the best and brightest talent.
- Develop a national awareness campaign that helps us become the top-of-mind resource for pediatricians and healthcare providers tending to the needs of chronically ill children.
- Stabilize our financial picture by marshaling resources and increasing efficiency so that we're all working toward the common goal of decreasing costs and saving time.

- Successfully integrate the systems, policies, and cultures of our newly combined entity in light of the recent acquisition of XYZ Company.
- Maximize performance and productivity under the new ownership of the private equity firm that purchased us to ensure that we consistently meet all revenue and profit targets.
- Successfully enter the international marketplace by pursuing joint venture opportunities with key strategic partners that will help us establish a distribution presence in Europe and Asia.
- Find new ways of adapting our business to serve the triple bottom line of people, planet, and profit.
- Unleash employee creativity and foster a greater sense of innovation by focusing on our competition and overall market trends to explore new markets and marketing approaches.

Business strategies and practices like these, by definition, will likely change from year to year or at least every few years to reflect the economic realities and changing demands of the marketplace. They are meant to be fluid, alterable, and responsive to change as market conditions dictate. Still, you always want to ensure that everyone's trimming the ship's sails to move in the same direction, and having these overarching goals that reflect the enterprise's challenges will provide divisions and departments as well as individual workers with an opportunity to creatively define how they will meet that greater purpose.

Line departments like sales will clearly respond differently than staff departments like HR, IT, and accounting/finance, but that's the way it should be: Any department that focuses on raising revenue as opposed to decreasing expenses will have different controls at its discretion to leverage toward any new goal. Of course, a lot will depend on a particular organization's stage of growth, its propensity to take risk, the sense of urgency it faces in remaining relevant in its market, and the degree of control exercised by its senior leadership and/or ownership team.

And while we can't offer concrete examples here of how these strategic initiatives can be worded due to their unique nature (as opposed to the examples provided later in this chapter for core values and performance factors), we can show you how they might play themselves out in the sample performance review templates contained in the appendixes. Therefore, please look at Appendix C to view how strategic initiatives may combine with core values and performance factors in various settings—from innovation and creativity to growth and expansion to compliance and control. These key sample templates in the appendixes are meant to save you time and offer you multiple paradigms for customizing your current performance review template and then upgrading it over time as your organizational needs change.

These living, breathing examples of model performance review templates should best be matched to your company's current stage of development as well as to immediate needs. Again, feel free to mix and match the *content* as you see fit. Combined with a *format* that captures your critical focal points, you'll be able to customize an appraisal template that crystallizes your performance expectations and that boards, senior leadership teams, and rank-and-file employees alike can love.

After all, everyone is looking to perform at a higher level, gain well-deserved recognition, and see your company thrive. They simply need a system that will show them the way. Your customized template is something that your employees will be able to rely on from this point forward to focus their career efforts and help grow your business. Likewise, C-suite executives and boards are equally hungry for consistent, predictable measures of organizational success. The overall trends and patterns in global performance appraisal that you track will point the way toward maximizing the productivity of your organization's human capital muscle, arguably its most critical and fungible asset. Performance management, it turns out—far from being a burden and onus on managers and staffers alike—may just be one of the "low-hanging fruits" that could catapult your career as an effective leader and marshal of *human resources* in their truest sense.

Section 2: Core Values

Core values are the behaviors and conduct that you expect all members of your organization to demonstrate, embody, and reinforce over time. It is a statement of who you are as a company, how you define yourself in terms of getting work done, and what culture you choose to embrace and sustain. Again, core values typically don't change much over time. They represent the moral standard of your organizational self-identity; determine how you choose to get to the end result of success, however defined; and reinforce the behaviors that you value as an organization and as a responsible corporate citizen.

Core values may include ethical behavior, creativity and innovation, respect in the workplace, motivation and drive, diversity orientation, corporate responsibility, and overall professionalism in all aspects of your work. In short, think of what a company mission statement attempts to do in binding everyone in the organization to a common cause and focus—your company's core values tie everyone to those goals by defining how you intend to get work done with and through others. Let's look at this panel of seven core values and map out a selection of descriptors that could be easily incorporated into your performance appraisal template.

Ethical Behavior

Core values, at their root level, focus on ethics, integrity and trust:

> **Creates and sustains a work environment based on ethics, integrity, and trust. Serves as a role model to others in terms setting the tone for acceptable conduct. Creates an inclusive work environment where others can motivate themselves to perform at their highest level. Treats others with dignity and respect at all times and fosters a sense of camaraderie and goodwill in dealing with others.**

Core values may, however, skew more toward compliance and following company policy and rules:

> **Consistently demonstrates the highest ethical standards. Readily discloses any potential conflicts of interest in a timely manner. Sets the tone for acceptable conduct by looking beyond the "letter" of policy to the greater "spirit" of workplace rules and guidelines. Respects confidentiality, communicates openly and proactively, maintains high standards of performance, demonstrates reasonable and consistent expectations of others, and generally sets others up for success.**

Similarly, core values can also be built around organizational goals that directly impact the business:

> **Personifies our company motto that Quality Is Job 1. Provides outstanding and consistent customer care and attempts to exceed customers' expectations on an ongoing basis. Recognizes that coworkers represent our most critical asset and handles others with care by fostering an environment of respect and inclusion. Continuously fosters and furthers our core values of innovation, motivation, and drive for success.**

You may, of course, combine items from any of these three larger categories when constructing your performance appraisal template. Just remember to add fresh language and descriptors so that the language pops and appears immediately relevant to your company's current focal areas and challenges. Recall that it's that boring, tired language that gets passed down from one generation of performance appraisal templates to the next that makes the process so onerous for managers and employees. If the words have little meaning or significance beyond blah blah blah "corporate speak," participants won't take the process seriously and will view it as a routine paper chase rather than as the most important exercise of the entire year!

Creativity and Innovation

Creativity and innovation are often associated with smaller companies (like those in the tech sector, where the founders created the first product in their garage) that are looking to break new ground and launch new products:

> **Regularly looks for opportunities to turn ideas into action, inject creativity into every touch point, and develop strategies for innovation. Focuses on identifying new parallels, patterns, variations, and analogies to generate fresh ideas. Thinks outside the proverbial box and volunteers well-thought-out recommendations based on sound logic and principles. Communicates openly, makes others feel welcome and safe to volunteer new ideas, and positively engages talent within the organization and across the value chain. Rethinks the routine with a fresh perspective and employs right-brain imagination with left-brain logic and planning.**

Yet innovation as a general core value can apply to any workplace and any level of employee in that organization—not just to tech sector "brainiacs" operating from their garages:

> **Looks for new ways of reinventing the workflow in light of our department's changing needs. Simplifies processes, learns what works, and finds creative ways of implementing new technologies, systems, and processes. Searches regularly for new methods, techniques, and tools that increase efficiency and reduce costs. Encourages open discussion and collaboration with others to rethink routine processes and generate creative alternatives. Considers innovation in the workplace an ongoing responsibility and welcomes change as an integral part of both individual and company growth.**

You can stretch the core value of innovation by setting standards and expectations that reinforce their importance on an enterprise-wide basis:

> **Views all employees as leaders, innovators, and change agents. Recognizes that innovation is the number one leadership competency of the future that will help our company differentiate itself from the competition. Regularly gains new perspectives from peers and team members and likewise provides constructive input relative to others' ideas and suggestions. Fosters a spirit of creative collaboration and questions common practices in an effort to reinvent the routine. Encourages others to be inventive and take appropriate risks. Values creativity, productivity, and efficiency as the keys to career development.**

Respect in the Workplace

Respect in the workplace typically has two connotations: It can be viewed as a proactive approach to interpersonal communication where others are treated with respect and dignity at all times and made to feel welcome in a spirit of inclusiveness. Or it may invoke more of a defensive posturing as a nice way of saying "sexual harassment" avoidance or enforcement of a company's antidiscrimination policy. Let's look at sample descriptors for both adaptations of this common core value. From a proactive, employee-friendly perspective, your performance appraisal template may measure respect in the workplace as follows:

> **Treats others in a professional and respectful manner at all times. Encourages individuality and fosters an environment of recognition and inclusion. Welcomes and encourages feedback and provides constructive input as opportunities arise. Regularly looks to build on others' strengths and creates win-win situations for both team members and the company. Finds creative ways of surprising and delighting both coworkers and customers alike. Builds and strengthens relationships by demonstrating selflessness and appreciation without being judgmental or overly critical of others.**

By comparison, the more formal, compliance-driven approach to "respect in the workplace" as another term for discrimination and harassment avoidance may appear as follows:

> **Regularly complies with our mission as an equal opportunity employer. Upholds company policy in order to maintain an ethical and productive workplace. Treats coworkers and team members, vendors, suppliers, and others with respect at all times and without exception. Places a high value on maintaining and fostering a diverse workplace, free from discrimination. Encourages others to escalate matters appropriately for further resolution. Readily discloses any potential conflict of interest that may have the appearance or potential to adversely affect individual judgment or performance at work. Maintains a work environment that upholds the highest standards of business ethics and workplace behavior throughout all of our operations.**

Depending on your organization's history, its level of formality with employees, and the general tone you intend to set, apply either of these sample descriptors to your performance appraisal template as you deem appropriate.

Motivation and Drive

Motivation and drive sound more like personality traits and styles than something you can legislate in the workplace. In reality, however, they can serve as important core values, especially in an organization that is driven for success and looking to develop an esprit de corps, a greater sense of camaraderie, and more fun and excitement in its day-to-day operations.

> **Recognizes that motivation is internal and strives to create a work environment where people can motivate themselves. Regularly helps others reach their personal best in a spirit of positive cooperation. Provides feedback in a caring and constructive manner. Continuously looks for new ways of reinventing the workflow in light of our organization's changing needs. Recognizes the value of clear communication and open recognition in helping others excel and celebrates their successes. Focuses on improving employee engagement by fostering a workplace based on trust, recognition, and mutual respect.**

Recognizing that individuals are motivated for different reasons and by different things, an alternate approach that focuses more on self-development and education might sound like this:

> **Looks for lateral opportunities to assume greater responsibilities and broaden general business knowledge. Values learning and looks for new ways to help others excel and progress in their careers. Demonstrates a strong career focus and looks for new opportunities to add value and reinvent the workflow in light of the changing needs of the organization. Encourages teamwork and group learning by sharing knowledge freely. Provides consistent and timely feedback to others as a key development tool. Builds morale by celebrating group successes.**

When drafting core values regarding motivation and drive, however, remember that motivation is internal—you can't motivate your staff members any more than they could motivate you. Instead, as a leader within your organization, you're responsible for creating an environment in which others could motivate themselves. It may sound like a fine distinction, but it's an important one because you'll always want to shift responsibility for self-improvement and professional development away from the company and toward the employee—where it rightfully belongs.

Diversity Orientation

Like other types of performance measures and goals, diversity orientation often has differing interpretations. Wise companies recognize that diversity awareness, in its purest sense, is a key business imperative. Companies that strive to attract and retain the brightest talent meet not only their corporate goals but also their public mission. To compete for exceptional talent and meet the needs of an increasingly diverse customer population, companies are well-served to hire, train, and develop diverse populations and diverse ways of thinking and view such diversity as a source of strength and a competitive advantage:

> **Recognizes diversity as a critical business issue and strategic advantage. Encourages individuality and consistently creates and fosters a positive and inclusive work environment. Celebrates differences and welcomes differing points of view and orientations. Regularly demonstrates acceptance of others' differences and appreciation of others' talents. Welcomes dissenting opinions and encourages respectful challenge to the status quo. Demonstrates caring leadership by remaining sensitive to others' needs and points of view. Regularly looks for similarities rather than differences when building relationships at work or engaging in healthy disagreement. Looks for opportunities to tie diversity and inclusion to our business strategy in order to increase performance, productivity, and customer retention. Focuses on bringing out the best in others.**

Likewise, however, there still remains a commitment to meeting formal diversity outreach goals (for example, via EEO-1 report filings), and diversity orientation therefore takes on more of a compliance rather than business strategy orientation:

> **Regularly ensures that the work environment aligns with our organization's mission and values surrounding diversity and inclusion. Identifies barriers to inclusion that may plague a team or department from time to time. Furthers the goals embodied in our company's diversity awareness training and constantly assesses our organizational climate to ensure that it is welcoming to all. Recognizes the need for continuing dialog among employees in order to change perceptions and stereotypes that lessen the value of individuals' differences and uniqueness. Avoids conduct that may constitute harassment of any protected class. Hires, develops, and promotes individuals with an eye toward enhancing our company's diversity initiatives. Ensures that a policy of equal opportunity employment is**

affirmatively implemented for all persons, without regard to race, religion, color, sex, age, national origin, veterans' status, or physical or mental disability.

Corporate Responsibility

Corporate responsibility is more and more becoming a staple of any organization's core values and mission. With more attention focusing on the environment, human rights, community development, and the welfare of workers both in the United States and abroad, many organizations are assuming responsibility for making the world a better place—and not just making themselves more profitable. This is done both in recognition of the moral responsibility that companies—as corporate citizens—assume in light of the many challenges facing our world today, and also for the public recognition that comes from sponsoring a good cause. Much like a solid diversity orientation strategy, corporate responsibility is not only the right thing to do intrinsically, but it also brings with it good faith and loyalty from the public, which is good for business. In short, companies will gain a competitive advantage by appealing to the growing numbers of socially and environmentally oriented consumers, investors, and workers.

Unlike the other descriptions we've covered in this section, there aren't necessarily grades or levels of corporate responsibility that differentiate themselves, so we'll go with one generic descriptor you can amend for your performance appraisal template as you see fit:

Looks beyond immediate, short-term responsibilities to the greater good of others in the organization and the overall community. Strives to strengthen our organization's mission in terms of what our company stands for and will uphold to our customers. Recognizes the link between corporate goals and public purpose and becomes part of the solution. Embraces responsibility for our company's actions and encourages a positive impact through activities affecting the environment, consumers, employees, communities, and stakeholders. Recognizes that corporate success and social welfare are interdependent and participates in external philanthropic and volunteer activities to help the community as appropriate.

Professionalism

The definition or categorization of professionalism varies greatly from blue-collar to white-collar workforces. Depending on the needs of your employee population, this category may stand alone on your performance appraisal template or may be left out altogether, with its constituent parts woven into the other core value examples detailed above. A blue-collar, hourly, and sometimes union environment might focus more on compliance as follows:

> **Regularly displays a high level of personal integrity. Consistently acts within company guidelines. Welcomes constructive feedback from peers and staff. Treats people with dignity and respect at all times. Avoids using inappropriate jargon or idioms that tend to make others feel left out of conversations. Readily adheres to our company dress code policy and regularly meets all personal hygiene standards. Projects a positive self-image and avoids any perception of inappropriate interpersonal communication with others. Supports and maintains an inclusive and positive work environment and respects and follows company policies and procedures.**

A professional, white-collar environment might inspire a different, more sophisticated approach to the definition of professionalism on a performance appraisal:

> **Motivates others, always leading by example. Embodies our organization's core principles of fostering a greater sense of respect, dignity, and professionalism in the workplace. Establishes immediate credibility and demonstrates vision, ambition, and passion to succeed. Demonstrates professional expertise and inspires confidence in others. Consistently displays the highest level of personal integrity. Communicates proactively when changes in plans occur and justifies exceptions to policies or practices. Maintains professionalism and composure when faced with crises and confidentiality with respect to others' private affairs. Follows ethical business practices at all times and tolerates no exceptions.**

Section 3: Performance Factors

Core competencies and performance factors refer to how employees do their jobs on a regular basis and what accomplishments they achieve. Consider them the keys to practical employee maintenance—the knowledge, skills, and abilities necessary to perform at an acceptable, minimal level as well as to thrive in the role. Performance factors address how well employees executed their responsibilities throughout the review period relative to the performance expectations and values established. Broadly speaking, the most common performance factors include:

- Productivity and Time Management
- Quality and Compliance
- Communication, Teamwork, and Cooperation
- Customer Satisfaction
- Job Knowledge and Technical Skills
- Reliability and Consistency (e.g., Attendance and Punctuality)
- Leadership and Supervisory Abilities

Depending on the needs of your organization, more defined core competencies may include creativity and innovation, adaptability and change-management skills, diversity orientation, goal and objective setting, safety, strategic and critical thinking abilities, and the like. What's most important in redesigning your performance review template, however, lies in creating descriptors that will drive heightened performance. While traditional performance reviews do a mediocre job of reflecting historical performance because of their generic nature and lackluster descriptors, the templates themselves can drive future behavior by raising the bar of expectations for all involved. That's what sets a highly successful performance management program apart from others. Let's take a look at some historical approaches to drafting these descriptors and then ratcheting them up to reflect your organization's heightened needs.

Productivity and Time Management

Productivity and efficiency can be defined in a number of ways, depending on your company's current challenges or future goals, so we'll expand the traditional, core descriptors into more impactful and concrete categories that will better capture the essence of what you're measuring and want to encourage in your employees' performance.

Core, Traditional Descriptors

Demonstrates competency in job functions and an understanding of job requirements and departmental procedures. Consistently meets or exceeds productivity targets. Produces high-quality work on a timely basis. Meets deadlines and maintains accurate records. Sets priorities and adheres to schedules and plans. Establishes short- and long-term goals effectively. Regularly adheres to established policies and procedures.

Enhanced Descriptors Reflecting an Organization's Heightened Expectations

Tactical, Operational Focus

Sustains peak performance. Exhibits in-depth product knowledge and serves as a subject matter expert for others. Looks always to collaborate, organize, prioritize, simplify, and reinforce best practices. Regularly diagnoses problems that impede high performance and overcomes internal barriers to productivity. Manages successfully through frequent interruptions and remains focused when unexpected events challenge best-laid plans. Regularly completes work ahead of schedule and communicates proactively regarding potential roadblocks or delays. Readily assumes responsibility for things gone wrong, while sharing credit for things gone right.

Strategic Focus

Identifies unique ways of creating value and encourages others to employ their curiosity and imagination. Strategically partners with clients and stakeholders to present recommendations on a problem-to-solution basis. Embraces new technology and looks for new approaches to increase efficiency. Helps others think beyond the here and now and predict where our company and industry are heading. Encourages team members to take appropriate risks and embrace change. Regularly combines natural curiosity and gut intuition with sound analysis and reasoning to strengthen our "organizational forecasting ability." Readily develops strategies to reflect our changing business priorities. Effectively translates strategies into objectives and action plans.

Innovation and Creativity Focus

Turns ideas into action, puts creativity to work, and develops strategies for innovation. Rethinks routine processes and finds unique solutions for adding customer value. Funnels creative recommendations into practical applications. Employs right-brain imagination, creativity, and intuition with left-brain logic and planning. Searches constantly for new innovation methods, techniques, and tools. Regularly encourages greater collaboration and open discussion with peers and team members to foster a culture of innovation. Participates in and/or leads diverse product teams to cultivate a broader range of knowledge, thought, and creativity. Seeks out advanced training, educational, and career development opportunities to spur creative suggestions and solutions. Continuously looks to gain competitive advantage through creative problem solving.

Revenue-Generation Focus

Always looks for new ways of increasing revenue, decreasing costs, and saving time. Continually focuses on improving personal productivity to create higher-value end results. Sets individual priorities around potential revenue-generation activities. Creates new and more effective ways of adding value to the customer experience. Pursues opportunities for cross-selling and up-selling to maximize the outcome of every customer interaction. Recognizes and appreciates the difference between gross revenue and profit margins and seeks incremental margin improvements at all times. Avoids becoming overly involved with marginally productive tasks or in pursuing high-activity, low-margin business. Regularly helps others focus on the bigger picture of revenue generation and profit growth. Thinks relationship first, transaction second. Pursues sound business opportunities that permit sustained customer satisfaction and that promote long-term relationships.

Expense-Reduction Focus

Generates creative suggestions that focus on decreasing expenses and saving time. Streamlines work processes and increases efficiency. Avoids marginally productive activities and focuses on achieving critical priorities. Volunteers constructive suggestions for improving operations. Embraces new technology in an effort to think long term and reduce cost-per-product life cycle expenses. Demonstrates a high level of awareness regarding cost containment as well as a cost-conscious approach to conserving company resources. Questions common practices and thinks of imaginative alternatives when confronted with obstacles and roadblocks. Coaches others on being both effective and efficient. Recognizes personal productivity as a key career development goal.

Quality and Compliance

Quality and compliance may focus on generic issues like effective time management and desk organization or exceptionally specific items like product quality defects under close government regulation that could have life-or-death consequences for consumers. Likewise, compliance may be described in generic form as adherence to standard operating procedures and policies, or in very strict terms regarding internal audit compliance and government reporting and disclosure. Since one size clearly doesn't fit all, we'll suggest separate descriptors to build the content of your performance review template.

Core, Traditional Descriptors

Regularly produces work product that is reasonably free from errors, waste, and rework. Remains aware of quality guidelines and keeps careful track of due dates and timelines. Prepares finished products with minimal quality defects. Ensures that error rates do not exceed acceptable thresholds. Obtains necessary approvals before implementing changes to established procedures.

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Enhanced Descriptors Reflecting an Organization's Heightened Expectations

General Administrative and Operational Quality and Efficiency

Continuously strives for maximum effectiveness and efficiency. Appreciates the critical nature of well-honed organization and planning skills. Effectively manages multiple projects on parallel tracks. Views unexpected delays as opportunities to demonstrate preparedness and flexibility. Refuses to sacrifice quality for volume. Asks high-quality questions and anticipates and communicates potential problems before they occur. Demonstrates a reasonable balance between rules and regulations vs. flexibility and responsiveness. Readily anticipates and escalates potential bottlenecks, roadblocks, and pitfalls. Proposes concrete and definitive strategies and tasks in response to unforeseen challenges. Demonstrates the appropriate amount of patience, flexibility, and wise guidance in helping others manage projects through to completion.

Regulatory Quality, Efficiency, and Compliance

Establishes measurement tools and yardsticks for continuous process improvement and adjusts regularly to accommodate changing circumstances. Demonstrates best practices and finds an appropriate balance between quality and quantity. Plans resources and timelines effectively and gains appropriate budget signoff before committing to a deadline. Readily adheres to deadlines and production benchmarks. Regularly identifies streamlining measures that eliminate or reduce system redundancies. Strictly adheres to our program values of risk reduction, timely incident response, liability minimization, and loss control. Views quality as the single most essential element that allows our company to compete effectively and differentiate itself from the competition. Recognizes and assumes full responsibility for the obligation to disclose potential conflicts of interest.

Communication, Teamwork, and Cooperation

Communication, teamwork, and cooperation are critical aspects of workplace performance because almost everyone has to work in groups of some sort. Even lab scientists who dedicate their research time to growing specimens in Petri dishes have to interact with colleagues, managers, and administrators within their hospital or research facility. It's never enough to simply grade *performance* when evaluating human capital—that's only half the equation. Employees are also equally responsible for their *conduct*—their ability to get along with others and make others feel welcome in their presence. In fact, that half of the circle is sometimes more important than the performance half! That's because poor attitudes and aggressive and hostile behavior in the workplace affect others and pull morale down (not to mention exposing companies to lawsuits for hostile work environment claims). So it's important that you remember to hold all workers accountable for both halves of the circle—performance as well as conduct.

Core, Traditional Descriptors

Communicates clearly and effectively at all levels. Produces easily understandable reports and presentations. Effectively deals with others, both internally and externally. Respects confidentiality. Provides timely feedback and follow-up and manages others' expectations appropriately.

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Enhanced Descriptors Reflecting an Organization's Heightened Expectations

Communication

Cultivates a culture of openness in information sharing. Regularly solicits constructive feedback, builds consensus, and asks well-thought-out and well-prepared questions. Encourages open communication, cooperation, and the sharing of knowledge. Remains open-minded and willing to entertain others' ideas. Builds trust through regular, open, and honest communication. Demonstrates candor and level-headedness in all business dealings. Listens actively and always responds in a respectful tone. Engages appropriately when in disagreement and pushes back respectfully and in a spirit of good-faith cooperation. Speaks persuasively and convincingly but is not afraid to say, "I don't know" and then research an answer. Manages others' expectations appropriately, and proactively communicates any potential problems or roadblocks. Effectively feeds

information upward and rarely leaves others flying blind or unaware of important updates.

Teamwork and Cooperation

Regularly looks for common ground and encourages collaboration among team members. Welcomes positive confrontation rather than sweeping things under the rug. Assumes good intentions until proven otherwise and always looks to bring out the best in others. Resolves interpersonal conflict without drama or angst. Builds consensus via shared decision making. Fosters a sense of shared accountability and group responsibility. Celebrates successes and recognizes and appreciates others' contributions. Confronts problems head-on but in a firm and constructive manner. Creates a work environment based on inclusiveness, welcoming others' suggestions and points of view.

Customer Satisfaction

Customer satisfaction takes on many forms, whether the target audience is internal or external. Dealing with consumers, customers, and clients makes up one critical aspect of customer care, but workers sometimes forget that caring for coworkers is equally, if not more, important. We'll distinguish these two classifications below, depending on what you choose to focus on, but your ideal descriptor in this category will probably address both internal and external customers' needs.

Core, Traditional Descriptors

Provides prompt, courteous, and professional customer communication. Provides timely and well-informed advice to customers. Demonstrates sufficient knowledge of company products and cross-selling skills to ensure a high level of customer satisfaction. Prioritizes workload based on customers' needs. Regularly adheres to scripts and selling tips. Skillfully overcomes customer objections. Consistently gains necessary authorizations and approvals for one-off exceptions to policy.

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Enhanced Descriptors Reflecting an Organization's Heightened Expectations

External Customer Focus

Demonstrates total commitment to outstanding customer service. Provides knock-your-socks-off service that consistently exceeds client expectations. Consistently exhibits creativity and flexibility in resolving customer issues. Remains customer-oriented, flexible, and responsive to last-minute changes in plans. Regularly puts the human relationship above the transaction. Looks always to surprise customers with unanticipated benefits, including lower costs and shortened delivery time frames. Effectively exceeds customer expectations by providing timely feedback and follow-up in an empathetic and caring way. Tactfully informs customers when their requests cannot be met and escalates matters for further review and approval as appropriate. Takes pride in building relationships with even the most challenging clients. Enjoys identifying "out-of-the-box" solutions for clients with special needs. Develops a loyal customer base as evidenced by a high rate of repeat business.

Internal Coworker Focus

Regularly builds strong, supportive, and constructive relationships with peers and company leaders. Brings out the best in people by demonstrating care and concern about their well-being. Remains sensitive to others' needs and assumes good intentions unless and until proven otherwise. Exercises an appropriate amount of discretion, diplomacy, and tact when working with peers and customers alike. Effectively manages coworkers' expectations and engages in constructive debate when disagreement arises. Sets others up for success and creates win-win opportunities for coworkers and clients alike. Demonstrates the highest level of ethics and values when dealing with others.

Job Knowledge and Technical Skills

The skills, knowledge, and abilities (SKAs) to perform a particular job vary greatly and are subsequently difficult to capture in any type of generic performance review template. Specific degrees, certifications, continuing education credits, and the like represent concrete requirements necessary to continue employment in a particular role (think doctors, lawyers, CPAs, and airline pilots). In comparison, hourly workers who must demonstrate on-the-job mastery in particular areas may also have challenging and rigorous protocols to follow in order to perform their positions effectively, although of a significantly different nature than the professionals named above (think customer service agents, general contractors, and quality assurance technicians). Therefore, we'll develop the core, traditional descriptors below to target more of the professional (i.e., white-collar) vs. trade (i.e., blue-collar) skills, knowledge, and abilities.

Core, Traditional Descriptors

Demonstrates mastery in core areas of responsibility. Employs tools and systems effectively and efficiently to further business operations. Hones skills to address the changing needs of our business. Remains cognizant of industry trends and stays abreast of changing laws and policies. Effectively differentiates key priorities from less critical activities and designs work processes that maximize efficiency and effectiveness.

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Enhanced Descriptors Reflecting an Organization's Heightened Expectations

Professional SKAs

Consistently demonstrates master-level performance and serves as a subject matter expert and best practices guru. Displays sound judgment under pressure. Readily identifies the core issue at hand and then makes confident decisions once all facts have been gathered. Demonstrates a unique focus on results and prioritizes issues to minimize roadblocks or unnecessary hurdles. Trusts instincts when it comes to disclosing and escalating matters requiring additional review and signoff. Considers both policy and past practices when rendering a decision, and proactively escalates matters that may have precedent-setting value. Maintains an extensive network of industry associates. Proactively stays abreast of industry trends and patterns as well as happenings at competing firms. Demonstrates appropriate organizational forecasting ability, and tracks

and trends progress toward goals and initiatives at hand. Drives change effectively by influencing others and maintains the gravitas to "hold a room" of peers or senior leaders. Updates and validates required certifications via continuing education credits as necessary.

Trade SKAs

Demonstrates a thorough knowledge of key areas of responsibility. Continuously develops the breadth and depth of his or her skill set. Engages in rotational job-shadowing assignments when available to learn others' roles and gain a broader functional understanding of our department and of the workflow. Regularly looks for opportunities to learn about our company and industry that go beyond immediate areas of responsibility. Demonstrates appropriate curiosity, inquisitiveness, and engagement in reinventing the workflow in light of our department's changing needs. Documents common processes and steps using checklists to ensure consistency and thoroughness. Willingly transfers knowledge to others to raise performance standards across department. Stands out among peers in terms of job knowledge and skills development.

Reliability and Consistency (e.g., Attendance and Punctuality)

Reliability and consistency represent more than just the basics of showing up to work on time: They speak to the core of an individual's level of dedication and willingness to remain committed to his or her coworkers, department, and the company as a whole. Reliability means that others can depend on you not only to hold your own weight but to pitch in and contribute when faced with unforeseen circumstances and last-minute changes in plan. While many organizations often defer to a simple "fog the mirror" test to measure a worker's penchant for reliability and consistency, our enhanced descriptions attempt to set the standard for higher expectations and overall performance.

Core, Traditional Descriptors

Demonstrates regular and punctual attendance on a consistent basis, arrives at the workstation when scheduled, remains flexible in scheduling, and meets commitments to work overtime as needed. Regularly

demonstrates a commitment to safety and follows all safety rules and guidelines. Engages in good housekeeping practices and takes proper care of equipment. Meets requirements of 100 percent participation in safety training. Uses sound judgment when it comes to gaining advance approval or taking immediate action. Accepts responsibility and accountability for actions at work.

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Enhanced Descriptors Reflecting an Organization's Heightened Expectations

Lives the company mission and values. Focuses on continuous improvement of our organization's core competencies in an effort to make us stronger and more competitive in the marketplace. Raises the bar in terms of performance expectations and contributions to our organization's bottom line. Remains a consistent and reliable resource for others, is widely trusted and respected, and sets the standard for impeccable integrity and character. Demonstrates a keen sense of responsibility and commitment to the perception of our department internally and of our company externally. Serves as a role model and "best practices" ambassador in terms of commitment, reliability, and consistency. Can be relied on in times of unexpected change, goes above and beyond the call of duty, and exercises leadership when faced with emergencies or last-minute changes in plan. Works independently, consistently handles a fair workload, and steps up when needed to fill in for others. Organizes people and activities well, combines tasks to maximize efficiency, looks for opportunities for synergy and integration whenever possible, and accepts personal accountability for results.

Leadership and Supervisory Abilities

Whoever said that "strong leaders are made, not born" had it half right. In fact, some people are just born to lead and thrive on the challenge of gaining consensus and moving people to action in a certain direction. On the other hand, leadership is a core skill set that can be grown and developed much like a muscle, and we all know of fairly quiet youngsters who turned into highly successful leaders as adults, often due to particular people influencing their lives at critical points in time. Books have been written on "leadership" development, which typically focus on motivating others to follow you. In comparison, "supervisory management" is typically more associated with providing direction and structure to others in relation to immediate tasks that need to be completed (as opposed to inspiring devotion and loyalty, which both fall under the "leadership" umbrella). Let's see how we could move from the generic to the specific to craft compelling content that differentiates leadership from supervision.

Core, Traditional Descriptors

Leads effectively by providing appropriate feedback and direction to staff. Delegates and assigns work in a manner consistent with departmental workflow and company policy. Listens openly and encourages feedback while creating and maintaining an inclusive work environment. Effectively manages time card processing, schedules work appropriately, and sets performance expectations to reach and exceed departmental goals.

Enhanced Descriptors Reflecting an Organization's Heightened Expectations

Supervision and Management

Provides an appropriate amount of structure, direction, and feedback to ensure a high level of group performance. Defines, delegates, and directs work in a flexible manner. Recognizes that proper delegation, communication, and the setting of priorities and goals help employees feel empowered and self-motivated. Sets realistic work demands and a fair distribution of assignments. Structures projects and assignments with clear goals and measurable outcomes so that team members can creatively individualize solutions. Empowers teams to embrace change opportunities. Inspires team members to take ownership of their own performance improvement and career development. Finds creative ways of working toward consensus. Creates internal competition by forming teams tasked with identifying viable solutions to ongoing quality chal-

lenges. Focuses team on not getting bogged down in analysis paralysis. Plans, prioritizes, and executes in light of budget guidelines and constraints. Collects best practice ideas from team members for getting work done more effectively and efficiently. Views individual differences as value-adds to group thought. Ensures that new hires work their plan and plan their work consistently on a day-in, day-out basis. Adheres consistently to safety standards and all company policies and protocols. Focuses on measurable outcomes, sets incremental milestone targets, and celebrates victories and successes along the way. Manages with a conscience and places integrity, ethics, and trust above all else.

Leadership

Supports our organization's strategic plan and ensures that business practices are consistent with our mission. Sets a high standard for integrity and respect and is consistently viewed as objective and fair. Engenders trust by communicating openly with others, shares feedback in a constructive fashion, and addresses problematic situations head-on in a spirit of positive confrontation. Serves as a model of cooperation, sharing, and goodwill. Assumes good intentions and practices selfless leadership. Sets others up for success and inspires others to reach their personal best and stand out among their peers.

Engages team in setting specific, measurable goals as well as concrete outcomes. Creates an environment in which team members can find new ways of motivating themselves in light of our organization's changing needs. Is highly self-aware and holds others accountable for their own perception management. Regularly celebrates successes and learns from mistakes while making it safe for others to take risks and volunteer innovative recommendations. Focuses on aligning team members by setting a common vision and measuring progress toward particular goals. Creates a common mindset of learning, growing, and acquiring new skills.

Uses training opportunities to develop creative people, innovative teams, and profitable revenue streams. Strives to provide a healthy work-life balance and maintain perspective in light of constantly changing priorities.

Strives to provide open-book leadership so that team members understand the financial and operational drivers of organizational success.

Style Guide: Gussying Up Your Performance Appraisal Template

Okay, let's face it. Most employees feel strongly that their company's performance review template is pretty lousy. They all look and feel the same—a simple categorizing of nouns like productivity, communication, and teamwork, followed by boxes with scores checked off. Sometimes there's a narrative comment that attempts to justify the grade, but those comments are often sweeping generalizations of impressions without much forethought or concrete evidence.

But how do you reinvent a standard report card? No matter how fancy we choose to get, we do indeed have to cover the basic performance areas and how each individual in the company has fared under those general categories in his or her particular roles, right? Well, yes and no, and here's where the creativity comes in.

To begin, let's look at an equally "boring" template: the typical employment offer letter. Standard offer letters provide new hires with the following information:

- Date of hire
- Title
- Salary
- Supervisor (name and/or title)
- Introductory period duration and benefits eligibility date

Oh, and don't forget the most welcoming part of all—the employment-at-will statement, which basically says that while we're so happy to have you join our company and look forward to a long-term and mutually rewarding working relationship, we can fire you at any time for any reason, with or without cause or notice. Can you get more "exciting" about welcoming someone to a whole new chapter in his or her career?

Unfortunately the employment landscape has become so fraught with peril from a litigation standpoint that lots of "legal speak" has inadvertently made its way even into the most benign of documents, all so that companies can defend themselves from sometimes specious claims from a tiny minority of the working population. We get that and realize we can't change the entire system, and because performance reviews are critical anchor documents that could be used to defend a company's decision to terminate or select someone for layoff, they also fall under more of a formal, legal umbrella and require careful wording.

In short, a series of acceptable performance reviews—combined with an absence of corrective action of any kind—could justify a plaintiff's attorney's claim that his or her client (i.e., your ex-employee) was wrongfully terminated because the company did not have just cause to terminate and the individual was consequently denied workplace due process. So we want to be creative, but not *too* creative, when taking a fresh look at reinventing language around offer letters and performance review templates. (*Important*: Make sure that qualified legal counsel vets any changes you're planning on making to these kinds of documents in light of state and local laws and ordinances.)

But what if an offer letter—while still protecting the company legally—could assume a whole new approach to welcoming a new hire on board? What would a redesigned employment offer letter look like that could excite the candidate while simultaneously getting the message out that the company retains the right to terminate at whim? Here's a brief overview of the components of a reinvented and reinvigorated offer letter that might help us return it to its original purpose of clarifying the terms of employment while welcoming new hires to the company for what could be their best employment decision with the most career potential ever:

- Who we are and what makes us unique
- What we do
- How we do it
- Who we do it for
- Your responsibilities and impact
- How you can help bring us to the next level
- Role specifics and challenges
- Legal disclaimers and next steps

If you're sensing a much greater emphasis on marketing and branding, then you're getting the idea of how to take a ho-hum form like an employment offer letter and reinvent it to make it a much more accurate statement of who your company is, why you're special, why this role has significance and importance, and what purpose a new hire may assume in terms of helping the company achieve its mission. Of course you could still include all the employment-at-will jargon to protect the company legally, but you could compartmentalize that information and combine it with "next steps" regarding new hire orientation and the like so new hires don't feel like they'll be out the door if they make one bad decision.

The $64,000 question is: How do we reinvent the performance review template with that same marketing and branding focus to engage employees while protecting the company legally? How can we make the form itself something that engages employees from first sight? First, let's review the core elements of a typical performance review form to see where things stand today:

- Performance rating definitions
- Performance factors
- Goals and objectives
- Overall score

Now, let's look at options that could help us engage employees and help them come to see this "report card" as a key development tool focused on helping them excel in their careers and make the company more productive and successful. With that marketing purpose in mind, the revised content might include the following sections:

- Organizational and/or departmental goals (where we're going)
- Core values (brand awareness and identity as well as culture)
- Performance factors (enablers that drive productivity)
- Narrative results (with concrete indicators expressed in dollars and/or percentages)
- Career development plan
- Current "overall impact" evaluation (aka "overall score")

While this list isn't meant to be exhaustive, and you could probably develop other categories that would work best in your company, it's meant to get your modeling off to a good start. Let's see if we can break these overview areas down a bit more to round out their overall feel and usage in the following example of a performance review introduction:

Sample Employee Annual Performance Report

We recognize that our employees are the crucial ingredient to the quality and success of our mission delivery. It is our commitment to support the development of our staff both professionally and personally and in doing so to create an organization with the ability to exceed the expectations of our customers and the communities we serve. The primary purpose of this performance review is to culminate an entire year's performance and feedback in one place to encourage staff development and to strengthen our organization's overall effectiveness.

Each individual and role within our organization has high impact and high value. We consider each employee a partner in our business, and we strive to nurture each individual's intelligence, humanity, sense of humor, and dedication for the betterment of the entire organization and our community as a whole.

This year has had an extraordinary number of financial challenges, not just for our company and industry but also for the economy as a whole. As a result, we've focused on reducing expenses and streamlining operational costs in order to generate efficiencies in scale and to mitigate the need to lay off members of our team. We're happy to say that we were successful in our efforts and did not lay off anyone this past year, but the economy still remains a struggle, and we have additional work ahead of us.

In addition, besides stabilizing our cash flow and reducing operational expenses by 7 percent overall, we successfully incorporated into our fold XYZ Company, an organization that provides us with several distinct advantages for servicing our markets and expanding our presence. Systems, policies, and cultures needed to be integrated, and members of XYZ needed to feel welcome. We're happy to say that while significant additional work lies ahead of us, we consider the acquisition of XYZ a total success.

These achievements are concrete, they should be celebrated, and the organization as a whole should be proud of its efforts. On behalf of the entire senior leadership team, we wish to thank all employees for their unique contributions this past year.

Core Values

The primary purpose of this performance review is to encourage staff development and strengthen our organization's overall effectiveness by:

- Recognizing specific areas of achievement
- Stimulating improved performance
- Clearly defining the goals and objectives of the organization so they could be individually tailored to our employees' individual areas of responsibility
- Developing mutually established employee-focused goals and objectives
- Pinpointing areas of greatest effectiveness and additional improvement
- Increasing employer-employee communications

To this end, the review itself will incorporate many of the core values we've focused on as a company this year, including:

- Innovation and creativity
- Excellence in leadership and communication
- Ethics, integrity, and trust
- Adaptability and change management
- Self-development and teamwork

Please keep these core values in mind as the framework around which your performance is evaluated and your key development areas are highlighted.

Performance Factors

We strive to administer thoughtful and careful reviews to all employees. Performance review success depends on both the manager's willingness to complete a constructive and objective assessment as well as the employee's willingness to respond to constructive suggestions for improvement and work with his or her manager to identify and establish goals and objectives that eliminate performance barriers and heighten employee engagement and commitment. While performance factors may change from year to year depending on the current challenges our company may be facing at any given time, this year's most critical performance factors include:

- Productivity and volume
- Quality and safety
- Customer satisfaction
- Organizational and planning skills
- Problem-solving skills and results orientation

As you are aware, these were the critical skills identified to help us through the past year in light of the opportunities and challenges that our organization was facing, and they will consequently receive the most emphasis in this review.

Narrative Results

Whenever possible, supervisors have endeavored to provide concrete performance feedback, especially in terms of dollars or percentages that relate to increased revenues, decreased expenses, or saved time. These indicators, however, resulted from all employees' self-assessments, submitted prior to supervisory evaluation exercises, as well as quantified achievements shared throughout the review year, either in one-on-one interval reviews or via quarterly achievement calendars and similar tools. Therefore, if concrete and measurable assessments are not as clearly documented as you would like, you are encouraged to provide your supervisors with more quantifiable data throughout the review year.

Career Development Plan

While the performance review looks backward in terms of assessing past performance, the goal-setting section of the review is in many ways more significant because it represents your future. We realize that career development is the glue that binds people to any company, and our goal is to help you obtain the skills, knowledge, and abilities you require to excel in your chosen career path. Please help your supervisor understand the priorities that are important to you in light of the feedback shared. We strongly believe that while you acquire skills that help you build your resume, our company benefits from the enhanced contributions you make. Every employee is primarily responsible, however, for setting the goals and trajectory of his or her own career development; company supervisors and managers, in comparison, will endeavor to act as coaches and mentors to help you get where you want to go, but they will follow your lead according to your own desires and ambitions.

Current "Overall Impact" Evaluation

The overall score at the conclusion of the evaluation represents the general impact that each employee has had on our operations in general. Just as a reminder, we expect the workforce scores to approximate the following:

≤5%	Distinguished Performance
30%	Superior Performance
50%	Fully Successful Performance
10%	Partially Successful Performance
≤5%	Unsuccessful Performance

Clearly, therefore, the majority of employees will fall under the "fully successful" category, meaning that performance consistently meets the critical requirements of the position and the individual continually performs at the level expected. In general, a "fully successful" score, or 3 in our ranking system, is something to be proud of and celebrated.

Wow—what an intro! If your initial thought is that this is going to make the form way too long, then we'd ask you to step back and think about its importance. The form needs to be longer because it needs to express a whole lot more than just "how you did over the past year." By sharing organizational challenges and results, core values and performance factors that played an important role in this year's evaluation, and overall grading trends, you're producing a holistic document that honors the individual's full contributions over an entire year of service. It respects people's intelligence and explains the rationale for the criteria you've used in arriving at your current assessment.

Yes, it may feel like a mini annual report of sorts, but shouldn't an annual review warrant that level of gravitas? In short, you'll have outlined the key performance measures and the individual's specific and concrete performance results against those benchmarks in light of your organization's most recent challenges. This type of format raises the dignity of the evaluation process by placing all employees in the role of partner and business driver. They deserve this type of feedback as a prelude to the specific review of their contributions that follows.

Note as well that this level of detail doesn't mean that you have to customize all these additional sections of the review for each member of your team—it simply means that you'll want to give some thought to building these marketing principles into the template itself so that all employees receive basically the same message (with slightly different twists for those in finance vs. IT vs. sales vs. research, and the like). In other words, each department may have a slightly different interpretation of the message above, but 90 percent of the message crafted should fit everyone in the company at any given time, so little additional customization for your particular department should be necessary.

In addition, you'll notice how simple and easy it will be to communicate new challenges and performance measurements for the upcoming review period. While no company has a crystal ball that indicates the future challenges it may face, sharing in advance the following year's key organizational goals, core values, and performance drivers that will be emphasized makes it much easier for employees to involve themselves in the organization's growth and development. Of course some future plans can't be shared in advance—that goes without saying—but outlining your firm's broad goals and employee performance expectations will go a long way in minimizing the disconnect workers often feel from the senior leadership of their companies or from the companies themselves as a whole.

Bottom Line: Make the format beautiful and dignified! Use this critically important record—perhaps the most important document of the entire year for any worker in corporate America—as a distinct expression of your organization's uniqueness. Customize it as a quick and thoughtful exercise, and then replicate it across all performance review platforms as a template meant to engage employees, celebrate successes, and of course protect the company legally.

With this revised template structure in hand, you can then add and customize specific modules for broad classifications of workers—sales, customer care, manufacturing, technical, and even the CEO—so that your form and your content work together to become not only an accurate assessor of historical performance, but equally, if not more importantly, an exciting tool for career development and personal growth. Now *that's* what a performance management scorecard should look like in a twenty-first-century workplace!

CHAPTER 6

Goals: Setting a Course for Stretching and Development

AS THEY SAY, you're never truly successful unless your employees are as well. Unfortunately so many companies and leaders view the performance appraisal and goal-setting process as a mandatory paper chase—a mere form to fill out to justify a merit increase—rather than a true opportunity to heighten employee engagement and inspire career-making results.

Great leaders know how to set up their subordinates for success, and heightened performance and innovation are easier to achieve than you think with the appropriate goal-setting plan in place. So just think of this forecasting exercise as the glue that binds your subordinates to you and allows you to become the best boss they've ever had. After all, the greatest gift the workplace offers is growing and developing those who are following in your footsteps, and goal setting is the roadmap to get you there.

Goal setting typically receives short shrift in the trade press because historically in the United States, performance reviews are tied to merit increases, and that's just about where the thought process stops: Once the merit increase information is confirmed, then the "paper chase" of performance appraisal is pretty much complete in many employers' and workers' minds. But it doesn't have to be that way. While it makes sense to tie compensation to performance management, the immediate and direct link that's been established in U.S. employment practices severely limits the true worth of the evaluation exercise. In a number of European countries, as a point of comparison, the performance appraisal process functions more as a tool for career development and growth rather than simply for justifying merit increases. That's the philosophy we all need to adopt to get the most out of this formal feedback, recognition, and development program.

As Paul pointed out in his book *2600 Phrases for Setting Effective Performance Goals* (AMACOM, 2012), setting goals for your employees or, more accurately, helping them set appropriate goals for themselves, is an individualized and personal endeavor. Adding the right elements to the recipe, so to speak, will therefore vary significantly depending on the individual's needs and aspirations. Still, your key focus will always lie in customizing a template for success that will help your staff members find new ways to increase their own productivity, which of course improves your overall departmental, and ultimately company, performance.

So how exactly should you go about creating individual development plans (IDPs) for your subordinates, and, more important, how can this tool kit help you get there? First and foremost, always remember to ask. Without your subordinate's involvement, drafting development plans in goal statements becomes a hit-or-miss exercise. Second, remember that employees will remain loyal to their companies—regardless of headhunter calls luring them away to greener pastures—as long as they're on a positive career growth trajectory and feel appreciated for what they contribute. It's this "psychic income" that is the glue that binds workers to their organizations over time, and it's clearly the most significant element of any development plan.

If you're able to cement in your subordinates' minds that achieving specific goals at work equates to adding bullet points to their resumes, then you'll develop an *accomplishment mentality* that allows your employees not only to motivate themselves but also to reinvent themselves in light of your organization's changing needs. And that's where the rubber meets the road in terms of being an outstanding *leader* vs. a mere manager or supervisor. Great leaders know how to set up their subordinates for success. Then they simply get out of the way.

The goals outlined in the individual development plan set the stage for future expectations and outline the measurable outcomes that will need to be reached to demonstrate that those goals were achieved. Development plans and goals, by definition, should be a two-way street. The exercise of obtaining agreement on the goals should be the glue that binds you and your employee together over the review period. You can then serve as a mentor and coach as your subordinates guide themselves to their goals, seeking your guidance along the way to get there faster and more efficiently. What follows are some suggestions for creating individual development plans and goals that will help your staffers feel engaged and self-motivated.

Writing Meaningful Goals and Work Plans—Your Employees Know Best!

First, get your whole team on board with your "achievement orientation" by communicating your expectations for the future. Your team meeting might sound something like this:

> "I've called this meeting to discuss our upcoming performance reviews and the goals we're intending to set as part of the process. Historically, performance reviews contain a section on goals, but in most companies those goals are fairly generic, and the review—along with its goals section—goes into the employee's personnel file, never to see the light of day again until the next year's merits roll around. I don't want it to be that way this year.
>
> "I take goal setting very seriously, and I'd like to think it will serve as a compact that binds us together throughout the upcoming review year. I want to use customized goals that you help me develop that tie in both to our organization's overarching needs and to your individual career development needs as well. We'll use that goal sheet as a bellwether of how we're performing individually and as a team, we'll use it to measure our progress quarter by quarter, and we'll celebrate your achievements as you accomplish the tasks you've set out to do.
>
> "So once we've decided on and committed to a slate of goals that are specific to you and your needs as well as that of our department's, then I'm going to ask you to keep that document front and center in your binder so that we can discuss it any time. But I'll definitely want to discuss it with you

at least once each quarter, so please be sure and get some time on my calendar within the next three months so we can measure your progress.

"Finally, make your feedback as concrete as possible. Sweeping generalities about how you're doing against goals aren't what I'm looking for here. Instead, now that we're all working using a quarterly achievement calendar, I'll want to hear about your results in concrete terms using dollars and percentages, if possible. You're now rotating roles for staff meetings, so I'll want to hear about how comfortable you feel in a public speaking, leadership role. We'll be adopting a 'Book of the Quarter' initiative to learn about best practices and applying them to our workplace, so I'll be looking for creative and innovative recommendations and actions. And I'll want to know about what kinds of training and development programs you've identified to move your career forward. This is all up to you guys, but I'm here to support you in any way I can. Take advantage of the goal-setting process to customize a career-development plan that will not only benefit our company but that will help catapult your career to new heights. I'm looking forward to this new approach in working with you all this year."

When you get employees thinking in terms of hard-core accomplishments and develop this "achievement mentality," they quickly learn how important it is to rack up those bullet points on their resumes. Offer to review your employees' resumes with them. Teach them to use their resume as a career map and future guide to focus their efforts. Remember that if they're building bullet points on their resumes, they're building achievements in their annual self-reviews, which means your annual appraisal process becomes that much easier. They're doing all the work!

Think of this as the most creative aspect of leadership and management. You get an amazing amount of work done by a focused and dedicated team, you're having fun while you're doing it, and you're teaching by example how your subordinates can one day repay the favor by building happy, healthy, and achievement-oriented teams of their own. And don't forget all the admiration and respect that will come your way as a result of your selfless leadership style and wisdom. You won't be working as hard, you'll be getting more done through others, and you'll be garnering kudos from your own manager because of your outstanding leadership abilities.

There's an added advantage as well. Goals help everyone keep the bigger picture in perspective. That "bigger picture" may focus on the individual's resume in terms of skills development, further educational achievements and certifications, and areas that need to be shored up in terms of gaining broader technical or operational experience. But the bigger picture also encourages "organizational curiosity." For example, when someone is looking at the broader scope of his or her own individual career goals, additional questions may naturally surface, including:

- Who are our biggest competitors in the marketplace?
- What are the three biggest obstacles our company is facing in terms of meeting its projected growth targets?
- What's the "handwriting on the wall" that should be evident to anyone in our industry in terms of overall patterns and trends of growth over the next few years?
- What are websites like Glassdoor, Reputation.com, Yelp, CareerBliss, Jobitorial.com, and CafePharma saying about our organization?
- How does my particular job stack up in terms of ten-year growth potential in the Bureau of Labor Statistics' *Occupational Outlook Handbook* (http://www.bls.gov/ooh/)?

As you can see, the benefits of getting your employees into the mode of outlining their goals can lead in some pretty insightful directions, and questions like these are healthy to share in general because they cause some well-deserved career introspection. In short, no one wants automatons who come to work every day, clock in, beeline it to their desks, and then just perform rote, repetitive tasks. While some individuals will no doubt fit that profile, the real value and gift that the workplace offers true leaders lies in helping employees see their greater potential, volunteer creative and innovative suggestions (no matter how seemingly minor), and develop a greater awareness of the opportunities your company offers them.

Simply put, goals help you get there. Goals look to the future, inspire imagination, and move the ball forward. So don't overlook the importance of goal setting, not just to measure and monitor ongoing performance but to challenge people's expectations of themselves. Goal setting with and for your employees helps you become a stronger leader, mentor, and coach, and, most importantly, it creates an achievement mentality in your team members that will help them succeed and reach new career heights.

Remember as well that employees should draft their goals for your review and be prepared to discuss them in detail. Assuming you'll want to formally follow up with your staffers once every three or four months, tell them during your initial meeting that you'll expect them to schedule time with *you* to discuss *their* progress. You're not responsible for managing goal follow-up because you're benefiting and supporting their careers, and not vice versa.

Help employees think bigger picture, help them see the link between their roles and the rest of the organization, discuss how to stretch the rubber band through the goal-setting process, and use goal setting to prepare for their next move in career progression. Now that's creative! It's also a lot of fun. What have they learned? What can they apply differently? How can we reinvent the workflow in light of our department's changing needs? Asking such simple questions in the goal-setting process is what makes you a wonderful boss and someone who successfully practices what's been called "servant" (aka selfless) leadership. Follow your goals in helping others achieve theirs.

Concrete, SMART Goals and Measurable Outcomes— The Look and Smell of Success

To ensure that your team members don't draft pie-in-the-sky or hollow goals that are too fluffy to be measured or evaluated, employ the time-tested methodology you've heard about in other books. Yes, SMART goals still work and do an excellent job guiding workers in formulating their thoughts around their self-identified stretch assignments and career-building focal points. "SMART" goals should be:

- Specific
- Measurable
- Attainable
- Realistic
- Time-bound

The natural follow-up question to "What are your goals for the upcoming review period?" is "And what are the measureable outcomes so you'll know that those goals have been attained?" It's likewise important that you focus all your employees—line and staff alike—on quantifying their contributions and achievements whenever possible in terms of percentages or dollars. Employees are typically engaged in generating revenue, cutting costs, or saving time (which does both), and the more you could help them quantify their results, the greater the sense of profit-and-loss responsibility you develop in them. In other words, teach them to understand both the business and operational effects of their efforts. That's a gift you can give as a leader and a portable skill they'll take with them throughout their careers.

And don't be afraid to build models using assumptions that approximate savings. For example, if a receptionist comes up with the idea of using a sticky note (To/From/Date/RE) atop all faxes rather than a separate cover letter, that saves the company one page of transmission for each fax sent. It probably wouldn't be too difficult to find out how much the company pays in fax costs each month, what the average cost per fax is (i.e., number of faxes divided by total fax costs), and what the average cost per page is. Take that average cost per page, multiply it by the number of monthly faxes, and then multiply those savings by twelve to determine the average annual savings resulting from that one idea.

Linking This Year's Performance to Next Year's Goals—A Natural Outcome of Organizational Growth and Progress

First, a note of caution. One mistake employers often make, both with performance reviews and individual development plans that are contained within them, is to draft the goals without looking at the past few years' reviews. You shouldn't draft performance reviews or goals in a vacuum. Inconsistency in the documentation itself not only could send a mixed message to the employee, but it could also expose the company to unnecessary legal liability on two fronts.

First, understand that plaintiff's attorneys will look at historical performance reviews back-to-back as evidence of his or her client's (your ex-employee's) performance. Imagine the attorney lining up each performance review over the past five or so years as exhibits demonstrating the company's message to this worker regarding his overall contribution that year. If the documents all say that the individual is meeting expectations or if they demonstrate very little consistency—he was a poor communicator one year, a much better communicator the next year, and then a poor communicator the year after that—it could reflect poorly on your company's leadership and management. The documents must be seen with an eye toward continuity and consistency so that when they're laid out side by side as Exhibits A through F, they'll tell a consistent story—good or bad—about the individual's performance and conduct.

If the person has the same goal year after year but never reaches it, but then the company terminates the individual for substandard job performance, a sly plaintiff's attorney might argue, "She's never reached that goal before, yet you did nothing about it. What did you do to help her attain that goal? What external training workshops did you send her to, when did you spend one-on-one time mentoring her to help her get over the hump, and why didn't you bring up this problem with her performance earlier? I mean, if you've tolerated this failure to reach her goals for the past five years, what would make you turn around all of a sudden and fire her for substandard job performance? With all due respect, I think *you* were the one who was remiss in training this employee and giving her a fighting chance of being successful in her role. In short, I think this is more of a 'failure to train' issue than anything my client may have done wrong."

Next, on a more positive note, remember to simply address last year's goals in formulating this year's target areas. That's a simple way to demonstrate a connection or nexus among goals that overlap from year to year. Your documentation might look something like this:

As we outlined in last year's annual performance review, we developed three specific goals for you and your team to focus on throughout the review period:

1. Proactively drive our employee relations and engagement practices through the development and utilization of human capital metrics and analytics.
2. Market/brand the employee experience, especially in terms of talent and pipeline development, individual development plans, and career growth potential, making us an employer of choice.
3. Harmonize and standardize policies, practices, and tech systems after the XYZ integration to ensure consistency and fairness across all divisions.

In terms of your progress against those goals, you and your team developed a robust set of metrics that drive our business, including:

Workforce demographic analysis

Performance appraisal trends and patterns

Workforce and headcount analysis

Corrective action drivers per region, local center, department, and individual leader

Voluntary vs. involuntary turnover reports, especially regarding high performers

New hire and promotion trends

Contingent labor usage reports

Unemployment, workers' comp, and safety reports

You likewise developed both an HR strategic map as well as an HR scorecard that the division president can now access via a customized widget on her desktop. Overall, you exceeded this goal and developed reportable metrics that were exceptionally impressive.

This year, you plan on working closely with our finance team to develop ROI (return-on-investment) metrics that tie human capital drivers and trends to organizational financial drivers, including the following:

- HCVA: Human Capital Value-Added (profitability per FTE)
- HCROI: Human Capital Return on Investment (profit per dollar spent on employee pay and benefits)

In terms of your second goal regarding marketing and branding the employee experience, you attempted to gauge the overall pulse of employee sentiment and engagement by launching a climate survey that could point to organizational strengths and opportunities for development and identify any perception problems that may be plaguing our organization. The climate survey did indeed provide some surprising insights into particular areas of concern—some that we didn't realize were necessarily problems—but generally confirmed our expectations about the general mood of employee sentiment.

You addressed the front-line management teams at various events to explain the importance of referring successful employees and new hires to online career communities and web forums like Glassdoor.com and CafePharma.com to share their successful experiences at our company. You're likewise researching the "employer of choice" and "best companies to work for in America" programs, where you intend to apply and garner the highest recognition for our company in order to attract and retain the strongest talent that our industry has to offer. Overall, your progress toward this goal is exceptional, and you're focusing on the key strategic drivers that will move our organization in a whole new direction and take us to the next level of success and recognition.

Your third goal over the past year has been to harmonize and standardize policies, practices, and systems in light of the XYZ Company purchase and integration in the first quarter of the year. You participated as an active member on the Change Control Board and worked closely to compare and integrate policies having to do with time and attendance, corrective action, and leaves of absence. You're currently serving as a member of the team that's drafting the revised employee handbook, and you're also actively contributing to the integration of our dual HRIS and payroll systems so that both companies will be operating off the same platform by the first quarter of next year.

There remains much to be done in the areas of policy and systems integration, but you and your team are successfully moving the ball forward and proactively identifying new areas of incongruity and inconsistency. Your new goal in the following year will now also be to develop strategies that unite our disparate corporate cultures. The merger to this point hasn't yielded the good faith and trust that we were hoping for from XYZ (the acquired company), and our new goal will be to identify opportunities to build goodwill, trust, and shared accountability to create a unified team that helps us operate in a more unified and seamless manner. The cultural integration may be our greatest challenge yet, and I'm looking forward to hearing your ideas as new opportunities surface to build a shared sense of camaraderie, one person, department, and division at a time.

Thank you for your continued efforts in reaching and excelling at these goals. You continue to provide outstanding leadership and build trust across the organization, creating a sense of calmness and good faith across the enterprise. You're also clearly having fun with this, building systems, data, and teams that operate well due to the benefit of open communication, welcome contributions, and a healthy sense of humor. I look forward to hearing your suggestions and recommendations throughout the upcoming year as we progress in making headway regarding these very critical areas in our company's development.

Addressing Global Learning Gaps and Developing a Corporate Learning Environment and Skill-Building Culture

An effective performance appraisal systems is actually a versatile HR management tool that tends to be used for a single purpose: to justify annual merit increases. Once you begin down the road of unleashing the power of your organization's enhanced performance appraisal system, however, you will soon see that there are many other baseline applications and benefits to collecting performance information on an individual and enterprise-wide basis.

As an example, a small company was looking to develop an annual gain-sharing incentive program. If the company maintained certain financial and operational metrics, there would be a lump sum amount averaging $2,500 per employee. The company's executives, however, obviously didn't want to provide the same reward to each employee and wanted to differentiate awards depending on individuals' contributions and overall value to the company. So we suggested that they already had a baseline mechanism in place that could serve as a model starting place: their annual performance management system.

Based on the concept that performance review scores were an accurate barometer of individual performance and contributions to the organization, it was determined that lump sum distributions would be modified and distributed based on, among other things, individual performance scores. While the company was careful in its plan documents to retain discretion in determining awards by considering multiple employee performance and contribution factors, the performance review became a great baseline tool to start the evaluation process. Talk about underscoring the performance appraisal system! Now it had everyone's attention because the system became more than a base pay distributor.

The adage "whatever gets measured gets done" is a foundational principle and practically magical in influence on the workforce. Want to lose weight? Count calories. Want to get fit? Count miles cycled, rowed, or run. Want to index individual or group performance? Employ measurement tools that document strengths, weaknesses, opportunities, and areas for development. Regular measurement and reporting gets things done.

Companies interested in creating a developmental culture should modify the employee self-evaluation form (see Appendix A) and the appraisal template to track personal interest and developmental goals. By emphasizing training and professional development on the template, employees will begin to catch the concept, planting the seeds of a corporate learning environment. If you continue to nurture those seeds with consistency, the magic begins to happen.

The same is true for creating a team-building culture. Let's take appraisal template versatility another step further. What if we actually asked employees, via the self-evaluation form, to identify the areas where they would like to develop their skills and abilities to build their resumes and prepare for their next career move? What if their responses were compiled and we learned that 25 percent of the technical workforce wanted training in a specialized software application? We have just discovered a global learning gap and now have the metrics to support deploying a training initiative to address that need.

Likewise, if some of your distributed workforce centers are suffering from excessive turnover, there could be a myriad of reasons: local competition from organizations with similar hiring profiles and more competitive wages and benefits, or an overly aggressive management team that may lead more by fiat than by consensus. Performance review scores will quickly indicate the number and percentage of top performers (i.e., 4s and 5s) who may be leaving at any given time, and exit interviews will quickly point to primary vs. secondary reasons for leaving.

But if a heavy-handed management team seems to be the leading cause of excessive turnover, it might become necessary to implement a "soft skills" training program focusing on leadership and communication. Modules like communicating with tact and diplomacy, proper delegation and workforce scheduling, and respect in the workplace might cut down on excessive turnover in just a few months. In such cases, your performance scores will once again provide a leading indicator of the *quality* of the people your organization is losing, which is often a far more critical component of turnover than sheer quantity.

By measuring overall performance trends with an eye on top-contributor patterns and behaviors, and by soliciting feedback from individual employees about their own self-identified areas for self-development, your performance management system will serve as a proactive tool for strengthening your organization's human capital muscle. The performance system, when structured correctly, sends a clear message in the appraisal template regarding expected performance and behavioral standards, and then rewards individual contributors via a true "pay-for-performance" program that has teeth. With such a program, your performance management system will command the attention of your employees and become a powerful influence on your organizational culture.

Rewarding and Celebrating Success: Recognition *Is* the Reward

As the saying goes, *change your perspective and you'll change your perception*. In other words, change the way you think of the annual review and goal-setting exercise and you'll have a totally different experience of the power it has to focus your energies, open the lines of communication, and keep everyone on track. Folks, this is by no means a paper chase. Instead, it's the one annual exercise done for your employees by the company leadership to help them get ahead in their careers.

Think of it another way, this time as an employee: We all work 2,080 hours per year, and for many of us, that's the bare minimum. But only one of those 2,080-plus hours is reserved for us—that one hour when we get to discuss our own assessments of how we've performed over that entire year along with what our goals are for the next. And assuming your supervisor is on board and in agreement with both your historical self-assessment and future game plan, then all the stars align and we experience self-fulfillment through our work.

Now ratchet it up a notch. Instead of giving ourselves the gift of one hour per year, how about a 300 percent increase by giving ourselves four hours? How about we work together with a yardstick we've both agreed on to measure our personal progress and contributions to the company? The two go hand in hand: If I'm adding skills and becoming a stronger player, then my company benefits because of my greater capabilities. I'm making a positive difference at work, and I'm also keeping my skills up to date, my responsibilities fresh, and my resume targeted for future growth and stability.

This is a win-win-win for everybody: employee, supervisor, and company. And your yardstick—your individual development plan—should be kept front and center in your binder or notebook so you can always remind yourself where you're going and rethink new and faster ways of getting there. Now let's turn this around for a moment where you're the supervisor again: Your employees' annual goal worksheets should be front and center in your binder or notebook so that you have them there as a constant reminder of the agreements you've made and the goals you want to help your team members reach, and as a creative guidepost to help you help them get there faster.

Simply put, both of you are focused, bonded, and working together toward a common goal. And your "compact" or pledge to one another sits front and center in both of your binders so that it can be referred to often. Congratulations. You just learned how to maximize an incredibly simple tool that allows you both to excel in your respective careers while benefitting your company tremendously.

One final thought. The "big bang" of the appraisal and goal-setting process will always come from making it an individualized and custom-tailored action plan, and that can only come from asking your employees for their input and involving them in their own career development. So enjoy the journey and don't forget that it's all about the *process*. Ideally, the wisdom and the strategies in this tool kit will help you master the art of performance management and leadership development, but, more important, they'll help you fall in love with helping others to build their careers and realize their ambitions. There's no greater benefit you could give your company than the gift of a motivated, energized, and engaged workforce. Goal planning and development create that opportunity to move your company forward, celebrate successes, and establish the perfect environment to foster a sense of recognition and appreciation.

CHAPTER 7

Putting It All Together—A Performance Management Program That Every CEO, Board of Directors, and Individual Employee Can Love

MUCH HAS BEEN WRITTEN about turning the annual performance review process into a "strategic" corporate exercise. That's critical in an era where intellectual capital defines any company's ability to stand out from its peers. In reality, though, this challenge has gone mainly unresolved because managers see performance appraisal as an exercise that focuses only qualitatively on *individual* performance as opposed to quantitatively on *enterprise* performance.

Of course both are important, but we would argue that the strategic use of performance appraisal in many ways overshadows its use as an individual performance and career-development tool. The strategic level is where the "critical eyeballs" will be found, and only when your CEO, board, and senior management team find it in their own best interests to ensure that the annual performance evaluation "measurement" accurately reflects their division's standing in the company as well as their own individual performance score will this critical exercise be taken as seriously as it should. The question, of course, is how do you get there? Baby steps are a good place to start because few organizations currently look to the value of the annual performance review scorecard as a true measure of human capital performance.

Creating Links Between Business Strategy and Organizational Performance: Performance Is a Moving Target!

The Golden Cycle of Performance Management demonstrates the continuum between ongoing feedback and communication and adjusted performance and behavior as follows:

Step 1: Goal setting and planning (beginning of review year)

Step 2: Ongoing feedback and coaching (throughout the review year)

Step 3: Appraisal and reward (at the conclusion of the review year)

Each phase logically flows into the other in an unending circle of sorts, where the appraisal and reward process (Step 3) continues directly into the goal-setting and planning stage (Step 1) for the upcoming year. The system is designed to provide continuous improvement feedback, allowing the individual to redirect his efforts and energies to gain the greatest advantage for the company (and in doing so, for his own resume and career progression potential).

Under the current paradigm of handling appraisals, however, the first two steps rarely get addressed, which leaves culmination in the third step more theory than reality. Hence the mandatory paper chase at annual review time at the end of the year rather than a system built upon strategy implementation, planned feedback, and ongoing communication.

Now picture it this way: A senior executive sees herself one quarter out from formal annual performance reviews and thinks, "Okay, in three months, performance reviews will be due. That means that I'll need to meet with my senior team now to determine where our SWOT (strengths, weaknesses, opportunities, and threats) analysis lies and where our division's overall score should come in so that I've got an *accurate reflection of my individual performance on my own report card*."

Now that's a different focus! So how did we go from the tooth-pulling drudgery of "having to do performance reviews again" to the "I'd better get my shop in order so that I can really shine on this year's performance analysis exercise"? The key: Once you can tie a senior leader's overall performance score (and therefore her merit increase and bonus payout) to the appraisal score that her team receives, "strategic" performance appraisal will be achieved automatically.

Here's how it might work in your company. Assuming that your company is moving toward becoming a true performance-driven organization, then your first question as a senior executive is, "*What score accurately reflects my division or department's overall performance?*" Remembering that you'll have to present and defend this to the CEO, you'll want as accurate a reflection as possible. Score your team too high, and you'll look foolish and be "brought down to reality." Score them too low, and you'll leave merit increase and bonus money on the table and potentially negatively affect your career.

Here's what a real-life fact pattern might look like to illustrate this: As head of sales, you've got a young and undisciplined team of account executives, but your product is selling very well right now, both in terms of volume and margin, because fortunately you're in a niche without tremendous competition. Still, you know that won't last long because your competition is currently launching its own catch-up strategy. You believe that a 4.2 overall rating (on a scale of 5) would adequately reflect your SWOT score: "Young team with training potential, little turnover, high current profit margins, but competition looming on the horizon."

You'll need to discuss this 4.2 evaluation with your senior sales team and make sure that everyone's generally on board. At that point, your senior managers can go about drafting up individual "overall scores" for their staff members, keeping an eye on the fact that the overall score of each individual team within the sales group should average 4.2—the targeted score for the entire sales division. (In other words, your bell curve will skew higher than the normal 3.0, but you feel you can justify that for the sales team because you're currently regarded as superheroes within the company and in the eyes of the CEO.)

As we discussed in "calibration sessions," managers might first draft sample scores before they write any reviews for individual employees, in essence "slotting" their highest and lowest players (but without the negative goal, traditionally associated with "forced ranking," of managing people out of the organization). Assuming you agree with your managers' initial scoring recommendations, they can then set out to draft the reviews themselves with those scoring agreements in mind. Note that with this "30,000-foot-level view" of the playing field already established, your managers will be less likely to inflate grades or otherwise lose sight of the bigger "divisional" picture. They'll also be more prone to tying individual performance feedback to your sales division's goals.

Once a first draft of reviews is completed, your managers can then meet with you to review the narratives and final proposed scores of individuals in their groups. You and your management team can then look at each review in isolation, reviewing individual category scores, narrative comments, development plans, and the most critical piece of the review itself—the overall score at the end of the document.

While doing that, you'll be able to discuss opportunities to reward top performers, develop training plans as well as stretch exercises for those in the middle of the bell curve, and construct performance improvement plans for those not meeting expectations. More importantly, you'll ensure that this particular manager's group remains as close to the 4.2 divisional goal you're looking to achieve, or at least you'll know that any deviation may need to be balanced out by some other team's overall average score within your division.

You're thinking through this logically and determining not only how to appropriately rank individuals within your department but also how to help your senior leader and the CEO assess your sales organization. Next it's time to consider how your organization would map itself out in a 9-box succession planning exercise. Note that organizations that do formal succession planning exercises conduct them a month or so *after* the performance review process has been completed. We believe that succession planning exercises should happen *simultaneously* with performance review calibrations to ensure that all factors are being considered when doling out performance review report cards and enterprise scorecards.

The "9-Box Roll-Up"

With these overall score numbers clearly where they need to be to accurately reflect your assessment of the sales team's performance, you're now ready to prepare your own self-review for your boss, the CEO. Let's assume your company uses something similar to a "9-Box Succession Planning Model" to assess the performance and potential of its senior executive team. The 9-box model is a simple graph that shows "performance" on the x-axis and "potential" on the y-axis, as shown in Figure 7-1.

A typical 9-box exercise typically measures not only performance and potential but also includes a succession map and action plan to move your group in the desired direction. It will address career potential (in terms of team members' abilities to assume greater scale and greater scope in light of their current roles and responsibilities), retention risk (i.e., likelihood of leaving the company), and the business-critical nature of their position in your operation (critical, moderate importance, or noncritical). The succession map then addresses by name the individual successors who could be promoted into the roles held by your current senior leaders and the time frames necessary for them to step into those roles.

Your goal in this exercise will be to place the sales function of your company in the appropriate box on the 9-box grid. (Note that the nine boxes on

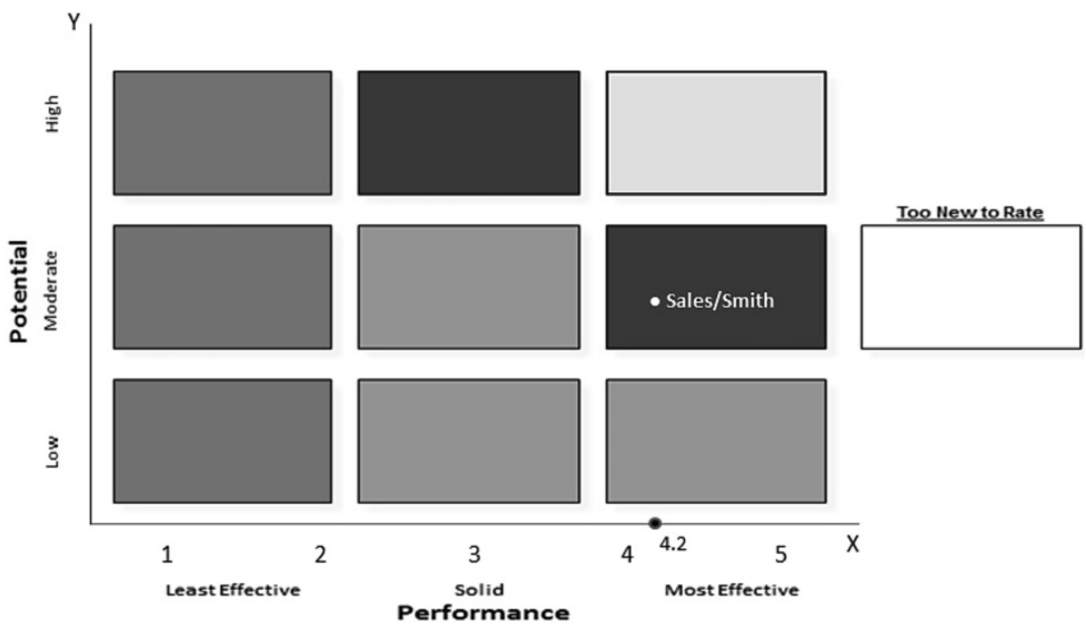

Figure 7-1. The 9-Box Model

the grid consist of the three sets of three, all stacked on top of one another. The ideal scenario would be in the top right quadrant—highest performance and highest potential. The worst scenario would be in the lower left quadrant—lowest performance and lowest potential.)

Although "potential" is a bit more arbitrary a score and not entirely within your control (for example, you may be outsourcing part of your sales function in the upcoming year, lowering your "potential" score through no fault of the employees in your department), the "performance" score is clearly more concrete because it generally matches your annual performance appraisal score. In essence, your responsibility will be to grade the sales function with an appropriate overall score, which makes up a critical part of *your own* performance evaluation. (That's why it's so important that your managers get this right.)

Your goal now will be to justify the x-axis performance score on your own review, which closely reflects your sales group's overall rating. (Your self-evaluation score, however, need not be identical to your department's performance. You should simply be prepared to discuss any deviations, positive or negative.) You'll discuss why you rated your division a 4.2 and account for the "gap analysis" indicating what you'll need to do in the future to become a 5.0. Your development plan will focus on the way you see yourself getting there: promoting David Acosta to senior director, sending Ryan Hennings's team to advanced product training, and placing four individuals on performance plans with sixty-day mandatory turnaround windows.

In short, you'll be able to demonstrate that you've made an accurate assessment of your team's strengths and areas for development, know by name the key players who stand out among their peers, and have an action plan for dealing with those sales execs who are "struggling to the minimums." In addition, your conversation with the CEO may turn to your potential successor, his score, and the timeline and resources necessary to get him up to speed.

Finally, and most importantly, the action plan that results from this exercise then helps you visualize the gaps in the group's bench strength and talent pipeline. For example, do you have someone who is a moderate or low performer or a retention risk in a business-critical position? Do you have any high performers with low potential because they lack a degree or struggle with interpersonal skills? Likewise, do you have anyone who is a low performer with low potential who is not currently on a performance improvement plan (i.e., corrective action program) of some kind? If not, you should seriously consider doing so. The succession map (Table 7-1) might consequently look something like this for all of the leaders on your team:

Position		SVP, Marketing Rob Hollocks			
Potential Successor(s)		**Readiness**	**Performance**	**Potential**	**Retain**
1	Emmie Hsiao	Now	Proficient/Achieves	Medium	Low Risk
2	David Acosta	>1 year	Outstanding	High	Medium Risk
3	Virginia Jose	2 yrs	Outstanding	Medium	Low Risk
Other		*	*	*	*

Table 7-1. Succession Map

Congratulations, Ms. Head of Sales. You've just demonstrated the proper amount of leadership and career introspection that will ensure the highest merit rating and bonus for yourself . . . at least from a talent-management perspective. For an added bonus, let the CEO know that you're expecting your direct reports to meet with their staff members quarterly to assess their progress in terms of achieving the "measurable outcomes" you've developed in their goal-setting exercises. You'll likewise be able to commit to keeping the CEO abreast of any changes in performance appraisal over time, a true "human capital metrics" trending indicator. And voila! The Golden Cycle of Performance Management is back working right where it belongs.

Succession Planning's Strategic Advantages

Okay, let's make you the CEO again. Now that your head of sales has completed her calibration, review, and succession planning exercises, it's time to gather similar data from the other departmental and divisional heads across the company. If traditional performance appraisal focuses on the individual, and moving it to the level of "human capital strategy" involves tying each division's (sales, marketing, operations, engineering, finance, information technology, and the like) overall performance score to the senior executive's merit increase and bonus, then the final step in the process will fall to you, the CEO, to conduct a similar human capital exercise for the entire enterprise. You'll need to create a company scorecard by rolling up all divisions' overall scores into one giant organizational snapshot (Figure 7-2). That snapshot will place each department/division onto the 9-box grid, mapping in clear picture format which areas are high-performance/high-potential and which ones are not quite there yet.

As is the case so often when demographics are mapped out on paper, there will be some oohs and aahs that you and members of the board simply didn't see up to now. The divisional "performance" scores will no doubt affect or at least influence their "potential" scores, and a healthy sense of competition will develop where divisions work to achieve progress, both in competition with each other and within themselves.

With that one-page dashboard capturing the overall "productivity" snapshot of the enterprise and treating each functional area as an "individual" performer, you'll then grade the entire organization in the following areas:

- Human Capital Overall Score
- Enterprise Development Plan

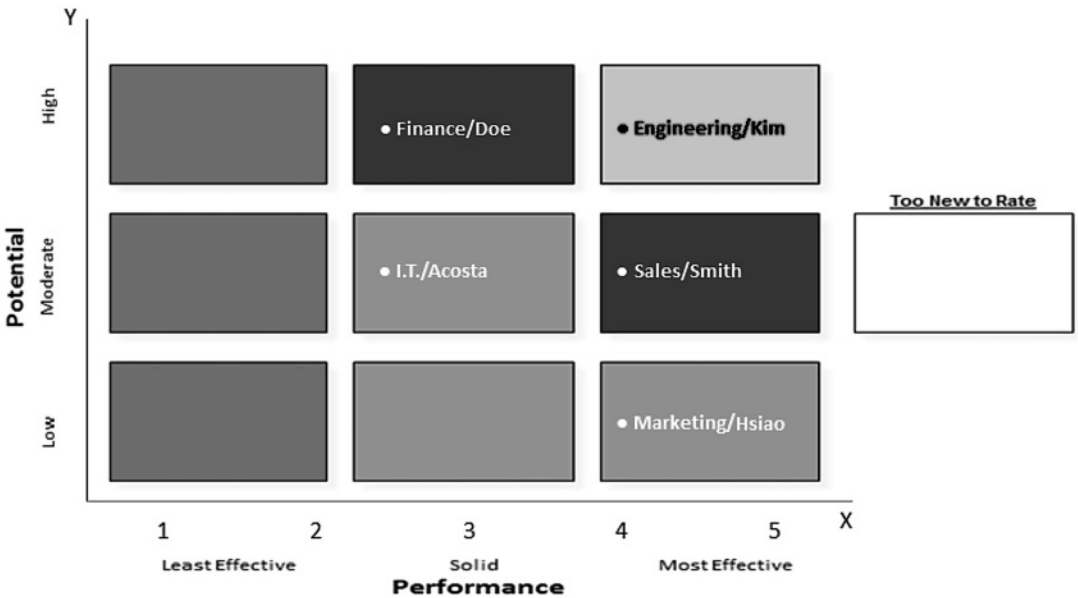

Figure 7-2. Performance Score Roll-Up Table

Now that's something to bring back to the board of directors, or at least to have in your back pocket as you look to grow and expand your firm strategically.

And don't forget one key ancillary benefit your company will derive from this approach to performance appraisal: You'll be able to publicize the fact that your organization values individual contributions more than your competitors do. Your employees will generally receive performance assessment and career development plans every year that roll all the way up to their division head and ultimately to the CEO. Few companies invest in and focus on their people to that degree. Your company, in contrast, can be proud to call itself a true performance-driven organization.

Customizing and Relaunching Your Program Every Year to Ratchet Up Expectations and Measure Results

Capturing organizational performance in one place can be of tremendous value to senior decision makers in scoping out the future course of the company. Measuring human capital performance may come in the form of specific human capital ROI (return on investment) metrics outlined in books like Jac Fitz-enz's *The ROI of Human Capital* (AMACOM, 2009) or Brian Becker and Dave Ulrich's *The HR Scorecard: Linking People, Strategy, and Performance* (Harvard Business School Press, 2001). A snapshot of performance can typically be seen, however, in a scorecard format using the past few years' annual performance review results, especially if they're tied to the particular challenges your organization was facing in those years.

Here's what a sample human capital dashboard might look like using historical annual performance review feedback:

Year 1 (most recent)

Defining Challenges:

- Integration of XYZ Company—systems, policies, and culture
- Challenge of union organizing efforts in New York, Ohio, and Hawaii

- IPO (initial public offering) consideration after consolidation of operations over the past three years

Year 2 (two years ago)

Defining Challenges:

- Pending merger with and acquisition of XYZ Company after receiving FCC approval
- Expansion into new green field operation in Canada—our first venture outside the United States
- Outsourcing of back-office operations to BPO (business process outsourcing) partner

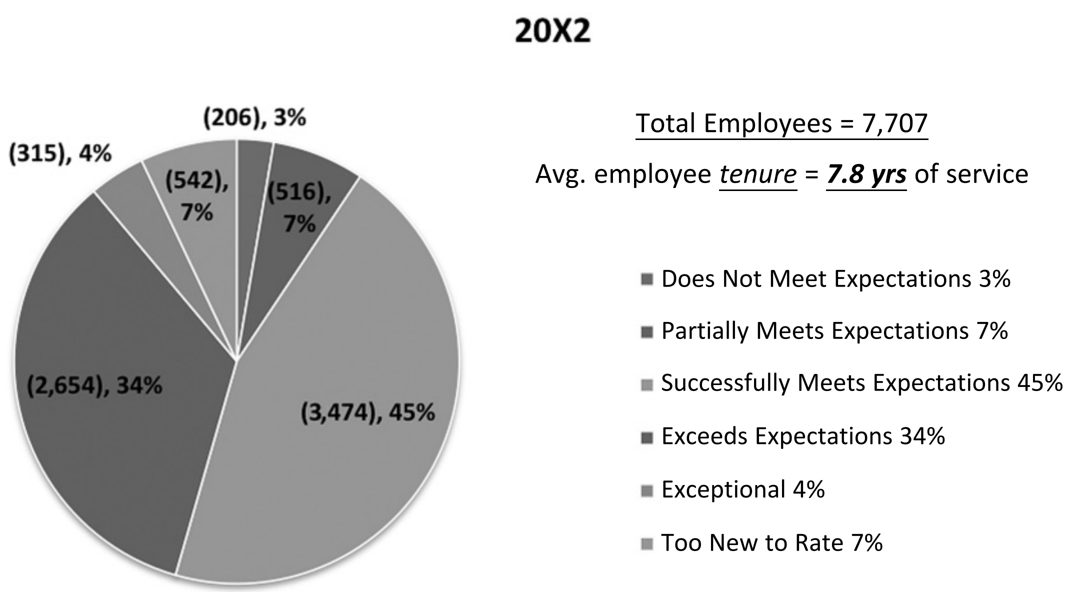

Figure 7-3. Enterprise Performance Review Overview Year 1

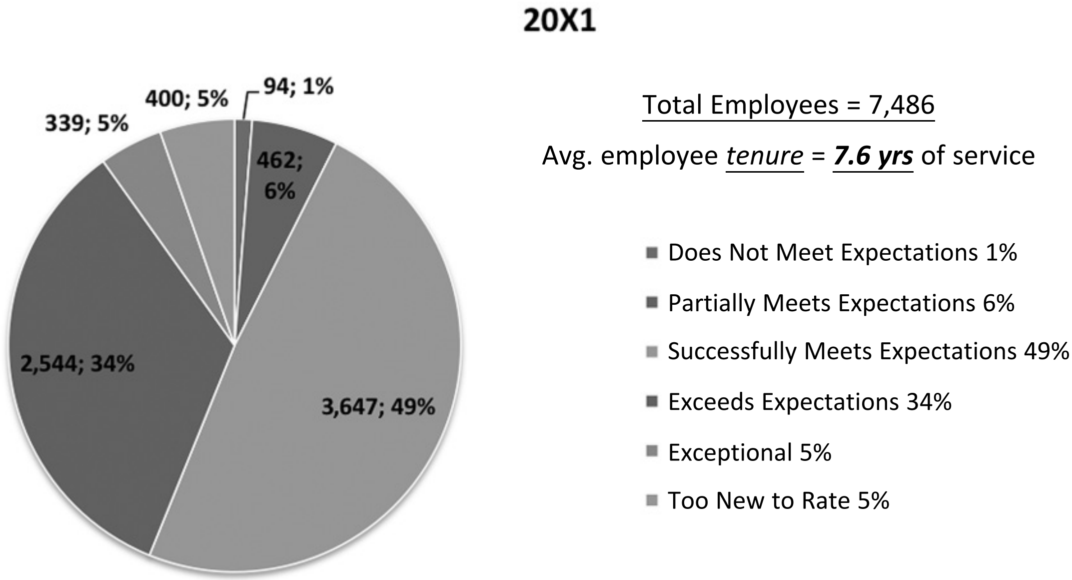

Figure 7-4. Enterprise Performance Review Overview Year 2

Year 3 (three years ago)

Defining Challenges:

- Consideration (predeal) and due diligence stage of potential XYZ merger
- Budget cuts and layoff of 2 percent of workforce in light of economic downturn
- Revamp of executive compensation/total deferred comp in light of cash flow challenges and tax changes

Overall, your CEO will have a quick snapshot of performance review trends and patterns in light of the various challenges your organization has faced over the past few years. Has your company created more 5s (superheroes) in light of the particular challenges you've been facing? Have you seen more 2s

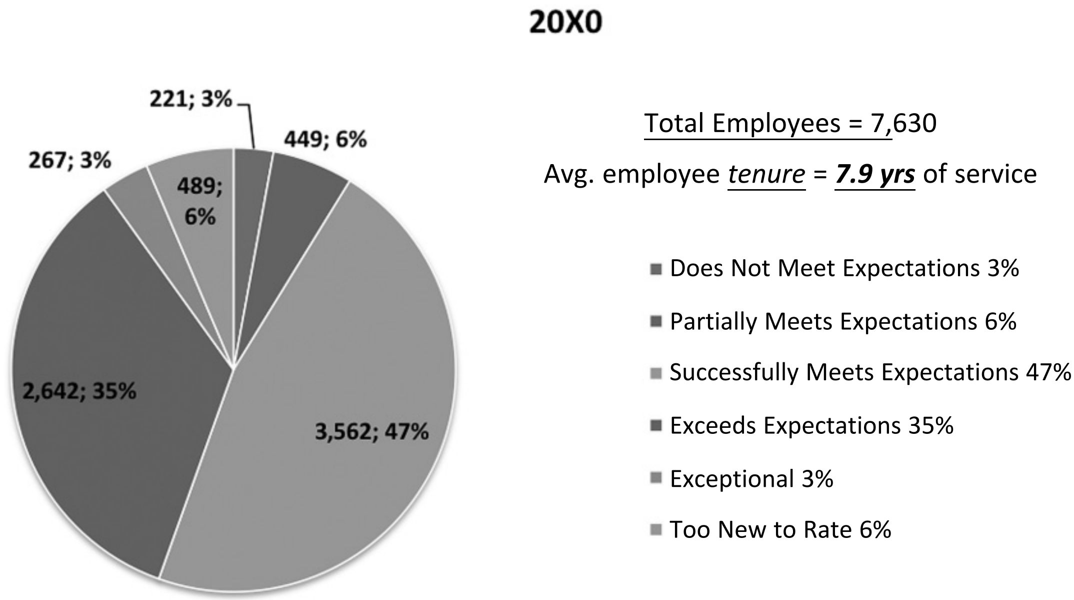

Figure 7-5. Enterprise Performance Review Overview Year 3

and 1s as workers have buckled under the workload? Did you lose more people due to voluntary turnover than expected in the year you had layoffs? How did your human capital muscle perform the year of the integration with XYZ Company, and how do XYZ's performance scores rank relative to your own organization's? Did expansion into Canada create any unforeseen challenges, and was that somehow reflected in organizational performance?

From those natural questions comes a flurry of follow-up queries that allow you to drill even deeper. What were the primary and secondary reasons for top performers (i.e., employees receiving 4s and 5s on their annual performance reviews) leaving the company over the past few years? Have we seen any upticks in unscheduled absenteeism, workers' comp claims, or employment-related litigation at any particular points? How have we trended in our ability to attract talent—has our time to fill open positions gone up or come down? What about expense analysis? Have divisional cost drivers remained under control, and has anything skyrocketed that we weren't able to predict? What's the trend been of our climate survey over the past three years, and how do those trends compare with the overall scoring on our annual performance scores? Clearly the list goes on and on, but you could see that quantitative findings have a natural way of driving additional questions that can provide valuable insight to your company over time.

Improving the Process and Raising the Bar: Retooling the Tools to Keep Up the Pace

Remember that what works in one year isn't necessarily the same goal you'll roll out in another. Organizations that strengthen their (human capital) muscles can and should do more, and the performance bar can be ratcheted up to reflect higher output expectations. This is most easily seen in a high-volume transactional workplace like a call center or a manufacturing floor, where production output is closely measured and managed using scorecards that differentiate between top quartile or top quintile performance.

For example, a call center might choose to set performance expectations and incentives where the top quartile performs. While benchmarking to the top 5 percent of performers may be unrealistic, matching incentives to the top 25 percent might be much more attainable by the masses. And knowing that people will eventually meet the expectations set for them over time, you'll know that you can set the performance bar higher once 25 to 40 percent of staffers are meeting your newly established performance goals. In comparison, if only 10 percent of your workforce can regularly attain the performance level you've established, then your target may be too high and should be lowered for the time being.

Incentives need to always focus on the broad middle so that you can aim for incremental improvements across the broadest mass of muscle. In comparison, raising minimum standards isn't necessarily as effective because it only addresses the bottom 3 to 5 percent of performers. On the other end of the spectrum, adopting standards that reflect the performance of your top 10 percent may not yield many results because your superstars will always excel no matter what you throw at them—they're just built that way. So where does that leave your focus? On the bulk of your employees who fall between the 25th and 75th percentile of performers. Incentives and performance benchmarks need to focus on the broad middle of your worker population, and by setting goals based on real experience, you can incentivize those at the lower end to get out of that bottom 25 percent.

Call centers are an efficient example of a "measured workforce" because quantifiable operational metrics drive the business. Other businesses that don't rely as heavily on metrics to drive operations clearly have a more challenging time ratcheting expectations up because there may not be a clear line of sight between worker interventions and increased productivity. That being said, the performance review scorecards outlined above may provide insightful—if not critical—snapshots of human capital performance. In a knowledge-based economy where human capital is in many cases the decisive asset that distinguishes good from great companies, each organization has to determine which macro metrics or performance indicators are moving the enterprise in the right direction year after year.

CHAPTER

8

Common Questions and Answers to Build and Customize Your Organization's Performance Appraisal Program and Template

1. Where do we start in communicating our plans to move to this new performance management system and in getting our employees excited about the process?

Communication will always be critical to all things related to leadership, and finding the appropriate method or methods of getting the word out will depend primarily on your company's size and culture. It's best to "think globally and act locally" when it comes to launching a new program like this. Formal notices from management may come in the form of individualized hard-copy invitations in the mail, FYI notices via desk drops, e-mail blasts with lots of fanfare and "creative noise" surrounding the rollout, or short memos from immediate supervisors. Then again, it doesn't necessarily have to be in writing and could simply be part of a weekly update meeting where supervisors explain the new program's highlights and benefits.

Assuming we want to have something formally in writing from management as well as a script (i.e., talking points and Q&As) for front-line supervisors, you might want to adopt the sample language below to fit your organizational needs.

Sample Written Memo from Management Announcing Launch of New Performance Management Program

TO: **All Team Members**
FROM: **CEO Delonna Kaiser**
RE: Launch of our new performance management program and employee performance appraisal template

To All Employees:

I'm excited to tell you about a new direction we're heading in as an organization—one we believe you'll feel as excited about as we are. We understand there's been a disconnect over the years between the performance appraisal format we've been using to engage our employees and help you focus on strengthening your performance and individual career potential. But it's even broader than that: The performance appraisal template is just one subset of a greater "performance management culture" that we're striving to create and excel in.

Our goal is to become a true performance-driven enterprise, and while it may take us three to five years to fully reinvent ourselves as an organization that develops that lofty reputation, we're committed to making this happen both for your benefit and the benefit of our company as a whole.

You'll first become aware of this change with the upcoming performance review process that's scheduled to take place in about three months. We'll be distributing the new performance appraisal template to you shortly so you can become familiar with its new structure as well as its descriptions of the performance expectations we've developed—and that you'll want to adapt for yourself. Our end goal is to develop an "achievement mentality" in all areas of our operations so that we're constantly looking to lock in both individual and departmental achievements and link them to specific company goals that will move us forward as an enterprise.

We want every one of you to gain a greater understanding of the link between your individual efforts and the results that are achieved for your department and, in a broader sense, our organization as a whole.

Likewise, we want you all to have a say in your own professional and career development efforts. To that end, about one month before your managers are scheduled to draft your performance reviews, we'll be asking you to complete an employee self-evaluation that gives you the opportunity to document your successes and accomplishments, identify areas where you'd like your supervisor to help you excel and strengthen your skills, and outline the goals you want to set for yourself over the upcoming year. This will require some forethought and planning on your part since it's new to our company, but we want to hear from you first before committing anything to paper on your annual review.

In addition, we're going to be asking all employees to meet with their supervisors on a quarterly basis over the upcoming review year to measure results against goals and identify areas for self-development. We believe that career development has to come from the bottom up, not the top down, and that's why we want you to take control of this critical aspect of your own career management. One-on-one quarterly reviews will focus not only on individual performance against goals; they will also create opportunities for reinventing the workflow in light of your department's changing needs, discussions for becoming both more efficient and more creative and innovative as an organization, and invitations to identify how your supervisor can further support you on a daily as well as on a longer-term basis.

We believe this is not only the right thing to do for both the company and for all of our employees individually—we also believe it is exciting and invigorating and will create additional opportunities for self-expression and individual career development. In short, if you'll join us in reinventing ourselves as XYZ Company 2.0, we'll all benefit in a win-win-win for you, your department, and our organization as a whole.

Please keep an eye out for the new performance appraisal template that will be coming your way shortly. Likewise, your supervisor will provide you with a simple template to help you generate ideas regarding the goals you may want to set for yourself over the upcoming review period. Open communication, thoughtful leadership, and goodwill will take us further and make us even more successful as an organization. We're looking forward to partnering with you on this new and exciting venture!

Sample Talking Points from Front-Line Supervisors Announcing the Rollout of Your New Performance Management Program

Hey Everyone,

I wanted to call a follow-up meeting to discuss the letter you received from our CEO, Delonna Kaiser, regarding the new performance management system we're about to roll out. It's actually fairly simple and straightforward, but it's going to make some fundamental changes to how we've traditionally done things in our department.

I've had a chance to review the template, and it actually looks pretty relevant to what we're doing and who we are as a company. The questions asked are customized and subject to change from year to year. In theory, what they've told us is that our performance measurement system needs to change every year or every few years to keep pace with the changes our company is experiencing, and that makes a lot of sense. I don't know about you, but using that same old tired form year after year was getting a bit monotonous, and it seemed to be pretty out of sync with where we're heading as an organization. So the format is cool and the content will be a bit more challenging than what we've seen in the past, but that's okay because it's raising the bar for us all in a positive and constructive way. We'll discuss it as soon as it's released and also address how it will apply to what we're doing in our department.

I like the idea of quarterly reviews and progress checks. Those meetings aren't meant to be simple overviews of how things are going—they're meant to be creative, out-of-the-box discussions about how to do things differently and work smarter, not harder. I'm also going to want to hear about your own career ambitions and where I could help you prepare for your next logical move in career progression. While no one can promise promotions at a specific point in time, we want you to give some thought to training workshops you might want to attend, skills you have an interest in building, and areas of our business where you'd like to gain more exposure. I know there's always lots of work to do around here, but it's important that we're all thinking about our own career development needs at the same time, and that quarterly meeting is a chance for all of us to step aside from the fray and give some meaningful thought to what we're doing, how we're doing it, and where we're planning on going from here.

Finally, we supervisors and department heads are being given the discretion to reinvent the way we're leading and communicating with all of you. Some suggestions that were shared included creating a quarterly achievement calendar, which we'd all have access to via the departmental share drive, to track projects and celebrate achievements. Rotational staff assignments might make sense for some of you who'd be interested in spending a day or so in another part of the company to learn how they do things. And someone even mentioned launching a "Book of the Quarter Club," where we pick a book of interest and assign chapters to certain people or groups who then discuss applying the book's theory to our daily workplace. I think they're all great ideas, and I'd like you all to give some thought to what this might look like in our group.

The best part, though, is that Delonna and the senior executive team all seem to be very excited about this, and they've committed to this being the new standard for the foreseeable future. This doesn't appear to be one of those "HR ideas du jour" that sometimes come in with a bang but then disappear with a whimper from everyone's radar screen. I see this as a chance to become a better leader, and I feel that the company has my back in allowing me to stretch the rubber band and try new things.

So this is a humble invitation for all of you to partner with me, share your ideas, and use this as an opportunity to grow your own skills in leadership and individual career development. Truth be told, I've never really seen a company commit to its employees this way, and I think we could all benefit by adding some variety and creativity back into the mix. There will be more to come once the performance review and employee self-evaluation templates arrive. Let's plan on discussing them together at next week's staff meeting. Thank you all for stopping by.

2. What are some of the documentation caveats that all supervisors in our company need to be aware of when it comes to performance management and performance appraisal?

The old adage "Watch what you write!" is still alive and well in corporate America, and it's a fact that no documentation is better than bad documentation when it comes to communicating effectively with your employees and minimizing any discrimination or wrongful termination litigation potential against your company.

As a result, a third party should always vet supervisors' drafts of their employees' performance reviews before allowing those reviews to be formally released to the workers themselves. HR can do that or, if your company doesn't have an HR department, a skip-level executive (i.e., the supervisor's manager) could review all appraisals to ensure that the language is nondiscriminatory. What follows is a short list of topics to avoid:

Discriminatory references that can be tied to slowness relating to age (e.g., "Your computer skills have been described as dinosaur-like and Jurassic").

Discriminatory references relating to other protected areas or that may breach privacy standards (e.g., "You are performing well since you began your new medication to combat depression, and I encourage you to continue").

Documenting the word "attitude" (e.g., "As we have discussed throughout the year, you have received many complaints regarding your bad attitude"). Instead, describe the problematic behaviors specifically and any actions that the company may have taken to combat the conduct in question (e.g., "In January, you received a written warning for inappropriate workplace conduct and insubordination and have likewise been counseled regarding inappropriate comments and innuendos in the workplace").

Inadvertently "codifying damage" that may have been done to the organization (i.e., documenting performance or conduct problems that could later be used against your company in the courtroom, in the court of public opinion, or by shareholders). For example, don't write: "You engaged in behavior that constituted sexual harassment" or "Your lack of discretion with the XYZ Loan Pool compromised an entire pool of 10,000 loans." Instead, write something that's more vague and less condemning in nature like: "*Your actions suggest* that you violated Policy 1.5 on creating and maintaining a friendly work environment" or "Your lack of discretion *could have jeopardized* the loan pool you were working on that day." Your litmus test in these circumstances is this: If the codified damage in the annual performance review was to be legally discovered, could it negatively impact the company in and of itself? If the answer appears to be yes, then soften the language using terms like "appears to" and "suggests" so that there's room for interpretation.

Overall then, any phrases that jump out at a reviewer as appearing to broach topics like foreign accents, availability to work in light of family obligations or intermittent FMLA leaves, capacity for hustle (for overweight employees), or that might appear to compromise the integrity of the organization's records should be stricken from the record before the review is shared with the employee. Remember, the annual review is a staple and anchor document of any employee's record, and documented missteps could be used against the company in the courtroom at a later date to demonstrate some sort of animus or prejudice that the organization allegedly harbors against a particular worker.

3. What's the difference between scoring individual competencies on the review as opposed to the overall score at the end of the review?

There's actually a big difference, and every supervisor needs to understand how individual category scores differ from the overall score at the very end of the review. The individual categories that make up the performance review focus on role-specific competencies—customer service levels, revenue generation, and adherence to standard operating procedures, for example. While an individual can fail in one or more individual categories, that doesn't invalidate his or her *overall* contribution to the company over that performance period. Only the overall score at the end of the review invalidates the entire year in the eyes of the law.

So don't make the mistake of thinking that if you "fail" someone in a particular performance category you're justified in terminating the person for cause (or at least now have a paper track record that will allow you to terminate with impunity). The reality is that substandard individual categories will certainly help your case in demonstrating that the individual has performance or conduct problems, but they're not strong enough on their own to justify termination. If the "overall score" at the very end of the review states that they "met expectations," then in the eyes of the law they did—the failed individual categories notwithstanding. You'll need additional corrective action documentation before you can safely move forward with termination in most cases.

4. What's the difference between a performance review and corrective action documentation in the eyes of the law?

In the world of wrongful termination litigation, there's a tremendous distinction between an individual's performance review and any progressive disciplinary documents the worker may have received. Picture this presentation of evidence as if you were a jury member: Table A contains a five-year employee's past five performance reviews, and Table B contains the corrective action that led up to the individual's termination for cause. Which table contains more relevant information relating to the justification for termination?

Clearly the answer is both, but you need to understand how a plaintiff's attorney (representing the ex-employee) would present the evidence on both tables to a jury. A plaintiff's attorney would describe the evidence on Table A—historical performance reviews—as "battleships." Battleships are humongous, displace tons and tons of water, and cover (i.e., validate) an entire year of performance. Corrective action documents like written and final written warnings, in comparison, are the equivalent of "PT boats" that may only describe one bad day in the office or a temporary lapse in judgment. In short, plaintiffs' lawyers will always argue that battleships trump PT boats, and the annual performance appraisals on Table A should weigh more than the written warnings on Table B in the eyes of the jury in terms of the consistent messages communicated to the employee over the years.

While that argument has merit, the defense attorney (representing your company) will explain that the purpose of those written and final written warnings was to *break the chain of positive performance evaluations on record* and reverse the documentation process that up until that point hadn't been problematic. In other words, those corrective action notices created the proper and responsible record to ensure that the worker knew there was a problem, was given the tools and a reasonable amount of time in which to fix it, and understood that not demonstrating immediate and sustained improvement could result in loss of employment. Those are the key elements of "workplace due process," and the defense attorney will surely argue that the more recent notices of corrective action should trump the historical performance reviews on record because of their proximity to the termination event.

What's the lesson here for the supervisors in your organization? Not only should they work with HR and/or their senior management team whenever an employee isn't performing up to standard to ensure that corrective action is appropriately administered at the time of occurrence, but they also need to follow a simple litmus test when doling out "overall scores" at the end of employees' annual performance reviews: If supervisors have *any* hesitation about an individual's ability to make it in their department or the company in the upcoming year because of subpar job performance or egregious misconduct, they should grade the individual as "not meeting expectations" in the "overall score" section at the end of the performance appraisal form. Otherwise, the positive record that they create by overinflating the grade today will make it harder to terminate the individual tomorrow.

In short, whenever possible, supervisors want to have consistency between the annual review score (e.g., "not meeting expectations") and the employee's corrective action history. Here's how it might look in terms of a strong record and paper trail:

August 20XX	Documented verbal warning for substandard job performance
October 20XX	Written warning
December 20XX	Final written warning
February 20XI	Substandard annual performance review/fails to meet expectations

Result: Termination may occur at any point after the substandard annual performance review is issued for failure to meet company performance or conduct expectations.

5. What if we haven't communicated problematic performance or conduct concerns throughout the review period? Does that prevent us from addressing those issues during the performance review—even if it's the first time we're bringing this up?

One of the key rules in issuing performance reviews is that there should be few if any surprises. If there's new negative information that must be shared for the first time during the formal review (when it affects employees' pay and becomes codified in their performance record), they will likely feel that management is unfair and that they have been blindsided. And they're not wrong to feel that way: It's generally considered the supervisor's fault for not communicating more effectively by raising the issues at the time of occurrence. Still, it's not uncommon to find that serious performance or misconduct issues may be at hand that haven't been addressed during the review period.

That doesn't mean you can't address those issues now. You just have to be forthcoming in the narrative about accounting for the lack of feedback in the past. Your documentation could include corrective action language, turning the review itself into a formal written warning. But again, this should always be the exception, not the rule, and you'll have to look to organizational past practices as well as collective bargaining agreement restrictions to see if this is a safe path to take.

Assuming you opt to take the step of incorporating corrective action language into the annual review, you'll be making this document a "two-for," meaning that it will serve as both a substandard annual performance review *and* as a written warning. Your narrative might sound something like this:

> "Several of the issues and concerns outlined in this performance review were not addressed at the time they occurred during the performance period. That does not, however, detract from their significance. In preparing for this review and in reviewing the documentation with human resources and departmental leadership, we determined that your position is in serious jeopardy of being lost.
>
> Therefore, in addition to documenting that your overall performance for this review period does not meet company expectations, this annual appraisal will also serve as a formal written warning. Failure to demonstrate immediate and sustained improvement may result in further disciplinary language up to and including dismissal."

At that point a commitment to share any future problematic performance or conduct issues at the time they occur should be made and should be kept from that point forward. In addition, training the errant supervisor on the importance of timely confrontation becomes critical. Again, this is more the exception than the rule, and when in doubt about failing someone on his annual review when the problematic performance and/or conduct issues haven't been addressed in the past, speak with qualified counsel to ensure that your documentation is in order and to prepare your verbal communication to the employee, who may be surprised by his supervisor's actions.

6. We mistakenly issued an acceptable performance review score to someone who was already on a final written warning. Can we still terminate, or do we have to start the whole corrective process all over again beginning with the first step (i.e., a documented verbal warning)?

The short answer is, it depends. If your employees are governed by a collective bargaining agreement, the union contract may stipulate how something like this is to be handled in terms of the "step" process and the amount of time necessary to take appropriate disciplinary action. You also have to look closely at your company's past practices to see how matters like these have been handled historically and to explain any potential deviations.

That being said, remember that "according workplace due process" is both an art and a science. It depends on an employee's tenure, protected status (e.g., age, ethnicity, gender, and the like), prior performance track record, and similar factors. But there's no general rule that says that if one of your supervisors made the mistake of overinflating an annual performance review score by issuing a 3 (meets expectations) to someone already on an active final written warning you—the company—have to start all over again at step one of the progressive discipline process. Instead, *be reasonable* in terms of applying an appropriate level of "workplace due process" to the employee's performance record. Using the timeline above, your company's approach might look like this:

August 20XX	Documented verbal warning for substandard job performance
October 20XX	Written warning
December 20XX	Final written warning
February 20XI	*Acceptable annual performance review/meets expectations (oops!)*

Okay, now when you get a final incident of substandard job performance that might otherwise trigger termination (for example, a call center representative fails to meet minimum performance expectations on a monthly scorecard), should you terminate?

We'd argue no. The record wouldn't necessarily support a clean termination because, despite the verbal, written, and final written warnings on file between August and December, the successful performance review in February turned your record upside down. Using our navy metaphor above, your company successfully implemented its fleet of PT boats to break the chain of positive performance reviews on file . . . only to lay yet another battleship in the way of terminating this individual!

Rather than starting the whole corrective action process again, it might make more sense to issue a "second final written warning," thereby retaining the "final written warning status" established in December. Be careful with this approach, however, because a plaintiff's attorney will certainly argue that doing so means that your company's "final written warnings" aren't really *final*. In other words, if you issued a *second* final written warning, then you could have issued a third, which might confuse the employee and deny "workplace due process."

The solution? Include "last chance agreement" language in your final written warning so that your message is incontestable in its intent. Here's what it might sound like, the supervisor's mea culpa included:

> "John, you received a final written warning for substandard job performance in December 20XX, and the annual performance review that you received in February 20XI should have clearly stated that you failed to meet performance expectations for the review period as a result. However, I mistakenly awarded you a grade of 3—meets expectations—and inadvertently overinflated your performance record.
>
> "Lest there be any confusion, had the February performance review properly recorded that you had not met minimal performance expectations for the review year, then your recent failed scorecard would have resulted in your immediate dismissal. In light, however, of the acceptable performance review that you mistakenly received in February, we are issuing you a "second final written warning" for the failed scorecard that you received in March.

Please note this is only being done because of the error we made to your record and that this new "second final written warning" is your last chance: Your position is now in immediate jeopardy of being lost. Failure to demonstrate immediate and sustained performance will result in your immediate dismissal from XYZ Corporation."

In this case, the company is granting another turn at bat in giving the employee an additional chance to turn things around. But the company isn't negating the verbal, written, and final written warnings that came into play during the August through December period preceding the February performance review. Speak with qualified employment counsel before implementing this approach at your company, but feel free to use the timeline examples above when training your supervisors about the danger of the record they create when issuing inflated annual performance appraisals!

7. What if employees refuse to complete the self-review? Is that a disciplinary or terminable offense? And what if they list pie-in-the-sky expectations or grade themselves much higher than I would during their self-review?

Employee self-reviews are meant to give workers a chance to take control of their careers. When companies invite employees to provide feedback in advance of the annual performance review process, they're saying that they trust their workers to provide responsible feedback in helping their supervisors help them excel in their careers.

Keep in mind that self-reviews often result in 20-70-10 feedback patterns. Seventy percent of your population will do the exercise well and thoroughly, but their responses may be superficial or unsubstantiated. Twenty percent will go wild with this exercise, providing you with charts, graphs, productivity spreadsheets, and all the bells and whistles, all in an effort to demonstrate their worth to the organization and to develop their own career opportunities and potential. This is the primary group you're doing this exercise for! Remember what we said earlier: You're not responsible for motivating your team; however, you *are* responsible for creating an environment in which your team members can motivate themselves. This exercise helps your top producers do just that.

Finally, you can reasonably expect 10 percent of your population not to want to engage in the exercise. A typical response from someone who doesn't want to play along might be, "You're my boss and that's why they pay you, so I'd prefer not to participate." While that's not a disciplinary or terminable offense in and of itself, be sure to make note of this somewhere in the review by noting, "Julian was invited to provide his own input regarding his performance over the review period as well as his goals for the upcoming year but declined to participate." No drama, no accusatory tone or judgment—just a statement of the facts. But what an important message to codify in the annual review form should this employee later be terminated and attempt to sue the organization for wrongful termination.

As far as pie-in-the-sky feedback or expectations in their self-reviews, that's a normal concern but doesn't come up as often as you'd think. Still, there may be times when employees document that they're the best thing since sliced bread even though you feel they're a subpar performer. Likewise, they may ask for unrealistic efforts on the company's behalf that are beyond your control. Let's look at each situation separately.

First, if employees ask for new computers, more trips back to the corporate office, or other wish-list items you can't promise, let them know that the self-review process and quarterly follow-up meetings are meant to tackle items that are within your control as a supervisor. While you'll make note of their requests and keep them in mind, you can't promise delivering on something that has significant budget impact. In comparison, if they inform you that staff meetings take too long because presenters wander off topic too often, that might provide you with an opportunity to rotate this individual into a staff meeting leadership role and allow him to manage the agenda and keep the dialog and conversation topics on pace. Nothing stops people from complaining more than putting them in a position to fix the problem: It's both a healthy opportunity from a "stretch assignment" standpoint and also helps them understand the nature of the problem from someone else's perspective.

Similarly, if an employee overinflates her contribution to your department, you have some simple comebacks at your fingertips to help the individual gain greater self-awareness. Here's how it might sound: "Gail, I've read through your self-evaluation form and appreciate your having completed it for me. And although it didn't ask you to rank yourself numerically—it only asked for narrative feedback regarding your performance and upcoming goals—you chose to assign yourself a score of 5, meaning that you're an exemplary top performer. Did I read that correctly?" [Yes] "Okay, then let's talk about why you'd rank yourself as a 5 out of 5 and what you believe that 5 score actually represents."

Once you've listened, respectfully answer using the word "perception" in your response: "I understand what you're saying in certain aspects of your role and your contribution to our department, but I can't say that I'm in full agreement. From a *perception* standpoint, Gail, I don't always see you responding to your coworkers in a friendly and welcoming manner. In fact, at times I'd have to describe your reactions to their questions or requests as condescending and flippant. I haven't formally discussed this with you because it hasn't raised itself in my mind to a point of material concern, but seeing that you volunteered your overall score in light of your perception of your performance, I want to include the other half of the circle—your conduct and behavior. Again, I'm solely sharing this from a perception standpoint in terms of how things look from my vantage point, but I believe that some of the angst and frustration experienced by the team stems from your unwillingness to help others or foster a sense of camaraderie and inclusion within the group. Does my impression here sound like it might have some merit if you look at it from my vantage point?"

As you could see, terms like "perception" and "from my vantage point" aren't right or wrong—they just *are*. You have every right to your perception and opinion, and sharing your concerns openly like this comes from neutral observation rather than subjective judgment. Even if you don't go through a self-evaluation exercise, you're going to have to address these issues at some point in the formal evaluation process. It's probably better to get the matter out in the open before you put a pen to paper.

8. Is it better to employ a common review date or an anniversary-based feedback date when issuing reviews?

It's not necessarily a matter of right or wrong or better or worse—it's simply a matter of what suits your organization at any given time. Keep in mind that if segments of your employee population are unionized, they may be on different appraisal timelines than everyone else, so it won't always be a perfect world.

Ditto for those covered by fixed-term employment agreements (typically higher-level executives) who are often compensated on their contract anniversary dates. But for everyone else, we would argue that a common review date (i.e., all company employees get reviewed and receive merits at the same time every year) makes a lot more sense for a number of reasons.

First, it's much easier to administer performance reviews once per year because it saves a lot of administrative and supervisory time. Rather than having reviews to administer every month or every other month as employees reach their anniversaries, supervisors can administer them once a year in a more concentrated exercise that will keep everyone focused and make it easier to roll up the information within their departments and divisions.

Second, measuring employee performance at the same time helps supervisors compare performance results more accurately and consistently. Assuming a span of control of six to one, the supervisor can focus and concentrate on all six subordinates simultaneously—comparing strengths, areas for development, and overall productivity on an apples-to-apples basis. Assigning individual grades when looking at the entire group tends to foster more accurate assessments.

Third, calibrating employee performance scores across departments and groups is much easier when everyone is working on it at the same time. For example, your CFO will want to look across the footprint of her operations at accounting, financial planning and analysis, cash management and treasury, payroll, billing, audit, and financial systems to compare individual and group performance. It's obviously much easier to coordinate these group and individual evaluation efforts when the entire team is focused on the exercise at the same time and discussing ways of measuring and managing group contributions.

Finally, the whole point of issuing individual and departmental reviews is to roll up grades into an organizational scorecard that the CEO and senior leadership team can use to assess the strength of the organization's human capital muscle. It's much harder to pull data points spread over twelve months rather than data points developed at the same time with everyone focused on the same areas. The bottom line is that while an organization can retain an anniversary-based feedback system where employees receive individual feedback on their individual anniversaries, an optimal performance management system will develop around one focal date for the entire organization.

9. What's the ideal frequency of feedback: quarterly, semi-annually, or annually?

As Paul pointed out in his book *2600 Phrases for Setting Effective Performance Goals* (AMACOM, 2012), reviewing performance and attainment of goals once a year probably isn't enough for most people. Too many things change too quickly in business these days, and plans have to be tweaked and rearranged on a regular basis. So if reviewing performance and providing feedback against pre-established goals is the launching pad for effective performance-related communication, then determining appropriate follow-up intervals is the logical next step in this yearlong trajectory.

Ask your staffers at the time of the appraisal meeting when they'd like to meet with you again to determine progress against their goals and performance benchmarks. The ideal answer is quarterly; three-month review intervals are healthy for reviewing annual goals, so if your subordinates suggest a quarterly follow-up, simply ask them to send you a calendar meeting marker for quarterly meetings spread over the next twelve months.

Notice, however, that it's important that *they* send *you* the calendar invitation. This is their career and you're offering to help, but always treat adults like adults and allow them to take the lead in seeking out your guidance, not vice versa. That being said, don't be swayed by supervisors who say, "I don't need to formally meet with my employees regarding their performance throughout the year because I provide them with feedback every day." That's a bit of a cop-out. The goal is to create a *performance culture*—one in which performance and goal discussions become part of the fabric that connects everyone to everything, that allows the company's senior leadership team to measure and manage the "muscle" known as human capital. Exercised correctly, a renewed focus on performance excellence can lead to outstanding company turnarounds and increased performance and productivity. But it has to be uniformly implemented with senior leadership support. Otherwise, an individual supervisor who unilaterally opts out of the program will limit its effectiveness and value for the broader organization.

What if someone only wants to meet in six months to review her goals and progress? That could be okay too. Depending on the individual's level of independence, role knowledge, and tenure in position, quarterly meetings may not be necessary. Our best recommendation, though, is not to allow an entire year to slip by without discussing performance feedback and progression toward goals, challenges, blind spots, and the like. That's because the goal statement is in many ways the glue that binds you two together throughout the evaluation period. That individual development plan helps you both keep your eye on the ball, come together in overcoming unforeseen obstacles and challenges, and celebrate intermittent achievements that can be bulleted on a resume or on next year's annual self-evaluation form.

If this sounds to you like the annual performance feedback and goal-setting processes are really more of a *verb* than a noun, you're getting the picture. Too many companies and organizational leaders see the annual performance appraisal as a *form* rather than an ongoing *process* of engagement, interaction, achievement, and celebration. "Performance appraisal" becomes a one-size-fits-all mandatory annual "paper chase" that is endured to justify giving a subordinate a particular merit increase. And then all that paperwork goes into the individual's personnel file, never to see the light of day again until the following year. What a lost opportunity. The *process* is the point of it all! What gets measured gets managed, and measuring and managing the human capital asset will be the primary factor that distinguishes successful companies from mediocre companies in a knowledge-based economy.

10. How much time do we have to wait after issuing a substandard performance review to move forward with additional corrective action or even termination?

Managers and supervisors are often concerned that after they issue a substandard performance review, they have to wait an additional number of weeks or months before progressing toward the next step in corrective action (e.g., a final written warning) or green-lighting a termination. While there's no fixed rule, a rule of reason should be applied. First, keep in mind the tenets of workplace due process. For employees to be accurately informed that their position may be in jeopardy, they must:

1. Understand what the problem is
2. Understand what they need to do to fix the problem

3. Be given a reasonable period of time in which to fix the problem
4. Be given clear consequences in terms of what will occur if they don't fix the problem

Those rules are all fairly intuitive and transparent, but that third bullet regarding *timing* is always a bit of a challenge for many employers. How much time is enough? Does a company have to allow a problematic performer to ruin a significant client relationship or jeopardize a critical business line before saying enough is enough? How much must a company "endure" before moving forward with a termination call that will withstand legal scrutiny?

The answer in all cases is, *it depends*. While it's true that no judge or arbitrator would expect you to jeopardize your company's operations by not terminating a substandard performer, plaintiff's attorneys will often argue that you denied the individual workplace due process by not allowing him ample time to demonstrate improvement or that you were inconsistent in how you've treated other similarly situated employees.

Our best advice: Never manage by fear of a lawsuit! A lawsuit is a tool of workforce revenge, and being sued is simply part of doing business in corporate America from time to time. What's important, however, is that you *ensure that you're sued on your terms and not theirs*. The degree to which you will meet that threshold and prevail in court depends primarily on the employee's demographics (e.g., age, ethnicity, gender, etc.) and what your paper record looks like (i.e., the nature of the terminating offense and the employee's understanding of the consequences stemming from the substandard performance review and/or corrective action on file). When in doubt, check first with qualified employment counsel before making the call to escalate to termination.

11. In addition to individual employee feedback and organizational assessments of human capital performance, how else could performance reviews be used or come into play in the workplace?

Performance reviews are typically used in three key ways beyond individual and group performance assessments. First, they're used as a guidepost and blueprint to establish and measure an individual's performance and development goals; second, they're part of an organization's succession planning exercises (typically for senior leaders only); and third, they're a standard anchor in any type of RIF (reduction in force) situation where individuals must be selected for layoff from among a pool of coworkers.

While we've addressed succession planning and goal setting elsewhere, let's look at the role performance reviews play in layoff selection. Companies that undergo layoffs typically put the most weight on the past three years' annual performance reviews to determine who remains with the team and who gets cut. A number of factors are typically considered, including a worker's age, tenure, ethnicity, special skills and education, and corrective action history. But as Figure 8-1 clearly shows, performance reviews are the "big guns" that carry the most weight.

Of the 100 points possible (the higher the point total, the stronger the individual's qualifications and the less likely the person will be laid off), historical performance reviews count for 40 points, and skills, tenure, and corrective action history combined account for an additional 50 points. The only subjective measurement lies in the "Demonstrated Work Ethic" column with 10 points. That's why it's so important for managers and supervisors to recognize the danger of inflating grades: If the black cloud of layoffs ever hovers over your company, 90 percent of the decision of who are the least qualified players on your team will be out of your hands. The record, anchored by the past few years' performance reviews that those supervisors have issued to their team members, will primarily dictate who gets to remain on the team and who will be laid off.

Sample Layoff Analysis Spreadsheet

Name	Annual Rt	Title	Service Dt	Birthdates	Sex	Ethnic Grp	Perf Rating 200X	Perf Rating 200Y	Perf Rating 200Z	Demonstrated Performance & Productivity 40 Pts.	Demonstrated Job Skills & Competence 30 Pts.	Tenure 10 Pts., 5 for 2–5 years, 0 for under 2	Corrective Action 10 Pts., 5 for written 0 for final	Demonstrated Work Ethic/ Conduct/Policy Adherence 10 Pts.	Total Points 100 Max
Employee A	$67,320	Supervisor, Production	7/4/92	6/10/73	M	White	3	4	3	26	20	10	10	10	76
Employee B	$69,197	Supervisor, Production	10/22/98	1/31/76	F	Hispanic	4	4	5	38	28	10	10	10	96
Employee C	$55,371	Supervisor, Production	7/11/13	10/12/80	F	African-American	3	3	3	24	15	5	10	10	64
Employee D	$61,810	Supervisor, Production	11/18/89	5/31/67	M	Asian	4	3	3	26	18	10	10	10	74
Employee E	$69,633	Supervisor, Production	5/18/89	5/14/72	F	White	3	4	5	38	25	10	10	10	93
Employee F	$59,352	Supervisor, Production	2/23/94	4/11/72	M	African-American	3	3	3	24	15	10	10	5	64
Employee G	$66,045	Supervisor, Production	6/17/00	5/12/74	F	Did not disclose	4	3	2	18	12	10	5	5	50
Employee H	$61,630	Supervisor, Production	2/20/15	1/2/76	M	Hispanic	N/A	3	1	13	12	0	0	5	30

Notice the amount of emphasis placed on the prior three years' performance review scores as well as the overall weighting of performance reviews (40%) in the layoff selection process.
The two individuals with the lowest overall scores—Employees G and H—would arguably be considered the "least qualified" in terms of retaining their jobs and would likely be selected for layoff.

Figure 8-1. Layoff Analysis Spreadsheet

12. What could I do as a CEO or as a member of my company's executive team to spike up performance and institute a cultural turnaround so that performance measurement and management become part of our ongoing communication?

Our best advice is to make it fun and top-of-mind for everyone, especially your front-line supervisors. Create a healthy sense of competition by posting metrics and dashboards for everyone to see. Celebrate successes openly at very little expense by awarding winning teams with pizza parties, a day off at the local amusement park, or half-day Fridays for a month. Spread the goodwill by trying to make every team and supervisory lead a winner within the year. And when it comes to motivating and rewarding individual contributors, consider making donations to their favorite charities, purchasing a gift for a spouse or family member, or contributing to an employee's child's educational fund.

What you'll notice in these examples is that the gifts you're providing may go much further in showing appreciation if it's for an employee's family member or favorite charity (as opposed to the actual employee). This creates a culture focused on "otherness," which in turn begets a sense of selflessness, appreciation, and thankfulness. There's no greater gift you can instill in your workers than a sense of appreciation for all they have and have been blessed with. Your new focus on unleashing the power of your company's performance management system will, quite simply, begin unleashing your employees' sense of gratitude and healthy competition via a heightened awareness of their concrete achievements and accomplishments. It may sound simple, and it is, but you know from your own experience how few companies practice such proactive and benevolent leadership.

Next, plan quarterly milestones that cover your upcoming year and communicate those goals clearly so that everyone is aware of what your plans are and what you're measuring. Make sure they know in early January what will be expected of them in March, June, and September. Ensure that they commit to review intervals for individual, group, departmental, and division-wide performance. Allow everyone a head start in setting out their individual game plans for the year and ensuring that they're aware of and aligned with the greater enterprise. This way, they're all trimming their sails and rowing in the same direction with their mission and goals clearly defined up front.

Focusing the annual performance review process on the organization's top three priorities and initiatives will likewise help you keep performance trends and scores linked to specific organizational competencies and goals. For example, knowing how well your overall enterprise scored last year when it was focused on reducing costs associated with unscheduled absenteeism, on creating an "employer of choice" culture, and on making self-sacrifices to prevent or minimize layoffs produces one set of performance metrics. Tying your enterprise-wide performance metrics to going public, to acquiring a competing organization and integrating it into the fold, or to moving your organization from fourth to third place in your local market create totally different sets of performance metrics. The fun and creativity, of course, lie in tying human capital performance to the challenges facing your organization at any given time. Once you can successfully conduct a performance review on your *enterprise* (as if it were a human being), then you'll be able to create a one-page snapshot of the entity's strengths, opportunities, weaknesses, and threats—through its most critical asset, its people.

Finally, create a desktop computer widget for your human capital dashboard that you review daily. Make it part of your weekly meeting with your senior executive team and especially your HR leader, who is ultimately responsible for that particular asset. What are your core organizational and leadership competencies? What are the two or three goals you want everyone focused on this year (especially the concerns that have been keeping you awake at night in the past and that you now want to finally share and put to rest)? Keep the hard-copy data front and center in your binder so your employees see you referring to it often. The bottom line is that if you speak the language of achievement, healthy competition, and creativity with a sharp focus on the performance of your human capital asset, your line managers and employees will get the message and focus on those very same things as well. And that's a far way off from the days of closed-book management where everyone was expected to simply sit at their desks, do their jobs, and not ask questions. Talk about organizational and cultural turnarounds!

APPENDIX A

Employee Self-Evaluation Form

THE SAMPLE EMPLOYEE SELF-EVALUATION FORM on the next page should be used prior to the formal performance appraisal meeting and is designed to inject a healthy dosage of self-critical insight into the process. Some companies accomplish this by distributing the performance appraisal form itself to employees and asking them to complete it prior to the interview. Other organizations encourage employees to provide feedback without necessarily providing any type of feedback mechanism. The model that follows represents a healthy compromise: It structures employees' feedback in three main topical areas, allowing individuals the discretion to provide as much or as little detail as they wish.

We generally don't recommend allowing employees to draft their own performance evaluations on the actual appraisal templates. The grading in each performance area and the overall score at the end of the review should be created by the supervisor, not by the staff member. On the flip side, not asking for employee input prior to conducting performance appraisals can be disappointing and demotivating for workers because they end up feeling like they have little control over or input into their own career development. In addition, because supervisors tend to leave out important details they may have forgotten about but that remain important to the employee, self-reviews should generally be encouraged. They also save the supervisor lots of time because it falls to the employee to gather and present the data that will make up a significant portion of the appraisal's content.

See question 7 in chapter 8 to learn more about what happens when employees occasionally overinflate their contributions or come up with pie-in-the-sky requests when drafting their own self-reviews. It's generally rare that individuals have unreasonably unbalanced personal views (especially in one-on-one meetings with their bosses), but we've provided some dialog tips to walk you through those scenarios should they surface in your department.

The sample templates and material in these appendixes can be accessed online and downloaded to your computer from www.amacombooks.org/go/PerformanceAppraisal.

XYZ CORPORATION EMPLOYEE SELF-EVALUATION FORM

Name:____________________________ Title:_______________________________________

Date:_____________________________ Supervisor:__________________________________

The performance appraisal process is a two-way communication: Both employee and supervisor should have input regarding historical performance and future goals. To assist your supervisor in accurately assessing your achievements and performance over the past year, please complete the following questionnaire as accurately and in as much detail as possible. Your supervisor will use this information to complete your formal performance appraisal. You can complete your comments on this form or attach additional sheets. Thank you for your input!

I. Address your overall performance track record for this review period. Specifically highlight your achievements and accomplishments that have resulted in increased revenue or reduced expenses, or have saved time. Why is XYZ a better place for your having worked here? How have you had to reinvent your job in light of your department's changing needs? And how would you grade yourself in terms of productivity, quality, consistency, interpersonal communication, safety, and other performance measures?

____

II. In what area(s) do you feel you could benefit from additional support, structure, or direction? Specifically, what can your supervisor do to support you in terms of your own career growth and development?

____

III. What are your performance goals for the upcoming review year? What outcomes can be measured to ensure that you'll have reached those goals?

____

IV. Please provide additional feedback or insights you'd like to share about your work experience or career development opportunities with XYZ overall:

____

Thank you for participating in the performance evaluation process!

____________________________________ ____________________

Signature Date

APPENDIX B

Sample Model Performance Appraisal Template

THE MODEL PERFORMANCE APPRAISAL TEMPLATE that follows can be used right off the shelf or modified using formats and content found throughout the book and in the six sample templates that follow in Appendix D. Feel free to use this as a starting point but to amend it depending on your company's stage of development, culture, and communication style. Crafting a performance appraisal template that captures your organization's unique style and challenges is as much an art as it is a science, so let your creative juices flow and consider developing multiple models for consideration by your senior leadership team.

Name		Review Period	
Title		Department	
Date of Hire		Location	
Time in Position		Manager	

Overview and Instructions to Supervisors

The purpose of this report is to assess the performance competencies for each employee on your team. As part of the performance program, the job description should be reviewed and updated to be current and accurate. Discuss with your employee any position-specific areas needing improvement, and confirm areas of strength and competence.

This evaluative process is essential to the development and improvement of our organization. Providing honest, constructive, and corrective feedback can be challenging but very rewarding overall. At XYZ, we are building a culture of transparency, hard work, and recognition for successful performance. Thank you for engaging in this process fully with your team members. Your efforts will help each employee improve and will help the organization achieve excellence and better fulfill its mission.

Review the following performance rating definitions. For each of the performance competency areas, select the level that best represents individual performance, and provide explanatory comments and examples to support your selection.

Performance Rating Definitions

Distinguished Performance/Role Model: Clearly and consistently demonstrates extraordinary and exceptional accomplishment in all major areas of responsibility. Others rarely equal performance of this caliber in similar roles.

Superior/Highly Effective Performance: Performance is continually and consistently superior and regularly goes beyond what is expected. Performance consistently exceeds expectations.

Fully Successful/Effective Performance: Performance consistently meets the critical requirements of the position. The employee continually performs at a consistent and expected level.

Partially Successful Performance/Needs Improvement: Performance does not consistently meet or occasionally falls below what is required of the position; improvement in specific areas is required.

Unsuccessful/Unacceptable Performance: Performance fails to meet minimum expectations for this role, and immediate and sustained improvement is mandatory.

COMMUNICATION	
• Cultivates a culture of openness in information sharing. Manages others' expectations appropriately, and proactively communicates any potential problems or roadblocks. Effectively feeds information upward and rarely leaves others flying blind or unaware of important updates.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
• Encourages open communication, cooperation, and the sharing of knowledge. Remains open-minded and willing to entertain others' ideas. Builds trust through regular, open, and honest communication. Demonstrates candor and level-headedness in all business dealings.	
• Listens actively and always responds in a respectful tone. Engages appropriately when in disagreement and pushes back respectfully and in a spirit of goodwill cooperation. Speaks persuasively and convincingly but is not afraid to say, "I don't know" and research an answer.	
Comments/Examples:	

DEPENDABILITY	
• Takes personal initiative and exhibits self-motivation without supervision.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
• Exhibits a decisive ability to translate organizational goals into personal action and efforts that move the organization forward.	
• Demonstrates a "can do" approach that emphasizes solving problems rather than finger-pointing.	
• Exhibits flexibility in cross training, learns new practices quickly, and adjusts to changes in assignments and working conditions.	
• Exhibits consistency and reliability and produces dependable work results. Completes work with accuracy, thoroughness, and attention to detail.	
• Goes the "extra mile" as needed to achieve extraordinary outcomes and/or customer satisfaction.	
• Meets schedules, takes responsibility, follows through, and responds predictably and admirably to special requests.	
• Demonstrates dependability, reliability, and acceptable attendance. Volunteers and is available to accomplish organizational goals as needed.	
Comments/Examples:	

TEAMWORK	
• Regularly looks for common ground and encourages collaboration among team members. Welcomes positive confrontation rather than sweeping things under the rug.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
• Assumes good intentions until proven otherwise, and always looks to bring out the best in others. Resolves interpersonal conflict without drama or angst.	
• Builds consensus via shared decision making. Fosters a sense of shared accountability and group responsibility. Celebrates successes and recognizes and appreciates others' contributions.	
• Confronts problems head-on but in a firm and constructive manner.	
• Creates a work environment based on inclusiveness, welcoming others' suggestions and points of view.	
Comments/Examples:	

PROFESSIONAL AND TECHNICAL KNOWLEDGE	
• Demonstrates a command and thorough knowledge of the position in all of its dimensions. Has and applies the knowledge and skills necessary to effectively perform all aspects of the position.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
• Maintains and grows critical knowledge or skills that meet high industry standards. Embraces technological changes and keeps up to date on developments within specialty.	
• Embodies our organization's core principles of fostering a greater sense of respect, dignity, and professionalism in the workplace.	
• Establishes immediate credibility and demonstrates vision, ambition, and passion to succeed. Demonstrates professional expertise and inspires confidence in others.	
• Consistently displays the highest level of personal integrity. Maintains professionalism and composure when faced with crises and confidentiality with respect to others' private affairs.	
Comments/Examples:	

INNOVATION	
• Examines the root cause of problems and suggests effective solutions. Fosters new ideas, improves processes, and suggests better ways to do things (cost and/or operational efficiency).	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
• Demonstrates an ability to think "beyond the box." Continuously focuses on improving personal productivity to create higher-value end results.	
• Promotes a creative climate and inspires coworkers to develop original ideas or solutions.	
• Translates creative thinking into tangible changes and solutions that improve the work unit and organization.	
• Uses ingenious methods to accomplish responsibilities. Demonstrates resourcefulness and the ability to succeed with minimal resources.	
Comments/Examples:	

CUSTOMER FOCUS	
• Demonstrates total commitment to outstanding customer service. Provides knock-your-socks-off service that consistently exceeds client expectations.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
• Regularly exhibits creativity and flexibility in resolving customer issues. Remains customer-oriented, flexible, and responsive to last-minute changes in plans.	
• Effectively exceeds customer expectations by providing timely feedback and follow-up in an empathetic and caring way. Looks always to surprise customers with unanticipated benefits, including lower costs and shortened delivery time frames.	
• Tactfully informs customers when their requests cannot be met and escalates matters for further review and approval as appropriate. Enjoys identifying "out-of-the-box" solutions for clients with special needs.	
• Takes pride in building relationships with even the most challenging clients. Thinks relationship first, transaction second. Pursues opportunities for cross- and up-selling to maximize the outcome of every customer interaction.	
Comments/Examples:	

WORK QUALITY	
• Establishes measurement tools and yardsticks for continuous process improvement, and adjusts regularly to accommodate changing circumstances.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
• Views quality as the single most essential element that allows our company to compete effectively and differentiate itself from the competition.	
• Establishes priorities, manages time, and organizes resources effectively in order to complete assignments on time and according to specifications while producing the expected quantity of work results.	
• Demonstrates resourcefulness and competent judgment (the ability to differentiate between decisions that can be made independently and those that should be escalated).	
• Exhibits consistency and reliability and produces dependable work results. Completes work with accuracy, thoroughness, and attention to detail.	
• Demonstrates best practices, and finds an appropriate balance between quality and quantity.	
Comments/Examples:	

PRODUCTIVITY	
• Consistently meets or exceeds productivity benchmarks and sustains peak performance.	❏ Distinguished ❏ Superior ❏ Fully Successful ❏ Partially Successful ❏ Unsuccessful
• Plans resources and timelines effectively, and consistently adheres to deadlines and production benchmarks.	
• Regularly identifies streamlining measures that eliminate or reduce system redundancies. Strictly adheres to our program values of risk reduction, timely incident response, liability minimization, and loss control.	
• Effectively utilizes job resources (finances, equipment, materials, etc.), sets goals (budgets, targets, etc.), and achieves productive results.	
• Achieves maximum results by focusing on high-payoff activities and diagnosing problems that impede productivity.	
Comments/Examples:	

OVERALL PERFORMANCE RATING
❏ Distinguished ❏ Superior ❏ Fully Successful ❏ Partially Successful ❏ Unsuccessful
Comments:

Reviewed by:

Supervisor ____________________ Date __________

Manager ____________________ Date __________

Employee Acknowledgment

I have reviewed my job description and this performance report with my supervisor. My signature indicates that I have read this report; however, it does not confirm that I necessarily agree with its findings. In addition, I understand that I may provide my own performance assessment and/or improvement feedback in the form of a rebuttal if I do not agree with this evaluation's contents.

Employee ____________________ Date __________

APPENDIX C

Sample Employee Annual Performance Report

MANY ORGANIZATIONS RELEASE an annual report so that shareholders have a clear understanding of what the company has accomplished over the past year. Potential investors review this important document to determine if the company is operating in alignment with investment objectives. In the same manner, we believe that companies should develop an annual employee's performance report. This report could showcase examples of stellar performance and tie them to the relevant performance competencies. The overall strategic direction of the company and how it relates to employee performance should be tied as closely as possible. This can be used as the introductory component of the appraisal form or distributed as a separate employee document.

Here's a sample of how this might look, and this introductory "annual report" approach could be appended to any of the performance review models found within this book.

Annual Employee Performance Report

We recognize that our employees are a crucial ingredient to the quality and success of our mission delivery. It is our commitment to support the development of our staff both professionally and personally and in doing so to create an organization with the ability to exceed the expectations of our customers and the communities we serve.

Organizational and/or Departmental Goals

Last year Adam Smith and his family (Adam is our lead technician based out of our Cairo Operations Center) found themselves caught in Egypt during the Arab Spring. No one could have known what was about to happen, but in just two days' time, the XYZ logistics team had developed an emergency evacuation plan to ensure the safety and well-being of Adam's family along with those of his peers. Purchasing airline tickets on multiple flights and coordinating with embassies from other countries to get emergency visas and credit cards, the logistics group tirelessly worked out every detail to ensure the Smith family's safe return to the United States. Although not every company faces political upheaval like this at any given time, we are all so proud of the logistics team's outstanding work and selflessness. Adam and his family along with all other members of the technical operations team arrived home safe and sound, and our logistics group should be recognized and rewarded for their outstanding work and efforts.

The logistics team's performance set the bar for our organization this past year in terms of demonstrating how teamwork and selflessness make such a significant difference in our organization's and employees' success. The primary purpose of this performance review is to culminate an entire year's performance and feedback in one place in order to encourage staff development and strengthen our organization's overall effectiveness.

Each individual and role within our organization has high impact and high value. We consider each employee a partner in our business, and we strive to nurture each individual's intelligence, humanity, sense of humor, and dedication for the betterment of the entire organization and our community as a whole.

This year has had an extraordinary number of financial challenges, not just for our company and industry but also for the economy as a whole. As a result, we've focused on reducing expenses and streamlining operational costs in order to generate efficiencies in scale and to mitigate the need to lay off members of our team. We're happy to say that we were successful in our efforts and did not lay off anyone this past year. But the economy still remains a struggle, and we have additional work ahead of us.

In addition, besides stabilizing our cash flow and reducing operational expenses by 7 percent overall, we successfully incorporated into our fold EAF Company, an organization that provides us with several distinct advantages for servicing our markets and expanding our presence. Systems, policies, and cultures needed to be integrated, and members of EAF needed to feel welcome. We're happy to say that while significant additional work lies ahead of us, we consider the acquisition of EAF a significant success.

These achievements are concrete, they should be celebrated, and the organization as a whole should be proud of its efforts. On behalf of the entire senior leadership team, we wish to thank all employees for their unique contributions this past year.

Core Values

The primary purpose of this performance review is to encourage staff development and to strengthen our organization's overall effectiveness by:

- Recognizing specific areas of achievement
- Stimulating improved performance
- Clearly defining the goals and objectives of the organization so they can be tailored to our employees' particular areas of responsibility
- Developing mutually established, employee-focused goals and objectives
- Pinpointing areas of greatest effectiveness and additional improvement
- Increasing employer-employee communications

To this end, the review itself will incorporate many of the core values we've focused on as a company this year, including:

- Innovation and creativity
- Excellence in leadership and communication
- Ethics, integrity, and trust
- Adaptability and change management
- Self-development and teamwork

Please keep these core values in mind as the framework around which your performance is evaluated and your key development areas are highlighted.

Performance Factors

We strive to administer thoughtful and careful performance reviews to all employees. Performance review success depends on both the manager's willingness to complete a constructive and objective assessment as well as employees' willingness to respond to constructive suggestions for improvement and to work with their managers to identify and establish goals and objectives that eliminate performance barriers and heighten employee engagement and commitment.

While performance factors may change from year to year, depending on the current challenges our company may be facing at any given time, this year's most critical performance factors include:

- Productivity and volume
- Quality and safety
- Customer satisfaction
- Organizational and planning skills
- Problem-solving skills and results orientation

As you are aware, these were the critical skills identified to help us through the past year in light of the opportunities and challenges our organization was facing, and they will consequently receive the greatest emphasis in this review.

Narrative Results

Whenever possible, supervisors have endeavored to provide concrete performance feedback, especially in terms of dollars or percentages that relate to increased revenues, decreased expenses, or saved time. These indicators, however, resulted from all employees' self-assessments, submitted prior to supervisory evaluation exercises, as well as quantified achievements shared throughout the review year, either in one-on-one interval reviews or via quarterly achievement calendars and similar tools. Therefore, if concrete and measurable assessments are not as clearly documented as you would like, you are encouraged to provide your supervisor with more quantifiable data throughout the upcoming review year.

Career Development Plan

While the performance review looks backward in terms of assessing past performance, the goal-setting section of the review is in many ways more significant because it represents your future. We realize that career development is the glue that binds people to any company, and our goal is to help you obtain the skills, knowledge, and abilities you require to excel in your chosen career path. Please help your supervisor understand the priorities that are important to you in light of the feedback shared. We strongly believe that when you acquire skills that help you build your resume, our company benefits from the enhanced contributions you make. Every employee is primarily responsible, however, for setting the goals and trajectory of his or her own career development; company supervisors and managers, in comparison, will endeavor to act as coaches and mentors to help you get where you want to go, but they will follow your lead according to your own desires and ambitions.

Current "Overall Impact" Evaluation

The overall score at the conclusion of the evaluation represents the general impact that each employee has had in meeting or exceeding productivity benchmarks and overall performance. Just as a reminder, we expect the workforce scores to approximate the following:

≤5%	Distinguished Performance
30%	Superior Performance
50%	Fully Successful Performance
10%	Partially Successful Performance
≤5%	Unsuccessful Performance

Clearly, therefore, the majority of employees will statistically fall under the "fully successful" category, meaning that performance consistently meets the critical requirements of the position and the individual continually performs at the level expected. In general, a "fully successful" score, or 3 in our ranking system, is something to be proud of and celebrated. We do not interpret it as the equivalent of a middle-of-the-pack C grade in school. Instead, we equate a "fully successful" score with what you would expect of an expert, similar to playing "par" golf. Barring any type of special circumstances or opportunities that might warrant a higher score of "superior" or "distinguished," a "fully successful" score generally indicates that you are excelling in your role overall.

Your Opportunity to Provide Feedback

We understand that full agreement is unfortunately not always the result of formalized feedback. If you disagree with the overall score or individual scores within any of the competency categories outlined in this review, you are welcome to provide your own feedback in the form of a rebuttal to your supervisor, department head, or human resources. We will be happy to discuss this with you and amend your formal performance record to include your rebuttal so that the record more accurately captures your feedback and opinion.

APPENDIX D

Six Sample Performance Review Templates That Reflect Your Organization's Changing Needs and Priorities

THE TEMPLATES THAT FOLLOW are interchangeable, and elements from one sample model can easily be adopted into the template you're creating for your own company's particular needs. Keep in mind, however, the two key tenets of this book.

First, your company's performance evaluation template should match your organization's current needs, challenges, stage of growth, and areas of focus and development. Therefore, it's critical that you create a model from the many fungible parts that follow that most likely meets your company's current needs and reflects its culture. So have fun with this, be creative, and make it as eclectic an exercise as you deem appropriate in order to accurately reflect your company's style and culture and particular business imperatives.

Second, by definition this template should change every year or every other year. If you don't amend the performance review template to reflect your company's newest challenges and its desire to ratchet up performance expectations, then you're missing the whole point of the exercise! Our goal in writing this book is to provide you with varying forms and formats as well as heightened language to reflect your higher level of performance expectations over time. So be sure and design your current model with an eye toward its future modeling prospects one or two years down the road.

Bottom Line: Be creative, don't limit yourself only to the suggestions you see outlined here, and recommend a program that will inspire everyone in your organization to reach his or her personal best! Because every organization is unique in the performance message that needs to be delivered, we generally recommend approaching this exercise with a "blank slate" and building the system from there. But there are not many things more unnerving than a blank sheet of paper! So the following pages contain several templates that will allow you to pick and choose the aspects that will provide the best fit for your organization today and in the future as you upgrade your template to reflect your company's changing priorities.

Template Guide

The templates that follow trace a typical organization's trajectory from startup through growth mode and on to maturity. Those stages are outlined and described in chapter 2. Please note how the competencies and performance factors change below to reflect an organization's growing needs. Startup organizations clearly have different needs than multinational, hundred-year-old enterprises, and the performance factors measured will likely have a very different emphasis and focus. It's not uncommon, however, for large multinationals to look to reignite a spirit of creativity and innovation (typically found in startups) from time to time, and the competencies that follow can be easily customized to reflect the enterprise's changing priorities.

These are the competencies we've chosen to reflect an organization's strategic focus. Whether you're a startup looking to establish consistent cash flow or a multinational behemoth looking to emphasize compliance and consistency, customize these modules as you deem fit and make them your own. For ideas on competency development, see Paul's two other AMACOM books, *2600 Phrases for Effective Performance Reviews* (2005) and *2600 Phrases for Setting Effective Performance Goals* (2012). Whether you're setting goals by company mission or type of workforce (exempt professional vs. nonexempt hourly), these phrase books may go a long way in helping you brainstorm how to best capture and describe the competencies that will make up this new version of your organizational performance appraisal template.

Template	Company Phase or Employee Group	Rating Levels	Competencies
1	Startup or renewal company	5	Strategic and Critical Thinking Skills Creativity and Innovation Culture and Values Problem-Solving Skills and Results Orientation Productivity and Volume Job Knowledge Quality Teamwork
2	Growth	4	Creativity/Innovation Professional and Technical Knowledge Teamwork and Leadership Customer-Centric Orientation

Template	Company Phase or Employee Group	Rating Levels	Competencies
			Adaptability and Flexibility Efficiency and Effectiveness Quality and Reliability Professionalism
3	Mature	5	Communication Corporate Image Teamwork Professional Development Process Improvement Policy Compliance Safety Problem Solving/Innovation
4	Hourly	3	Teamwork Quality Professional Development Customer Focus Efficiency Flexibility Safety and Health Technical Knowledge
5	Exempt/Professional	5	Judgment/Decision Making Innovation/Flexibility Job Knowledge Teamwork Initiative Productivity Corporate Image Quality/Reliability Customer Focus Cost/Expense Management
6	Senior Executive	Narrative	Strategy and Vision Financial Management Operating Skills Results-Oriented Leadership Expertise Team Building Empowerment Role Model Transparency and Communication Personal Drive

Model Template 1: Startup or Renewal Company

This model is well-suited for startup organizations or mature companies looking to reinvent themselves by inspiring a greater sense of innovation and creativity in their workers. The template structure uses five rating categories with an overall score at the end. Please note how the narrative descriptors in each category emphasize a higher level of performance expectations from employees than are typically found in other performance review templates. The goal is to redefine performance expectations to raise the bar and drive higher levels of productivity.

This format features the following attributes:

- There are five performance rating levels.
- There are eight performance competencies.
    - Strategic and Critical Thinking Skills
    - Creativity and Innovation
    - Culture and Values
    - Problem-Solving Skills and Results Orientation
    - Productivity and Volume
    - Job Knowledge
    - Quality
    - Teamwork
- Generic competencies were "stratified" and structured to create specific activities that supervisors can rate individually.
- Commonly defined goals and objectives are required but not rated. (This is a good approach for companies that are transitioning to a management-by-objective [MBO] environment and are building capability in setting effective goals.)
- This template is particularly effective for organizations that are looking to emphasize creativity and innovation. It also lends itself to organizations that are conducting formal performance reviews for the first time where abilities to document performance may be in the developmental stages.

STARTUP OR RENEWAL COMPANY PERFORMANCE APPRAISAL MODEL			
Name		Review Period	
Title		Department	
Date of Hire		Location	
Time in Position		Manager	

The purpose of this report is to assess the performance competencies for each employee. As part of the performance program, the job description should be reviewed and updated to be current and accurate. Discuss with employees any position-specific areas requiring improvement and confirm areas of strength and competence.

This evaluative process is essential to the development and improvement of our organization. Providing honest, constructive, and corrective feedback can be challenging but very rewarding overall. At our company, we aim to build a culture of transparency, hard work, and reward for successful performance.

Based on the following performance-level categories (i.e., 1 through 5), select the rating that most accurately describes the employee performance in each specific area. Comments regarding the work performed by the employee to clarify ratings must be completed for each factor. A minimum of two goals is required.

Performance Rating Guide

Exemplary: Incumbent demonstrates unusual proficiency in obtaining results with this competency and is recognized as a leader or mentor.

Distinguished: Performance clearly and consistently exceeds the expectation levels of this performance area.

Successful: Incumbent meets the expected standards. Performance is steady, reliable, consistent, and maintained with a minimum amount of supervision.

Emerging: Performance in this area is inconsistent and needs alignment and/or development. Performance feedback and efforts to reinforce competency may provide the tools to achieve success.

Unsuccessful: Performance falls short of the minimum criteria and standards of this competency. Immediate and substantial improvement is necessary to address this area.

The competencies that follow in this performance review represent our current business strategy and the core values of our company. We believe that our success is directly related to how well our employees reflect these key performance attributes.

STRATEGIC AND CRITICAL THINKING SKILLS	
Pushes the envelope of experience in order to solve problems or create solutions.	❑ Exemplary ❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Considers options “outside of the box” and understands decisions that should be made and those that should be deferred to others.	
Maintains a clear understanding of cause and effect, and develops recommendations that are in alignment with the organization’s strategic direction.	
Demonstrates the ability to identify the source of problems in order to recommend a decisive course of action.	
Comments/Examples:	

<table>
<tr><th colspan="2">CREATIVITY AND INNOVATION</th></tr>
<tr><td>Develops new ideas and insights that result in process improvements and product enhancements.</td><td rowspan="4">❑ Exemplary
❑ Distinguished
❑ Successful
❑ Emerging
❑ Unsuccessful</td></tr>
<tr><td>Promotes a creative climate and inspires coworkers to develop original ideas or solutions.</td></tr>
<tr><td>Translates creative thinking into tangible changes and solutions that improve the work unit and organization.</td></tr>
<tr><td>Uses ingenious methods to meet responsibilities. Demonstrates resourcefulness and has the ability to succeed with minimal resources.</td></tr>
<tr><td colspan="2">Comments/Examples:</td></tr>
</table>

<table>
<tr><th colspan="2">CULTURE AND VALUES</th></tr>
<tr><td colspan="2">The “good soldier” both believes and behaves as prescribed by the culture. —Peter Drucker</td></tr>
<tr><td>Reflects the core values of the company in ethics, job performance, and personal conduct.</td><td rowspan="6">❑ Exemplary
❑ Distinguished
❑ Successful
❑ Emerging
❑ Unsuccessful</td></tr>
<tr><td>Inspires and motivates others with a positive attitude and passion for the organization.</td></tr>
<tr><td>Portrays an image of professionalism in behavior and appearance.</td></tr>
<tr><td>Exhibits a consistent commitment to high standards of customer service and overall excellence.</td></tr>
<tr><td>Demonstrates integrity, honesty, and respect in all dealings with customers and business associates.</td></tr>
<tr><td>Utilizes opportunities to support and promote the objectives of the company through active participation, volunteerism, and other forms of engagement within the community.</td></tr>
<tr><td colspan="2">Comments/Examples:</td></tr>
</table>

PROBLEM-SOLVING SKILLS AND RESULTS ORIENTATION	
Takes personal initiative and exhibits self-motivation.	❑ Exemplary ❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Exhibits a decisive ability to translate organizational goals into personal action and efforts that move the organization forward.	
Demonstrates a "can do" approach that emphasizes solving problems in a cooperative and collaborative way.	
Exhibits flexibility in cross-training, learns new practices in a timely manner, and adjusts to changes in assignments and working conditions.	
Examines the root cause of problems and suggests effective solutions. Fosters new ideas, improves processes, and finds more effective and efficient ways to accomplish tasks (cost and/or operational efficiency).	
Demonstrates an ability to think "beyond the box."	
Comments/Examples:	

PRODUCTIVITY AND VOLUME	
Profit is not an objective, it is a result. —Peter Drucker	
Effectively utilizes job resources (finances, equipment, materials, etc.), sets goals for productivity and self-development, and achieves productive results.	❑ Exemplary ❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Establishes appropriate priorities, manages time effectively, and organizes resources in order to complete assignments on time and to specifications while producing the expected quantity of work results.	
Demonstrates resourcefulness and competent judgment (the ability to differentiate between decisions that can be made independently and those that should be referred to others).	
Functions with independence and with appropriate levels of guidance or supervision.	
Comments/Examples:	

JOB KNOWLEDGE	
It's not the job you do, It's HOW you do the job. —Anonymous	
Demonstrates a command and thorough knowledge of the position in all of its dimensions.	❑ Exemplary ❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Has and applies the knowledge and skills necessary to effectively perform all aspects of the position.	
Demonstrates expertise in the execution of work and fulfillment of position responsibilities.	
Maintains and grows critical knowledge or skills that meet high industry standards. Embraces technological changes and keeps up to date on developments within specialty.	
Exhibits professionalism and conscientiousness in work and in all dealings with others.	
Comments/Examples:	

QUALITY	
Quality is not an act, it is a habit. —Aristotle	
Performs responsibilities in a manner that supports a culture of safety, integrity, and/or credibility.	❑ Exemplary ❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Exhibits consistency and reliability and produces dependable work results. Completes work with an appropriate amount of accuracy, thoroughness, and attention to detail.	
Goes the "extra mile" as needed to achieve extraordinary outcomes and/or customer satisfaction.	
Meets schedules, takes responsibility, follows through, and responds predictably and admirably to special requests or last-minute changes in plans.	
Demonstrates dependability, reliability, and acceptable attendance. Volunteers and is available to accomplish organizational goals as needed.	
Comments/Examples:	

TEAMWORK	
Individuals play the game, but teams beat the odds. —Navy Seals	
Practices open and honest communication, supporting a culture of trust and teamwork. Contributes to an environment where people cooperate (internal customer service) and give their best.	❑ Exemplary ❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Fosters relationships, resolves conflicts, and sets a positive example for others. Exemplifies a warm, open, and approachable demeanor. Listens to the needs of others and accepts constructive feedback and ideas.	
Partners and coordinates as needed to obtain organizational results. Shares information readily and serves as a point-person and "center of excellence" for other internal departments.	
Provides leadership for special projects as needed.	
Creates an inclusive work environment where others feel free to share feedback and make recommendations and suggestions.	
Comments/Examples:	

GOALS AND WORK PLAN		
Goal	**Description, resources, training, support needed, etc.**	**Completed by**
1		
2		
3		

OVERALL PERFORMANCE RATING
❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments:

Reviewed by:

Supervisor ______________________ Date ______________

Department Manager ______________________ Date ______________

Employee Acknowledgment

I have reviewed my job description and this performance report with my supervisor. My signature indicates that I have read this report; however, it does not confirm that I necessarily agree with its findings. In addition, I understand that I may provide my own performance assessment and/or improvement feedback in the form of a rebuttal if I do not agree with this evaluation's contents.

Employee ______________________ Date ______________

Model Template 2: Growth Company

This model is designed for organizations that have escalated beyond the startup phase and that are at a profitable stage. At this stage they continue to look for opportunities to expand but also want to build infrastructure and create guidelines and policies to ensure that communication is flowing and roles are clearly identified and aligned. The template structure below uses four qualitative rating categories spread over eight competencies, with an overall score at the end. This grading structure may lend itself to an environment that is establishing consistency and may be conducting performance reviews (or attempting to establish a pay-for-performance culture) for the first time.

This version reflects the following attributes:

- Four performance rating levels
- Eight performance competencies that support a company in the growth phase
    - ❑ Creativity/Innovation
    - ❑ Professional and Technical Knowledge
    - ❑ Teamwork and Leadership
    - ❑ Customer Centric

- ❑ Adaptability and Flexibility
- ❑ Efficiency and Effectiveness
- ❑ Quality and Reliability
- ❑ Professionalism

- ➤ Scoring of professional development goal accomplishments over the past performance period

GROWTH COMPANY MODEL			
Name		Review Period	
Title		Department	
Date of Hire		Location	
Time in Position		Manager	

The purpose of this report is to assess the performance competencies for each employee. As part of the performance program the job description should be reviewed and updated to be current and accurate. Discuss with employees any position-specific areas needing improvement and confirm areas of strength and competence.

This evaluative process is essential to development and improvement of our organization. Providing honest, constructive, and corrective feedback can be challenging but very rewarding overall. At XYZ, we aim to build a culture of transparency, hard work, and recognition for successful performance. Thank you for engaging this process fully with the employees. Your efforts will help each employee improve and succeed and will help the cooperative achieve excellence and better fulfill its mission.

Select the level that most closely reflects performance and conduct. Comments should explain why a particular value has been selected and will assist in clarifying performance expectations for the next period.

PERFORMANCE RATING SCALING GUIDE	
Performance Rating	**Definition**
Distinguished	Performance clearly and consistently exceeds the expectation levels of this performance area.
Successful	Incumbent meets the expected standards. Performance is steady, reliable, consistent, and maintained with a minimum amount of supervision.
Emerging	Performance in this area is emerging or inconsistent and needs development. Performance feedback and efforts to reinforce competency may provide the tools to achieve success.
Unsuccessful	Performance falls short of the minimum criteria and standards of this competency. Immediate and substantial improvement is necessary to address this area.

CREATIVITY/INNOVATION	
• Views all employees as leaders, innovators, and change agents. • Recognizes that innovation is the number one performance competency that will help our company differentiate itself from the competition. • Regularly gains new perspectives from peers and team members and likewise provides constructive input relative to others' ideas and suggestions. • Fosters a spirit of creative collaboration, and questions common practices in an effort to reinvent the routine. • Encourages others to be inventive and take appropriate risks. Values creativity, productivity, and efficiency as the keys to career development. • Generates creative and constructive ideas, concepts, and techniques to improve products and processes. • Identifies and solves problems by offering suggestions and solutions.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

PROFESSIONAL AND TECHNICAL KNOWLEDGE	
• Views all employees as leaders, innovators, and change agents. • Demonstrates a command and thorough knowledge of the position in all its dimensions. Has and applies the knowledge and skills necessary to effectively perform all aspects of the position. • Maintains and grows critical knowledge or skills that meet high industry standards. Embraces technological changes and keeps up to date on developments within specialty. • Embodies our organization's core principles of fostering a greater sense of respect, dignity, and professionalism in the workplace. • Establishes immediate credibility and demonstrates vision, ambition, and passion to succeed. Demonstrates professional expertise, and inspires confidence in others. • Consistently displays the highest level of personal integrity. Maintains professionalism and composure when faced with crises and confidentiality with respect to others' private affairs.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

TEAMWORK AND LEADERSHIP	
• Practices open and honest communication, supporting a culture of trust and teamwork. Contributes to an environment where people cooperate (internal customer service) and give their best. • Regularly looks for common ground and encourages collaboration among team members. • Welcomes positive confrontation and remains open to constructive feedback. • Assumes good intentions until proven otherwise and always looks to bring out the best in others. Resolves interpersonal conflict without drama or angst. • Builds consensus via shared decision making. Fosters a sense of shared accountability and group responsibility. Celebrates successes and recognizes and appreciates others' contributions. • Confronts problems head-on but in a firm and constructive manner.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

CUSTOMER-CENTRIC ORIENTATION	
• Demonstrates integrity, honesty, and respect in dealings with customers and business associates. • Exhibits total commitment to outstanding customer service. Provides knock-your-socks-off service that consistently exceeds client expectations. • Consistently exhibits creativity and flexibility in resolving customer issues. Remains customer-oriented, flexible, and responsive to last-minute changes in plans. • Regularly puts the human relationship above the transaction. Looks always to surprise customers with unanticipated benefits, including lower costs and shortened delivery time frames. • Effectively exceeds customer expectations by providing timely feedback and follow-up in an empathetic and caring way. Tactfully informs customers when their requests cannot be met and escalates matters for further review and approval as appropriate. • Takes pride in building relationships with even the most challenging clients. Enjoys identifying "out-of-the-box" solutions for clients with special needs. Develops a loyal customer base as evidenced by a high rate of repeat business.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

ADAPTABILITY AND FLEXIBILITY	
• Willing to take on new tasks, processes, and technologies. • Demonstrates the ability to multitask and handle pressure or crisis situations. Adjusts priorities to meet team or company needs. • Remains resolute and calm when faced with challenges or seemingly inadequate resources. • Identifies unique ways of creating value, and encourages others to employ their curiosity and imagination. • Encourages team members to take appropriate risks and embrace change. Regularly combines natural curiosity and gut intuition with sound analysis and reasoning to strengthen our "organizational forecasting ability." • Readily develops strategies to reflect our changing business priorities. • Effectively translates strategies into objectives and action plans.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

EFFICIENCY AND EFFECTIVENESS	
• Continuously strives for maximum effectiveness and efficiency. Appreciates the critical nature of well-honed organization and planning skills. • Effectively manages multiple projects on parallel tracks. Views unexpected delays as opportunities to demonstrate preparedness and flexibility. • Refuses to sacrifice quality for volume. Asks high-quality questions and anticipates and communicates potential problems before they occur. Demonstrates a reasonable balance between rules and regulations vs. flexibility and responsiveness. • Readily anticipates and escalates potential bottlenecks, roadblocks, and pitfalls. • Demonstrates the appropriate amount of patience, flexibility, and wise guidance in helping others manage projects through to completion.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

QUALITY AND RELIABILITY	
• Effectively utilizes job resources (finances, equipment, materials, etc.), sets goals (budgets, targets, etc.), and achieves productive results. • Establishes priorities, manages time, and organizes resources to complete assignments on time and to specifications while producing the expected quantity of work results. • Demonstrates resourcefulness and competent judgment. Follows all standard operating procedures and protocols as necessary. • Functions with independence and with appropriate levels of guidance or supervision. • Performs responsibilities in a manner that supports a culture of integrity and credibility. • Exhibits consistency and reliability and produces dependable work results. Completes work with accuracy, thoroughness, and attention to detail.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

PROFESSIONALISM	
• Motivates others, always leading by example. Embodies our organization's core principles of fostering a greater sense of respect, dignity, and professionalism in the workplace. • Establishes immediate credibility and demonstrates vision, ambition, and passion to succeed. Demonstrates professional expertise, and inspires confidence in others. • Consistently displays the highest level of personal integrity. Communicates proactively when changes in plans occur, and justifies exceptions to policies or practices. • Maintains professionalism and composure when faced with crises and confidentiality with respect to others' private affairs. Follows ethical business practices at all times and tolerates no exceptions.	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful
Comments/Examples:	

PROFESSIONAL DEVELOPMENT GOALS
• Goal A • Goal B • Goal C
Comments:

OVERALL PERFORMANCE SUMMARY	
Comments:	❑ Distinguished ❑ Successful ❑ Emerging ❑ Unsuccessful

Reviewed by:

Supervisor ______________________ Date ______________

Manager ______________________ Date ______________

Employee Acknowledgment

I have reviewed my job description and this performance report with my supervisor. My signature indicates that I have read this report; however, it does not confirm that I necessarily agree with its findings. In addition, I understand that I may provide my own performance assessment and/or improvement feedback in the form of a rebuttal if I do not agree with this evaluation's contents.

Employee ______________________ Date ______________

Model Template 3: Mature Company

Mature companies are marked by stable sales and a more defensive posturing in the marketplace. (After all, they have a lot to protect!) Organizations that might benefit from elements of the model below tend to be more conservative and policy-oriented with the intention of maintaining the status quo. Companies at this stage emphasize cost controls, budget adherence, and documented performance measures. The model below is more of a traditional template in that it captures a rounded and holistic picture of employee performance and behavior. Elements of this broad-based model can easily be transferred into any of the other models outlined in the book.

This version reflects the following attributes:

- Five performance rating levels
- Eight performance competencies that support a company in the growth phase
    - Communication
    - Corporate Image
    - Teamwork
    - Professional Development
    - Process Improvement
    - Policy Compliance
    - Safety
    - Problem Solving/Innovation
- Overall, cumulative five-level performance rating

MATURE COMPANY PERFORMANCE MANAGEMENT PROGRAM			
Name		Review Period	
Title		Department	
Date of Hire		Location	
Time in Position		Manager	

Overview and Instructions

The purpose of this report is to assess the performance competencies for each employee. As part of the performance program the job description should be reviewed and updated to be current and accurate. Discuss with employees any position-specific areas needing improvement and confirm areas of strength and competence.

This evaluative process is essential to development and improvement of our organization. Providing honest, constructive, and corrective feedback can be challenging but very rewarding overall. At XYZ, we are building a culture of transparency, hard work, and recognition for successful performance. Thank you for engaging this process fully with the employees. Your efforts will help each employee improve and succeed and will help the company achieve excellence and better fulfill its mission.

Review the following performance rating definitions. For each of the performance competency areas there is a section for completion by employees and managers. Select the level that best represents individual performance. Explanatory comments will help to support your selection.

Performance Rating Definitions

Distinguished Performance and Role Model: Clearly and consistently demonstrates extraordinary and exceptional accomplishment in all major areas of responsibility. Others rarely equal performance of this caliber in similar roles.

Superior/Highly Effective Performance: Performance is continually and consistently superior and regularly goes beyond what is expected. Performance consistently exceeds expectations.

Fully Successful/Effective Performance: Performance consistently meets the critical requirements of the position. The employee continually performs at a steady and expected level.

Partially Successful Performance/Needs Improvement: Performance does not consistently meet or occasionally falls below what is required of the position; improvement in specific areas is required.

Unsuccessful/Unacceptable Performance: Performance fails to meet minimum expectations for this role, and immediate and sustained improvement is mandatory.

COMMUNICATION	
Cultivates a culture of openness in information sharing. Regularly solicits constructive feedback, builds consensus, and asks well-thought-out and well-prepared questions. Encourages open communication, cooperation, and the sharing of knowledge. Remains open-minded and willing to entertain others' ideas. Builds trust through regular, open, and honest communication. Demonstrates candor and level-headedness in all business dealings. Listens actively and always responds in a respectful tone. Engages appropriately when in disagreement, and pushes back respectfully and in a spirit of goodwill cooperation. Speaks persuasively and convincingly but is not afraid to say, "I don't know" and research an answer. Manages others' expectations appropriately and proactively communicates any potential problems or roadblocks. Effectively feeds information upward and rarely leaves others flying blind or unaware of important updates.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

CORPORATE IMAGE	
Looks beyond immediate, short-term responsibilities to the greater good of others in the organization and the overall community. Strives to strengthen our organization's mission in terms of what our company stands for and will uphold to our customers. Recognizes the link between corporate goals and public purpose and becomes part of the solution. Embraces responsibility for our company's actions and encourages a positive impact through activities affecting the environment, consumers, employees, communities, and stakeholders. Recognizes that corporate success and social welfare are interdependent, and participates in external philanthropic and volunteer activities to help the community as appropriate.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

TEAMWORK	
Regularly looks for common ground and encourages collaboration among team members. Welcomes positive confrontation, and accepts and provides constructive feedback in a spirit of goodwill and cooperation. Assumes good intentions until proven otherwise, and always looks to bring out the best in others. Resolves interpersonal conflict without drama or angst. Builds consensus via shared decision making. Fosters a sense of shared accountability and group responsibility. Celebrates successes and recognizes and appreciates others' contributions. Confronts problems head-on but in a firm and constructive manner. Creates a work environment based on inclusiveness, welcoming others' suggestions and points of view.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

PROFESSIONAL DEVELOPMENT	
• Demonstrates a command and thorough knowledge of the position in all its dimensions. Has and applies the knowledge and skills necessary to effectively perform all aspects of the position. • Maintains and grows critical knowledge or skills that meet high industry standards. Embraces technological changes and keeps up to date on developments within specialty. • Studies and shares best practices garnered from network alliance and affinity groups. • Establishes immediate credibility and demonstrates vision, ambition, and passion to succeed. Demonstrates professional expertise and inspires confidence in others. • Sets performance and productivity goals as well as measurable outcomes to ensure those goals are reached. • Always separates the people from the problem and assumes good intentions. • Models the behaviors that encourage openness and transparency and, when in doubt, errs on the side of compassion. • Consistently displays the highest level of personal integrity. Maintains professionalism and composure when faced with crises and confidentiality with respect to others' private affairs.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

PROCESS IMPROVEMENT	
Always looks for new ways of increasing revenue, decreasing costs, and saving time. Creates new and more effective ways of adding value to the customer experience. Examines the root cause of problems and suggests effective solutions. Fosters new ideas, improves processes, and constantly looks for better ways to do things (cost and/or operational efficiency). Demonstrates an ability to think "beyond the box." Promotes a creative climate, and inspires coworkers to develop original ideas or solutions. Translates creative thinking into tangible changes and solutions that improve the work unit and organization. Uses ingenious methods to accomplish responsibilities.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

POLICY COMPLIANCE	
Establishes measurement tools and yardsticks for continuous process improvement, and adjusts regularly to accommodate changing priorities. Demonstrates best practices and finds an appropriate balance between quality and quantity. Plans resources and timelines effectively, and gains appropriate budget signoff before committing to a deadline. Readily adheres to deadlines and production benchmarks. Regularly identifies streamlining measures that eliminate or reduce system redundancies. Strictly adheres to our program values of risk reduction, timely incident response, liability minimization, and loss control. Views quality as the single most essential element that allows our company to compete effectively and differentiate itself from the competition. Recognizes and assumes full responsibility for the obligation to disclose potential conflicts of interest.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

SAFETY	
Performs responsibilities in a manner that supports a culture of safety. Remains dedicated to improving safety performance within the company. Offers suggestions and ideas for improving safety and preventing accidents. Consistently adheres to standard operating procedures and gains advance permission before making exceptions to policy. Encourages fellow employees to work safely. Complies with all safety recommendations, postings, and requirements, and never sacrifices safety for productivity. Attends, supports, and participates in required safety training. Stringently follows all injury and illness reporting and record-keeping requirements. Reports accidents, injuries, and infractions in a timely manner.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

PROBLEM SOLVING/INNOVATION

Turns ideas into action, puts creativity to work, and develops strategies for innovation. Rethinks routine processes and finds unique solutions for adding customer value. Funnels creative recommendations into practical applications. Employs right-brain imagination, creativity, and intuition with left-brain logic and planning. Searches constantly for new innovation methods, techniques, and tools. Regularly encourages greater collaboration and open discussion with peers and team members to foster a culture of innovation. Participates in and/or leads diverse product teams to cultivate a broader range of knowledge, thought, and creativity. Seeks improvement through original thought, and strives to initiate new ideas and better ways to do things (cost and/or operational efficiency). Uses ingenious methods and demonstrates resourcefulness as well as an ability to think beyond usual methods.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful

Comments/Examples:

OVERALL PERFORMANCE RATING

- ❑ Distinguished
- ❑ Superior
- ❑ Fully Successful
- ❑ Partially Successful
- ❑ Unsuccessful

Comments:

Reviewed by:

Supervisor ________________________ Date ________________

Manager ________________________ Date ________________

Employee Acknowledgment

I have reviewed my job description and this performance report with my supervisor. My signature indicates that I have read this report; however, it does not confirm that I necessarily agree with its findings. In addition, I understand that I may provide my own performance assessment and/or improvement feedback in the form of a rebuttal if I do not agree with this evaluation's contents.

Employee ________________________ Date ________________

Model Template 4: Hourly and/or Union Workforce Emphasis

The model that follows is designed for organizations that have large hourly workforces. The performance categories emphasize areas of compliance and adherence to policy, including timekeeping, dress code standards, and professional conduct. Basic expectations regarding communication and respect in the workplace round out the key performance areas. This model, along with the competency elements contained within it, clearly works well with nonexempt employees who have more of a tactical and operational (as opposed to strategic) focus in terms of their contribution to company performance.

This format features the following attributes:

- Three levels of performance per competency. (Reducing the level of differentiation among hourly workers may better reflect the work environment, which is very often unionized.)
- Cumulative five-level scoring section. Having a different cumulative scale than the competency scaling will avoid a simplistic averaging to achieve a cumulative ranking. In this template, managers will be required to weigh all the individual competencies as they relate to the entire job and translate them into a narrative equivalent using a five-level score.
- Eight performance competencies
  - ❑ Teamwork
  - ❑ Quality
  - ❑ Professional Development
  - ❑ Customer Focus
  - ❑ Efficiency
  - ❑ Flexibility
  - ❑ Safety and Health
  - ❑ Technical Knowledge
- Focus on setting career development goals

HOURLY/UNION EMPHASIS TEMPLATE			
Name		Review Period	
Title		Department	
Date of Hire		Location	
Time in Position		Manager	

Overview and Instructions to Supervisors

The purpose of this report is to assess the performance competencies for each employee. As part of the performance program, the job description should be reviewed and updated to be current and accurate. Discuss with your employee any position-specific areas needing improvement and confirm areas of strength and competence.

This evaluative process is essential to development and improvement of our organization. Providing honest, constructive, and corrective feedback can be challenging but very rewarding overall. At XYZ, we are building a culture of transparency, hard work, and recognition for successful performance. Thank you for engaging this process fully with your team members. Your efforts will help each employee improve and succeed and will help the organization achieve excellence and better fulfill its mission.

Review the following performance rating definitions. Select the level that best represents individual performance, and provide explanatory comments to support your selection. Consider how each competency impacts this particular position and then select a cumulative rating to represent overall performance.

Performance Rating Definitions

Exemplary: Employee demonstrates unusual proficiency in obtaining results with this competency and is recognized as a leader or mentor. Performance clearly and consistently exceeds the expectation levels of this performance area.

Skilled: Employee meets the expected standards. Performance is steady, reliable, consistent, and maintained with a minimum amount of supervision.

Reinforcement Needed: Performance in this area is emerging or inconsistent and needs development. Performance feedback and efforts to reinforce competency may provide the tools to achieve success, but demonstration of heightened performance is necessary to achieve proficiency in role.

TEAMWORK	
• Goes the "extra mile" as needed to achieve extraordinary outcomes and/or customer satisfaction. • Regularly builds strong, supportive, and constructive relationships with peers and company leaders. • Fosters relationships throughout the company, welcomes constructive criticism and suggestions, and effectively resolves conflicts. Brings out the best in people by demonstrating care and concern about their well-being. • Remains sensitive to others' needs, and assumes good intentions unless and until proven otherwise. Exercises an appropriate amount of discretion, diplomacy, and tact when working with peers and customers alike. • Effectively manages coworkers' expectations, and engages in constructive debate when disagreement arises. Sets others up for success, and creates win-win opportunities for coworkers and clients alike. • Demonstrates effectiveness in mentoring and sharing institutional knowledge and information to enhance the ability of others to reach their developmental goals.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

QUALITY	
• Establishes measurement tools and yardsticks for continuous process improvement, and adjusts regularly to accommodate changing circumstances. Demonstrates best practices and finds an appropriate balance between quality and quantity. • Plans resources and timelines effectively, and gains appropriate approval before committing to a deadline. Readily adheres to deadlines and production benchmarks. • Views quality as the single most essential element that allows our company to compete effectively and differentiate itself from the competition. Recognizes and assumes full responsibility for the obligation to disclose potential conflicts of interest. • Sustains peak performance. Manages successfully through frequent interruptions, and remains focused when unexpected events challenge best-laid plans. • Regularly completes work ahead of schedule, and communicates proactively regarding potential roadblocks or delays.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

PROFESSIONAL DEVELOPMENT	
• Demonstrates a command and thorough knowledge of the position in all of its dimensions. Has and applies the knowledge and skills necessary to effectively perform all aspects of the position. • Maintains and grows critical knowledge or skills that meet high industry standards. Embraces technological changes and keeps up to date on developments within specialty. • Embodies our organization's core principles of fostering a greater sense of respect, dignity, and professionalism in the workplace. • Establishes immediate credibility and demonstrates vision, ambition, and passion to succeed. Demonstrates professional expertise and inspires confidence in others. • Consistently displays the highest level of personal integrity. Maintains professionalism and composure when faced with crises and confidentiality with respect to others' private affairs.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

CUSTOMER FOCUS	
• Demonstrates integrity, honesty, and respect in all dealings with customers and business associates. • Demonstrates total commitment to outstanding customer service. Provides knock-your-socks-off service that consistently exceeds client expectations. • Consistently exhibits creativity and flexibility in resolving customer issues. Remains customer-oriented, flexible, and responsive to last-minute changes in plans. • Regularly puts the human relationship above the transaction. Looks always to surprise customers with unanticipated benefits, including lower costs and shortened delivery time frames. • Effectively exceeds customer expectations by providing timely feedback and follow-up in an empathetic and caring way. Tactfully informs customers when their requests cannot be met, and escalates matters for further review and approval as appropriate. • Takes pride in building relationships with even the most challenging clients. Enjoys identifying "out-of-the-box" solutions for clients with special needs. Develops a loyal customer base as evidenced by a high rate of repeat business.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

EFFICIENCY	
• Continuously strives for maximum effectiveness and efficiency. Appreciates the critical nature of well-honed organization and planning skills. • Effectively manages multiple projects on parallel tracks. Views unexpected delays as opportunities to demonstrate preparedness and flexibility. • Refuses to sacrifice quality for volume. Asks high-quality questions and anticipates and communicates potential problems before they occur. Demonstrates a reasonable balance between rules and regulations vs. flexibility and responsiveness. • Readily anticipates and escalates potential bottlenecks, roadblocks, and pitfalls. • Demonstrates the appropriate amount of patience, flexibility, and wise guidance in helping others manage projects through to completion.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

FLEXIBILITY	
• Willing to take on new tasks, processes, or technologies. • Demonstrates the ability to multitask and handle pressure or crisis situations. Adjusts priorities to meet team or company needs. • Remains resolute and calm when faced with challenges or seemingly inadequate resources. • Identifies unique ways of creating value, and encourages others to employ their curiosity and imagination. • Encourages team members to take appropriate risks and embrace change. Regularly combines natural curiosity and gut intuition with sound analysis and reasoning to strengthen our “organizational forecasting ability.” • Readily develops strategies to reflect our changing business priorities. • Effectively translates strategies into objectives and action plans.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

SAFETY AND HEALTH	
• Performs responsibilities in a manner that supports a culture of safety. • Displays dedication and resolve to improving safety performance within the company. • Offers suggestions and ideas for improving safety and preventing accidents. • Dresses appropriately and maintains professional standards of conduct in attendance and punctuality. • Encourages fellow employees to work safely. • Attends, supports, and participates in required safety training. • Reports accidents, injuries, and infractions in a timely manner.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

TECHNICAL KNOWLEDGE	
• Demonstrates a command and thorough knowledge of the position in all of its dimensions. • Has and applies the knowledge and skills necessary to effectively perform all aspects of the position. • Shows expertise in the execution of work and fulfillment of position responsibilities. • Attends all training programs and maintains certifications as required. • Exhibits professionalism and conscientiousness in work and dealings with others.	❑ Exemplary ❑ Skilled ❑ Reinforcement Needed
Comments/Examples:	

Please outline the Professional Development Goals for this next performance period.

PROFESSIONAL DEVELOPMENT GOALS
Goal A
Goal B
Goal C

OVERALL PERFORMANCE RATING LEVELS	
Distinguished: Clearly and consistently demonstrates extraordinary and exceptional accomplishment in all major areas of responsibility. Others rarely equal performance of this caliber in similar roles. **Superior:** Performance is continually and consistently superior and regularly goes beyond what is expected. Performance consistently exceeds expectations. **Fully Successful:** Performance consistently meets the critical requirements of the position. The employee continually performs at a steady and expected level. **Partially Successful:** Performance does not consistently meet or occasionally falls below what is required of the position; improvement in specific areas is required. **Unsuccessful:** Performance fails to meet minimum expectations for this role, and immediate and sustained improvement is mandatory.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments:	

Reviewed by:

Supervisor ______________________________ Date ____________________

Manager ______________________________ Date ____________________

Employee Acknowledgment

I have reviewed my job description and this performance report with my supervisor. My signature indicates that I have read this report; however, it does not confirm that I necessarily agree with its findings. In addition, I understand that I may provide my own performance assessment and/or improvement feedback in the form of a rebuttal if I do not agree with this evaluation's contents.

Employee ______________________________ Date ____________________

Model Template 5: Exempt/Professional Workforce

Professional work environments like those found in consulting, legal, finance, research, and engineering organizations require a different set of soft skills and emotional intelligence indicators than in other environments. This model demonstrates real-life examples of model individual and group behavior to make the review process more relevant to employees and reflects the following key attributes:

- Five performance rating levels
- Ten key employee competencies
    - ❑ Judgment/Decision Making
    - ❑ Innovation/Flexibility
    - ❑ Job Knowledge

- ❑ Teamwork
- ❑ Initiative
- ❑ Productivity
- ❑ Corporate Image
- ❑ Quality/Reliability
- ❑ Customer Focus
- ❑ Cost/Expense Management

- ➤ Scoring of goal accomplishments over the past performance period
- ➤ Future-looking, jointly designed goals
- ➤ Overall performance rating

EXEMPT/PROFESSIONAL PERFORMANCE SYSTEM			
Name		Review Period	
Title		Department	
Date of Hire		Location	
Time in Position		Manager	

The following levels represent five plateaus of performance that are attainable by each employee. Your performance for each competency will be rated so you will have direct feedback on specific areas of strength or areas for improvement. A separate cumulative score at the end will provide an overall rating. Notice the personalized success stories to each of the competency areas as a "style twist" to the template.

Performance-Rating Definitions

Distinguished Performance and Role Model: Clearly and consistently demonstrates extraordinary and exceptional accomplishment in all major areas of responsibility. Others rarely equal performance of this caliber in similar roles.

Superior/Highly Effective Performance: Performance is continually and consistently superior and regularly goes beyond what is expected. Performance consistently exceeds expectations.

Fully Successful/Effective Performance: Performance consistently meets the critical requirements of the position. The employee continually performs at a steady and expected level.

Partially Successful Performance/Needs Improvement: Performance does not consistently meet or occasionally falls below what is required of the position; improvement in specific areas is required.

Unsuccessful/Unacceptable Performance: Performance fails to meet minimum expectations for this role, and immediate and sustained improvement is mandatory.

The competencies that follow in this performance review represent XYZ's current business strategy and the core values of our company. We believe that XYZ's success is directly related to how well our employees reflect these key performance attributes.

JUDGMENT/DECISION MAKING	
Over the past year, we have experienced severe weather-related outages at our Northern communications systems. Faced with subzero temperatures and extreme blizzard conditions, the Northern field service team resorted to nontraditional measures to ensure that our critical satellite uplink at the top of Bowers Peak (10,000 feet) remained operational. One morning the roads were impassable. Rather than face defeat, the engineering team enlisted the support of the local dog-sledding club that carried repair parts and equipment for the team. The uplink was operational and service was restored by noon.	
• Examines the root cause of problems and suggests effective solutions. • Identifies situations where decisions can be made and those that should be deferred to others. • Utilizes a strong, rational decision-making process. Gathers facts and key information to make assessments and solid recommendations. • Displays sensitivity in obtaining support and reconciling conflicting views.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

INNOVATION/FLEXIBILITY	
Last year our product designers launched a product that eliminated the need for paper cores in our consumer roll products (toilet paper, paper towels, etc.), saving more than 20,000 trees a year and lowering costs of production by 1.5 percent. This type of innovation demonstrates our commitment to the environment, the community, and to being an innovative leader in the industry.	
• Fosters a spirit of collaboration and innovation by contributing ideas and alternatives that "push the envelope" and reinvent the workflow. • Funnels creative recommendations into practical applications. Turns ideas into action, puts creativity to work, and develops strategies for innovation. • Displays originality in thought and contributes fresh ideas. Translates creative thinking into tangible solutions that add value to the company, but gains advance approval before changing established procedures or SOPs. • Maintains and grows critical knowledge or skills that meet high industry standards. Embraces technological changes and keeps up to date on developments within specialty. • Exhibits flexibility in cross-training, quickly adapts to new practices, and adjusts to changes in assignments and working conditions.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

<table>
<tr><th colspan="2">JOB KNOWLEDGE</th></tr>
<tr><td colspan="2">During this year’s National Technician’s Rodeo, our construction and engineering teams placed first in class in the areas of technical troubleshooting and systems build-out. The competition was stiff, with companies from all over the nation represented. Our team went the extra mile to learn and apply the latest techniques and troubleshooting protocols to deliver the correct infrastructure solution in record time. Our construction and engineering teams also placed first in speed, safety, and efficiency. Great job!</td></tr>
<tr><td>• Demonstrates a deep command and thorough knowledge of the position in all of its dimensions. Serves as a subject matter expert in terms of troubleshooting, and takes a “strategic business partner” approach to solving clients’ challenges.
• Forecasts business needs based on emerging trends and new technologies. Develops goals based on a deep level of understanding of clients’ needs and changing technologies.
• Exhibits expertise in the execution of work and fulfillment of position responsibilities. Demonstrates a natural curiosity about where the business is heading and how to help it get there faster.
• Volunteers to participate in cross-functional task force opportunities to broaden exposure to other functions, disciplines, and roles within the organization.</td><td>❑ Distinguished
❑ Superior
❑ Fully Successful
❑ Partially Successful
❑ Unsuccessful</td></tr>
<tr><td colspan="2">Comments/Examples:</td></tr>
</table>

TEAMWORK	
Last year we put together a multidisciplinary team to create a retrievable records solution that would streamline research and eliminate the mountains of paperwork that get generated each month. The New Directions team came up with a plan that digitized and indexed our records, eliminating paper costs and making information available at our fingertips. That system is estimated to save us $125,000 a year and reduce our average design time by 8 percent. This is the power of working together to come up with creative ways to make our company more competitive and sustainable.	
• Practices open and honest communication, supporting a culture of trust and teamwork. Contributes to an environment where people cooperate (internal customer service) and give their best. • Fosters relationships, resolves conflicts, and sets a positive example for others. Exemplifies a professional, open, and approachable demeanor. Listens to the needs of others, and accepts constructive feedback and suggestions. • Partners and coordinates as needed to obtain organizational results. Looks to a group's collective powers to accelerate solutions. • Shares successes and uses postmortems to learn and grow from failures. Resolves team conflict without drama or angst. Fosters a sense of shared accountability and group responsibility. • Finds creative ways of working toward consensus. Bonds normally conflicting departments by searching for common ground and shared understanding. Creates a common mindset for learning, growing, and acquiring new skills.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

<table>
<tr><th colspan="2">INITIATIVE</th></tr>
<tr><td colspan="2">The logistics team in our South Central distribution hub saw an opportunity to make a positive difference this year. Hundreds of trucks are loaded and unloaded during the graveyard shift. The logistics team noted that at peak times, truck drivers could queue in the yard idling for up to two hours. They observed that there was a vacant area of the warehouse and devised a plan to create a preprocessing area where drivers could input their hours and truck specifications, thereby relieving peak congestion and expediting loading. This new model will be replicated at two additional facilities this year. Thank you, logistics team, for demonstrating such initiative!</td></tr>
<tr><td>• Takes personal initiative and exhibits self-motivation. Regularly looks for opportunities to reinvent the workflow in light of our department's changing needs.
• Exhibits an ability to translate organizational goals into personal action and efforts that move the organization forward.
• Demonstrates a "can do" approach that emphasizes solving problems through mutual cooperation. Constructively challenges assumptions of how we operate and suggests creative alternatives.
• Demonstrates an ability to think "beyond the box" by finding new ways of adding value to role. Serves as a valuable business partner to clients, vendors, and coworkers.
• Keeps abreast of trends and changes in our industry and demonstrates an interest in professional development opportunities.</td><td>❑ Distinguished
❑ Superior
❑ Fully Successful
❑ Partially Successful
❑ Unsuccessful</td></tr>
<tr><td colspan="2">Comments/Examples:</td></tr>
</table>

<table>
<tr><th colspan="2">PRODUCTIVITY</th></tr>
<tr><td colspan="2">The midwestern sales team has consistently led the company in new customer growth and retention despite severe economic challenges in our service area. They have accomplished this with a consistent and methodic system of lead generation, timely responses, and teamwork. Team, your productivity shows!</td></tr>
<tr><td>• Effectively utilizes job resources (finances, equipment, materials, etc.), sets goals (budgets, targets, etc.), and achieves productive results.
• Creates efficient work flows and processes and regularly provides feedback to departmental leadership. Overcomes internal barriers to productivity.
• Establishes priorities, manages time, and organizes resources in order to complete assignments on time and to specifications while producing the expected quantity of work results.
• Demonstrates resourcefulness and competent judgment. Sets appropriate priorities and designs work processes that maximize productivity without compromising quality. Creates new and more effective ways of adding value to the customer experience.
• Functions with independence and with appropriate levels of guidance and supervision. Contributes to an environment of flexibility and diversity that allows for self-regulation, variety, and challenge.</td><td>❑ Distinguished
❑ Superior
❑ Fully Successful
❑ Partially Successful
❑ Unsuccessful</td></tr>
<tr><td colspan="2">Comments/Examples:</td></tr>
</table>

<table>
<tr><th colspan="2">CORPORATE IMAGE</th></tr>
<tr><td colspan="2">Last year during Hurricane Janet, our company not only processed insurance claims quickly and fairly, but we had agents on the ground helping victims record and document the damage and giving their children stuffed animals to help comfort them. This is an example of our commitment to our customers and making a difference in their lives.</td></tr>
<tr><td>• Exhibits a consistent commitment to high standards of customer service and overall excellence.
• Inspires and motivates others with a positive attitude and passion for the organization.
• Portrays an image of professionalism in behavior and appearance.
• Demonstrates integrity, honesty, and respect in dealings with customers and business associates.
• Utilizes opportunities to support and promote the objectives of the company through active participation, volunteerism, and other forms of engagement within the community.</td><td>❑ Distinguished
❑ Superior
❑ Fully Successful
❑ Partially Successful
❑ Unsuccessful</td></tr>
<tr><td colspan="2">Comments/Examples:</td></tr>
</table>

QUALITY/RELIABILITY	
The line inspectors over the circuit assembly group are responsible for ensuring that our control systems function flawlessly in our customer applications. This past year the group identified several flaws during an offsite professional development meeting that pointed to the need to modify specifications for our subassembly suppliers. The group's tenaciousness and out-of-the-box approach to resolving an ongoing problem helped us improve product quality tremendously. Way to go, line inspectors!	
• Exhibits consistency and reliability and produces dependable work results. Completes work with accuracy, thoroughness, and attention to detail. • Establishes and maintains yardsticks and measurement tools for continuous quality improvement. Implements quality assurance standards to maximize effectiveness and efficiency. Remains customer-oriented, flexible, and responsive. • Meets schedules, takes responsibility, follows through, and responds predictably and admirably to special requests. • Demonstrates dependability, reliability, and consistency by conducting self-audits to maintain maximum efficiency. Benchmarks best practices by looking to industry trade associations and agencies that track and trend quality standards. • Views quality as the single most essential element that allows our company to compete effectively and to differentiate itself from the competition.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

<table>
<tr><th colspan="2">CUSTOMER FOCUS</th></tr>
<tr><td colspan="2">Susan Charles is a customer service rep in our Denver call center. In her normal course of work, she adjusts bills for over- or underutilization. During a routine call, the customer indicated signs of respiratory distress. Recognizing the severity of the situation, Susan kept the customer on the line and notified emergency responders until they arrived. That level of care and concern exemplifies our commitment to our customers and who we are as an organization and corporate citizen. Way to go the extra mile for our customers, Susan!</td></tr>
<tr><td>• Provides knock-your-socks-off customer care, and goes the extra mile as needed to achieve extraordinary outcomes and exceed customer expectations. Looks for creative ways of surprising and awarding customers.
• Fosters long-term relationships with external and internal customers. Anticipates customer needs by providing timely feedback and follow-up and finds creative ways of staying in touch by providing value-added information that helps them do their jobs better.
• Recognizes that repeat business equals consistent cash flow and directly links to our organization’s long-term strategy. Understands and appreciates the link between profit and growth and customer satisfaction and repeat business.
• Distinguishes between features and benefits, and presents our products on a problem-to-solution basis. Looks for new and creative ways of differentiating our organization from the competition.
• Modifies approaches and solutions to put the customer first. Looks for ways to provide added value to customers, and manages contacts with tact and diplomacy.</td><td>❑ Distinguished
❑ Superior
❑ Fully Successful
❑ Partially Successful
❑ Unsuccessful</td></tr>
<tr><td colspan="2">Comments/Examples:</td></tr>
</table>

COST/EXPENSE MANAGEMENT	
Our logistics team in the Northwest production facility recognized a serious challenge to operations last year. The team ensures that our production facilities have the right amount of materials needed to produce the final assembly units. Too much supply increases holding costs and too little reduces throughput. Last year, the logistics team noticed that two of our material carriers were facing imminent labor interruptions. Recognizing the severity of the situation, the team responded by contacting regional authorities and acquiring secondary carrier contracts to avert a disaster. It's that type of organizational forecasting ability and creative preplanning that positioned us to weather a potential storm that could have had dire consequences for our operations.	
• Generates creative suggestions that focus on decreasing expenses and saving time. Streamlines work processes and increases efficiency. Avoids marginally productive activities and focuses on achieving critical priorities. • Volunteers constructive suggestions for improving operations. Embraces new technology in an effort to think long-term and reduce cost-per-product life cycle expenses. Demonstrates a high level of awareness regarding cost containment as well as a cost-conscious approach to conserving company resources. • Questions common practices and thinks of imaginative alternatives when confronted with obstacles and roadblocks. Coaches others on being both effective and efficient. Recognizes personal productivity as a key career development goal.	❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments/Examples:	

GOALS ACHIEVED OVER THE PAST PERFORMANCE PERIOD		
1		❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
2		
3		

NEW GOALS (NEXT PERFORMANCE PERIOD)	
Name, description, resources, training, support needed, etc.	Milestone
1	
2	
3	

OVERALL PERFORMANCE RATING
❑ Distinguished ❑ Superior ❑ Fully Successful ❑ Partially Successful ❑ Unsuccessful
Comments:

Reviewed by:

Supervisor ______________________________ Date ______________

Manager ______________________________ Date ______________

Employee Acknowledgment

I have reviewed my job description and this performance report with my supervisor. My signature indicates that I have read this report; however, it does not confirm that I necessarily agree with its findings. In addition, I understand that I may provide my own performance assessment and/or improvement feedback in the form of a rebuttal if I do not agree with this evaluation's contents.

Employee ______________________________ Date ______________

Model Template 6: Senior Executive Focus

The challenges and pressures faced by the C-suite (CEOs, COOs, and CFOs) as well as other members of a company's executive leadership team require a different performance measurement emphasis, one that includes a hefty dose of strategic-level considerations. Use this model as a starting point to craft an evaluation form for the VPs and above in your company who are responsible for both strategic and tactical activities that move your organization forward and in new directions.

A key component of this format is the inclusion of *performance indicators* (e.g., operational or financial metrics) that will provide a common reference point for both the rater and the rated. In this format, there is a space for incumbents to provide an initial report on their performance in addition to the rater feedback. There are no individual or overall numerical scores. The focus here is to create a qualitative feedback and dialogue that is meaningful for senior executives.

Features of this template include the following:

- Open, "free flow" narrative design
- Ten performance competency areas
    - Strategy and Vision
    - Financial Management
    - Operating Skills
    - Results-Oriented Leadership
    - Expertise
    - Team Building
    - Empowering
    - Role Model
    - Transparency and Communication
    - Personal Drive
- Incumbent self-evaluation feature
- Predefined performance indicators (metrics whenever possible)

EXECUTIVE TEAM FOCUS PERFORMANCE SYSTEM			
Name		Review Period	
Title		Department	
Date of Hire		Time in Position	

STRATEGY AND VISION	
Successfully defines and communicates a vision and strategy for future growth. Aligns department's tactical metrics with the organization's broader business and productivity goals. Processes complex issues and concepts at a high level and translates them into practical tactics and initiatives. Applies keen strategic analytical skills to assess business challenges and opportunities, and establishes clear and effective plans. Successfully translates strategies into objectives and action plans that reflect our changing business priorities. Makes appropriate risk assumptions and uses predictive analytics to forecast future business needs. Uses forecasts and models effectively to project budget variances and cost overruns. Anticipates future trends accurately and creates pivotal and productive approaches to continuously grow market share. Resilient and capable of adapting to changing conditions and requirements.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

FINANCIAL MANAGEMENT	
Oversees budgets, capital, and operational expenditures to ensure that operating units contribute to overall company goals. Forecasts operational requirements and ensures that policies and plans are in place to achieve monthly targets. Creates metrics that accurately capture financial, capital, and manpower staffing needs. Works closely with the financial planning and analysis team to identify inefficiencies, redundancies, and duplicative processes. Evaluates recurring monthly expenses looking for opportunities to streamline costs, and adheres to all internal cost-control reporting requirements.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

OPERATING SKILLS	
Successfully orchestrates an ensemble of functional areas through outstanding leadership and communication. Creates dynamic work systems that achieve divisional and organizational goals. Develops practices, processes, and policies that sustain order, stimulate productivity, and provide accountability. Makes good and timely decisions even when dealing with ambiguity. Independently identifies risks and solves problems, marshaling key resources (personnel, material, financial) and solutions needed for success. Effectively manages multiple projects on parallel tracks. Negotiates effectively with tact and diplomacy. Delegates as a means of growing and developing staff, and focuses on succession planning and bench strength development. Demonstrates an appropriate amount of patience, flexibility, and wise guidance in helping others manage projects through to completion.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

RESULTS-ORIENTED LEADERSHIP	
Drives results and expects to reach or exceed goals. Offers a keen focus on meeting customer needs and maintaining relationships in the pursuit of bottom-line results. Seizes opportunities and faces challenges squarely, addressing problematic performance or behavior challenges head-on. Successfully works through ambiguity and chaos, keeping focus on the end goal. Perseveres through difficulties until challenges are overcome. Facilitates brainstorming and fosters an innovative environment. Willing to face conflict or unpopular issues, while striving to optimize common ground. Involves diverse groups from diverse functions, levels, and disciplines to brainstorm and generate solutions to organizational challenges.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

EXPERTISE	
Provides top-quality guidance and information pertaining to area of responsibility; maintains critical knowledge in areas of expertise; ensures others in the division maintain the latest in industry knowledge and advances. Keeps other leaders informed of advances and new approaches required. Benchmarks industry best practices, and demonstrates a keen awareness of competitors' products and services. Fosters an inclusive and positive work environment, and projects an image of professionalism that others can model. Effectively uses training opportunities to develop creative people, innovative teams, and profitable revenue streams. Equates high-quality leadership with greater employee engagement and retention. Practices turnaround leadership, salvaging problem units suffering from low productivity or poor morale. Successfully turns theoretical vision into workable practice.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

TEAM BUILDING	
Adept at building teams and establishing a culture of productivity and trust. Inspires others with vision and purpose. Creates a climate where people are giving their best with a strong sense of morale, teamwork, and commitment. Communicates effectively, setting clear expectations and informing regularly about the overall picture and details that are pertinent to all team members. Finds creative ways of working toward consensus. Views individual differences of opinion as value-adds to group thought, and creates an inclusive work environment where others feel encouraged to share their opinions. Recognizes diversity as a critical business issue, and works to attract, develop, and retain a diverse workforce as a key strategic imperative.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

EMPOWERMENT	
Coaches and develops others to exhibit greater competence, confidence, commitment, and responsibility. Communicates a compelling and inspired vision. Creates and sustains a culture of open information sharing and increased accountability. Offers concrete actionable feedback and gives people room to grow. Effectively listens to others, demonstrating patience to hear disparate points of view. Maintains a caring and proactive disposition toward others. Creates a work environment in which staff members can motivate themselves, and recognizes and rewards exemplary behavior. Focuses on developing a caring leadership culture based on ethics, integrity, and selflessness. Fosters a culture that respects individual, customer, and organizational needs.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

ROLE MODEL	
Inspires others by being a dynamic role model and leader; exhibits poise under fire and grace through criticism. Conducts activities ethically and acts consistently in accordance with company principles, policies, and practices. Makes integrity and authenticity the cornerstones of a leadership style that inspires respect and admiration. Embraces excellence and demonstrates wisdom by practicing selfless leadership. Expresses appreciation and recognition of a job well done, and fosters a greater sense of community and inclusion. Remains widely trusted and respected both in the division and throughout the organization. Exemplifies a welcoming, warm, and approachable demeanor. Inspires company loyalty by sharing the vision of our future growth.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

TRANSPARENCY AND COMMUNICATION	
Successfully communicates the organization's strategic plans and its alignment with our corporate mission and values. Interacts with peers and superiors in a manner that is transparent and nondefensive. Speaks objectively and withholds judgment when called upon to assess situations or performance. Readily admits mistakes and shortcomings and assumes responsibility for things gone wrong, and provides recognition and praise to others when things go right. Exhibits wisdom and emotional maturity when facing politically sensitive situations. Remains consistent and predictable in terms of handling people and problems. Forms trusting relationships via regular, open, and honest communication. Looks for opportunities to tie diversity and inclusion to our business strategy in order to increase performance, productivity, and customer retention.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

PERSONAL DRIVE	
Displays a healthy sense of ambition, energy, and drive in the vocation. Demonstrates a strong commitment to the organization and to the community through active participation, volunteerism, or other forms of engagement. Exhibits the core values of ethics, conduct, and professionalism. Serves as a facilitator of progressive change within our organization, and creates a culture of open information sharing and increased accountability. Serves as a visionary strategist and futurist as well as change agent, willing to assess, reinvent, and rebrand our vision for future growth and development.	
Performance Indicators:	
Incumbent Assessment:	
CEO/Sr. Leader Assessment:	

PREVIOUS PERFORMANCE OBJECTIVES	
Description	Result
A.	
B.	
C.	
D.	

Reviewed by:

Incumbent ______________________________ Date ____________________

CEO ______________________________ Date ____________________

Employee Acknowledgment

I have reviewed my job description and this performance report with my supervisor. My signature indicates that I have read this report; however, it does not confirm that I necessarily agree with its findings. In addition, I understand that I may provide my own performance assessment and/or improvement feedback in the form of a rebuttal if I do not agree with this evaluation's contents.

Employee ______________________________ Date ____________________

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About the Authors

Paul Falcone is an HR executive and has held senior-level positions with Nickelodeon, Paramount Pictures, and Time Warner. He is the author of several bestselling books, including *2600 Phrases for Effective Performance Reviews* and *2600 Phrases for Setting Effective Performance Goals*. He is a long-term contributor to *HR Magazine* and lives in Valencia, California. Visit him at www.PaulFalconeHR.com.

Winston Tan is the Managing Principal of Intandem, LLC, a management-consultancy group. He specializes in developing total compensation solutions, optimizing organizational design, and creating human resource development strategies. Winston is also a popular national conference speaker and lives in Spokane, Washington.

Other titles available in eBook format by Paul Falcone:

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