

Evaluating Performance and Providing Feedback to Employees

Bernard L. Erven
Department of Agricultural, Environmental and Development Economics
Ohio State University

Introduction

“How am I doing?” Nearly all employees want an answer to this question.

Who in your business now knows how they are doing? Employers/supervisors in small businesses too often answer in one or more of the following ways:

1. *No one.*
2. *Some do, some don't.*
3. *They can all figure it out.*
4. *The ones who most need to improve.*
5. *No one - I don't want them asking for more money.*
6. *Everyone. I tell others and the word gets back to them.*
7. *They all know they are doing well because I tell them when they aren't.*

Employee performance reviews answer the “how am I doing?” question for each employee on a continuous basis. Feedback to employees helps improve their performance, decreases turnover, motivates self-improvement, builds trust and creates a paper trail useful in litigation.

Several often-heard reasons for not doing employee evaluations need to be dismissed. Examples of such faulty reasoning include: Good employees know they are good; poor employees don't want to know how they are doing. Employee reviews interfere with personal relations. They make people unhappy and jealous of each other. Some things are better not said. They take too much time. Supervisors don't want to do it. I don't know how to do it. Each of these objections contains a bit of truth. None makes the case for ignoring an important management tool.

This article targets managers in small businesses wanting to start or improve employee performance reviews. The focus is on small businesses because organizations with many employees almost all have formal performance appraisal systems.

Most employees in small businesses receive less feedback than they want and feel powerless to get more. Managers have the feedback responsibility. The article is organized around eight questions to help managers follow through on their responsibility and gain the benefits of employee reviews.

Before considering the specifics that follow, managers will benefit from making a strong commitment to actually do reviews not just talk or think about doing them. The commitment should include making the reviews timely in the face of great time pressure to postpone, being honest, and thinking about helping employees. The commitment should reinforce the paradigm of “what is right with the best people rather than what is wrong with the poorest people.”

Decisions to Guide Employee Evaluations

Eight questions guide the decisions for effective employee reviews. The questions outline the discussion that follows.

1. What are my objectives for employee performance reviews?
2. Who will be reviewed?
3. What will be the mix of individual and group reviews?
4. Will the reviews be formal or informal?
5. What will be the mix of objective and subjective measures of performance?
6. How often will the reviews be done?
7. Who will conduct the reviews?
8. What review processes will be used?

Objectives of Employee Performance Reviews

The specific reasons for doing employee performance reviews vary among small businesses. Objectives should help build a commitment to do the reviews, build enthusiasm for the reviews within the management team, and gain support from employees. Possible objectives include:

1. Help employees improve their performance.
2. Help employees with their career planning.
3. Take advantage of employee insights for improving the business
4. Identify training and retraining needs.
5. Encourage and motivate employees.
6. Promote teamwork and employee cohesiveness.
7. Provide information for compensation decisions.
8. Increase supervisor satisfaction with their human resource accomplishments.
9. Identify needed changes in human resource management practices.
10. Provide information for the redesign of jobs.
11. Eliminate legally indefensible personnel actions.

Such a list can be a starting point for discussion in the management team and with key employees. Their support will be critical to success with employee reviews. Facing misunderstanding, skepticism, fear and outright rejection comes most easy early in the planning process. Consensus building on objectives can be used to promote honest discussion.

Who Is Reviewed?

Few people complain about having too much information about their performance. Few people complain about receiving too many sincere compliments and too much thanks. Therefore, everyone should be reviewed including members of the management team.

Starting with reviews at the top of the organization is best. Set an example. It helps for the person being reviewed to know that the person doing the review has already had his or her review. Even in the smallest of businesses with only one manager, a spouse, customer, key lieutenant or manager of a neighboring business can provide a helpful review.

If reviews for everyone are ruled impractical, first focus attention on new employees. They deserve more attention than other employees. Feedback can help immensely in helping them grow into the potential they demonstrated when hired. They will appreciate feedback at the end of the first day, end of the first week, at regular intervals during the probationary period and several times during the first year. Employees having learned the value of feedback during their first year will expect it to continue. Employee reviews thus become less of a chore and more of an opportunity to benefit everyone.

Long-term dedicated employees who have never had reviews must be handled with care. An unexpected review out of the blue is likely to cause fear and loss of trust. Even the best employees will ponder and worry over questions such as: “Why now?” “Why me?” “What have I done wrong?” “What are you really trying to tell me?” Carefully build the case for reviews. Aim for understanding of how everyone will benefit. Starting only with new employees is one way of handling the potential problem of suspicious experienced employees. Simply wait for experienced employees to hint at their desire to also benefit from reviews.

Individual or Group?

Employee review typically is person-by-person. Keying on the individual can detract from teamwork and cooperation among employees. Employees easily see the dilemma created by promoting teamwork while reviewing and rewarding individual effort.

When teamwork is the backbone of a business, reviews must first be done at the team level. A second step can be review of individuals with emphasis on contribution to team success, increased ability to contribute to team goals and fitting into the team. No matter what is done in individual reviews, teamwork increases peer pressure. In true teamwork environments, satisfying teammates becomes more important than satisfying a supervisor.

Formal or Informal?

Formal reviews occur on a regular schedule, e.g., twice per year. They usually include filling out a form or providing some other type of written report to employees. Employees usually have a chance to comment or respond to the evaluator's assessment. They often include discussion of needed changes in performance. Helping the employee think through career interests and opportunities can be incorporated into supervisor/employee discussions. With formal reviews, an employee's file contains a paper trail of training, progress, retraining, development and in some cases disciplinary action.

Informal reviews occur on an as needed basis. They reflect a commitment to continuous and open communication with employees. The supervisor and employee confront problems as they occur. Praise is given as it is earned. Questions are asked as they arise. Both supervisors and employees work to create an open environment that emphasizes mutual support. Little or no paper trail is generated.

For most small businesses, a combination of formal and informal reviews of performance works best. Depending exclusively on one or the other means some objectives of employee performance reviews mentioned earlier is unlikely to be accomplished.

Objective and/or Subjective Measures of Performance?

With an objective approach, performance is evaluated against specific standards, e.g., number of new customers per month, times tardy for work, days worked without injury, returned orders, customers trying a new product and yields. Job requirements dictate the standards of performance. If it isn't important to the job, why should it be measured? Objective standards can be explained, measured, adjusted as the job changes and used to identify training needs.

Subjective measures of performance are based on the evaluator's judgment, intuition, and feelings, e.g., attitude, cooperativeness, initiative, aggressiveness, flexibility, friendliness and openness. Informal performance reviews depend primarily on subjective measures. In small businesses, where supervisors and employees know each other well and interact often, feelings toward each other often override objective measures of performance.

Employees not receiving regular formal reviews of their performance are still being judged subjectively by their supervisors and coworkers. They are simply missing the benefit of concrete measures of how they are doing, which parts of their work are best which parts most need improvement.

Realistically, subjective measures cannot be avoided. The challenge, therefore, is to effectively combine objective and subjective measures. All jobs can have some objective measures of performance.

Frequency?

Formal evaluations should be conducted at least once each year. A supervisor can designate a period of time, e.g., the first two weeks of February, in which all reviews will be

done. An alternative is to spread reviews throughout the year by doing each person's review on the anniversary of their employment.

When starting a formal review process, employers often promise reviews more often than is feasible, e.g., every three months. Formal evaluations more than two times per year is infeasible in most organizations. Sticking to the announced schedule is much more important than how often the review is done. Some employees, e.g., the best performers, may eagerly look forward to their reviews. Postponing the reviews or worse, simply letting the date pass without scheduling the reviews, may be disheartening to the employees most valued in the business.

Who Conducts the Evaluation?

Employees' immediate supervisors are most often in the best position to do performance reviews. Employees will not take seriously evaluations from people who are not well acquainted with what actually happens day-to-day in the work place. Supervisors can seek supplementary information from coworkers, other supervisors, customers and in some cases people supervised by the person being reviewed.

Process to Be Used?

How to do it? A manager can design a review process that is complex and time consuming with long forms and detailed data. The process can also be simple. For managers just getting started, first mastering a simple approach makes most sense. Detail, complexity and sophistication can be added later.

Designing a review process starts with the job not the employee. Ideally, each job has tasks, duties and responsibilities understood by the supervisor and employee through a job description. The job description provides standards against which performance can be measured. The standards dictate the data that need to be collected, what the supervisor needs to be looking for and documenting between performance reviews, and judgments that need to be made.

Whatever the process, the supervisor and employee need to have two-way communication that leads to understanding and agreement. The agreement covers what has been accomplished since the last review, the corrective action if any that is needed and the employee's longer run aspirations and plans.

The simplest approach for getting started with a process of formal employee reviews proceeds along the following general lines:

1. Analyze the job to have a basis for a job description and performance standards, i.e., expected outcomes.
2. Observe performance, collect performance data and make judgments to be able to say to the employee, "I see your three most important strengths (contributions, accomplishments) as . . . "

3. Ask the employee, "What do you see as your most important strengths (contributions, accomplishments)?"
4. Say to the employee, "I see this (these two things) as most important for improving during the next six months."
5. Ask the employee, "What would you like to improve?"
6. Move to needed follow up by discussing possible training, retraining, needed equipment, useful information and whatever else may be necessary for the employee to meet performance standards.
7. Summarize with, "I want to summarize what we have agreed to."
8. Conclude with a positive note and assure the employee that there will be opportunity for follow up including the next scheduled performance review.

This approach has several advantages for getting a review process started. No forms are required. It builds on already established positive relations with employees. Emphasis is on helping the employee improve. Compliments exceed criticisms, hopefully by at least a three-to-one margin. Reviewers can tailor it to individual employees, i.e., the discussions with new employees and experienced employees can differ as needed.

An alternative is a widely used process that incorporates a graphic rating scale. This alternative is built around a brief form (note the generic example on the last page of the article.) The form is easy to develop and modify. It is easy to understand because it reflects the key performance standards that come from a job description. The form is designed to identify specific strengths and areas for improvement. It also provides an overall assessment of performance, i.e., a score.

A form needs to be tailored to each job. Note in the attached sample form that items 1, 2, 5 and 6 (quality, quantity, reliability, and attendance and punctuality) can be objective measures. Standards can be set and performance data collected for comparison to the standards. Items 3 and 4 (adaptability and cooperation) are subjective measures requiring judgment by the supervisor. A form could include more or fewer than these six performance measures. Performance measures quite different from these could be chosen as dictated by the job, e.g., technical knowledge, sales volume, and responsiveness to customers.

The form instructs the evaluator to rate the employee on each of the six performance areas and provide supportive details or comments. Critical incidents (specific examples of excellence or mediocrity with date and setting) can add insight about what the supervisor expects. The critical incidents can lead to training needs or adjustments in how the employee is doing the job.

The form incorporating the graphic rating scale helps most in employee performance reviews when incorporated into open and honest two-way communication between the supervisor and employee. A supervisor may choose to omit the employee comment and signature section if the section decreases trust. The section, however, can provide the employee an opportunity to make clear whatever concerns, commitments and plans that came out of the review. The

employee's acceptance of the evaluation can be invaluable in legally defending compensation, discipline and discharge decisions.

Tips for Starting Employee Reviews

Working through the eight questions that have been the focus of this article gives a manager an excellent foundation for employee reviews. The following tips and practical guidelines will help organizations succeed with their employee reviews.

1. Train all supervisors to do employee reviews before they start doing them.
2. Strive for a positive attitude toward employee reviews among all supervisors.
3. Tell employees when their reviews will be done; don't surprise them.
4. Stick to the announced schedule.
5. Explain the review procedures to all employees
6. Ask employees to think about their own performance, their questions and their career aspirations before discussion with their supervisors.
7. Discuss performance in private.
8. View employee reviews as an opportunity for open and honest communication.
9. Make the review communication two-way.
10. Make the annual or semi-annual formal evaluation a supplement to continuous informal communication.
11. Be prepared to deal with strong emotional responses from employees.
12. Spend some time on career implications.
13. End the review on a positive note.
14. Ask employees how the review process can be improved.

And Now?

Employees and employers like performance reviews when they are win-win for both parties. Employees will respond positively to well planned and conducted reviews. The ball, therefore, rests firmly in the employer's court.

This article has discussed the basics for getting started. From these basics, managers need to develop their own insights, preferences and techniques for successful reviews. No matter how frustrating the early going may be, the results will be well worth the effort.

July 2001

PERFORMANCE APPRAISAL

Employee Name _____ Position _____

Supervisor Instructions: Carefully evaluate the employee’s performance. Check rating box to indicate the performance. Assign points for each rating within the scale. Write supportive details or comments on reverse side. Assign an overall performance score.

Rating Identification Score

Outstanding – Performance is exceptional in all areas and is recognizable as a major contribution.

Good – Results clearly exceed requirements. Performance is of high quality and is achieved on a consistent basis.

Satisfactory – Competent and dependable level of performance. Meets expectations.

Improvement Needed -- Performance is deficient in certain areas. Improvement is needed.

Unsatisfactory – Results are generally unacceptable.

Table with 2 columns: Rating, Scale. Rows: Outstanding (90-100), Good (80-89), Satisfactory (70-79), Improvement Needed (60-69), Unsatisfactory (< 60)

1. Quality: The accuracy, thoroughness and acceptability of work performed. [] Outstanding [] Good [] Satisfactory [] Improvement Needed [] Unsatisfactory Points = ____ Supportive Details or Comments on reverse

2. Quantity: The volume of work produced. [] Outstanding [] Good [] Satisfactory [] Improvement Needed [] Unsatisfactory Points = ____ Supportive Details or Comments on reverse

3. Adaptability: The response to changing requirements and conditions. [] Outstanding [] Good [] Satisfactory [] Improvement Needed [] Unsatisfactory Points = ____ Supportive Details or Comments on reverse

4. Cooperation: The relationship with supervisor and co-workers including the willingness to help others with their overloads. [] Outstanding [] Good [] Satisfactory [] Improvement Needed [] Unsatisfactory Points = ____ Supportive Details or Comments on reverse

5. Reliability: The extent to which the employee can be relied on to complete responsibilities in a timely manner. [] Outstanding [] Good [] Satisfactory [] Improvement Needed [] Unsatisfactory Points = ____ Supportive Details or Comments on reverse

6. Attendance and punctuality [] Outstanding [] Good [] Satisfactory [] Improvement Needed [] Unsatisfactory Points = ____ Supportive Details or Comments on reverse

OVERALL PERFORMANCE SCORE = _____

Supervisor _____ Date _____

Employee Statement: I agree disagree with this evaluation.

Comments: _____

Employee signature _____ Date _____

