



Turning Around the Least Favorite, Least Valued - - but Necessary - - Process in Your Organization

By [Jon Clemens](#)

Employee Performance Management Today: Typically a Burden

For most small to mid-sized companies, the employee performance management process is one of the least liked and least valued processes. While nearly every company conducts performance reviews, and even sees the theoretical value of doing so, most companies do not unlock that value. With surprisingly small and inexpensive changes, employee performance management has the potential to radically and positively impact your business.

For most, the employee performance management (EPM) process is an administrative burden consisting of lots of paper or email exchanges. There is usually a fair amount of time spent trying to understand what needs to happen and when, as well as simply reconciling versions of various reviews forms. Also, the process is not uniformly executed within a given company, almost completely focuses on past performance, and does not contribute in any meaningful way to driving future business results.

Most companies conduct annual or semi-annual performance reviews primarily to:

- ❖ Provide justification for salary increases or firing.
- ❖ Avoid lawsuits.
- ❖ Identify career growth opportunities for employees.

Missing an Opportunity: Drive Business Value through Performance Management

The EPM process can provide the savvy business an opportunity to dramatically improve business results. This is especially true given that the competition is likely still in the “standard practice” camp and not getting much value from this process.

Even if your company only currently conducts employee reviews for the reasons given above, it makes sense to get the most possible value out of it. With some simple modifications you can make this process easier to accomplish and more relevant to the business.

Defining a Good Reason to Review Employees

The first step in optimizing performance reviews for your company is understanding what you should be getting out of it. These are generally broken into two categories: Tactical and Strategic.

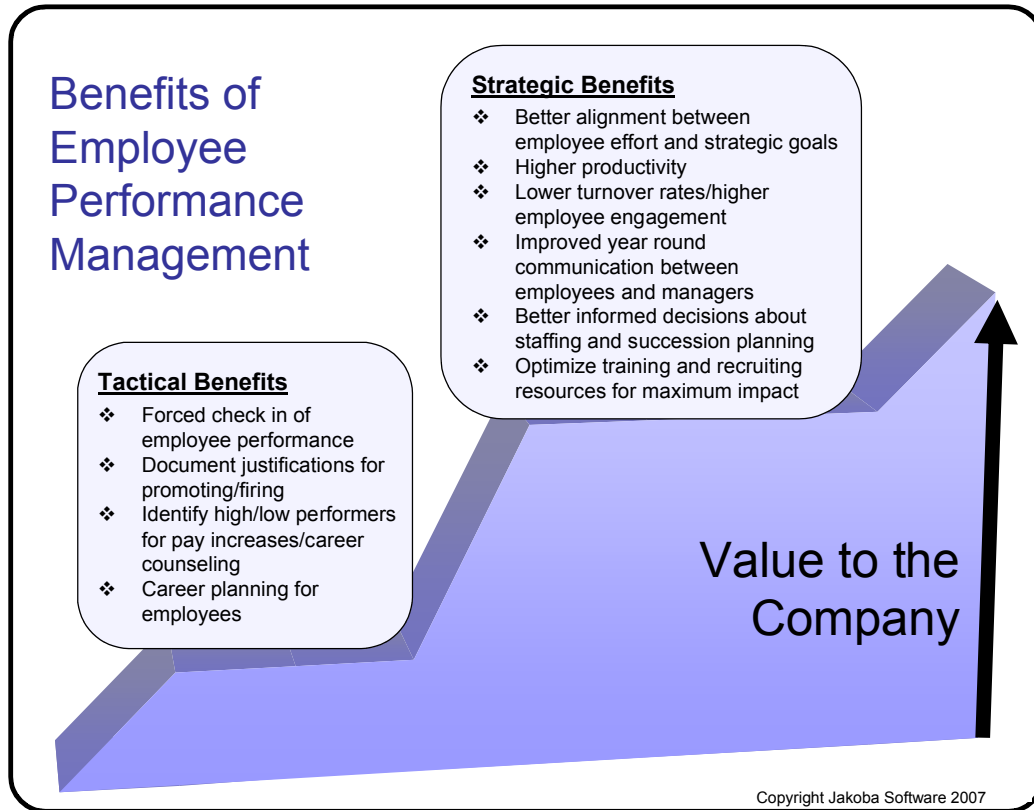


Figure 1: Value to the Company of Employee Performance Management

Tactical Benefits of Performance Management

There are many tactical benefits you get from having an EPM process, all of which are valuable to a company. It is these set of tactical benefits that most companies will generally achieve if they have an EPM process in place. As shown in Figure 1 above, these include:

- ❖ **Forced Check In:** Providing a standardized time that every employee knows they are accountable for his or her performance.
- ❖ **Documentation:** Making sure that your documentation is in order so that you can justify promotions or firings. This is of vital importance in case there is ever an issue with an employee that turns into lawsuit.
- ❖ **Pay for Performance:** If you culture is a meritocracy, having a system in place to document why certain individuals get higher raises than others is a very important benefit that can help you motivate employees to better productivity in the future and helps you recognize those individuals that have contributed the most to the success of the business.

- ❖ **Career Planning:** An employee is more likely to stay within your company if he or she believes that there is a path for them within the company that helps them achieve personal goals.

Strategic Benefits of Performance Management

It is the strategic benefits of EPM that most companies are missing. By making a few small changes to your process, you can reap the strategic benefits of EPM that will help you improve business results and better compete in your market. These strategic benefits include:

- ❖ **Increase Alignment Between Employee Effort and Company Goals:** If you can help guide individual employees so that what they are working on daily/weekly/monthly is directly accruing to the benefit of the team/group/division/business then your business as a whole will become much more effective, efficient, and ultimately profitable.
- ❖ **Higher Productivity:** As employees have a better understanding of what they need to be working on and as managers have more frequent insight into the performance of employees, productivity can and will improve.
- ❖ **Higher Engagement:** An employee that is more aligned with the company's goals and his or her manager's goals will be more engaged. A more engaged employee is much less likely to leave the organization and is more productive.
- ❖ **Improve Communication:** EPM tools can be used that provide managers and employees the ability to keep each other informed of expectations and performance as the year progresses, not just a once-per-year event that is only backwards looking. This can dramatically improve productivity as less frequent and less drastic course corrections are needed to keep the employee on track. Additionally, increased year-round communication also means less big surprises at the end of the year so the overall EPM process is less confrontational.
- ❖ **Improved Staffing Decisions:** Having access to more information on employees' strengths/weaknesses, as well as better visibility into what employees are working on will help managers and executives get the right people on the right projects at the right time. This in turn will reduce churn within your teams and improve effectiveness.
- ❖ **Optimized Training and Recruiting:** A good EPM process will give you insight into which employees need help shoring up specific skills and competencies. Having access to this information also helps you focus your recruiting efforts in a more focused, targeted way to get the right candidates in the door.

The path toward achieving these strategic benefits is not hard, and does not have to mean a drastic change to your existing EPM process. The rest of this paper explores how you can transform your current process into one that lets you reap the potential strategic benefits that are possible.

Getting the Most from Employee Performance Management

Embracing best practices to turn this process around does not need to be a monumental task. If you address the six steps listed below, you will be well on your way.

The 6 Steps to Optimizing Employee Performance Management

1. [Make it Simple](#)
2. [Link Personal Goals to Team Goals & Team Goals to Company Goals](#)
3. [Track Skills of Existing Employees](#)
4. [Provide Additional, Useful Insight to Managers and HR](#)
5. [Focus on the Future](#)
6. [Increase Communication between Managers and Employees](#)

Make it Simple

Many well thought out EPM initiatives have failed because the HR team or managers have tried to create the perfect process. In their well-intentioned efforts to make sure nothing is left out, they end up designing an overly complex, confusing system that is too time consuming, and cumbersome to execute.

It's important to keep EPM in perspective relative to the rest of the business. Any process that ends up confusing employees and managers isn't going to be embraced or highly valued. While, it is a tool that can yield tremendous value for a company, you can get these benefits without significant time required by participants. A good EPM system has three characteristics:

1. It should fit into employee and manager's workflow.
2. The required steps from participants should be intuitive and administratively easy to complete.
3. The result should provide direct and tangible benefit to participating employees, Managers, and Executives.

A process that is easy to understand, easy to execute, and intuitive is more likely to be embraced within your organization.

Here are some best practice ways to keep Employee Performance Management simple:

Automate the process: There are many tools out there, such as the Employee Performance Management Solution from Jakoba Software (www.jakoba.com), which can help you achieve your EPM goals. These tools provide a way to proactively notify people when action is required, have an easy/intuitive workflow, include a central electronic location for all relevant forms and documents, and offer a ready-to-use best practice framework for executing this process.

Standardize the process: Have a common set of expectations and standardized steps to complete reviews. This helps people know exactly what the next steps in the process are at any one time. It also enables managers to be the first line of defense with employees who ask questions about completing reviews.

Have ideally 5, but no more than 10, ways in which any employee is evaluated: Evaluate all employees in the company against a similar set of high-level competencies, but vary the expected behaviors under each competency based on role. This enables you to evaluate each person in the organization against job-specific criteria and helps keep the total number of evaluation criteria manageable for each person. Again, a good automated tool can help manage this so that this is simple to maintain and execute.

As a quick example, one of the categories of evaluation might be Customer Satisfaction. Each role in the company would have specific behaviors/traits that relate to Customer Satisfaction, and each employee would be given an overall score for Customer Satisfaction based on how they exhibited those behaviors/traits relative to what is expected for their role. This provides flexibility for managers to give each employee a good or bad score that can really carry weight with the person's overall review score.

Also consider that if you are going to increase the overall emphasis on the definition of goals and how those goals link within the organization, you might have Goal Attainment or Accomplishment of Objectives as one of the evaluation categories.

Conduct all reviews at the same time within the organization: This provides a single time when the organization can focus on EPM. This is important so that executives can offer meaningful support and so that the organization can collectively see the value when reviews are complete. Additionally, it provides a single point in time when training and corporate communications can be delivered related to EPM. By contrast, companies that conduct reviews on employees' anniversary dates continually train employees since most people do not tend to remember the EPM process from year to year.

Link Personal Goals to Team Goals & Team Goals to Company Goals

Recent studies published in the Wall Street Journal¹ have shown that most employees today are not "engaged" in their work. In fact, upwards of 70% of employees are typically disengaged. This has a huge, negative impact on worker productivity, employee turn-over, and bottom line results.

When an employee goal is created, provide the opportunity for the employee to link it to specific team and company goals.

When the question is posed to executives, "What is your company's most important asset?" – The answer is invariably "Our employees". However, with the high level of employee disengagement most of the company's "most important asset" is ready to walk out the door given the chance.

Employee Performance Management is a key tool to help better engage employees. If goals are directly linked throughout the organization, employees clearly see how their daily activities

¹ Wall Street Journal; March 19, 2007; 'A whopping 70% of US employees say they feel either "not engaged" or "actively disengaged" at work, according to a recent survey by the Gallup Organization.'

directly impact the company's ability to achieve its overall goals. One of the most important factors in engaging employees is to directly link their work and overall company strategy. This is closely followed in importance by an employee's understanding of how important his or her job is relative to overall organizational success.² Therefore, it is absolutely critical to make sure goals are linked throughout the entire company.

Provide access to a single place where everyone can see all team goals in the company.

One important aspect of creating a linkage between an employee's efforts and corporate goals is to increase the level of transparency so that an employee or manager can drill up or down to see how each layer of goals relates to one another. This is a necessary step to ensure the benefit of having employee and team goals link throughout the company. Additional benefits of added transparency include:

- Increased motivation for managers to enter team goals in a timely fashion.
- It helps solidify the importance of setting and sticking to goals.

Track Skills of Existing Employees

For the mid-sized firm, there is tremendous value from tracking skills within the company. Smaller firms can keep track of who in the organization have what skills. But as firms grow larger (generally larger than 100 employees) this becomes very difficult to track. Having immediate access to information such as which employees speak French, which have healthcare industry experience, which know Java programming, or other hard skills can yield tremendous benefits and can directly impact a company's profits. In addition, not many companies mine this information, so having this insight can provide a competitive advantage.

Develop a skills database and during performance reviews have employees and managers assess skills. Provide tools to make this assessment quick.

In the 1990's there was a big push in corporate America to adopt knowledge management systems. The promise of these systems was to provide insight into skill sets throughout a company and track project participation in an attempt to capture institutional knowledge. The problem with these systems was that it is very difficult to continually update skills and employees simply didn't see personal benefit or value in keeping these up to date.

Embedding a quick assessment of skills within performance reviews provides the organization this knowledge. However, keeping in mind the goal of keeping reviews simple it's not generally necessary to force assessments/ratings on skills. Since performance reviews must be done anyway, it is a great way to reap the benefits of tracking skills without undue burden. This approach also helps to guarantee that skill proficiency levels are updated regularly.

² Corporate Leadership Council; *Executive Summary: Driving Performance and Retention through Employee Engagement*. 2004

Provide Additional, Useful Insight to Managers and HR

As the US economy shifts to a more service-focused economy, the nature of work becomes more project-focused where there are discreet skills required for a set amount of time. Having access to the strengths and weaknesses in a team or organization is critical to helping deploy employees making sure to *get the right person on the right project at the right time.*

Provide both HR and managers with tools to track skill and competency proficiencies within the organization and the manager's own team.

Additionally, understanding both the strengths and weaknesses from a skills and competencies perspective helps companies optimize training budgets and finely tune recruiting activities. Providing this level of insight will:

- Help tap the right individuals for specific work.
- Ensure that organizational strengths and development activities align with critical skills needed to accomplish overall goals.
- Better inform hiring and firing activities when necessary.

Focus on the Future

The employee performance review effort is traditionally a time to evaluate how an employee has done over the past year. However, to get the most out of this effort it is critical to focus on the year ahead as well. It is a key time to make sure the employee has a good understanding of what they will need to do to make themselves, the team, the group, the division, the company most successful.

Provide tools to quickly update progress on goals. These tools should not replace face-to-face meetings, but instead make periodic check-ups more targeted and efficient.

Many companies include a career development component during employee reviews. This is important, and should not be overlooked. However, careful attention should be paid to employee goals for the upcoming year, why these goals are set, and how they accrue to helping the company as a whole. As goals change due to shifts in areas of responsibility or shifts in business needs, the employee and manager should have a way to quickly modify planned goals so that they are always reflective of the work to be performed. Additionally, it's advisable to help employees set concrete targets for skills and competency proficiency levels relative to their current job or future career aspirations within the company.

Increase Communication between Managers and Employees

This section could have been titled: Make it a Year Round Process. However, that is a scary concept for companies coming from a mindset where EPM is universally disliked. However, once this process is easy-to-use and obviously valuable for all involved, then it is important to

Provide managers a quick way to know when goals have been updated.

adopt frequent check ups throughout the year to review employee progress.

With a year-round approach there is still a need for a once-per-year (at a minimum) performance review as employees and managers alike need a forcing event that can be the target date for goal completion or demonstrated progress. However, if employees and managers are routinely able to synch on progress throughout the year, the year-end review is less burdensome, less prone to surprises, and more focused and valuable for all involved.

Summary

The employee performance management process should be viewed as an opportunity to help you fine tune, identify, deploy, and develop the talent in your organization in an optimized way to achieve your strategic objectives. However, in most companies the structure and administrative overhead of the reviews get in the way of achieving these goals. With some slight changes, and by using automated tools that build on a best practice framework, the effort expended in this area can yield tremendous business results.

About Jakoba Software

Jakoba Software's Employee Performance Management Solution replaces paper and e-mail based employee review processes with a simple, but powerful application. Automatic reminders and electronic document routing help managers and employees complete evaluations on time. And, at the end of the review cycle, all of the employee review ratings are automatically calculated and aggregated eliminating the additional work and potential mistakes from re-keying scores into another application. In addition, beyond automation the Jakoba Solution also includes a best practice framework that enables companies to link individual goals to team and corporate goals, track skill proficiencies of employees, and other valuable tools so that companies can get the most out of any EPM effort.

For more information on the concepts outlined in this whitepaper or how Jakoba Software can help you transform your Employee Performance Management process please visit us at www.jakoba.com or contact us at info@jakoba.com.

About the Author

Jon Clemens is the founder and CEO of Jakoba Software. Prior to founding Jakoba, Jon worked at Microsoft where he led the product planning and marketing for a line of Microsoft's Human Resource-focused solutions. Prior to Microsoft, Jon was CEO and founder of ServiceStop.com which built a multi-city network of deliverable convenience services and bundled these to employers as an employee retention/rewards tool to help employees save time. Jon has additional experience as a management consultant with both Ernst & Young's Entrepreneurial/Mid Market consulting practice and Accenture.

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