Performance Evaluation Toolkit

California
Employers
Association ™

Contents

Introduction

Receiving performance feedback is a fundamental part of any job. Without some sort of reflection, how will your employees know what they're doing well or what needs improvement? They likely won't—at least not in any formal capacity.

Although most employers agree that performance reviews are important, many struggle with putting the review process into practice. It's easy to say that an employee must be reviewed, but when? What criteria should be used? How often should the reviews be scheduled? These aspects are often debated by employers.

Sometimes, employers dread going through the review process and many managers find that they are not comfortable or don't know how to provide formal, constructive feedback to their employees. This can lead to employers "going through the motions," and providing generic "middle of the road" reviews to all of their employees, rather than helping them correct any issues or develop within the company. Or worse, reviewers sometimes allow their personal bias to creep into the review process leading to a fractured workplace and possible legal consequences.

Reviews should be viewed as developmental tools, as well as documentation for any future action that could affect employees, both positive and negative. Establishing a fair formal review process encourages reviewers to be concise and provide honest feedback to help employees know if they are meeting the organization's expectations. Employees need to know where they stand with the company at all times and a review, along with constant follow-up and feedback, facilitates that. When there is a corrective action taken or a termination it should not come as a surprise to the people involved. By the time it gets to that point, there should be a trail of documentation to reinforce the action including reviews.

This toolkit explains how to determine the right review process for your company, and offers resources for ensuring the process is beneficial for all parties involved. After considering your performance review options, implementation, and pros and cons outlined in this tool kit, refer to our Performance Review Checklist to begin building or modifying the review process for your company!

Overview of Performance Reviews

What does the term "performance review" mean? To many people, it means sitting down at the end of the year with a manager to discuss how you conducted yourself over the past 12 months. To others, it might mean chatting with a manager every quarter. To some, it could mean a biweekly conversation to discuss personal goals.

Just as all industries and businesses are different, their approach to performance reviews should differ to reflect their individual workforces and needs. This section details those variations and suggests guidance for deciding the best approach for your business.

How the Practice Has Evolved

The modern performance review is largely based on a merit system devised by the U.S. military in the First World War, according to research by the Harvard Business Review. The system was originally intended to identify poor performers, but it later became a way of flagging soldiers with leadership potential. After World War II, over half of all U.S. companies were using a similar system to track worker performance and dole out rewards. An abundance of workers meant employers needed a way to decide who to keep on staff and who to let go and initially individual accountability was more important than personal development.

As the job market shifted and worker demand outgrew supply, a higher priority was placed on employee development. This approach ultimately led to the modern performance model where performance is monitored and reviews are used as a tool to help employees grow professionally within the organization.

Choosing the Right Performance Review

When deciding the best type of performance review process for your business, you should take into account company culture and the best way to provide feedback to your employees. Some points to take into account are:

- What communication methods worked well in the past?
- What kind of rapport do managers have with employees?
- How much is your company focused on personal development versus stats and metrics?
- How often should reviews be conducted?
- Is the focus past performance or future goals – or both?

Reflecting on these questions will help determine the kind of performance review that will resonate most with employees. Companies may solicit feedback from employees about how they prefer to be reviewed. For example, send an anonymous survey or ask employees individually during their current performance reviews about what is most helpful to them.

The following approaches are starting points when developing a performance evaluation process. You may also blend different approaches to come up with a more individualized review process. The end goal is to develop an assessment process that is tailored to your business and workforce.

Rating Scale

A review that uses a rating scale system is probably the most common and most easily recognized. This review process focuses on preset criteria and offers a score for each category. The criteria can be based on company or department goals, certain metrics, individual behaviors or anything else management wishes to assess. In this method, the criteria and rating standards are the same for all employees.

Having a consistent set of criteria and ratings offers the ability to effectively judge employee performance in comparison to one another. Theoretically, this allows the reviewer to see who is doing well and who needs

improvement, both overall and by specific area. In some instances, the cumulative score can be used when determining compensation increases or to tie reward systems into their rating scales.

Self-assessment

A Self-Assessment review involves an employee identifying how they view their own performance. For instance, the employee might be asked to rank various job responsibilities in order of proficiency or score themselves in individual categories. This kind of review empowers employees to take an objective look at their performance and make their voices heard.

Self-assessment can be paired with manager assessments as well. This means an employee and manager would both complete assessments of the employee then compare how those assessments align. Pairing the two assessments allows both parties to candidly discuss any discrepancies and determine areas for improvement.

360-Degree Reviews

A 360-Degree review solicits feedback from everyone who interacts with a given employee in addition to managers. In this model, peers, direct reports, and supervisors all submit feedback. The feedback is compiled into a report which is then presented to the employee. The idea is that diverse feedback will help employees get a better sense of their performance.

The 360-review also allows the employee to submit their own personal assessment, then speak about the results with their manager. All the feedback is used to help develop the employee and identify any improvement areas. It can also be used to record problem behaviors noticed by co-workers and track the results if the issue is persistent. On the flip side, it can also highlight exceptional behaviors if multiple people praise the employee for the same reasons and be used to expand on those areas and leverage those strengths.

Personal Development

The Personal Development review style zeroes in on employees' personal goals, and then assesses them based on the progress made to reach them. Setting personal goals makes employees feel more engaged and gives them a "purpose" throughout the year.

Goals should be created so they align with both company and employee interests. For instance, an employee's goal might be revamping a training curriculum for new hires. This goal would be beneficial for both parties by allowing the employee to gain experience in designing a training curriculum while the benefit to the employer would be a revamped and up to date training module. After a predetermined period, the manager would check in on their progress and offer an assessment.

Pros and Cons of Performance Reviews

As discussed, employers are more concerned than ever about employee development. The goal of performance reviews is to help employees grow and maintain a steady course, not to coerce them to "fall in line." At the very least, they offer a platform for employees to have a productive discussion about their career progress.

Yet, despite their good intentions, performance reviews have their flaws. According to the Harvard Business Review, over a third of U.S. employers have done away with traditional performance reviews. Others are using traditional reviews, but their employees are not feeling the benefits.

Analyzing the pros and cons of performance reviews can identify the pitfalls to avoid when designing and implementing a program.

Pros

Evaluating employee performance is critical for many reasons, not least of which is determining raises and promotions. Employers must have at least one method for assessing how well an employee is faring at the company. This is necessary in order to assign accountability and help identify overachievers as well as poor performers.

Documentation is important to protect an organization from legal claims if an employee is passed up for promotion, reprimanded, subject to corrective action or terminated. A performance review, in conjunction with documented disciplinary action, can prove the company made the employee aware of any issues and management actively worked with them to find a solution. The review must be consistent with any disciplinary documents on file and can show whether the employee made any progress addressing their issues or moved in the wrong direction.

Traditionally, rating scale reviews may not work for every organization, but they can be the best option for employees in metric-based roles such as sales. Rating scales are objective and look solely on whether an individual hit a particular mark. Based on that, employers can reward top performers while focusing on ways to help poor performers improve.

Cons

According to management research firm CEB, 95 percent of managers are not satisfied with their company's performance review process. While there are many reasons for the dissatisfaction, the majority centered on the quality of the information presented. There is a feeling that the snapshot presented at reviews does not present the whole picture necessary for evaluating an employee. Employees are dissatisfied with the practice as well echoing the concerns that the yearly review does not represent what they bring to an organization.

Another factor that causes dissatisfaction is the amount of time the process takes. The time it takes to meet with individual employees and compile all feedback on the past year can take weeks, if not months. In addition, the time between the events discussed and the actual review creates a feeling of disconnect between the

review and the employee's performance. Unless there are clear metrics, it is difficult to assess performance on a task that an employee completed months ago. Considerations like these are making employers rethink when and how they review employees.

This may suggest that a more frequent review system, such as quarterly reviews, is beneficial. However, companies should do their best to streamline the process so that it is not an unnecessary administrative burden on management.

Deciding What's Best

When deciding what is best for an organization, the two big questions to ask are: "What do I hope to accomplish with this review?" and "How can I make this useful for employees?"

The effectiveness of an approach in relation to an organization's employees must be assessed before committing to a particular review process. The process should take into account the company culture and industry it is operating in. In some cases this means the company should incorporate elements from several different approaches. For instance, using a rating scale review but adding a self-assessment or 360 degree review aspect may be ideal.

Whichever approach an organization chooses, it is important for their employees to be clear on the expectations for their position. Employers should make sure their job descriptions are up to date and are an accurate representation of the position related to them. Employees should be presented with their job description when they come onboard or when they move to a new position. This also makes it possible to refer to it during the review process.

In order to reap the most benefits from the review process, employers should avoid viewing reviews as a once-a-year task, completed and forgotten about. If reviews are done on a yearly basis, managers and employees should still revisit the identified goals and issues throughout the year to measure progress. Failing to identify and solve issues in a timely manner and waiting until the yearly review to address them can lead to finger-pointing where the reviewer places the blame for the poor performance on the employee, while the employee resents the reviewer for not giving them the opportunity rectify the issue sooner. This situation can be made even more toxic if compensation is tied to the review.

Performance evaluations are another tool an organization can use to stay competitive. By identifying its workforce's strengths and weaknesses, a company can create a roadmap for employee growth and reap the benefits of a well-developed workforce.

Best Practices for Perfecting Your Performance Reviews

1. **Perform formal evaluations at the same time for everyone each year.** While this increases the workload of managers and supervisors during review time, it makes it possible to compare employees and establish a nonbiased system.

2. **Have regular meetings with supervisory staff.** Supervisors will learn from each other's experiences and help align their expectations so there is consistency in their evaluation processes. Provide adequate training and insist on candid observations.

3. **Clearly communicate to employees what their duties are and what satisfactory performance is.** Accomplish this through periodic reviews of job descriptions, training, and both formal and informal reviews. Revisit their established goals often and offer support as possible.

4. **Tell employees the criteria upon which their performance will be reviewed.** Develop standards and establish reasonable goals for employees. Make sure that employees understand the consequences of their failure to improve and have a system in place to update them periodically.

5. **Don't wait until the annual evaluation to provide feedback; offer it throughout the year.** Give both positive and negative feedback regularly. Information in formal reviews should rarely be a surprise.

6. **Document poor performance in writing.** This can be done in the form of coaching, training, disciplinary action or assessment.

7. **Ask employees to complete a self-assessment in addition to the review completed by the manager.** This can identify areas where the employee and manager disagree on performance or expectations. It can also help create plans for their development and improvement.

8. **Give employees the opportunity to review, challenge and comment on the evaluation.** The evaluation process should not be one sided, encourage participation and discuss any points objectively.

9. **Meet with employees to discuss all evaluations and expectations.** Keep a record of the meeting and what was discussed.

10. **Have employees sign the evaluation.** While an employee may not agree with their evaluation, it provides evidence that the employee has seen it and has been given a copy. If the employee refuses to sign it, the individual giving the evaluation should sign it along with a witness noting that the employee was given a copy.

11. **Establish a review process for evaluations.** This will keep managers honest and ensure that supervisory staff is performing reviews consistently. It will also help to maintain them in alignment with the company's vision.

12. **Give employees time to improve, and offer resources and assistance if appropriate.** Investing in your employees can yield incredible results.

13. **Follow established procedures strictly.** Apply all procedures and standards equally to all employees. Make sure all employees have a thorough understanding of these as well.

14. **Use other supervisory personnel in the process, if possible, to mitigate claims of personality conflict.** This will enhance credibility if all evaluations point to the same conclusion. It also allows you to monitor their consistency.

15. **Make sure employees understand the consequences for failure to perform at an acceptable level.** There should be no surprises in employee supervision and evaluation. The expectations should be clear to employees from day one.

16. **Hold managers responsible for helping subordinates develop and improve.** In some cases, a failure to perform is a failure to prepare them for the challenges of the workplace.

17. **Maintain confidentiality in employee performance evaluations.** Even though some employees are motivated by competition with coworkers, others may be demoralized if you share their shortcomings with coworkers and as a result, less motivated to improve. . As such, reviews should be as confidential as any other document in a personnel file.