

A GREAT REVIEW

Employee performance reviews might seem like a bureaucratic waste, but, in fact, doing them wrong could cost you big-time.

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Deborah Hilden, human resources manager at a Hawthorne-based medical billing company, values employee performance reviews very highly. Still, last April, she suspended them, at least temporarily.

Why? Hilden says it's because she believed the review process was flawed—and of little value to either the employees or the company—as it lacked a formal program for employees who needed help boosting one or more levels of their performance. “The process was just an exercise,” Hilden says.

Hilden feels that good performance reviews give companies a way to keep their employees in step with the firm's vision, while also offering workers a roadmap for improvement, and even a little morale boost, if warranted.

But is that just one HR manager's stance, or a genuine reflection of the power of performance reviews? Well, it turns out Hilden might be in good company.

For slightly more than half of the 500 companies surveyed in 2011 by CEB, a research and advisory firm, employee reviews remain an annual rite of passage. Some 41 percent of companies perform semi-annual appraisals, while an even larger amount, 51 percent, conduct formal performance reviews annually.

The *US Employee Report*, a 2012 survey by Cornerstone OnDemand (which provides talent management and learning and performance-management software) and the research firm Kelton, shows that the way a company manages performance reviews and feedback is closely tied to employee satisfaction. And satisfaction among your employees is no small matter.



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According to a 2013 survey by the same two companies, more than 19 million employed Americans are planning to leave their jobs within the next year. With the average cost to recruit and train one employee estimated at 2.5 times an employee's salary according to the same survey, this employee churn could potentially cost US employers \$2 trillion.

It can be inferred from the 2013 survey that one effective way to keep employees is to conduct better performance reviews, reviews that offer feedback that can help them know what they're doing great, and which parts of their jobs they can perform better—and how.

In addition to helping stem the outflow of workers (and valuable experience with them), such reviews seem to positively affect the bottom line. Analyst Josh Bersin, of Bersin by Deloitte, who's done extensive research on the question, says that organizations with high-quality development plans for employees have 26 percent higher revenues than companies with no program in place. (Sadly enough for the American economy, companies with such programs apparently are in the minority: Only three in 10 of the employees surveyed by Cornerstone OnDemand and Kelton said they'd received training and development in the previous six months to better perform their job.)

In other words, employers that want to stay competitive will close skills gaps by first providing actionable feedback as part of performance reviews and then follow up with training and reskilling opportunities.

Dominican Sister Family Health Services, Inc., seems to have the hang of how to conduct effective employee appraisals. Reviews there are carried out at three months, six months, and one year for new hires, says Susan Cohen, vice president of Human Resources for the Ossining-based organization. Furthermore, she notes, goal-setting is incorporated into appraisals and the company lays out its initiatives for the year, which are communicated throughout the organization. As a result, the goals of each employee fall under the larger corporate objectives, by which performance is evaluated.

"The idea is to write two or three goals you want to accomplish for the year. Hopefully, they tie into your manager's goals and your manager's goals tie into their manager's goals and those tie into the larger organizational goals," says Cohen. That way, everyone's working on the same page "instead of just plowing away everyday in their own little corner of the workplace."

According to Cohen, this year, for the first time, positive reviews will also be tied to compensation for an extra morale boost for those who earn it, and an incentive for those who might fall behind. "We want to make sure that we're rewarding a stronger performer and not paying as much to mediocre performers," Cohen says.

Tarrytown- and Albany-based Independent HR Consultant Liz Taylor says that, ultimately, the quality of a review can turn based on the way it's implemented. "It can be a good developmental tool, or make people really anxious. If done well, if you've done your job as a manager, it's a way to reinforce the message you've been [conveying] during the course of the year. Managers want to think about that person, where they started, where they want to go."

Mara Weissmann, a practicing attorney and president of Wise HR Strategies LLC in Chappaqua, says honesty and good communication are the best policies in a well-executed performance review. "It's an opportunity not to sweep issues under the carpet but to air them out, directly and honestly, so that there's no misunderstand-

ing, and people are motivated to want to improve."

A cookie-cutter approach won't abet an effective performance review, says Weissmann. "You can't provide feedback in a 'one shape fits all sizes'; it has to be tailored to the individual and that person's specific role in the specific department of the company."

Reviews should be department-specific and tailored to address the skills of the different levels of professionals in each of those departments, Weissmann says. For example, competencies for the accounting department differ from those of human resources and vary even more for the front line.

Greg Chartier, a human resources consultant for small and mid-sized businesses based in Ossining, is not sold on the value of employee appraisals. Chartier believes they're the "most problematic" area for human resources and quickly become a

How to Conduct an Effective Performance Review

So you want to improve your performance reviews? We asked the experts what to do.

✓ A hard and fast rule from Susan Cohen, vice president of Human Resources for Ossining-based Dominican Sister Family Health Services, Inc.: Never surprise an employee during a performance review. "A manager shouldn't deliver a performance appraisal where the employee says, 'What? I didn't know I was missing deadlines.' Or, 'You didn't think I was a good team player?'" A good manager needs to give a lot of 'thank-yous.'" That way, she says, employees needn't wonder how they're doing, which does no one any good.

✓ Liz Taylor, a Tarrytown-based HR consultant, says the review should be "the conclusion of some conversations employees and managers have had during the year and an opportunity to talk about ways to do things differently."

✓ Another no-no, says Taylor: embarrassing an employee. A manager should express his or her observations, but do so respectfully. "People read each other so well. If they sense that you're being disrespectful, you'll burn your relationship with them because they take it so seriously."

✓ Avoid getting personal, urges Mara Weissmann, a practicing attorney and president of Wise HR Strategies LLC in Chappaqua. "If the manager comments on anything personal, it can be construed as an area where a person might have protected rights, so they have to be very cautious that this is about a person's performance, not about what the person wears or looks like."

✓ Just like other employees, executives need encouragement and, therefore, should be reviewed. "People think about appraisals as something you do with entry-level and maybe mid-level people but that it doesn't necessarily apply to those at a higher level within an organization," says Taylor. "But it's so profoundly helpful to a business if employees at every level receive reviews. Even executives appreciate the feedback. If you want to make people's games stronger, it's a wonderful opportunity—but often a missed one—if you don't go through with those conversations."

✓ If subordinates review their execs, those reviews have to be carefully designed and implemented because subordinates may have "vendettas, and reviewing senior-level executives gives employees a forum to disparage their manager," cautions Weissmann, who adds that if the stated mission of the review is to enhance leadership development, constructive feedback on how a person leads and is perceived—coupled with methods for developmental opportunities, such as coaching or training—could be very effective.

"bureaucratic exercise that drives the manager crazy." They encourage an attitude of "fill out the form" rather than focusing on performance measures. In addition, says Chartier, most employees feel the process is something that "happens to them," rather than something in which they participate.

For her part, Hilden is still trying to incentivize her company's review process. "I'm not there yet," says Hilden. "Part of it is getting buy-in from the top. If senior management doesn't see the value, how do I present it to the masses? That's the challenge—and challenges are good." ●

Chuck Green has contributed to various publications, including the Chicago Tribune, the Los Angeles Times, WallStreetJournal.com, the Washington Post, Crain's Detroit Business, and Crain's Chicago Business.