

## **A COMPREHENSIVE HUMAN RESOURCE PROGRAM FOR SMALL AND MID-SIZED ORGANIZATIONS**

We are often asked by a client to implement selected aspects of our Human Resource (HR) programs based on the immediate need of the client. However, this paper attempts to show the value of an integrated, building-block approach to five HR programs that will increase productivity, improve behaviors, and meaningfully compensate and recognize employees.

Two of the hot topics in the business world today are employee commitment and engagement. Every organization is looking for committed and engaged employees. What many organizations don't full grasp is that employee commitment and engagement is an integrated building block of systems and programs. Just implementing one program without considering the interrelatedness of other programs and internal systems is a common mistake. It is also the reason that research shows that isolated improvement programs such as Six Sigma, Total Quality Management, and others fail at an astounding rate of 75%.

We offer an approach to improving employee commitment and engagement that we call the Profitability-Based Human Capital Pyramid, which is shown below.



Everyone remembers Maslow's Hierarchy of Needs which progresses from basic survival needs to higher level needs such as security, belonging, and achievement. Our Pyramid suggests a similar progression.

As an example, the Operations Division of a company will have great difficulty implementing Lean Manufacturing or other programs to achieve operational excellence (Level 4 of the Pyramid) if the culture, compensation, recognition, and performance monitoring systems are subjectively administered and not integrated with the direction of this new strategy.



Our resolution to this issue is to implement a comprehensive process that lays a solid foundation for achieving sustained profitability (Level 8 of the Pyramid).

### **FIRST STEP:**

Our recommended first step is the creation of standards-based job descriptions.

The typical job description consists of a listing of meaningless and overly broad references to job responsibilities with language such as “liaison between the client and the company.” With fuzzy language such as this, it’s no wonder that most managers roll their eyes whenever someone talks about job descriptions.

From our perspective, the job description is THE basic building block of the employment relationship:

- Get it wrong and it adversely impacts your business goals and profitability.
- Get it right and your employee and customer satisfaction numbers “go through the roof.”

The secret to our standards-based job description is specificity.

When creating a job description, we work with the manager to whom the job reports and the employee who “owns” the position. This working relationship allows us to identify not only each specific responsibility, but also the manager’s performance expectation associated with that responsibility.

### **SECOND STEP:**

The second step is the creation of the performance evaluation tool.

From the first comprehensive indictment of traditional employee performance evaluations written in 1965 in the *Harvard Business Review* to current articles, research, and surveys done by *The Wall Street Journal*, Gallup, etc., the overwhelming consensus is that traditional performance reviews do more harm than good.

When we speak about traditional performance evaluations, we are referring to:

1. A 5-point or 10-point rating form with or without descriptive comments for each rating level.
2. A listing of vague and poorly defined performance attributes such as dependability, reliability, flexibility, creativity, etc.
3. An annual or semi-annual, one-way interaction in which the manager gives his/her opinions about an employee’s performance with limited or no evidentiary support.



From our perspective, 5-point or 10-point rating schemes for performance are of little or no value. Managers do not have the ability to accurately and consistently rate performance on an arbitrary 5-point or 10-point scale.

It is our position that performance has only 3 measurements:

1. Falls Below Standard,
2. Meets Standard, or
3. Exceeds Standard.

In the evaluation of any performance, a manager is limited to the choice of two measurement methods:

- Counting – Making observations and actually counting results, as well as noting exception reports.
- Judging – The process of forming an opinion by discerning (rating) and comparing (ranking), rather than counting.

One of the major flaws with traditional performance appraisals is that they utilize the judging measurement method in which managers are expressing opinions about performance, rather than stating facts.

We solve the problems of traditional appraisals with an employee performance review program that we call Process Evaluations.

Our Process Evaluation Program is driven by the specificity identified in the job description.

Our Process Evaluation also creates a collaborative and objective environment where the evaluation is not simply an exercise to see how high an employee can rate on an arbitrary 5-point scale. Rather, a Process Evaluation becomes a Continuous Improvement exercise to improve the organization by maximizing the contribution of an individual employee.

**THIRD STEP:**

When talking about performance, most managers mistakenly combine social performance with job performance. We define these two performance measures as follows:

1. Job Performance – Work-related activities, actions, and interpersonal expressions that are measured against benchmarks or standards.
2. Social Performance – Non-work related interpersonal expressions and behaviors that a manager expects of his/her direct reports in order to promote a desired culture.

With regard to social performance, it is extremely important for a manager to periodically assess an employee's non-job behaviors and engage an employee in a discussion related to social behaviors. We call this review of social performance a Behavior Assessment.

The Behavior Assessment is designed to provide managers with a tool that will allow them to set non-work behavior expectations that promote and maintain a positive and productive organizational culture.

#### **FOURTH STEP:**

The fourth step of this comprehensive approach is the establishment of a Compensation Program.

Many organizations struggle in their attempts to establish salary and incentive systems that attract, motivate, and retain quality employees.

Our goal with a Compensation Program is to “take money off-the-table” as an employee relations issue and get everyone focused on performance. Based on a company’s needs and financial constraints, we develop and implement one or all of the following six basic compensation options:

1. Competitive Wage & Salary Scales.
2. Bonus or Incentive System:
  - a. Individual Goals:
    - i. Achievement of Work Goals.
    - ii. Achievement of Job Performance Goals.
    - iii. Achievement of Employee Development Goals.
    - iv. Achievement of Advancement/Promotion Goals.
    - v. Achievement of Job Performance Behaviors.
    - vi. Achievement of Social Performance Behaviors.
  - b. Performance Targets of “One Level Above.”
3. Companywide Bonus Plan.
4. Supervisor’s Subjective Criteria.
5. Specific Strategic Goals.
6. Special Projects.

In addition to benchmarking compensation, we develop a comparative analysis of employee benefits using the metric, Benefits as a Percentage of Total Compensation.

#### **FIFTH STEP:**

The final step of this comprehensive approach is the implementation of a Social Recognition Program.

When most people hear the term, “recognition,” they often think of tangible recognition such as bonuses, salary increases, gifts, tickets, trips, etc. However, the most powerful form of recognition for the vast majority of employees is intangible/social recognition such as thank you notes, verbal praise in front of peers, additional responsibilities, simple acknowledgement of a job well done, etc.



We construct a Social Recognition Program that is designed around the attributes that allow employees to enhance their self-worth and buy-in to the values, mission, and culture of the organization.

It is our position that social recognition should be deliberate and systematic and not left to chance or “when I feel like it.” This means that this type of recognition must become a daily top-of-mind activity of every manager.

The key components of our Social Recognition Program are:

1. Identifying the work and interpersonal competencies and behaviors that the company wants employees to exhibit.
2. Identifying examples and developing stories that make the competencies and behaviors “come to life” for the workforce.
3. Teaching managers how to express performance expectations in terms of competencies and behaviors.
4. Instructing managers how to say “thank you” and give verbal praise in a genuine and sincere manner that reinforces core competencies or behaviors.
5. Instructing managers how to correct employees without being critical.
6. Training employees to take an active role in helping their manager recognize them via a unique tool for capturing their exemplary actions.
7. Providing guidance to employees to help them appreciate and recognize their peers and supervisors in order create a culture of recognition, as expressing appreciation is not just a “one way street” of manager to employee.
8. Making recognition a part of every manager’s performance expectations.

#### **CONCLUSION:**

With the above five steps having been firmly established and having fully trained the managers of a company in their implementation, the business is now well positioned to begin tackling higher levels of the Profitability-Based Human Capital Pyramid.

As a way to further support the above five programs, we would strongly recommend that an organization investigate ongoing management training for managers and implementation of periodic employee engagement surveys to monitor the company’s progress related to employee commitment and engagement.