

TERMINATE PERFORMANCE EVALUATIONS AND IMPLEMENT PROCESS EVALUATIONS

When will managers stop abusing their most valued assets (employees) with annual “stress-tests” known as performance evaluations?

In today’s business environment, organizations are constantly seeking a competitive advantage in the marketplace in such areas as products/services, employee recruitment/retention, and customer loyalty. Can there be any better competitive advantage that a competitor cannot duplicate, than a fully engaged and productive workforce? Yet, dozens of research projects have documented that performance appraisals are a major contributor to negative employee relations, which can adversely impact productivity and profitability. Here is a sampling of the research:

- In 1965, the *Harvard Business Review* reported the results of a landmark study by Herbert Meyer, Emanuel Kay, and John French, Jr., which tested the effectiveness of traditional performance appraisal systems at General Electric. Conclusion: performance evaluations don’t work and often do more harm than good.
- A 1994 survey by the Society for Human Resource Management (SHRM) found that 90% of appraisal systems were not successful.
- Timothy Schellhardt in *The Wall Street Journal* (November 19, 1996) noted that 90% of managers describe performance appraisals as “unsuccessful.” Schellhardt went on to say, “If less than 10% of your customers judged a product effective and 7 out of 10 said they were more confused than enlightened by it, you would drop the product.”
- A 1999 survey of the Michigan Bar Association noted that only 3% of lawyers felt that an appraisal benefited an employer in litigation while 44% felt the appraisal benefited the employee.
- The consulting firm, People IQ, in a 2005 national survey determined that 87% of employees and managers felt performance evaluations were not useful or effective.

With research results like this, is there any wonder why the Dilbert cartoons are so popular?

The quality guru, W. Edwards Deming, Ph.D., in his book, *Out of the Crisis*, described performance appraisals as one of the 7 deadly sins that negatively impact employee relations, productivity, and quality improvement. Dr. Deming described the performance evaluation process as building fear, demolishing teamwork, and encouraging rivalry.

Dr. Deming was right. The traditional performance evaluation, with numeric rating scales and a continuum of poorly defined qualitative criteria, attempts to fit square pegs into round holes. The typical company performance appraisal attempts to funnel the full range of professional,



non-professional, and managerial positions through the same generic, subjective criteria in an effort to “individually rate” each employee’s performance.

Your Part-Time HR Manager, LLC has found a solution to the dilemma of performance appraisals. The solution is not the elimination of performance measurements. The solution is a new and objective methodology for assessing performance and improving productivity known as Employee Process Evaluations. Below are the three steps to initiating and implementing an Employee Process Evaluation Program.

Step #1 – A Process-Oriented Approach

A key component of the Employee Process Evaluation Program is the ability and skill of a manager to pinpoint the responsibilities, behaviors, and expected outcomes of each position that reports to the manager.

In most companies, a listing of position responsibilities, commonly referred to as a job description, may appear as follows:

- Prepares a variety of reports.
- Handles customer complaints.
- Provides accurate and timely information.
- Establishes and maintains close liaison with clients.
- Maintains a thorough familiarity of the products of competitors.

These all-inclusive statements do nothing to describe the specific and important tasks that comprise each function. For an employee whose economic lifeline depends upon effectively executing his/her job, specificity and clarity are very important. For any evaluation system to be truly effective and meaningful, it needs to identify the core activities of the job, the most significant process steps for each activity, and the quantitative minimum expectations that each activity must deliver.

The Employee Process Evaluation Program provides a simple format to assist managers and employees in documenting functions of a job in a process-oriented format. Position responsibilities that are written in a process-oriented format accomplish the following:

- An employee will have a list of responsibilities and standards of performance that are 100% objective.
- A manager can identify the major process steps and outcomes for which an employee will be held accountable.
- A manager can monitor changes in the number of activities and the time commitment of activities for each employee as those activities increase or decrease with business volume.

- A manager has the flexibility to add time standards to each process step as a way of assessing cycle time for each step and for an activity/process as a whole.
- The employee and manager will gain a better appreciation of the process steps that are dependent upon outside inputs. As such, an employee would not be held accountable for a given output if situational constraints, over which the employee has no control, affect the output.
- The manager has the opportunity to establish criteria that can be used as a basis for objectively evaluating an employee's output and has laid the foundation for continuous improvement on a micro/individual level.

Step #2 – Observations & Tallies

The days of one evaluation form for all positions are long gone. If we are going to reduce employee turnover and improve employee engagement, we need to address the day-to-day issues of the job (the processes) that affect each employee. Process Evaluations represent a major tool for improving the quality of work.

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

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

The problem with traditional performance appraisals is that they utilize the judging measurement method in which managers express opinions about performance. As such, the subjective process of forming an opinion about an employee's performance is what has given rise to the famous Dilbert cartoon, *"I don't have an attitude problem. You have a perception problem."*

The major difference between our Process Evaluation Program and all other programs is the measurement method – counting.

The Process Evaluation Program uses a series of short, specific observations that allow a manager to tally the results. The concept behind the Process Evaluation Program is similar to the concept used in many organizations that implement Six Sigma Programs – random sampling and measurement.

The Employee Process Evaluation Program utilizes this same concept of sampling and measurement without complicated charts and graphs. The Employee Process Evaluation Program provides an easy-to-use tool for managers to make periodic observations of performance as well as a tool for tallying the results of those observations. With periodic

observations having been completed and feedback given, a manager and employee are now ready to conduct a Process Evaluation.

Step #3 – The Process Evaluation

We have established a very specific and easy-to-use format for conducting an Employee Process Evaluation. Since the Process Evaluation was designed using a Continuous Improvement methodology, we have created very basic tools and rules for conducting the Process Evaluation such as:

- A tool for updating responsibilities.
- A 3-step format for conducting the Process Evaluation.
- A 2-step process for analyzing and fixing a performance deviation from a standard.
- A methodology for analyzing and improving each responsibility and performance standard relative to the “Three Elements of Competitiveness.”

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

Process Evaluations = Competitive Advantage

Even though employees do not like to think about it, they are “spokes” in a “wheel” and the strength of any wheel is a function of the strength of the individual spokes. Traditional performance appraisal programs have all been implemented with a very noble goal – to strengthen the individual “spokes” thereby creating a stronger “wheel.”

In theory, these performance evaluation programs should work. In practice, these programs have had a well documented negative impact on individual and organizational performance.

Our Process Evaluation Program is a paradigm shift in the way performance improvement is executed in the 21st Century.

As noted above, our Employee Process Evaluation Program was modeled after Continuous Improvement (CI) programs that are being utilized by thousands of organizations. When one looks at the results of CI programs, the companywide outcomes are impressive (e.g., a doubling of productivity/throughput; cycle times and inventory slashed by 50%; workforce reductions of 20% to 50% from attrition, not layoffs; elimination of unnecessary process steps and quality improvements approaching Six Sigma standards; etc.).



Employee Process Evaluations, if done correctly, have the potential to achieve results on an individual level, proportional to the companywide accomplishments listed above.

In the book, *Control Your Destiny or Someone Else Will*, the former CEO of GE, Jack Welch, stated, “Companies can’t give job security, only customers can.” One of Mr. Welch’s themes at GE was that corporate viability (i.e., profitability and related job security) is a function of:

- Satisfied and loyal customers, which is a function of
- Quality products/services, which is a function of
- Employees who are satisfied and fulfilled in their employment relationship.

As such, the absolute starting point for achieving job security, corporate profitability, loyal customers, and quality products/services is an engaged and loyal workforce. Achieving an engaged and loyal workforce was best characterized by Mr. Welch when he stated, “Manage processes not people.” and “Instead of seeking better ways to control workers, liberate them.”

The Employee Process Evaluation Program is a methodology for managing processes and for liberating and engaging employees that will have a major impact on an organization’s competitive advantage.