By Laurie Chamberlin

Does Your Performance Management Need a Tune-Up?

Here are some strategies that will help you keep your workforce firing on all cylinders.

Your workforce is the engine that drives your company forward. Like any engine, however, your workforce needs to receive proper attention and ongoing service to continue operating effectively. In the garage, this concept is known as preventive maintenance, but in the business world it's known as performance management. In both instances, the businesses that do it best are the ones that see their engines firing on all cylinders.

The Evolution of Performance Management

The concept of performance management is nothing new. In fact, its roots can be traced back as far as the Third Century when Chinese emperors established a performance review system for the official family. In the mid-16th Century, Saint Ignatius of Loyola established a formal rating system for members of the Jesuit Society. Finally, in the early part of the 20th Century, performance appraisals began to take hold as a common practice in corporate America with managers developing annual appraisal systems for their subordinates, typically blue-collar workers.

Clearly, the principles of performance management have continued to evolve. Today, many organizations are still using that once-a-year, top-down approach to performance management, though it's in serious need of a refresh. Instead, they need to think of performance appraisal as a dynamic assessment that flows in all directions at all times.

Unfortunately, if your organization's performance management approach needs to be brought up to date, it can be a significant challenge. To help, here are some practical suggestions you can use in your office.

Start with Alignment: Before implementing a performance management approach or establishing benchmarks for success, it's important that you assess your strategic organizational goals. Work with your senior leadership and executive teams to get a clear understanding of your organization's plans, both short-term and long-term. Only after you have this knowledge can you begin to tailor your performance management approach to meet your enterprise-wide objectives regarding performance, timelines, deliverables, and responsibilities.

Involve Your Employees Up Front: Your employees should be actively involved in the design and ongoing maintenance of the performance management program, if possible. Consider forming a steering committee or task force of representatives from different departments. Ideally, in order to gain the most comprehensive perspective possible, this group would consist of employees with different experience levels and tenures within your company. They can help translate the organizational goals into day-to-day language that the workforce will understand and appreciate. The group can also provide feedback on what's working and what isn't in order to continually refine your performance management system.

Measure What Matters: When developing the physical performance management tool— whether it's a hard-copy form or an online evaluation—make sure you are only including the metrics and evaluation categories that can help assess an employee's contributions to the goals established in the alignment phase. Anything extra or unnecessary will only slow down the process and inspire frustration among your employees.

Measurements can be broken down into major subcategories, such as quality, quantity, timeli-

ness, innovation, cost effectiveness, and customer satisfaction. It's also important that the tool be balanced and not emphasize one category over another equally important category.

Take a 360-degree View: In the past, the performance management process was limited to managers reviewing their subordinates. But today the better approach is the 360-degree review whereby all individuals, regardless of their seniority or position, are evaluated by those with whom they interact. The evaluators can be an individual's boss, peers, subordinates, customers, etc. The person being evaluated also typically does a self-assessment to complete the circle. The goal is to provide more feedback, more insight, and more opportunities for improved performance.

The effectiveness of this approach is reflected in its growing popularity. According to human resources consultant William M. Mercer, 40% of American companies used 360-degree feedback in 1995; by 2000, this number had jumped to 65%. In 2002, 90% of *Fortune* 500 companies were using a 360-degree performance review process. (For more information, see Diane Alexander, *How Do 360 Degree Performance Reviews Affect Employee Attitudes, Effectiveness and Performance?* University of Rhode Island, 2006, www.uri.edu/research.)

There are many 360-degree feedback tools and organizations available in the marketplace. When deciding whether to work with a company or develop a tool in-house, make sure to evaluate all options and determine how they can help you achieve the objectives uncovered during the alignment phase.

Set the Stakes and Clear Expectations: Armed with an understanding of the organization's goals and the workforce's perspective, and with the evaluation mechanism set, it's time to start delivering the message to your employees.

Clearly delineate the responsibilities and performance expectations of each individual. If bonuses, compensation, and other rewards programs are going to be tied directly to the new system, spell out the guidelines clearly and explicitly. Let employees know why the performance management system was refreshed, and demonstrate how the new system will allow for a more fair and accurate assessment so that those employees who deserve to be rewarded receive their due.

Not setting clear expectations is often the biggest misstep companies make when rolling out a new performance management system and approach. If your employees don't believe the new system works—or if they feel you just made a change for the sake of change—chances are they won't embrace the process and won't benefit from the changes.

Make Manager Training Mandatory: An effective performance management system requires that executives and managers are educated about the program and are able to use it properly. Unfortunately, some managers often will go into an appraisal session blindly, putting the employee at a significant disadvantage vs. his or her peers in other departments and doing a great disservice to the organization as a whole.

That's why formal training programs should be compulsory and comprehensive—in order to ensure that everyone is on the same page. In addition, the task force or person in charge of the program must make continuing guidance available, and these individuals must be accessible at all times.

Evaluate Performance Every Day: Successful organizations monitor employees' performance continually and provide regular feedback. Evaluations can be both formal and informal, and they can even be complemented by performance management software that aggregates data and makes it simple to review the information.

Likewise, discussions with employees can take the shape of formal annual or quarterly reviews or can be conducted in an informal setting, such as a passing conversation or monthly lunches. Anytime your managers and employees engage in a conversation provides an opportunity for an exchange of suggestions and feedback while bolstering communication and improving employee engagement.

Make Performance Management a Social Skill: New employee evaluation methodologies and products continue to enter the market every day. One of the exciting innovations is Rypple, a Facebook-like application where managers can "like" tasks, reward employees with badges, solicit feedback via a wall post or private message, and monitor progress through a living, changing interface. It's a great way to improve manager-employee communications and deliver feed-

Careers

back in real-time.

The workforce is the most important part of any organization. Therefore, companies must look for ways to simultaneously retain their highest performers and promote productivity among all employees. Updating and upgrading ineffective performance management policies is a practical and often simple way to accomplish this goal. When implemented and developed correctly, a performance management system can drive engagement, morale, and, ultimately, profitability. In short, it can mean the difference between operating like a well-oiled machine and getting stuck in gear. **SF**

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