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A Tale of Two Performance Reviews

I'd like to invite you to take part in a little detective work as we solve the mystery of the tale of two performance reviews. The sleuthing task, as it were, is to identify how it's possible for performance reviews to succeed in one context and fail miserably in another. Ready?

Let me introduce you to two managers, two companies, and two ways of reviewing performance. It's likely your situation will strongly resemble one or the other.

One Fails, One Succeeds

Jessica is a middle manager at the Aquatec Company, a manufacturing and retail chain that sells bathroom and pool supplies. She's dedicated and smart and wants to do the best job she can. Mike is also a middle manager, at another company in the same sector—Waterworks. He's also dedicated, smart, and committed. Neither is cursed with negative attitudes about employees and both share a common belief that most employees really want to do well.

Every year the managers in both companies are expected to conduct performance reviews with their staff. Jessica and Mike both schedule performance review meetings at least once a year, since that's what their companies require.

With respect to performance reviews, that's about all these two managers have in common. What they do, how they do what they do, and their experiences with performance reviews are very different. Different though they may be, both use the term "performance review" to describe what they do.

Let's start by looking at these managers' feelings about the performance review process. Managers' perceptions of performance reviews are often excellent indicators of how the performance review systems are working for them. Strong dislikes also affect how managers conduct performance reviews, and they make reviews less effective.

Jessica hates them. When I asked her if she looked forward to these meetings, she said, "*Lord, no. I'd rather crawl over broken glass than have to conduct these meetings. There are always a few employees that get really upset during the meetings and after, and quite frankly, I'm tired of having to grade staff as if they are kindergarten children.*"

In response to the same question, Mike provided a completely different answer. "*Well, I find the discussions so valuable that I can't imagine not doing them. I see my job as working with staff so we all get better and keep learning, and I think my staff understands that. While there are some disagreements during review meetings, they are rarely unpleasant.*"

Smart Managing

Self-Fulfilling Prophecy

When managers and employees dread the performance review process, two things are almost certain: the process is ineffective and the managers' negative perceptions are ensuring that it will remain ineffective. If you and your employees find the process uncomfortable, you have to look at changing the process so it *is* worthwhile. That means creating a process that's not quite so uncomfortable.

How very strange that two people, equally bright, educated, and dedicated have such completely different views about the performance reviews. It's a puzzle. Maybe their employees can shed some light on the mystery.

Jessica's employees have somewhat different opinions, but there are some common threads in their responses to questions about their performance reviews. Generally, they don't quite understand the point, feel the meetings are unpleasant, and walk out feeling no better (and often much worse) than when they went into the meetings.

Mike's employees generally feel they accomplish things during the performance review meetings with Mike. For example, one of Mike's employees said it this way: *"I'm always a bit nervous before the meeting, but you know what? By the end of the meeting I feel like Mike is working with me to help me, and not to club me over the head. And I feel better able to get my job done as a result of the meetings. In fact, I think the meetings have helped me improve at my job to the point that I will probably be promoted."*

Things get curiouser and curiouser. We know now that Mike and Jessica differ in their perceptions of performance reviews and that their staffs differ in their perceptions as well. Let's take a quick look at the bigger picture. Are there differences in how the two companies see performance reviews?

We can look at this by talking to the human resources (HR) people in each company, since it's usually the HR people who are responsible for compiling the performance review paperwork as part of personnel records.

John, an HR specialist at Aquatech, didn't mince words when he was asked about performance reviews. "*It drives me nuts. I can't get the managers to do the reviews or the paperwork each year. Some employees haven't had reviews for more than five years, and I'm darned tired of nagging managers who should know better. It's not too much to ask, is it, to just fill in some simple forms once a year?"*

Mary, in HR at Waterworks, seemed to be talking about something completely different. *"Overall our managers seem to*

> **Cost or Investment**
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> If you view performance reviews as something you *have* to do and as a cost rather than an investment, it's likely you are getting little value from them and your attitude and understanding of performance reviews need some tweaking. No surprise, really. Most of us have had bad experiences with performance reviews as employees and we bring that experience with us when we become managers.

spend the time to get the reviews done, but then again we've worked with them so they understand why it's important to do them and helped them learn to do the reviews so that everyone involved sees the advantages of doing them properly. Our position is that we care less about getting forms completed than about managers sitting down with their employees regularly to talk about how things have gone and how to make things better."

If we had access to each company's bigger picture, we'd also find differences. A cost-benefit analysis would show that the performance review program at Aquatech is "overhead," that is, the cost of doing performance reviews outweighs any return that Aquatech receives from them. For Waterworks, it's different. Its performance reviews actually contribute to the company's bottom line. Their employees improve more quickly, contribute more to the company's goals, tend to be more satisfied with how they are treated, and tend to stay longer with the company.

The Key Questions

The question we need to ask is "How is it possible that two managers and their companies appear to be doing the same thing—performance reviews—and end up with completely different results?" The simple answer is that the usefulness of performance reviews is determined by how people understand the functions, usefulness, and process of reviewing performance and how they act on their different understandings. If you were to sit in on performance reviews in both companies, you'd be struck by how different those meetings look. They're hardly alike at all.

Another important question is "Where do my company and I fit here?" Are you more like Aquatech or like Waterworks? Chances are that you are much closer to the failures at Aquatech than the successes at Waterworks. That's because more performance review systems work improperly than properly.

Should You Care?

Should you care whether your performance review process is working or not? Yes. Here's why.

Performance reviews are very powerful tools that can contribute to your personal success, the success of your employees and work unit, and the success of your company—*provided* they are done properly and the review process is carried out with the goal of improving success for everyone involved. If your performance review system is not working as well as it could, you're losing the benefits you could be getting from your system. Here are some of the benefits you lose due to poorly conducted performance reviews.

- Identifying performance difficulties early on, before they grow into large problems.
- Improving the relationships between manager and employee and creating a climate of trust.
- Putting manager and employee "on the same side," creating a climate that's not confrontational.
- Identifying barriers to performance that are not under the control of the employee but under your control.
- Identifying which employees can benefit from job training and which might be developed to take on greater responsibilities.
- Helping each employee understand how his or her job and performance contribute to the company and its success.

- Having documentation when and if it is necessary to take disciplinary or remedial action, so both you and the company are protected from unjustified legal accusations.

> **Real World Successes**
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> In a 1994 study that included over 450 companies, Hewitt & Associates, concluded that companies with effective performance management systems outperformed those without on measures like employee productivity, cash flow, stock price and value, and profitability.

Perhaps a more compelling reason for caring about whether your performance reviews are effective or not lies in the consequences of having a system that is failing. Performance review systems are rarely neutral in terms of their costs and benefits. They either contribute or cause damage. It may be true that damage from poor systems is hard to find unless you're looking for it, but poor systems cause real damage to companies and to your ability to manage effectively.

Let's look at some of these hidden damages of poor systems.

- Performance review systems that don't help employees do their jobs hurt the relationships between employee and manager and create confrontational situations.
- Managers doing ineffective performance reviews lose credibility with employees, particularly when the manager acts as if the reviews are valuable when they are clearly not. Employees are smart: they know when a manager is just pretending to do something useful.
- Time and resources are lost. The only reason to justify doing performance reviews is if they somehow add value. If they don't add value, they cost.
- Poor performance review systems can make the HR staff seem amazingly stupid when the forms and mandatory requirements they set out are clearly a waste of time.

So, let's recap. What do we know so far? We know that

Jessica and Mike have very different feelings about the performance review process: Jessica hates it and Mike doesn't. Their employees also have very different perceptions: Jessica's employees have a strong dislike, a "'what's the point?' attitude," while Mike's employees, although not always perfectly comfortable, see the process as beneficial or worth the time and effort. Comments from the two HR sections tell us similar stories. Finally, we know that Waterworks seems to be receiving clear and obvious bottom-line benefits from performance reviews, while Aquatec isn't. In fact, for Aquatech, performance reviews actually cost in time, benefits, and productivity. That brings us to the great mystery, the real question that we need to address. What distinguishes these two companies and these two managers from each other? That's the question we must answer if we have any hope of improving performance reviews in our own companies.

What Distinguishes Effective Reviews from Ineffective Reviews?

Life would be much easier if we could identify one single variable that separates good and poor performance review processes. If there were just one essential difference, then all you'd have to do to move from poor to good would be to change that one thing. Unfortunately, it's not like that.

Effective reviews and ineffective reviews are different in many, many ways. If you want to improve them, you have to address most, if not all, of the ways in which they differ. Let's take a look at the characteristics of performance reviews that make them more or less effective and increase or decrease the return on investment.

Clear Primary Purpose vs. Befuddled Purpose

One of the challenges in making performance reviews work is that people tend to try to use reviews for a number of purposes or goals. In itself that wouldn't be a problem, except that those purposes often conflict, making it impossible for a system to achieve *any* of its purposes. Performance reviews work best when the players (company, managers, and employees) clearly understand why they're doing what they're doing and when they understand that performance reviews can't achieve purposes that conflict.

Let me give you a concrete example. Many companies and managers want to use the performance review results to make personnel decisions that significantly impact employees. Since they want to reward good performance, retain top employees, make decisions on promotions, and even determine who to keep and who to let go, it's sensible to want to have data on which they can base these decisions. They look to the performance reviews to provide that data.

They may also want to use performance reviews to improve performance and to develop staff abilities. On the surface, it may appear that these two purposes are complementary, but in fact, they create conflict and put managers and employees in almost a schizoid situation.

To gather data for important personnel decisions, the responsibility for evaluating performance generally lies with the manager, not the employee. That's because the manager is the one making those important decisions. Since the employee knows the performance review information may be used to help or harm him or her, the employee doesn't perceive that it's in his or her best interests to be completely open, honest, or accurate about his or her performance. In other words, the evaluative, manager-centered performance review, tied to rewards and punishments, actually pushes the man-

TRICKS OF THE TRADE

Building Trust Helps

There's no way to completely eliminate cross-purposes unless one decouples the performance review process from pay, reward, and punishment, something that may be problematic. I've found that managers with excellent interpersonal skills who create bonds of trust with their employees can manage this paradox well. Managers who do not have those relationships of trust face many more difficulties with the performance review process.

ager and employee to opposite sides. The employee benefits from highlighting what he or she has done well, in the hope of receiving a pay raise or not getting laid off. The tie to rewards and punishments becomes a wedge between manager and employee and keeps them from working together to improve performance.

We end up here with two purposes or functions that interfere with each other. If the goal is to make decisions about rewards and punishments, manager and employee often work at cross-purposes and take on confrontational roles. However, if the goal is to improve performance, the *only* way that will work over time is if manager and employee work together cooperatively, in partnership, within a non-threatening climate, as partners in the process.

Of all the things that distinguish effective performance reviews from ineffective, this is the toughest one to overcome. All of the ones we describe later can be fixed. This one, however, is basically a paradox, since there are legitimate reasons to use review data to make decisions and to use review data to improve performance. But you should determine what is *most* important to you and your work unit and company. Define your primary purpose and aim at it, while being aware that other purposes can creep in and cause conflicts.

Unclear vs. Clear Definition

There are currently a lot of definitions and different terms used to describe meetings where performance is discussed. For example, there are performance reviews, performance appraisals, employee reviews, and performance management, just to name a few. Some of these terms differ only slightly in meaning and some differ significantly. Believe it or not, you'll find that where performance reviews don't work well, it's often the case that people don't share a clear common definition and understanding of performance reviews. Managers and HR staff assume that people understand it the same way, but there's no guarantee that's the case. We need a definition that explains both the process and the main purpose of the performance review.

Performance review Usually a face-to-face meeting between manager and employee to discuss the employee's performance for the purpose of removing barriers to performance. It does not stand on its own, but is intimately tied to other parts of a larger performance management process.

I recommend using performance *review* rather than performance *appraisal* or performance *evaluation* because it captures the idea of reviewing performance *together*. Here's one way of defining it. The performance review is usually a face-to-face meeting between manager and employee to discuss the employee's performance for the purpose of removing barriers to performance. It does not stand on its own, but is intimately tied to other parts of a larger performance management process.

We need to define *performance management* also, but we'll do that later on.

A definition is useless, of course, unless everyone involved understands it. Whether you use this definition or another, it's important that executives, HR staff, managers, and employees all understand it. That means communication among all of the parties.

Past vs. Future Orientations

Performance reviews tend to fail, to cost money rather than add value, when their primary focus is on what's happened in the past. The explanation is really quite simple. What's done is done. Nothing from the past can be changed. If we wish to influence performance to boost success, we need to look at the past, learn from it, and apply what we've learned to the present in order to influence the future. Someone once said, "You don't drive by looking in the rear-view mirror, so why do you manage that way?" That's a darned good question.

On the other hand, where manager and employee analyze the past to identify patterns and causes of reduced performance and work together to remove those causes in the future, performance improvement occurs. Don't dwell on the past. Use the past to inform the present.

Blaming vs. Problem Solving

Maybe it's part of human nature, but we tend to want to blame someone for things that go wrong. You see this everyday in the news, sports, interpersonal relationships, and politics: a huge percentage of the discussion on issues centers on finding fault when something goes wrong. The blaming process tries to isolate *who* is at fault.

Problem solving is different. Its major purpose is to identify *why* something went wrong, and not necessarily *who* caused the problem. On some occasions, the *who* becomes relevant, but only in terms of identifying the causes of the problem in order to fix it or prevent it from happening again. Also, blame looks backward, while problem solving centers on the present and the future. The blaming process also contains a huge emotional component. The "blamer" usually blames with anger, while the "blamee" reacts emotionally, often with anger, but also with defensiveness or trying to strike back or avoid blame.

It's probably clear to you why a focus on blame makes performance reviews ineffective. First, it creates emotional reactions in the person targeted as the one to blame. Second, blaming doesn't bring about solutions.

Forms vs. Process

Another feature that distinguishes between failed reviews and successful reviews is the emphasis: is it on completing the forms or on carrying out a productive and constructive practice? One common complaint of both managers and employees regarding performance reviews is that it seems like "one big paper chase": apart from getting forms completed, they don't see any purpose in it. Managers often set the focus on forms both before and during review meetings. If the goal of performance reviews is perceived as completing forms, it's damaging.

Doing To vs. Doing With

In looking at differences between managers who succeed with performance reviews and those who apparently do not, something else emerges. Managers who do not profit from performance reviews often believe, consciously or not, that they must *do* or *give* something *to* the employee. In other words they see their roles as evaluating, as deciding how well the employee has done. Managers who profit from performance reviews consider the review as an opportunity to *discuss* performance *with* employees.

If, for example, you could observe Mike and Jessica during their reviews with employees, you would see that Jessica does most of the talking during her sessions, while Mike does much less talking and far more questioning and encouraging the employee to self-evaluate. This is important, since it puts Mike and each employee on the same side and, even more important, it puts some evaluative and problem-solving responsibility just where it should sit—on the shoulders of the employee. Why? The employee is the only person who is there for every job task he or she performs, the constant observer of performance. The manager is not. Despite what most managers think, an employee doing a job for eight hours every day knows a lot more about the job than the manager *and* is in a far better position to solve job-related problems than anyone else. If the employee isn't allowed the opportunity to do so, a very valuable benefit of the performance review is lost.

Narrow vs. Broad Views of Performance

Ineffective performance reviews tend to focus almost entirely on what the *employee* has done and what the *employee* needs to do to improve his or her performance. That's in line with some of our cultural values that suggest that we are the masters of our fate and we control our behavior and the results of that behavior. The problem is not that these cultural values are correct or incorrect, but that they are incomplete. The behaviors of an employee, the results, and the contributions are affected by various factors, many of which are not under the control of the employee. If our goal is to improve performance, we must look at a broader spread of causes and not only at the employee. Even the most talented employee is going to have difficulty performing well if he or she lacks the tools, is impeded by poor business and production planning, is not given sufficient resources, or is adversely affected by the work environment. So, it's important—particularly when trying to determine "what went wrong" and "how to fix it"—to look broadly for causes and solutions.

Skilled Managers vs. Unskilled

Just as employees differ in terms of job skills, managers vary in terms of the job skills required to manage employees or, more specifically, to plan and conduct performance reviews. Almost anyone can sit down with an employee, tell where he or she screwed up, and threaten with punishment. We're fairly good at that. To lead a performance review that builds positive relationships and improves performance requires more advanced interpersonal, communication, and problem-solving skills. In short, it takes little skill to do something badly. It takes fairly sophisticated skills to do something well. The skills of the manager have an effect on the success or failure of the performance review process.

Generic vs. Specific Tools

There is a strong tendency for HR departments to want a consistent method for evaluating, reviewing, and documenting performance. They have some valid reasons for wanting this, at least from their perspectives, since it helps them do their jobs and makes their lives easier. Since personnel records (and usually documents related to performance

> TRICKS OF THE TRADE
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> **Dialogue—An Effective Counter**
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> If you are given generic tools to use, generic forms that you *must* use, you counterbalance them with a focus on communication and dialogue with the employee. Dialogue allows you to succeed in spite of poor tools.

reviews) end up with HR, they usually provide a standard form or set of forms for managers to use.

Since the forms are "standard," they are by necessity generic and not related specifically to any one particular job. In some cases, more sophisticated HR departments will provide different forms for managers and for janitors, for example, but nonetheless standardization is an important goal for HR departments.

The problem, though, is that a generic set of forms doesn't bring out or record information specifically enough to help managers and employees improve performance. If managers follow the form and the standard processes suggested or required by HR and do *only* the minimum (completing the form), the process becomes virtually useless. That's because general estimates of employee attitudes or skills aren't going to improve anything—although they are good at making employees angry. To improve performance, you need specifics and your employees need specifics.

As a manager, you may be working with performance review tools that are flawed and way too general. That's a good example of how *your* performance can be affected by an outside variable. The solution, apart from lobbying to improve the tools, is to go beyond them. Nobody requires you to limit your discussions during performance reviews to only what is on the form. Get specific.

Behavior/Results vs. Personality/Attitude

When you look at performance, you can look at a number of things, such as the following:

- observable behavior
- observable results
- quantifiable contributions
- personality
- attitudes

Generally we believe that people's actions are very much affected by their personalities and attitudes. I'm not going to debate the issue of whether that's accurate or, if so, to what extent. That would take a book devoted only to that subject.

What I can say is that a fast way to completely destroy the value of performance reviews is to focus too much on personality and attitude. Here's why. Most of us are a little sensitive about discussing our actions and behaviors when there's a possibility that we've done something inadequately. Discussing our attitudes or personalities, though, almost always makes us defensive, if not angry. Take a look at the following statements, all of which address personality or attitude.

- If you were more aggressive, you'd probably do better.
- Sometimes it seems like you are lazy.
- I think the fact you are so introverted and shy makes you less effective.
- People have commented on your poor attitude.

Statements like that, used in performance review meetings, are bound to cause problems. Perhaps not for everyone, but for most people. We simply don't like being judged on the basis of who we are. If we have to be judged, we're more comfortable being judged on the basis of what we've done, since that judgment is a little less personal.

> Smart Managing
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> **Do You Need to Discuss Attitude?**
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> You may feel you must discuss an employee's attitude. Always start with behavior first. For example, "You've missed a lot of work lately. Let's discuss why that's been the case" is better than "Your attitude about work seems to be affecting your attendance."

There's a way to address attitudes and personalities within performance reviews that's not so destructive. We'll talk in more detail about this in Chapter 11, but here's the trick: start with behavior and actions. When you ask the question, "Why did this ineffective behavior happen?" track backwards from behavior to these other, softer variables. Also, don't do the tracking yourself in this diagnostic process. You encourage the employee to do it, through appropriate questioning.

Data as Accurate and Objective vs. Data as Indicative

Particularly when people use tools that seem to measure performance in a numeric way, as we find with employee rating systems, there's a very strong natural tendency to treat those numbers or evaluations as being objective and accurate, particularly after the fact. People forget that the "data," such as ratings on a one-to-five scale, are still very subjective and do not reflect the same kind of measure as "real" numbers, like dollar sales or number of widgets produced in a month.

Real numbers are quantifiable and if you count correctly should give you the same result no matter who counts. These are objective and accurate measurements. With rating scales, that's not the case. The rating or number assigned reflects a very subjective judgment. Misuse happens and poor decisions are made when that data is considered accurate and objective. It's not. It's not accurate because it really doesn't involve measuring. It's not objective either.

Managers and companies that forget this can get into trouble. Treating any performance review data as objective and accurate when it is probably not can result in poor personnel decisions. It's best to treat all performance review data, except that determined by real quantitative measurement, as performance indicators, but *not* accurate exact measurements of performance.

Overemphasis on Manager vs. Employee

Related to earlier comments about doing to employees and working with employees, performance reviews that succeed and add value tend to emphasize the employee's input rather than the manager's. Both, of course, are important. The manager provides a sounding board for the employee and is an important source of information about how performance can be improved. However, the ultimate goal is to encourage employees to review their performance all the time. For that they need the opportunity to learn how to do it. So, if you want a performance review system that runs at maximum potential, it's good to keep in mind that you want the employee doing most of the "review work."

Integrated vs. Dangling or Disconnected

The last item that distinguishes effective performance reviews from ineffective is the degree to which those involved (executives, HR, managers, and employees) understand how performance reviews are linked to other processes in the workplace.

The awful reviews tend to be unconnected to anything important (except perhaps pay) and are seen as largely irrelevant to regular day-to-day life. They become a task viewed as an imposition and a burden, something to get out of the way, rather than a valuable tool that helps the company, manager, and employee succeed.

On the other hand, effective performance reviews are almost always linked to other things. For example, they should have links to strategic planning, tactical planning, training and development, system and production improvement, and personnel strategies. Performance reviews work within a system of performance management that includes performance planning, communication during the year, and ongoing performance problems. We're going to explain all these linkages, particularly in Chapters 2, 6, 8, 10, and 11. For now, it's enough to say that effective performance reviews need to be linked to other important processes and that all the parties understand those links. That creates meaning and perceptions that the performance reviews are, indeed, relevant to everyone.

Jessica, Mike, and You

We've explained a significant mystery here—how two managers and two companies can both have performance review systems in place and yet achieve drastically different outcomes. The reasons are, in one sense, very simple. Jessica and Aquatech, on the one hand, and Mike and Waterworks, on the other hand, have very different understandings of what performance reviews should do and how they should be done. Those different understandings affect what the managers do—and that's the key. As I said earlier, if you could sit in on the review meetings at those companies, you'd be hard pressed to identify many similarities. They are doing completely different things, but calling them by the same name.

The complexity comes from the sheer number of differences. Effective and ineffective performance reviews are different in so many ways. Consequently, to go from ineffective to effective means that most of the characteristics of poor reviews need to be altered or, if they cannot be changed, worked around.

Whether you are like Jessica or like Mike or somewhere in between, the good news is that it's possible to turn things around. You can't do it overnight, but you can do it—and you can start seeing results quickly and little-by-little improvements.

Here's a starting point for you. Use the checklist that follows to identify the barriers you need to remove to improve your performance reviews.

- Definitions are unclear and you and your employees have no common understanding.
- Reviews focus on past and not present and future.
- The emphasis is on blaming rather than solving problems.
- Reviews focus too much on the forms rather than the communication process.
- Managers dominate and control rather than share control.
- The view of performance is very narrow.
- Managers lack the skills required to conduct reviews.
- The tools are too generic and not customized.

Manager's Checklist for Chapter 1

❑ Examine how you do performance reviews now. Identify whether your reviews more closely resemble effective reviews or ineffective reviews, as outlined in this chapter.

❑ Recognize that poor performance reviews make you look foolish and ineffective to your employees and damage your credibility as a manager.

- ❑ Commit to the idea that the primary function of performance reviews is to improve performance—and not to find someone to blame for actions past.
- ❑ Evaluate the tools you use to review performance. If they are lacking, begin thinking how you can have them changed and improved or how you can supplement them.
- ❑ Give careful thought to the idea that performance is not completely under the control of the individual employee, just as you don't have total control of your own performance, and that to improve performance you need to take a wider look at what impedes individual performance.