

PERFORMANCE APPRAISALS MANUAL

Final Report

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FINAL REPORT

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EXECUTIVE SUMMARY

PERFORMANCE APPRAISALS

The purpose of this manual is to allow HR staff members to create an effective performance appraisal process and develop templates by which to measure employee growth and accomplishments.

Having written standards in place for performance appraisals and reviews, which managers follow and employees understand, is vital to retention. These protect the firm and the employees by documenting the quality of work and allowing a forum for feedback regarding the firm.

Like anything else within the firm, there is no one-size-fits-all solution or approach to developing performance appraisals for employees. Complex forms do not ensure better employees in the long run. Being short and concise does not necessarily drill to exactly what the firm needs to know. The goals of the appraisal, however, should be the same: to measure growth, set continuous improvement targets, acknowledge achievement, and constructively offer advice for the benefit of both the employee and the firm.

The following sub areas were identified as those that need improvement and are included in this manual:

- Setting performance expectations for all employees
- Developing performance appraisal process
- Applying competency-based performance appraisal and smart objectives
- Improving the HR role in the performance appraisal process particularly in the administration and facilitation roles
- Designing performance appraisal templates for each position since all positions are different

CHAPTER ONE

THE APPRAISAL PROCESS

1. PROCESS CONSIDERATIONS

Starting an appraisal process from scratch first requires the full support of management, cooperation of several key players, and any financial investment that may arise from its development. Significant time has to be devoted to this effort to ensure it is done right the first time.

Perhaps the most important design consideration is to develop a process that is practical and easy to understand and use. The focus should be on the results of the performance management process - effective and motivated staff - not the steps of the process.

This process may be further developed and defined by a central resource in HR or a committee comprised of HR, managers, and other key personnel with close ties to the vision of the firm. Key considerations include:

1.1 Tailored to the Firm

The performance appraisal system should be designed to fit the specific requirements of the organization. The firm needs to ensure that the activities of its divisions, departments, and individual employees are aligned with and contribute to the firm's strategies and goals. The performance appraisal process contributes to strategy implementation by developing measurement and feedback systems that will maximize employee contribution. Performance appraisal is linked to strategy by setting down at the beginning of a fiscal year or other evaluation period, the results, and the types and levels of performance that must be achieved if company goals are to be met. Each manager and employee must understand this basic tenet.

1.1 Determine

• What are the firm's goals and strategies this year? What specific activities will each department have to contribute to those goals? What individual activities must the employee undertake to accomplish those goals?

1.2 Uniform Application

Once established, the system must still be applied uniformly throughout all levels of the organization. If it is not, employees will consider the system unfair and giving preferential treatment to some employees and not to others. Favoritism, whether actual or perceived, will lead to employee cynicism about the system and will probably affect its acceptability.

1.1 Compliance

- All managers understand the importance of conducting the reviews and establishing goals with employees. It unilaterally becomes a responsibility of the manager's position and becomes a portion of the manager's review as well.
- Though HR serves a supportive role for manages, HR also has to ensure managers comply with the system and perform the duties outlined in a reasonable timeframe. HR has the ability to hold managers accountable with the backing of senior leadership.

1.2 Consider

• What are the ramifications if managers do not comply with the performance management system? What authority has leadership granted to HR when a manager fails (repeatedly) to cooperate? These must be answered when designing the system.

1.3 Used in Decisions

For truly effective use of the system developed here and for real benefit to the firm, the results of the reviews have to be used in decision-making. If they are conducted but never referred to, the system will be perceived as useless. Managers will place a low priority on the system and in time, it will lose any credibility it may have had.

1.1 Leveraged Use

- For a system to be taken seriously it must be useful to line management to achieve the goals of the department and eventually the firm.
- Using appraisals as a basis for rewards, bonuses, salary increases, promotions, work assignments, employee developmental activities, punishments, and other personnel decisions will demonstrate the importance and credibility of the system.
- Every review conducted is used in the following review to gauge improvement. Filing a review away forever defeats this effort.

1.2 Consider

- Is there an adequate incentive compensation program in place to tie performance reviews to bonus structures and salary adjustments? Are employees prepared to accept the new system if it negatively effects their monetary position?
- Is this too large a cultural shift to implement? What additional information and communication must be shared to ensure all employees understand the full impact of tying reviews to compensation?

1.4 Appeals Process

In larger firms, to ensure fairness, the HR department should implement a mechanism by which the employee can appeal a review he or she believes has been unfavorable. This can be someone within HR who is considered a neutral party or someone one or two levels above the reviewer.

This may take the form of a simple conversation without further action; however, it must be noted in the employee's file. All employees must be informed of this outlet.

1.1 Consider

- Can we assure the employee that no retribution will take place for appealing a review conducted by his or her supervisor? Can we assure each other or ourselves that as managers we will not undertake any negative sentiment or retribution if an employee seeks an appeal?
- How much research is warranted during an appeal? This will require additional time on behalf of several people. What outcome do we expect if we find in favor of the employee?

1.5 Establishing Ratings

Each manager will review the employee on key performance areas and goal attainment in the past period. If the system uses a rating system for performance, all ratings must be substantiated in writing to defend the reviewer's position on the employee. This not only protects the manager who may likely forget the reasoning behind the ranking, but it protects the firm.

1.1 Variety of Ratings

• There are a variety of rating scales to choose from when developing performance appraisals. This should be customized to the firm. Will it be a numerical or verbal scale? Will there be five rankings or ten on which an employee can scored? Again, the point is not to get lost in the details of these choices but to ensure that whatever the firm settles on, every employee and manager is clear on the definition.

1.2 Consider

• Every rating—from superior, excellent to fair to poor, and severely underperforming must have a narrative explanation for that choice. Even great accomplishments require a statement so it may be replicated or at least acknowledged that a method, activity, or training had a successful impact.

1.6 Training and Implementation

Since managers and supervisors carry out this program, the success depends most heavily on their execution of it.

1.1 Minimum Requirements

- Managers conducting the evaluations must be trained in the philosophy of the system, how it fits in with the organization's goals and strategies, how it will help them, and the actual mechanics of the system, including how to use the rating forms.
- Some of the investment made to move towards an effective performance management system requires assistance to managers to develop skills for observing and recording employees' behavior and for giving appropriate feedback.
- Training that uses role-playing, behavior modeling, and discussion is more effective than training that relies on lecture. This training should also be bolstered by issuing written guidelines such as this manual to which supervisors can refer.

1.7 Monitoring and Improvement

It is impossible to design a performance appraisal system that will work perfectly when first launched across the firm. Throughout the process, it is essential that HR and the committee identify weaknesses in the design, ensure the system is used properly, and is operating according to plan.

1.1 Oversight

- HR is the guardian of this system although the managers and supervisors ultimately make the most frequent use of its tools.
- Give plenty of time to elapse before making judgments against the system. Everything launched the first time will require the bugs to be worked out. Depending on the size of the firm, this period of time could be two or three review periods or just one.

- Review of the system may dictate small or large changes, additions or deletions of certain features, more communication focused on areas where confusion has surfaced. Users of this system—both employees and managers—are the best source of information on tweaking it and making it their own.
- Any changes or improvements to the system and process must be thoroughly communicated to every user. This shows not only that the firm is committed to improvement as well, but that it is concerned to design a system easily used by its staff.

1.8 Leadership Support

Top management must demonstrate, clearly and unequivocally, through words and actions that it is behind the system and is determined to see it succeed. Management's commitment may be illustrated through policy statements backed by incentives that reward managers who help make the system a success and by penalties for those who are uncooperative or obstructive.

1.1 Top-Down

- While HR is the guardian of this process, it should be made clear that this is a leadership initiative—and not a pet project of the HR department. This gives significant credence to implementation as a mandate from the CEO.
- Since expectations and performance management are tied to the firm's goals (1.1 Tailored to the Firm), implementing this system continues to integrate leadership's vision with specific, desired outcomes.

1.9 Launching the System

When a system is rolled out, management training should be conducted as close to the date of implementation as possible. If it is given too far in advance, the training likely will be forgotten. In addition, the training cannot be conducted only once and expected to be effective from there on out. Periodic retraining is needed to reinforce what was learned initially; otherwise, skills, interest, and commitment would decline.

2. STRUCTURE OF THE PROCESS

The elements above are considerations that will lead to decisions that have to be made before settling on a system that will work with the culture of the firm. Those elements will manifest as questions that users and recipients alike will raise as the system is used. Resolving them prior to launch will remove many obstacles later.

The annual performance appraisal can be sufficiently conducted in two steps that will be covered more in depth in the following chapters.

2.1 Part One

2.1 Setting Goals and Expectations

- Goals and expectations should be derived from standards and criteria required to perform the minimum tasks at that position. Items contained in a job description are usually the performance standards used in an annual appraisal. Most architecture and engineering firms use criterion-based job descriptions.
- From that position description and based on the individual employee's skill set and abilities, higher goals and expectations are set. This new list of criteria and objectives are used in the next performance review session to measure achievement or progress.

2.2 Part Two

2.1 Review and Discussion

- The employee and manager should work through a performance appraisal form together. The employee completes a self-assessment and the manager provides commentary, both positive and constructive, to the employee's perspective.
- With assessment in hand, the manager and employee should meet on a quarterly basis to review progress made and goals to achieve in the coming quarter and coming year.
- This discussion should add value to the department and the employee's professional and personal development plan.
- Since more frequent reviews and discussions will yield better monitoring of progress, meeting for thirty minutes is ample time for the evaluation.

2.2 Best Practices for Feedback

- Since feedback and mentoring should already be taking place on a regular basis, these review conversations between the manager and employee should take no longer than one hour.
- Always discuss effective and great performance before areas for improvement.
- Give feedback directly based on the trust that should exist between the employee and the supervisor.
- Critical assessments should be given in a timely manner when they can be remembered and remedied. The manager should use recent examples to support the claim.

- Hold the conversation at a predetermined time and location—and ensure the individual receiving the feedback is prepared to discuss it. This includes being sensitive to extremely busy times of a project or at the end of a week.
- The assessment—particularly critical information—must be limited to areas the individual can control or change. In addition, management must be able to help work around any potential barriers that may stand in the way to prevent the employee from achieving any goals.
- Small, well thought-out doses of feedback are better than large dumps of information. These are processed more effectively by the employee and received as notions of continuous improvement rather than insurmountable goals.

3. PREPARING SUPERVISORS AND MANAGERS

3.1 The Role of the Manager

Those in a supervisory or managerial role are expected to provide leadership to the teams that work for them. This includes assisting each employee in developing a short and long-term professional development plan monitored through regular and systematic reviews.

Because these leaders interact with their teams on a daily basis, see the output of their work, and develop stronger attachments with them, it is only appropriate that they conduct the review. While HR serves as a facilitator, guide in this process, and maintains records, the responsibility of goal setting and reviewing rests solely with the manager.

3.2 Buy-In and Self-Assessment

Managers will not conduct regular reviews unless they find value in its results. Successful implementation of a performance appraisal system requires buy-in and cooperation from this group of leaders. Education and training are essential to make the transition less clumsy—but seeking their input on the formation of templates and the process will increase collaboration.

The following checklist is designed to help managers evaluate their own preparation and appraisal meeting skills:

3.1 Preparation

- Do you provide performance feedback to your employees on a frequent daily basis?
- Do you document poor performance on a disciplinary form?
- Do you document good performance on a disciplinary form?
- Do you discuss troublesome employee performance issues with the HR representative?
- Do you have complete and accurate job descriptions for each of the team members?
- Do you maintain productivity or performance-related reports for your work or project team to assist in the appraisal of performance?
- Do you refer to specific work samples and job records to provide accurate evaluations?

- Do you schedule performance reviews in advance?
- Do you review relevant company policies and guidelines or performance definitions in order to provide consistent reviews?
- Do you follow the procedures for reviews as written in the company manual?

3.2 Appraisal Meeting

- Do you conduct the appraisal meeting in an office or area that assures privacy and limits interruptions?
- Do you discuss employee work performance on an objective and constructive basis that avoids personal insults and unreasonable criticism?
- Do you acknowledge and recognize employee achievements?
- Do you give constructive suggestions for improvement?
- Do you define and communicate performance expectations, goals, and standards?
- Do you document specific performance deficiencies on the appraisal form and communicate final warnings if necessary?
- Do you encourage employee comments and questions during the appraisal?
- Do you set goals and objectives for the employee for the next review period?

4. INFORMATION FOR THE EMPLOYEE

As a condition of employment, all employees should understand that regular evaluations and reviews of performance will take place during their tenure. The details of that process should be made available within the Employee Handbook and discussed personally with each manager.

Not only do employees need to know the mechanics of the process—but they should also be informed how the results of the review will influence future advancements, salary adjustments, and bonuses. Reviews are typically tied to these compensation vehicles as part of a larger incentive compensation program.

This manual has discussed several ways to ensure employees receive regular information regarding the performance appraisal process and at which stages updates are recommended and necessary.

CHAPTER 2

ESTABLISHING EXPECTATIONS

The focal point of the performance appraisal is to establish performance standards and expectations, and a baseline of skills and abilities for employees, and then goals to attain in incremental periods—such as quarters. This has to be a collaborative effort between the manager and the employee.

1. COMPETENCY BASED APPRAISALS

Performance expectations can only be set when there is a framework of competencies as a starting point. Competencies fall into three categories:

- Those that apply to all employees and are important for the organization to remain successful. These may include areas such as quality work, customer service, and employee satisfaction.
- Those that are at the core of the employee's job description and reflect competencies necessary for successful completion of one's work. These may include design capabilities, management of teams or projects, and marketing activities.
- Those that identify new knowledge, skills, or abilities the employee must learn to remain competent in his or her job for the upcoming defined period. These may include new technologies, innovative solutions, and product orientation.

1.1 Setting a Baseline

- Performance standards are typically derived from a job description and a detailed list of all the skills involved performing certain tasks. These criteria are used to determine the employee's level of performance, which can be excellent, average, or poor (or alternatively meets, exceeds or does not meet standards).
- When establishing a baseline of where an employee currently ranks, it is essential to consider the three types of competencies explained above.
- In a brainstorming session with the employee, manager and perhaps even HR, the extensive list of competencies required for success at that position can be identified for the employee.
- The employee is then rated on their status for each competency, those he or she does and does not possess. This baseline will begin to reveal the gap in skills, abilities, and knowledge the employee must close over time. Closing those gaps are the goals that will be set.
- Competencies must be real and relevant to the goals of the firm and for the individual employee. It may not be necessary for a project manager to develop skills in using BIM technology when he or she will be supervising teams that have better utilization with that tool. Client satisfaction and managing scope creep are likely better competencies for the project manager to develop at that stage.

2. SETTING PERFORMANCE EXPECTATIONS AND GOALS

The collaboration in goal setting and communication of expectations occurs between the immediate supervisor and the employee. HR may serve as a resource and support function, but this interaction and discussion are reserved between the parties that have daily interaction with each other and know the work and environment intimately.

The primary elements within this stage include:

2.1 Best Practices

With the supervisor, the employee should establish goals on a regular basis—preferably each quarter. Some goals may be quicker to achieve than others will. When this happens, additional goals can be continuously added to the employee's list. Key points to keep in mind:

- Make sure the goals are limited to 3 to 5 so the employee retains focus. Some of these will be in common with other employees and others will be specific to the individual.
- Goals should match personal development goals the employee is keenly interested in achieving and be aligned with the overall goals of the department.
- Goals should be specific, measurable, attainable, realistic, and time-specific (SMART).
- Goals should be within reach for the employee to achieve but also allow him or her to "stretch" abilities.

2.2 SMART Goals

The recommended way to set goals for any employee is using the SMART method. This acronym illustrates the five characteristics of any great goal. When thinking about whether a goal is appropriate or good enough for an employee, put it against these characteristics to test its viability:

- **Specific:** Both the employee and manager must clear and fully understand the goals established. When goals are specific, employees know exactly what is expected, by when, and how much. Because the goals are specific, movement towards completion is easily measured.
- **Measurable:** A goal is useless if it cannot be measured and the manager cannot estimate where the employee stands in terms of success or failure. In addition, milestones help motivate employees by showing continued progress and eventual success.
- Attainable: Goals must be realistic and attainable by average employees. Great goals help stretch the employee beyond their comfortable bounds, but they also should not be completely out of reach. When set too high, it can be defeating when they are not reached. When set too low, they become mundane tasks and little pride is taken in those accomplishments.

- **Relevant:** Goals must be integrated into the firm's ultimate goal of meeting its vision and mission. Goals that do not contribute to this are not relevant and while they might be good for the employee, they are not moving the firm forward.
- **Time-bound:** Like projects, goals must have a beginning and ending point in time. This helps sets deadlines, milestones in between, and helps employees maintain focus. Goals without deadlines or schedules for completion will eventually lose steam and meaning as larger, more important activities surface during normal business operations.

2.3 Meeting to Set Goals

At the beginning of every quarter and at a pre-established date and time, the manager and employee should meet and undertake the following:

- Top management reviews its organizational goals and strategies at the beginning of each year—this should provide a starting point from which to steer the employee and department goals.
- Each employee should develop a personalized achievement plan stating what the employee expects to achieve during the quarter. This may include a personal action plan and success indicators.
- The employee will review the proposed plan with his or her manager to discuss the viability or appropriateness of these goals. The manager should be keenly aware of the employee's talents and abilities and gauge whether or not the stated goals are SMART.
- At the quarterly meetings, the manager will assess performance of the previous quarter—giving feedback and constructive insight to the employee that is valuable for their development.
- It is at the discretion of the firm to establish guidelines in handling employees who fail to grow or repeatedly fall short of achieving their goals. These are situations however, that must be controlled and the manager can do so with HR's support.
- At the end of the year, the manager and the decision makers at the firm should recognize employees for their achievements. Be mindful that an employee who established an ambitious plan but did not fully achieve it may receive greater recognition than someone who exceeded a more modest plan.

2.4 Common Goal Setting Questions

Common and effective questions for the employee to consider when establishing goals include:

- What is your vision for this phase of your career?
- What areas can you identify for technical and behavioral improvement?
- What goals would you set for the next three months?
- What long term goals would you set for the year?

CHAPTER 3

HUMAN RESOURCE'S ROLE

1. FACILITATOR AND RESOURCE

This chapter supports the message raised in the previous chapters and sections: the Human Resource department serves as a corporate support function to the rest of the firm.

Where the performance management process is concerned, the HR department or the appropriate point person serves as the prime facilitator and resource to assist managers and supervisors execute the process.

To make this role not only a reality but also a success, the following must be in place:

- Top management delegates the management of the performance appraisal process to HR.
- This delegation is supported by the financial and time investment required—as estimated by HR. This may include training, database management, informational sessions, and unbillable time by managers and supervisors.
- Top management delegates complete authority to HR to hold users accountable to its rules and stages.
- HR understands that once launched, this system is not static, and routine evaluation of the system itself is required to gain the maximum benefit.
- HR realizes that implementing a performance management system adds responsibilities and tasks not previously undertaken—which will consume time and resources and may, depending on the size of the firm, necessitate adding staff.
- As adoption of this system continues, HR is present to assist managers and they work their way through the process. It is a total collaboration between HR and management.
- HR will make available, with the approval of top management, any training, supportive materials, advisory assistance, and knowledge sharing to users to make the program a success.

CHAPTER 4

TEMPLATE DESIGN

The design of an appraisal template(s) will be driven by several factors. These may include size of the firm, ratio of technical staff to managerial or administrative staff, goals of the firm, culture and history, and general approach to performance improvement.

Some firms that are more aggressive than others in the marketplace may choose to have a customized appraisal designed for every position and level of ability. Other mid-sized firms that desire all employees to achieve and grow may find that using a standard review form is an optimal way to proceed in this initiative.

All firms will have to find their level of approach. The following will guide firms in deciding what is best for their organizations.

1. PITFALLS TO AVOID

- Many firms have a unique position description for every employee—necessitating a unique performance evaluation for each position. This does not have to be the case. Most firms already have more position descriptions than are necessary.
- Goals and expectations are what are truly unique to employees and are what will differ and change from quarter to quarter. The format of the appraisal form is just a detail—and most firms spend too much time designing what should just deliver the next set of goals and expectations.
- The essence of the system is in the collaboration between the manager and the employee. If the manager is not trained to draw inspiration or achievement out of the employee, then little improvement or progress is going to be made and few results will benefit the firm. Too often managers settle for mediocre goals from subordinates, give little feedback in terms of improvement, and fail to look for the hidden talents waiting to be developed.
- Managers reluctantly approach the review process with dread because it is a cumbersome and lengthy process. Over designing any aspect—particularly the template—will decrease the likelihood of success.
- Most templates are too long and contain too many questions that essentially yield the same information but in different wording. Be concise with the format but specific in the goals and expectations.
- Do not mistake or substitute a performance appraisal for an employee survey. An appraisal will not solicit critical feedback that measure employee happiness or satisfaction. Too often employees will not vocalize disappointment in the review—but will still leave the firm if the opportunity arises. Implementing a review system alone will not curb turnover.

2. BEST PRACTICES

- Use the SMART goals as one's guide to designing the template. These have proven to be beneficial in keeping to the task—which is developing the employee to accomplish goals for personal and professional development.
- Design and create only that which all the users of this system can manage. This includes HR, managers, supervisors, and employees.
- Be flexible with the system and patient with its implementation and adoption. It may be exciting to many or frustrating to some. Consider that not everyone will be immediately on the same page with the design.
- Reference ample resources available in the industry and in the public domain to develop a hybrid template that is right for the organization. Be flexible but do not make a habit of continuously overhauling the format just because it can be.
- Form a small committee to review the first sample of templates but avoid over discussion and analysis. One person should be able to make the final decision based on the feedback and insight of the other members.

It is important to structure the manual around the process. We suggest as in the recruitment and selection manual the following:

- 1. To reorganize the manual in 2 chapters only. The first covers the process in a step by step approach, starting from setting expectations till the decision is made regarding the results of the evaluation such as salary raises, incentives, promotion etc. And the second to include all other information organized in a logical sequence focusing on guidelines, tips and best practices or major considerations whatever you see appropriate.
- 2. Please give some focus to how to handle poor performance
- 3. A&E related information is important

In addition to the comments in the manual

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