

## How to Conduct Performance Reviews

Performance reviews are an important part of any business, but the format has become outdated in many cases. Started within the government civil service workforce in the 1950s, they filtered into corporate life in the 1960s and 1970s. Often, employees and managers find little value in performance reviews. Corporate Executive Board, now a division of Gartner, studies corporates executives, and a recent survey found that 95% of managers were dissatisfied with their companies' performance review system.

That feeling has led many companies to modify the performance review process. GE, Microsoft, Adobe, Accenture and several other high-profile companies have even scrapped the performance review all together and turned to other metric performance measurements.

The research showed a variety of reasons for the decline of performance reviews. The most notable is the uncomfortable dynamic that exists between the manager and the employee. Rather than establishing a collaborative work environment, the performance review sets up a power dynamic between the employee and the manager. The manager has to place judgment on the employee's work.

Secondly, performance reviews are extremely time consuming. Managers spend hours writing performance reviews and meeting with employees to discuss the evaluation. In the end, the performance review is filed away in some folder in the human resource office. That can be extremely disheartening to a manager.

Performance reviews are not dead, however. They can still play a positive role in a company's culture. A company must structure the process in a way that is not threatening to the employees and helps the employee become more productive. A system must be developed where the manager feels the process is worthwhile and can improve employee performance.

### **Make the process clear**

When an employee is hired or at the beginning of the year, a company needs to clearly layout the performance review process. A company-wide meeting or a team meeting at the start of the year is a good place to begin the conversation. It's a more casual way to introduce the topic, and a formal email can always be sent later. That way employees understand the system and the role that performance reviews play within the company. Of course this process will be very different for a startup versus a major corporation.

Managers should also be trained on the performance review process. They need to understand the expectations and goals of the process as much as employees. The manager should be knowledgeable about the evaluation form and what key indicators the company is seeking. Managers will then pay better attention when observing employees and evaluating their work.

## **Set expectations**

The process begins with setting expectations. Managers should openly communicate with employees about goals, targets and objectives. These need to be placed in writing, so the employee and the manager have a clear understanding and can base a conversation on a shared reference point. Then, everything will be understood during the performance evaluation process.

## **Give continuous feedback**

Management by walking around is a best practice for a quality leader, and it establishes precedent for a performance review. The manager can walk by an employee's desk and chat with them about their work. The manager should take a keen interest in the employee's work during the conversation. An employee is more likely to take criticism in this type of environment than in the formal structure of a closed-door performance review. The actual formal part of the review is just putting the feedback onto paper. Nothing should be a surprise to the employee.

## **Give the employee the review before the meeting**

Rather than forcing the employee to read the contents of the review at the beginning of the meeting, it's best to give the employee a copy before the meeting. Employees have time to absorb the information and develop any questions or comment. The process also sets the tenor of the meeting. Employees will know the positive and critical aspects of the review.

## **Create open communications**

Performance reviews should always be two-way communication. The manager should never make the employee feel like his or her input or feedback is not valued. A written agenda can be handed out before the performance review meeting so all the important points are covered. The meeting should always allow time for the employee to explain any concerns about the review or any objections to the manager's review of the employee's work. The performance review should be a dialog and not a browbeating of the employee. That will do nothing to help employee morale.

## **Set the proper tone**

In the past, performance reviews have been a haphazard process, and no clear message was conveyed to the employee. It was just a formality for both the employee and the manager. The meeting should focus on the positive and what the employee has done to help the organization. A tone that focuses on the negative is harmful and does not lay a good foundation for employee retention or morale. In general, employees work hard, and that should be made clear during a performance review. The negative part can be discussed, but wait until the end and make it a tiny piece of the discussion.

### **Ask where help is needed**

Employees generally want to excel and perform their job above expectations. During a performance review, the manager should ask the employee about areas where he or she wants to improve. That might involve more feedback from the manager or training. Employees always want new skills and new challenges and exploring new skills should always be encouraged. A company should invest in employees and view them as an asset.

### **Separate pay from a performance review**

Historically, compensation increases and performance reviews have been linked together. That is not a good idea. When possible, it is best to separate the two. A performance review should be a casual conversation about the employee's work at the company. Placing compensation at the center of that discussion can create an unnecessary distraction. The employee should feel relaxed and not be worried about not getting a pay increase with a mediocre performance review. Compensation can be discussed separately, and the company can develop a different process for awarding compensation increases.