

Managing People

Effective Way to Motivate and Manage Employees

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INTRODUCTION

Sophisticated organizations today are scuttling traditional assumptions about performance management and creating innovative – to some, even unnerving – systems and procedures. For example, consider the traditional performance appraisal ritual. Instead of continuing the hidebound, “check the box, write a comment,” ritual, companies now are developing values-based systems that integrate their mission statements, vision and values into their performance evaluation procedures. Core competencies expected of all organization members are identified and incorporated directly into appraisal forms. And managers no longer make judgment calls. Instead, they report on “behavioral frequency” – how often the individual performs at a mastery level.

Another example: Peer Review. In this Alternative Dispute Resolution (ADR) procedure, employee grievances and complaints about inequitable discipline, policy snafus or unjust terminations are heard and resolved by a panel of co-worker peers and company managers. What’s new? The employee’s peers form the panel’s majority, and majority rules. The panel’s decision – even to return a terminated employee to the job – is final and binding.

Finally, discipline systems themselves. When performance problems arise, a growing number of companies today reject punitive responses that reflect a criminal-justice mentality. Instead of seeking to find the punishment that fits the crime, they reject the notion that their employees are criminals. Instead, they have adopted non-punitive, DISCIPLINE WITHOUT PUNISHMENT processes that concentrate on building employee commitment and demanding individual responsibility. One seemingly radical ingredient is the final step: a fully paid disciplinary suspension.

These new approaches to performance management are producing remarkable results. Many are now accepted best-practice strategies. And the rapid flux in human performance management provides three opportunities for the CPA. For insiders, serving their organizations as CFO or VP-Administration with responsibilities for managing both the numbers and the human side of the business, familiarity with new directions in performance management will provide leadership opportunities to guide the company directly in updating its personnel procedures. Likewise, the firm-based, external CPA can be a more valued business partner by gaining and providing expertise in non-traditional domains. Finally, the techniques involved in these new approaches can serve any CPA who is responsible for the performance of others.

VALUES-BASED PERFORMANCE APPRAISAL

Few business practices have survived the scorn that performance appraisal has shouldered. Yet no other management tool has the power, if used effectively, to direct and enhance human performance.

In developing a new system for its 5000 employees, the senior leadership of Minnesota Department of Transportation insisted that their recently developed strategic plan be incorporated into the appraisal system. In addition, having identified seven core competencies that the Department expected of every employee, from highway maintenance worker to financial analysts and directors, they insisted that performance against these competencies be formally assessed in the appraisal.

The result was a system that begins by focusing on the seven MN/DOT competencies the senior management had established. These competencies ranged from the expected considerations of LEADERSHIP and TECHNICAL KNOWLEDGE and QUALITY to the more arcane LEARNING AND STRATEGIC SYSTEM THINKING. But instead of merely defining each of these terms, the MN/DOT appraisal form describes the behavior of a master performer in the particular competency area. For example, in the "Quality" competency area, the description of master performance includes such phrases as, "Recommends improvements to systems . . . Uses measures to assess how well a job is done . . . Can explain how measures used benefit the customer . . . Recognizes when 'good enough' is good enough and when it's not."

By describing the performance that one might observe in someone who has mastered this area, the department has made it easy for managers conducting appraisals to coach subordinates about what they need to do to get higher ratings — just do what the appraisal form says a master does.

Even better, MN/DOT replaced traditional scale values with an innovative rating scheme. Rather than ask appraisers to judge the quality of a subordinate's performance — was Susie *Marginal* or *Competent* or *Distinguished*; did Joe *Fail to Meet Standards*, *Meet Standards* or *Greatly Exceed Standards* — the new MN/DOT process instead asks the rater to indicate how often Susie or Joe performs at a mastery level. The scale values for this part of the MN/DOT process are *Occasionally*, *Sometimes*, *Frequently*, and *Regularly*. This greatly increases the effectiveness and lowers the defensiveness when bad news has to be delivered: rather than the manager's having to tell Joe that in the area of quality he is "Unacceptable" or "Below Standard", the manager can now say,

“Joe, in the competency area of Quality, occasionally I see you acting the way the form says a master performer would act. What do you need to do so that 12 months from now I can say that I see that kind of performance frequently?”

For those areas that don't lend themselves to a behavioral frequency rating system, MN/DOT incorporated two other inventive techniques. First, they recognized that the label for the middle position on the rating scale – the place where most people's performance usually falls – is typically felt to connote average or mediocre. Nobody wants to be seen as a “C” student; nobody likes that middle rating. Their solution was to abolish language that suggested that performing in a fully acceptable manner was tantamount to mediocrity and instead called their middle rating “Fully Successful: Totally competent performance; Good solid contributor.” Who could complain about being called fully successful, even if two higher categories of “Clearly Superior and Truly Distinguished” were available for those who had genuinely earned them?

Second, on the appraisal form itself MN/DOT specifically indicated the ratings distribution likely to show up in a large organization. Thus the form tells appraisers that typically less than 5% of people fall into the categories of “Truly Distinguished” or “Unsuccessful”; about 15% might be “Somewhat Successful” with 30% or so demonstrating “Clearly Superior” performance. Finally, the form tells raters and ratees alike to expect about 50% or more to qualify for the middle, “Fully Successful” rating.

How do you get managers to actually commit to giving human performance management the attention everyone usually agrees it deserves? The National Security Agency found an innovative way in their new process. Every NSA employee is required to set annual objectives, these objectives serving as the basis of the annual appraisal. But for those NSA employees who serve as raters, two pre-determined goals are automatically included on the form. First, “Accurate and timely evaluation.” Second, “Coaching/ Developing.” Since each of the two mandatory objectives is weighted a minimum of ten points, NSA is assuring that their raters understand that at least a fifth of their success will be determined by how well they do at managing, developing and appraising their subordinates.

Another advance in the NSA appraisal approach that is easy for other organizations to copy includes providing the opportunity for self-appraisal in every element of the appraisal process and requiring that all appraisees, well in advance of the boss's writing their appraisal, submit a list of their accomplishments and achievements over the past twelve months to assure that the employee's successes are fully documented and discussed in the appraisal process.

Other organizations, without changing their forms or procedures, have developed management techniques that make the burdensome appraisal chore easier. First, sit down with each employee at the beginning of the year, appraisal form in hand, and talk about your performance expectations for the upcoming year. Concentrate on discussing two things: the results you expect the individual to produce and the skills or competencies you expect her to display.

When it's time to write the appraisals, start by asking people to write their own. There is nothing more powerful than giving a person a blank copy of your performance appraisal form and asking her to generate a self-appraisal. Even if you don't ask people to write a complete self-appraisal, at least ask them to jot down and send you a list of what they feel were their most important accomplishments and contributions over the past twelve months. If nothing else, that simple request will prevent you from being blindsided when the employee wails, "You didn't even mention the Thompson contract I landed last February!" in the middle of November's appraisal discussion

Concentrate on developing a clear core message: the one or two ideas or recommendations that you want the individual to remember even months after the appraisal discussion is over. Instead of trying to cover twenty different things during the appraisal discussion, you'll have far more success if you talk about four important things in five different ways.

Finally, don't generate awkwardness and waste time by calling the employee into your office, handing him the appraisal to read while you pretend to be busy doing something else. The employee will race through the form missing half of what you've said and you'll be all pins-and-needles trying to gauge his reaction. A far better approach is to give the employee a copy of it an hour or two before the meeting. Giving him a chance to read it in advance of the meeting reduces tension on both your parts and increases the odds that some genuine good may actually come of the process.

DISCIPLINE WITHOUT PUNISHMENT

Your company's performance appraisal system can generate all the data you need about how well each member of the organization is performing. It can tell you who your sluggards and misfits and malcontents are. But it can't tell you what to do about them.

A formal procedure for confronting and correcting performance deficiencies is mandatory. Without a systematic process that is regularly followed, the organization exposes itself to employment-related litigation and frivolous discrimination complaints. In today's America, employment-at-will has been superseded by sue-at-will.

Our conventional approaches to dealing with unacceptable performance, however, seem out-of-sync with today's organizational climate. America's traditional "progressive discipline" system, concocted in the adversarial, 1930's labor vs. management climate, is simply inappropriate for today's workforce. Old-fashioned written warnings and unpaid suspensions rarely produce more than hostility, resentment and malicious obedience. Punishment generates more problems than it solves and doesn't build responsibility or allegiance to the organization and its values. We can punish people only into compliance. We cannot punish people into commitment.

Traditional punitive responses to performance shortcomings seem particularly inappropriate when the problem employee is a professional or knowledge worker; an individual higher on the corporate food chain. But poor performance must be confronted, and non-contributors at any level eliminated, if the organization is to thrive.

The approach that many organizations, including AICPA, have found useful is to implement a formal DISCIPLINE WITHOUT PUNISHMENT approach. When an employee's attendance or work quality or behavior deteriorates beyond the point where informal coaching is appropriate, formal oral and written reminders are used to put the individual on definite and documented notice that immediate correction is required.

If problems continue, the organization responds with an unconventional final step: a decision-making leave. The individual is suspended from work for one day and is told to return the day after with a decision: either to solve the immediate problem and perform acceptably in every area of the job; or to quit and find more satisfying work elsewhere. He is paid for the day to demonstrate the company's good-faith desire to see him change and stay. He is also formally advised that should he return and another problem arises, he will be terminated. The suspension proves that the company means business and the end is at hand. Paying for the day eliminates the anger that often accompanies performance confrontation, encourages the individual to actually think it over, and allows the company to deal with even the most troublesome employee in a way that is consistent with its values.

Implementing a commitment-based approach like this involves more than just changing the names and mechanics of the steps. Equally important is resolving all of the administrative and procedural headaches that managers struggle with, exposing the company to legal distress when they come up with inconsistent answers: How many of each step can one individual get? How do I handle unrelated problems? Who must approve in advance; who must be notified afterwards? How long does a disciplinary action stay in effect before it's deactivated? And just what does "deactivation" mean?

The results of moving from a punitive approach to one based on commitment and personal responsibility have been significant and sustained. Supervisors, no longer forced by the system to be the employee's adversary, are more willing to confront problems in early stages when correction is more likely. Dealing with the marginal performer as a responsible, dignified adult often helps provoke exactly that response.

Every termination today holds the potential for expensive challenge, charges and litigation. Using a suspension from work clearly demonstrates that the individual was fully aware that his job was at risk. More important, using that suspension as a paid, decision-making leave day makes you look good to a jury.

PEER REVIEW

Even better than looking good to a jury is avoiding facing a jury — or an arbitrator, or administrative law judge, or EEOC hearing officer — at all. Peer Review is a formal management system for resolving the everyday complaints and disputes that arise in all companies. It is a grievance procedure for an organization's non-union work force that can prevent problems from ever getting to court.

When an employee can't get a problem solved by talking to his or her boss and following the normal chain of command, he or she can elect to use the Peer Review procedure for a final and binding resolution of the complaint. The employee presents his case to a panel made up of both trained employee volunteers — people just like himself — and managers. He explains the problem and tells the panel what he feels should be done to solve it.

Panel members (typically three peers and two managers) ask questions, interview witnesses, research precedents and review policy. When the panel feels sufficiently well informed, each member casts a secret ballot to grant or to deny the employee's grievance. Majority rules.

A letter explaining the panel's decision is sent to the employee. All panel members sign; no minority opinions are permitted. Everyone gets back to work. The issue is settled.

Companies that have implemented Peer Review report that it creates a problem solving partnership between employees and managers. It builds employee respect for management and the tough decisions managers are often required to make. It demonstrates management's genuine belief in decision-making at the lowest possible level. Peer Review proves management's conviction that employees are trusted partners in the enterprise.

But isn't giving employees the power to overturn management's decisions just turning the asylum over to the inmates?

No, experienced companies report. Here's their rationale.

First, complaints are heard, investigated and resolved by people who know your organization. Outside arbitrators and mediators, judges and juries don't care about your company. Your employees do. And forget "open door" policies – they just don't do the job. Employees are usually skeptical; courts rarely uphold them. Open door systems can't work well when managers are expected to back each other up.

Peer Review is efficient and inexpensive. Once an employee becomes an adversary, costs balloon. With Peer Review, salary and travel costs are typically the only expenses. The atmosphere of a panel meeting is businesslike with no complicated rules of evidence, no courtroom trappings, no lawyers. Issues get surfaced, explored and resolved.

Finally, your employees can be trusted. Peers don't automatically stick together; there's no "us vs. them" on the panel. Your employees are just as concerned about fairness and justice as you are. Three-to-two splits between peers and managers are rare.

But the best part of Peer Review is its ability to keep unions at bay and problems out of court. The only benefit union organizers can still deliver is an impartial grievance system. Peer Review removes the organizer's last tool and can keep a company union-free.

Equally important, an employee whose complaint has been heard and rejected by his peers is unlikely to call a lawyer. Courts uphold ADR decisions. And several courts have held that companies can require employees to use internal processes before turning to the courts and have refused to allow terminated employees to sue for wrongful discharge after losing an internal Peer Review grievance.

HIGH VELOCITY CULTURE CHANGE

Once thought radical, performance management procedures that allow employees to reverse management decisions, provide for paid disciplinary suspension, and incorporate a company's mission statement into its performance appraisal process are now seen as "best-practice" models. Some organizations discuss their system for disciplinary problems as a tool to attract a well-disciplined workforce and, in a tight labor market, reassure outstanding candidates that they won't be working next to colleagues who won't shoulder their share of the load. Others enclose their performance appraisal form and their Peer Review policy as part of their recruitment packet.

In every case, the systems described here represent genuine culture change — they will rattle the cages of everyone in the organization. That's why ownership and support are critical to sustained success.

Most companies find that appointing an implementation team — a task force of a dozen or so managers from different functions at different levels — and charging them with the responsibility of creating the system and moving the company from its current method to the new way is the most effective approach. Successful implementation team members concentrate in two areas: adapting the basic policies and procedures to fit their organization's unique needs and culture; and assuring organization-wide understanding, acceptance and support.

The critical determinant in any successful change effort is *speed*. High-velocity culture change will convince fence-sitters that a new day truly is at hand and they'd better get on the train before it leaves the station. Successful change efforts leave skid marks; they make necks snap. When change is important it is best to do it fast: If you're going to dock a dog's tail, it's not a kindness to the dog to do it an inch at a time.

ABOUT DICK GROTE

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GroteApproach, Ltd., is dedicated to delivering the technology, services and client care that transform organizations from best-effort climates into results-driven cultures. The GroteApproach web-based performance management system is the culmination of Dick Grote's mission to transform the way organizations manage and develop their most valuable resource - their people. It reflects best practices in strategy-based performance management as identified in Dick's 25 years of research and consulting with hundreds of sophisticated organizations throughout the world. Its combination of unrivaled expertise and superior technology make the GroteApproach system an ideal fit for organizations large and small.

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