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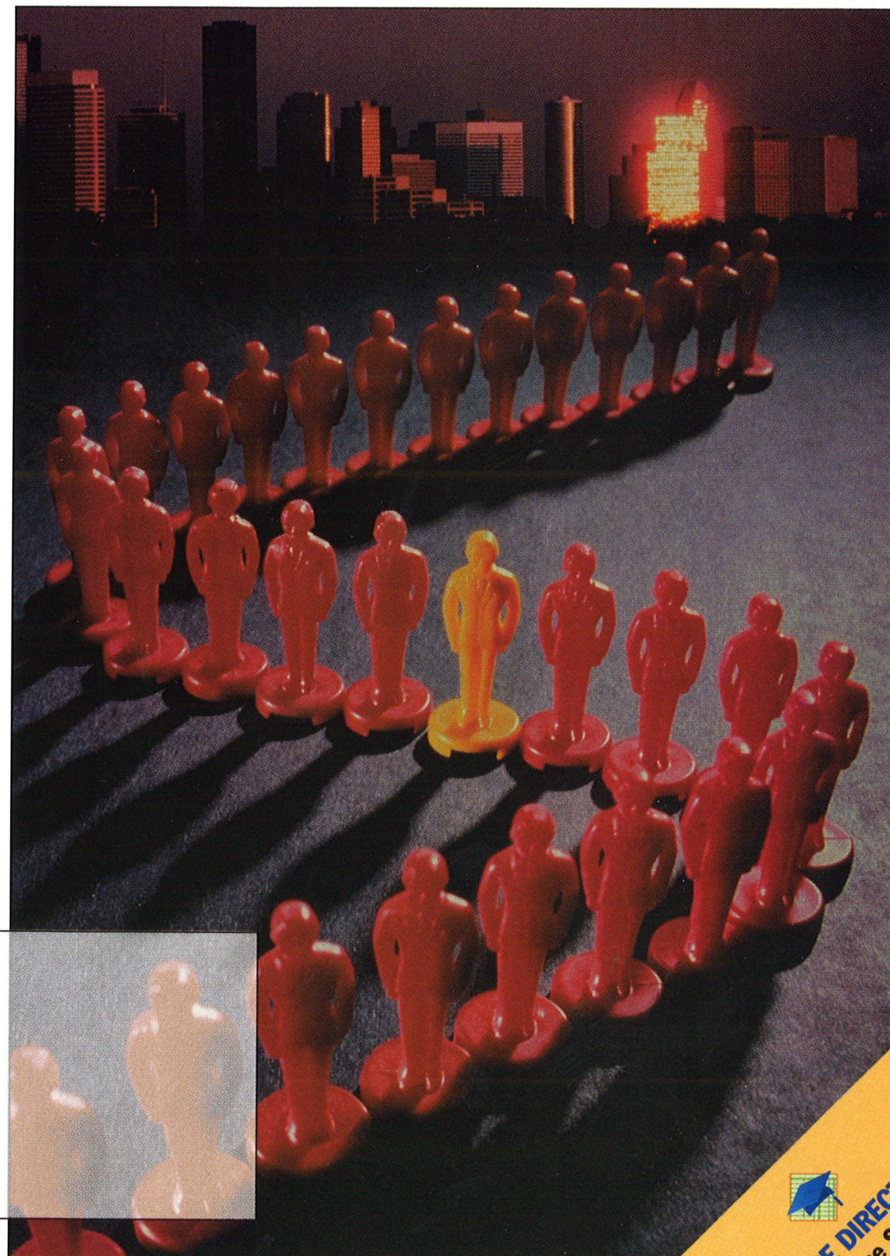

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HUMAN RESOURCES

Effective ways to motivate and manage employees.

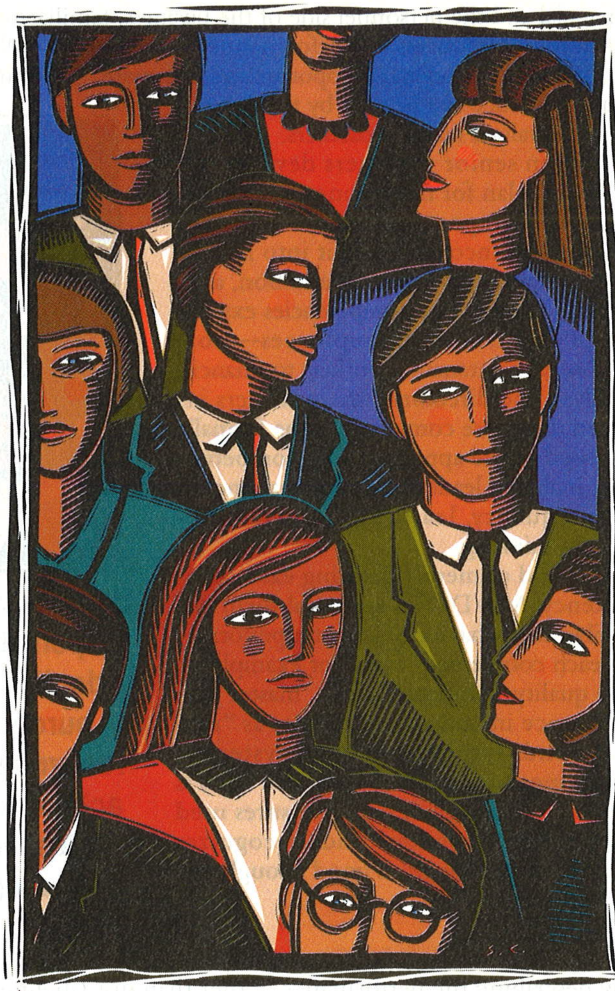
Staff Performance Advice for CPAs

BY DICK GROTE

Accounting students typically never take a college course in human resources management. Yet when they enter the workforce—especially in small or medium-size companies—they often find themselves assigned to do double duty: as finance managers and de facto personnel directors. If you've been selected for HR responsibility for your enterprise, don't consider it a burden; instead, recognize that it's an acknowledgment of your managerial skills, and thus a career boost. In addition, you'll be pleased to know that recent innovations in the performance management part of the HR task can make that part of your job easier. And, as a bonus, if you introduce those changes, performance of the entire staff is likely to improve—another plus for your career.

In recent years, many professional HR directors have begun to question the traditional performance management processes, and in their place they're introducing procedures that are both easier to administer and appear to generate far better results.

For example, consider the traditional performance appraisal ritual. Instead of continuing the hidebound, "check the box, write a comment" ritual, some HR pros are introducing systems that integrate the company's mission statements, vision and values into performance-evaluation procedures. In addition, the new processes identify and incorporate directly into appraisal forms the core competencies for each employee. Also, they're no longer requiring managers to make judgment calls on workers' performance; instead, managers are asked to report on what's called "behavioral frequency"—that is, how often the individual performs at the highest, or mastery, level. That may seem like an insignificant shift, but it produces results that are hardly insignificant.



STEPHANIE CARTER/SIS

Another example is peer review. In this particular approach to alternative dispute resolution (ADR), employee grievances and complaints about inequitable discipline, policy snafus or unjust terminations are heard and resolved by a panel of coworker peers and company managers—with the employee's peers forming the panel's majority. And with ADR, majority rules—that is, the panel's decision, even to return a terminated employee to the job, is final and binding. More on that later.

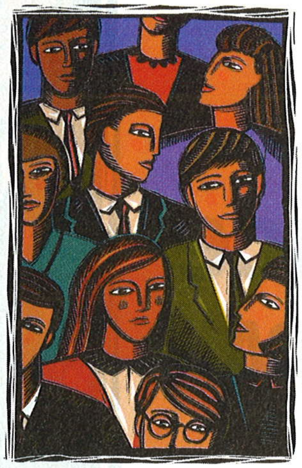
Consider also the area of discipline. Many companies today reject the notion of punitive responses. Instead, they have adopted processes that concentrate on building employee commitment and demanding individual responsibility—even going so far as using a fully paid disciplinary suspension as one tool.

GROWTH OPPORTUNITIES

From a career-building point of view, these new approaches provide growth opportunities for the CPA in business and industry and in public practice. For CPAs serving as CFOs or vice-presidents charged with managing both the financial and the personnel side of the business, familiarity with new directions in performance management will open doors to leadership opportunities. Likewise, CPAs in public practice can be seen by their clients as more valued business partners.

When senior managers developed a strategic plan for the Minnesota Department of Transportation (Mn/DOT), they insisted on incorporating it into its employee appraisal system. In addition, after identifying the core competencies expected of all 5,000 of its employees—from highway maintenance workers to financial analysts and directors—the managers insisted that these competencies be formally assessed in the appraisal. The competencies included leadership, technical knowledge, quality, learning and strategic-system thinking.

Instead of merely defining each competency, Mn/DOT's appraisal form describes the behavior of a master performer in each competency area. For example, in the quality-competency area, 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" and "recognizes when 'good enough' is good enough and when it's not."



If you're asked to take responsibility for HR, don't consider it a burden. Instead, recognize that it's an acknowledgement of your leadership qualities and an opportunity to advance your career.

DO WHAT A MASTER DOES

By describing the performance, rather than just labeling it, the department has made it easier for managers to coach subordinates about what they need to do in order 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 design. 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 process instead asked the rater to indicate how often Susie or Joe performed at a mastery level. The scale values for this part of the process are "occasionally," "sometimes," "frequently" and "regularly."

This small change lowers employees' natural defensiveness when their bosses deliver bad news about their performances. For example, rather than have the manager tell Joe that, in the area of quality, he is "unacceptable" or "below standard," the manager can 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 on an ongoing basis so that 12 months from now I can say I see that kind of performance frequently?"

For areas that don't lend themselves to a behavioral-frequency rating system, Mn/DOT incorporated other techniques. It recognized that the label for the middle position on the rating scale—where most people's performances usually fall—typically is interpreted as being average or mediocre. Nobody wants to be a "C" student; nobody likes that middle rating. The solution was

EXECUTIVE SUMMARY

■ **EXPERIENCED HUMAN RESOURCE** directors are implementing changes in performance management that not only make your job as the de facto personnel director easier but also usually improve the performance of the entire staff—making you look good.

■ **SOME HR DIRECTORS** are introducing values-based systems that integrate the company's mission statements, vision and values into performance-evaluation procedures. In addition, the new processes identify and incorporate core competencies for each employee directly into appraisal forms.

■ **AS A RESULT, MANAGERS** no longer have to make judgment calls on workers' performances. Instead, they report how often subordinates perform at a certain level.

■ **WORKER DISPUTES** are being resolved through a program called alternative dispute resolution, in which a panel of coworker peers and company managers makes the final decision on an issue.

■ **IN THE AREA OF DISCIPLINE,** a growing number of companies today reject the notion of punitive responses. Instead, they have adopted processes that concentrate on building employee commitment and demanding individual responsibility.

■ **SOME ORGANIZATIONS** see these procedures as a tool to attract a well-disciplined workforce and, in a tight labor market, to reassure outstanding candidates they won't be working next to colleagues who won't shoulder their share of the load.

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to abolish language suggesting that performing in a fully acceptable manner was tantamount to mediocrity. Instead, it called the middle rating "fully successful." 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?

On the appraisal form itself Mn/DOT indicated the ratings distribution likely to show up in a large organization: Typically, less than 5% of people fall into the categories of "truly distinguished" or "unsuccessful"; about 15% might be "somewhat successful"; 30% or so demonstrate "clearly superior" performance; and about 50% qualify for the middle "fully successful" rating.

How do you get managers to actually commit to giving performance management the attention everyone usually agrees it deserves?

The National Security Agency (NSA) found an innovative way. Every NSA employee is required to set annual objectives; these objectives serve as the basis of the annual appraisal. But for those NSA employees who evaluate other employees' performances, two goals are included on the form: "accurate and timely evaluation" and "coaching/developing." Since the two mandatory objectives are weighted a minimum of 10 out of 50 points, NSA is ensuring that the evaluators understand that at least a fifth of their success will be determined by how well they do at managing, developing and appraising their subordinates.

The NSA process also provides an opportunity for self-appraisal: Well in advance of the boss's appraisal, each staff person must submit a list of accomplishments and achievements over the past 12 months to ensure the employee's successes are fully documented and discussed in the appraisal process.

Most performance measuring systems can tell you who the misfits, sluggards and malcontents are. But only a process for confronting and correcting performance deficiencies can get them to improve.

FACE TO FACE

It's possible, without even changing procedures, to make the burdensome appraisal chore easier.

Here's how: As a manager you should meet with each employee at the beginning of the year, appraisal form in hand, and talk about your expectations of his or her performance for the upcoming year. Concentrate on two things: the skills or competencies and the results. When it's time to write the appraisal, ask the subordinate to write his or her own. There is nothing more powerful than giving a person a blank copy of a performance appraisal form and asking for self-appraisal.

Even if you don't ask for a complete self-appraisal, ask at least for a list of the employee's most important accomplishments and contributions over the past 12 months. That simple request will prevent you from being blindsided when the employee wails, "You didn't even mention the valuable Thompson contract I landed last February!"

During the session, concentrate on developing a clear core message: the one or two ideas or recommendations you want the individual to remember even months after the appraisal discussion.

Don't call employees into your office, hand them the appraisals to read while you pretend to be busy doing something else. They will race through the forms, missing half of what you wrote, and you'll be anxiously trying to gauge their reactions. Instead, give the employee a copy an hour or two before the meeting—to read it in advance. It will increase the odds that some genuine good may actually come of the process.

THE NO-PUNISHMENT SOLUTION

Most performance appraisal systems can tell you who are the sluggards, misfits and malcontents. But it can't tell you what to do about them. A formal procedure for confronting and correcting performance deficiencies is necessary. Without a systematic process that is consistently followed, an organization exposes itself to employment-related litigation and frivolous discrimination complaints.

Conventional approaches to dealing with unacceptable performance are out of sync with today's organizational climate. Worse: They don't work. 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—not into commitment.

Traditional punitive responses seem particularly inappropriate when the problem employee is a professional or knowledge worker. But poor performance must be confronted if the organization is to thrive.

One successful technique is 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, the company uses formal oral and written reminders to put the person on definite and documented notice that immediate correction is required.

Eliminating such adversarial terms as *warnings* and *reprimands* helps focus the manager's attention on the true goals: reminding the errant employee of exactly what the organization expects and that it is his or her responsibility to deliver the goods the company is paying for. During the conversation, the manager should define the specific gap between actual and desired performance, concentrating on gaining the individual's agreement to change. The agreement increases the probability that real change will occur—but if it doesn't, it gives the manager the opportunity to ask why the organization should continue an employment relationship with someone who fails to honor agreements.

After the meeting, the most effective documentation is a memo summarizing the conversation. Repeating what an individual actually said is a far more effective documentation tool than a warning form—even better, it eliminates the need to bludgeon the employee into signing the paper to confirm receipt.

If problems continue, the organization responds with an unconventional final step: a decision-making leave. The person is suspended from work for one day and is told to return the day after with a decision: Either solve the immediate problem and perform acceptably in every area of the job or quit. The company pays the employee for the day to demonstrate its good-faith desire to see a positive change. Employees are advised formally that should they return and another problem arises, they will be terminated. Paying for the day softens the anger that often accompanies performance confrontation.

When employees can't get a problem solved by talking to their bosses, and following the normal chain of command, they can elect to use a peer review procedure for a final and binding resolution.

The supervisor, no longer forced by the system to be the employee's adversary, is now 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 could lead to expensive challenges—even litigation—and these steps may help to lessen those chances. But if the case does go to a court, the one-day paid suspension makes the company policy look good to a jury, an arbitrator or an administrative law judge.

REVIEW BY PEERS

Peer review is a formal management system for resolving the everyday complaints and disputes that arise in all companies. It's a grievance procedure for an organization's nonunion workforce that can prevent problems from ever getting to court.

When employees can't get a problem solved by talking to their bosses and following the normal chain of command, they can elect to use a peer review procedure for a final and binding resolution of the complaint. Employees present their cases to panels made up of trained employee volunteers—both managers and employees at the complainant's job level (typically three peers and two managers). After explaining the problem, the panel asks questions, interviews witnesses, researches precedents and reviews policy. When the panel feels sufficiently well informed, each member casts a secret ballot to grant or to deny the employee's grievance. In such cases, 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. The method creates a problem-solving partnership between employees and managers by

- Building employee respect for management and the tough decisions managers are often required to make.
- Demonstrating management's genuine belief in decision making at the lowest possible level.
- Proving 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 HR professionals report. Here's the rationale:

- Complaints are heard, investigated and resolved by people who know your organization. Outside arbitrators and mediators, judges and juries usually don't care about your company as much as your employees do.
- 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.
- An employee whose complaint has been heard and rejected by peers is unlikely to call a lawyer. Courts uphold such decisions. In fact, several courts have held that companies can require employees to use internal processes before turning to them and have refused to allow terminated employees to sue for wrongful discharge after losing internal peer review grievances.
- Peer review is efficient and inexpensive.

Once thought radical, these performance management procedures are now seen as best-practices models. Some organizations see them as tools to attract a well-disciplined workforce; in a tight labor market, such procedures reassure outstanding candidates they won't be working next to colleagues who won't shoulder their share of the load.

Companies that have adopted such plans have learned that it's best to implement them fast—convincing fence-sitters that a new day truly is at hand and they'd better get on the train before it leaves the station. 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. ■

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