Turning the Tables on Performance Reviews:

How to Create a Better Process That Empowers, Energizes and Rewards Your Employees

By John W. Myrna

One of the most important tasks CEOs and company owners face in running their companies is to build the best leadership team possible and motivate employees throughout their organizations to be empowered, energized and effective producers. After all, CEOs cannot themselves be successful company leaders without a highly productive and effective workforce.

But knowing whom to hire or promote, how to develop potential leaders, and how to turn employees into better producers eludes even the most conscientious CEOs. This is primarily because of the inadequacy of information available to them in individual employee performance reviews and organizational job descriptions.

Fortunately, there is a way to improve the quality of information in these organizational documents – information that will vastly improve the promotion process and help employees to be more productive, accountable and rewarded for their contributions.

Why Current Performance Reviews Fail

According to our informal research conducted with hundreds of companies over the past 25 years, there are two primary reasons current performance reviews no longer make the grade:

1. Managers rarely do a thorough job executing performance reviews.

Managers often complain that the evaluation questions are insipid or trite and the process too time consuming. As a result, most managers don't take the task very seriously. They know they must complete the task and meet their company's personnel requirements, but they fail to make this activity a priority. What's more, we have learned through our work with countless businesses that most managers don't follow their company's guidelines at all. Too often employees are told, "We'll have to reschedule your review. Something important came up." This poor attitude on the part of managers results in incomplete evaluations, cynicism, and a demoralized workforce.

2. Performance reviews, (and the job descriptions they are based on) fail to focus attention on the right kinds of information.

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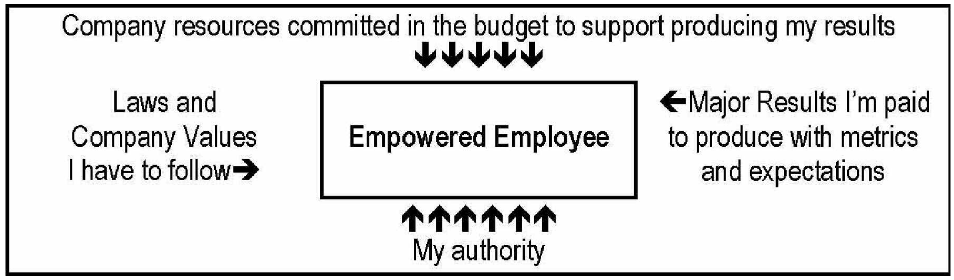

Even if managers do a decent job of completing their company's performance review procedures, the process fails to uncover talent and competence. Most reviews emphasize the quantity of activities performed rather than the resultant value created by the quality of these activities. The outcome? Rewards and promotions for people who are busy rather than effective.

There is a better approach to uncovering your future leaders and getting more productivity immediately but it requires a paradigm shift from conventional practices. Are you willing to shake things up a bit? Here are the critical activities that will have to change if you want to make performance evaluation a powerful tool in your company:

A. Three Required Paradigm Shifts

Change 1. Make each employee accountable for his or her own performance review.

In most companies, managers are accountable for each of their direct reports' reviews. The more direct reports they have, the more likely it is that they have difficulty managing the scheduling, paperwork, and meetings required to complete the reviews. In other words, the more direct reports a manager has, the more likely performance reviews will be late and poorly done.

Individuals responsible for their own reviews keep better track of due dates. When the monkey is on their backs, they will do a better job of scheduling required meetings and making sure the appropriate paperwork is complete and submitted on time.

There are two huge benefits to this approach. First, everyone in the organization, from the CEO on down, has one and only one employee review to keep track of: his or her own! Second, every employee suddenly becomes "more accountable," a goal that every manager strives for. What better way to start valuing accountability than to make every employee accountable for his or her own performance review?

Change 2. Instead of documenting dozens of activities in the job description, document only the handful of results that are most critical to success in the position.

Too often we confuse motion with progress and we rarely prioritize the few key results and outcomes employees are expected to produce in order to "win" in their jobs.

Shift the focus from activity to the achievement of specific, measurable results by asking each employee these three questions:

a. What is the most important result you're paid to produce? (For example a sales rep is paid to produce sales today and to fill the pipeline for sales tomorrow.)

b. How is success measured for that result? (For example, meeting the monthly sales quota + adding new customers + increasing the average sales per customer.)

c. What are the specific expectations for each metric? (For example, $200,000 in sales per month. Two major new customers per quarter. An increase of 20% in the average sales per existing customer.)

Repeat the cycle for the second, third, fourth, and fifth most important result.

It is essential to make absolutely sure that all employees know how they can succeed in their positions. If people don't know how the game is scored, how will they know if they are winning?

These identified and, most importantly, mutually accepted outcomes can focus and empower the employee. For full empowerment, the employee's authority and resources must match their responsibilities.

The next step, then, is to define the other three boundaries the employee operates within: the levels of authority they possess to take action, their budget, and the laws and company values they must abide by. These boundaries clarify the organization's expectations and document the limits the incumbent must act within.

Organizations that truly want to help empower their employees will offer coaching, counseling, and nurturing to support them in meeting their levels of responsibility. Of course, true empowerment also takes into consideration the individual's personal belief that he or she has the ability to achieve his or her goals. Not all employees will reach this stage of empowerment, but the most successful organizations provide the tools to get there.

Change 3. Document the specific levels of authority required to achieve the employee's responsibilities.

How often have you heard people voice this complaint, "They gave me the responsibility without the authority." Or "I am being held accountable for things I have no control over." The management challenge is that people consider their jobs as all or nothing propositions. They believe that they either have carte blanche authority for everything they do or they have to sit on their hands waiting for permission before taking action on anything. In reality, every job is a blend of responsibilities and authority, with some areas requiring a high level of authority while other areas require management oversight.

For example, years ago I had a Sales VP with a high level of competence in negotiating customer contracts but little competence in handling expenses. Therefore, I provided him the highest level of authority for contracts but kept him on a short leash with regard to committing company funds. This particular individual excelled on many important scales required for his position, but fell short on others, which we identified for additional training and development.

The Levels of Authority

The good news is there is a new approach that can help managers pinpoint where their team members fall on the responsibility/authority scale. This approach is based on an "Authority Table" which provides a tool for defining positions, on-boarding new hires, coaching, remediation, performance reviews, and personnel development. As managers earmark areas for improvement, they further assist each individual to reach the level of responsibility commensurate with their highest potential.

The key to this table is the correlation between responsibility and authority, not in the broadest definition of a job description—as occurs in most corporate job descriptions—but in each detailed area that is critical to the accomplishment of that assignment or position.

When performing this analysis, managers begin by realizing that all positions include critical responsibilities that require a high level of authority to be carried out effectively. At the same time, they learn that most positions include a variety of areas that only require low levels of authority.

A place to start is to evaluate the current incumbent's set of skills against the position's requirement of high-level and low-level authority.

It is important to handle this dialogue with care and sensitivity. Sit down with the employee and talk it through. High-achieving individuals can find this evaluation process a little hard to accept at first. They may automatically assume they should have high levels of authority in all areas under their jurisdiction. They see their jobs only in terms of their overall level of responsibility. They say to themselves, "If I have the title then I must be given the authority to act independently on everything!"

Here are the five levels of authority:

Wait. The employee is not expected to even recognize that action needs to be taken. This is the most primitive level of management – pure supervision.

Ask. The employee is expected to recognize that some sort of action should be taken but not to know what that action should be – so they ask.

Propose. Not only is the employee expected to recognize that some action is required, he or she is expected to offer a suggestion as to the kind of action that should be taken.

Inform. The employee is expected to recognize that action is required, to decide on an appropriate action, to take it and then to inform his or her superiors about the decision and action. For the individual in this stage of authority, there is still value in reviewing each decision to fine-tune his or her judgment. While the action this individual has taken usually works, it may not be the very best choice. This evaluation after the action will help them improve future decisions.

Act. The employee is expected to recognize that action is required, to decide on the best action, and to execute it well with a high level of autonomy. This is the ultimate level of trust bestowed on an individual by his management. "Just use your best judgment."

From where does authority derive? It is earned by the employee's demonstrated competence. To be promoted or hired for a position, the employee must have the competence to exercise a high level of authority for his major responsibilities, which are comprised, usually, of a minimum of "inform" authority and "act" authority. Other activities can function at a lower level, i.e. at the "ask," and, ideally, "propose." Most organizations can't function when too many individuals are filling positions where they need to wait until told what to do.

B. Job Responsibilities

As mentioned earlier, every position has a mix of responsibilities. The way your company is organized may require that some responsibilities can only be assigned to an employee who can "act" independently or at worst, at an "inform" level. Other responsibilities might require more management oversight with authority limited to the "propose" or even "ask" level.

One thing is true for every company: it is unreasonable to design a position description where every responsibility requires an employee with the competence to act independently. If one could find such an individual to fill such a position, the cost of hiring this superman or woman would likely be prohibitive.

This superman mentality occurs frequently in positions within start-up companies that are founded by exceptional people with the competence to act independently in every area. As these small organizations start to grow, additional "superpeople" are required – people who can act independently over a broad set of responsibilities. At the next level of growth, when the company requires a more robust number of managers and employees, there's an assumption that these new positions have been filled with the same type of "superpeople." This creates unrealistic expectations on the part of managers and employees. Plus, too many individuals operating independently, without the requisite competence, create chaos.

At the other end of the spectrum, it's also unreasonable to design positions such that every responsibility given to the incumbent requires a supervisor to tell him or her what to do. This type of problem also occurs frequently within new companies. In these cases, the exceptional people end up doing everything themselves because they don't trust the recently hired folks to act independently. They doubt others can match their own judgment. They end up conditioning their people to wait until they're given permission and details about what to do when. "I've given up trying take action," laments one employee at a client company. "If I do, my manager always tells me I did it wrong and makes me do it again his way."

The Authority Table

Levels of authority for each responsibility (each level of authority implies a level of competence)	1 Wait until told what to do	2. Ask for direction	3. Propose action	4. Inform after taking acting	5. Act and report routinely
Responsibility 1					√
Responsibility 2				√	
Responsibility 3		Required competencies	√		
Responsibility 4		√			
Responsibility 5	√				

√ Identifies minimum competence

C. The Authority Table

To solve this responsibility/authority issues, it helps to organize each job in the form of an "Authority Table."

1. Using the Authority Table as a Position Definition Tool

The ideal time to establish levels of authority for any position is during the position definition process. Before you hire or promote someone into a slot, honestly assess the minimum levels of competence required to be effective in each of the position's responsibilities. This way you will be sure to promote or hire the right person for the job. If your organization's culture is built around self-starters, for example, it won't work to fill positions with people who require close supervision to fulfill their major responsibilities.

Here's one simple example of a person not fitting the requirements of a position she was hired to fill. A company hired a recent immigrant to be its receptionist. She was a wonderful, hard-working woman. She also was someone who callers could barely understand and whose written phone messages were difficult to read. The employee may have had many commendable habits and talents but she lacked the basic competence to fulfill her job. Her manager was spending a major part of her day helping the receptionist. The right way to correct this hiring mistake was to shift the employee to a different position rather than wasting hours supervising her.

How do you check for the competency of a potential new hire? To start with, don't waste time with resumes. Sometimes they claim ten years of relevant experience while the reality was one year of experience ten years in a row. As for recommendations, in today's legal environment, no one risks speaking poorly – or honestly, for that matter – about anyone who has worked in his or her employ.

So what's the best technique for recruiting new employees? Our research shows that "behavior ≠exhibited is behavior expected." The simplest method, therefore, is to ask candidates to tell you stories about their personal experiences and to listen for clues as to how they achieved their victories. If they don't have a story to tell then they most likely don't have the experience and competence to fill your position. Make sure your questions lead to the right stories. For example, if the job requires integrity, ask any candidate to tell a story about when his or her integrity was challenged. (A sales candidate was relating a story of why he didn't do business with a particular company. The salesman had asked what it would take to get the business. "Act like a mule" was the Buyer's answer. "Act like a mule?" asked the confused salesman. "You know – kickback," said the Buyer. The sales candidate relating the story in his job interview didn't have to use the word integrity for everyone to understand he shared that particular company value.)

2. Using the Authority Table for On-boarding

After making a critical hire or promotion it is worthwhile to commit a week to orientating or "calibrating" the new incumbent. Once you clarify expectations for the key responsibilities of the job, you should initially set the authorities at a couple of levels below where you expect them to perform. You can then walk along with them and verify their competence for each responsibility. This gives you the confidence to quickly move them across the Authority Table. It is always easier to increase authority than to retract it, which happens when one realizes the employee doesn't have the competence to deserve it.

In one of my first turnarounds as CEO, I brought in venture capital to help the situation. Along with the millions of capital, I got a "busy body" who appeared to practice ≠sea-gull management. (Board ≠members are notorious for sea gull management!) From the moment he breezed into town to the moment I dropped him off at the airport he bombarded me with questions – questions that always started with the word, "Why?" Why did I choose to hire Jim? Why did I want to initiate a post-card marketing campaign? Why did I hold my management meetings during work hours? Why didn't I fire a particular employee? Why, why, why?

Following the golden rule – i.e those who have the gold make the rules – I patiently answered every question. I answered them even while wanting to scream, "Why are you asking me all these questions. Don't you trust me?" To make matters worse, it appeared to me that the venture capitalist (VC) wasn't even listening to my answers. What I didn't appreciate until much later was that the VC was coaching me. He couldn't trust me with absolute authority until he verified I was competent to handle the millions he invested. He was more concerned that I had asked and answered these questions for myself rather than what the specific answers might be.

So, informally, the VC and I identified what I as the CEO was responsible for and what level of authority I had in each area. Where my skills were suspect, like presenting to his investors, I was expected to wait until he told me what to say and do. For areas like acquisitions, he expected me to ask what to do. For decisions like hiring a Marketing Executive, I was expected to suggest action. For areas like pricing and sales strategy, I was expected to act but to get back to him to review my decisions. For core responsibilities, like day-to-day operations and financial management he considered me more than competent to act independently. As time went on and his confidence in my competence and judgment increased, so did the level of my authority.

3. Using the Authority Table for Coaching

Whenever people come to you for advice or an answer because they don't yet have the competence or confidence they need, this is an opportunity to create a mini-training experience. Training delivered in real-time, within specific contexts, is extraordinarily powerful.

- If they ask you what to do, first ask them what they would propose.
- If they propose several options, first ask them which one they recommend.
- If they consistently recommend good options, ask them to act on their own next time and come back to you for feedback.
- If they act and your feedback is consistently positive, ask them to act independently,

4. Using the Authority Table for Performance Remediation

The Authority Table can provide insight wherever there are performance issues. In one of our client companies the Sales VP was skilled in selling at the operational management level. His ability to lead his team to close sales began to falter when we shifted our strategy to sell to the C-level executives. (The C-level is CFO, CEO, CMO—the level at which requirements for the operational level are set.)

As sales began to fall below plan, we removed a level of authority. Instead of acting independently, we specified that he check back to review his logic after every marketing decision. The intent was to improve his decisions in the future. After a reasonable amount of time, we found that his judgment had not changed dramatically and that he had not earned the right to operate at the level of authority now required for the job. He quickly found a position in another company with a sales strategy selling to the Director of Operations. With the help of the Authority Table, it became clear that he functioned best at that level. We then hired an executive with the competence to execute our new strategy of reaching the C-level buyer. In the end, the fired sales manager became successful again in his new company. My client company also became successful with its new strategy once it had the right person for the job.

5. Using the Authority Table in the Annual Performance Review

Another ideal time to re-establish levels of responsibility and authority is during the annual review. As any company grows and evolves the competencies required by existing positions will change. Each employee should be encouraged to identify the next position he or she is shooting for. (When the job requirements are changing rapidly, the "next position" might in fact be retaining their current job for another year!)

During the annual review, ask what the employee's promotion target is. Then review the table for the targeted job and identify the gaps in competence that need to be filled before the employee can be a candidate the next time that position becomes available. Once the employee and manager identify the gap, they can establish a game plan to fill it. Perhaps it requires putting the potential candidate on a team working on proposal writing so they could acquire the skill. Perhaps it is formal training in closing the big sale. Or perhaps it requires earning an MBA or other formal degree in some discipline.

As an example, one of the companies we work with had a bookkeeper who aspired to be the Controller. In her review, her manager identified the need to get an accounting degree and to become a CPA. Imagine the CEO's surprise when, four years later, the bookkeeper invited him to her graduation ceremony from night school; she had earned her degree in accounting.

The idea is to identify the demonstrated competence necessary for the employee to be prepared for the ideal position, without promising that once that competence is demonstrated it will result in an automatic promotion.

Based on the position the employee is aiming for, you need to:

1. Identify gaps between what's needed and the employee's current experience.
2. Align the gap with employee's personal goals.
3. Make an explicit, mutual assumption that the employee can fill the gap.
4. Discuss and agree on gap filling strategies.
5. Pay close attention to progress in this area.

Larry Ellison of Oracle Corporation felt that his salespeople needed to have engineering degrees. A high-powered sales executive who desperately wanted to be an Oracle officer pestered Larry for a job. When repeatedly turned down, the individual went back to school and got an engineering degree. He got his job at Oracle plus stock options – both of which made him quite wealthy.

Final thoughts

We have found that problems occur because the manager and employee assume a level of authority that in fact, the employee can't or won't handle. You can prevent a host of future fires if you establish the appropriate levels of authority and supporting competence before the employee or company gets in trouble. This all begins with a major overhaul of your company's performance management system. It's well worth the effort.

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