



Building Competitive Companies Since 1946

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The RESOURCE

Performance Management: The Most Important Thing Managers Do

Recently, I sat on an airplane behind a woman with 3 children under the age of 5. She was doing her best to keep them under control during the 2-hour flight, but the kids had her flummoxed. She spent most of the 2 hours politely correcting misbehaviors—which occurred approximately every 60 seconds. At the end of the flight, she was exhausted and apologized to all of us in the vicinity. The kids, meanwhile, were unfazed and continued their wayward behavior as we deplaned. What had happened here? Mom had tried her hardest to manage the performance of her “direct reports”, thinking that “constructive criticism” would motivate behavior change. When her technique was unsuccessful, she did not know what else to do. So, she kept doing the same thing—expecting improved performance if she just stayed the course. This is how many managers approach the performance management process.

Managers spend far too much time critiquing employee performance. They catch employees doing something wrong, point it out, and expect improvement. If people do not improve, the manager thinks, they just need to hear the criticism again and again until they change. Criticism is used as a substitute for training. This approach is the one used by the woman on the airplane, and it doesn't work very well. In recent years, some managers have been taught to couch their critique in a “feedback sandwich” of praise-criticism-praise. It is a variation of the old

adage that “a spoon full of sugar helps the medicine go down”. This approach may temporarily inspire improvement but, once the novelty wears off, employees hear what they want to hear in the “feedback sandwich” or they detect the manipulative quality of this method and resent it.

FINANCIAL REWARDS

Some managers try to control employee performance with the purse strings. They give bonuses for above average performance and withhold raises for subpar performance. They may also give “spot rewards” such as tickets to sporting events, weekend getaways, fancy dinners, or other “prizes”. Financially-based rewards do work—temporarily. In our experience, a bonus check boosts performance and morale for about 30 days. Then, employees regress to their previous level of functioning. If employers want to keep performance at an above average level, they need to keep providing such incentives every few months. Dr. Fred Herzberg, former Director of Research at PSP Metrics, referred to this as “jumping for the jelly-beans”.



Dr. Herzberg's ideas on performance management are best stated in his famous Motivator-Hygiene Theory. In his theory, good wages,

good supervision, and good working conditions are basic prerequisites for obtaining “a fair day's work” from people. Money, in other words, does not motivate

people to do more—at least not for very long. It just prevents people from becoming dissatisfied and doing subpar work. If employers want to motivate workers to sustain higher level performance, Herzberg says, they must use non-financial rewards. Herzberg's motivators include six factors: recognition, opportunity to achieve, meaningful work assignments, responsibility, continuous learning opportunity, and promotion/advancement. Managers have control over many of these factors in motivating the performance of their employees.

THE ROLE OF PRAISE



A special word on recognition is in order. Relatively few managers spend a significant amount of their time praising their employees. To many managers, merely doing one's job deserves no particular praise. After all, employees are being paid to do their jobs—their paycheck is their reward. Why praise people for doing what they are supposed to do? This approach flies in the face of 50 years of behavioral science research. Psychologists over the years consistently have demonstrated in a wide variety of settings with people of all ages that positive feedback improves performance. What's more, positive feedback not only increases the chance that the desired behavior will occur again, but also that other desirable behaviors will be displayed as well. In other words, praise generalizes. So, one simple way for managers to improve employee performance is to pay more attention to their praise-to-criticism ratio. If a manager is not praising employees at least 3 times more often than critiquing them, a great opportunity to improve performance is being missed.

Another way to improve performance, not mentioned by Dr. Herzberg, is to set up a competition among employees. A creative way to do so is for the manager to compare employees to each other and rank them on key dimensions. The dimensions can be whatever

is appropriate for a work group. For example, work quality, work quantity, reliability, initiative, or cooperation could be used. After completing the rankings, the manager can let each employee see his or her rank on each dimension (without revealing names of other employees) and let their naturally competitive spirits take over. Few employees are satisfied being at the bottom of the list on one or more dimensions. They will strive to do better so that they can rank higher the next time a list is created. For managers who would like input on rankings from other people besides themselves, there are tools available that permit multiple raters to compare employees to each other quickly and accurately (see www.Wyvern-OJQ.com).

KEYS TO EXCEPTIONAL RESULTS

Managing work performance is not easy under the best of circumstances. It requires clarity in goals/objectives, thorough training of workers, reasonable compensation for a fair day's work, heavy doses of positive reinforcement, occasional critique, and an appeal to employees' natural competitive spirit. These methods are available to virtually all managers today. Using these methods does not guarantee high level performance, but it is difficult to obtain consistently exceptional results without them. Exceeding performance expectations requires both deliberate intention and good management technique. Performance management is the most important thing that managers do. It is worth doing well.

RESOURCES FOR LEADERS

In his most recent book *Drive*, Daniel Pink takes an interesting look at what really motivates employees. He believes most employees will thrive in an environment where they have 3 important things: Autonomy, Mastery and Purpose. McGraw Hill, 2011

Employee Engagement 2.0: How to Motivate Your Team for High Performance by Kevin E. Kruse offers practical advice in a quick and easy-to-read format. Many of his tips can be implemented easily at little or no cost. CreateSpace, 2012.

In *Carrots & Sticks Don't Work*, author Paul Marciano provides 20 reasons why traditional reward/punishment systems don't work. He then offers an alternative method based on his RESPECT model (Recognition, Empowerment, Supportive Feedback, Partnering, Expectations, Consideration, Trust). McGraw Hill, 2012

Employee Engagement: Steps to Take Now

Are your employees fully engaged in their work? A recent study showed that most employees are not – indeed fewer than one third are reported to be fully engaged. How do you know? Have you ever thought about how your employees feel after a day's work? Do they feel good about the work they have done? Do they feel they have accomplished something, helped someone, learned something, and made a contribution to the enterprise? Are they satisfied that it was time well spent? Do they feel that problems are being resolved? If not, they are probably not looking forward to coming to work tomorrow. More and more, employees are asking what work is all about. The answer is that it is about more than the money. Yes, they need a paycheck and you can buy their time, but money does not buy motivation or engagement.



WHAT REALLY MOTIVATES EMPLOYEES?

How do you engage and motivate employees? Research shows that only one third of employees' job motivation is achieved through salary, benefits, and job security. These factors are important, but they only keep workers from being unhappy and give you, at best, average performance even if the salary, benefits, and job security are above average. Fully 70 percent of motivation comes from what PSP's noted researcher Fred Herzberg called "motivating factors" such as recognition, responsibility, learning opportunities and meaningful work. All jobs, according to Herzberg, should be a learning experience.

So how can you incorporate these "motivating factors" into your workplace? Before you do anything else, first be sure to select the right workers! Yes, it is actually possible to select employees who are predisposed to engagement. There are behavioral competencies such as conscientiousness and desire to be helpful to others, as well as goal and achievement orientation, that can be measured through psychometric testing. Further, employees are less likely to be motivated to do a good job if they do not have the skills and ability to do it. These, too, can be measured through testing. In fact, hiring employees who are predisposed to engagement is itself a motivating factor for other employees.

KEEPING THE MOMENTUM

When you select employees who have these positive attributes, they will want to learn more and grow in their knowledge and responsibilities. You will need to continue to train these employees once they are on board and have a mechanism through which they can self-check their work and also receive feedback on their performance. Most companies will find that training in and of itself is a motivator if employees are being trained to do meaningful work and are given the opportunity to improve their skill set. This is not to say that you can't give your employees routine work. Most employees won't mind doing routine work if you have demonstrated how important it is to the ultimate goals of the company.

Data also shows that employees are more engaged when they have supervisors and managers that deal with problem issues quickly and fairly, and remove obstacles that prevent them from doing their job as well as possible. They tend to disengage when problems or issues are not solved or are not demonstrably being addressed.

COMMUNICATION IS KEY

Through our employee opinion surveys, PSP is finding that communication is increasingly becoming an important tool for engagement. In fact, in recent employee surveys both salary and hourly employees have rated communication as being just as important as compensation. Employees want to know what is going on in the company from its present to its future. They want to have open and direct communications from higher-level management about the challenges the business is facing and what the company is trying to do to respond. Employees want to receive information on the good and the bad, and have a chance to ask questions and give their perspective on issues. They also want senior management to truly understand how the work gets done and they would like some degree of recognition and appreciation. Employees want senior management to be interested in them as human beings and not simply as human capital.

Larger companies often hold town hall meetings with open invitations to employees, where the CEO and other top executives appear in person to discuss particular topics and answer questions. This way, employees see a face, hear a voice, and



are able to make a human connection that cannot be made through email or the intranet. While you cannot always make promises in these exchanges, you do help motivate employees by engaging them, exchanging information and, most of all, *listening*. All of this goes a long way towards creating a positive work environment and atmosphere.

SURVEYS AS A FORM OF ENGAGEMENT



Employee opinion surveys are also a good way to communicate with employees at all levels. They provide an opportunity for workers to express their views and have senior management listen to what they say. Companies that utilize employee surveys often uncover problems that they were not aware of. By addressing these issues and taking them seriously, you demonstrate your

commitment to the employees and in return, you obtain better than average performance from them. Employee surveys are also a good vehicle for receiving feedback on the employee's perception of fairness in decisions and opportunities within the workplace. Employees who feel that employers play favorites are much more likely to be disengaged and to give just enough effort to get by.

Keep in mind that an attempt to encourage employee engagement is an ongoing process and not a one-time event. If you want to motivate employees and have above average performance, you need to continuously provide meaningful work and opportunities, along with performance feedback, communication and recognition.

WHAT'S NEW @ PSP

- Helped reduce turnover from 50% to 5% over a two year period in a steel fabrication plant in the South-east.

- Conducted Leadership 360 Surveys for 26 executives in a Fortune 500 distribution company.

- Authored an article titled "Predicting Successful People" for the December 2012 issue of *Strategic HR Review*.

- Profiled CFO candidates for a non-profit business incubator/venture capital firm.

- Provided consultation in selection of new members of Board of Directors for local Habitat for Humanity chapter.

- Developed 3 training modules in a wellness program for the insurance industry on Methods of Habit Change.

- Designed executive development plans for a specialty steelmaker.

- Created a hands-on Effective Listening Workshop geared toward customer retention.

- Completed a North American Validation Study of power system operators in electric transmission and distribution companies. Results will be available soon.

