By Dan Apple

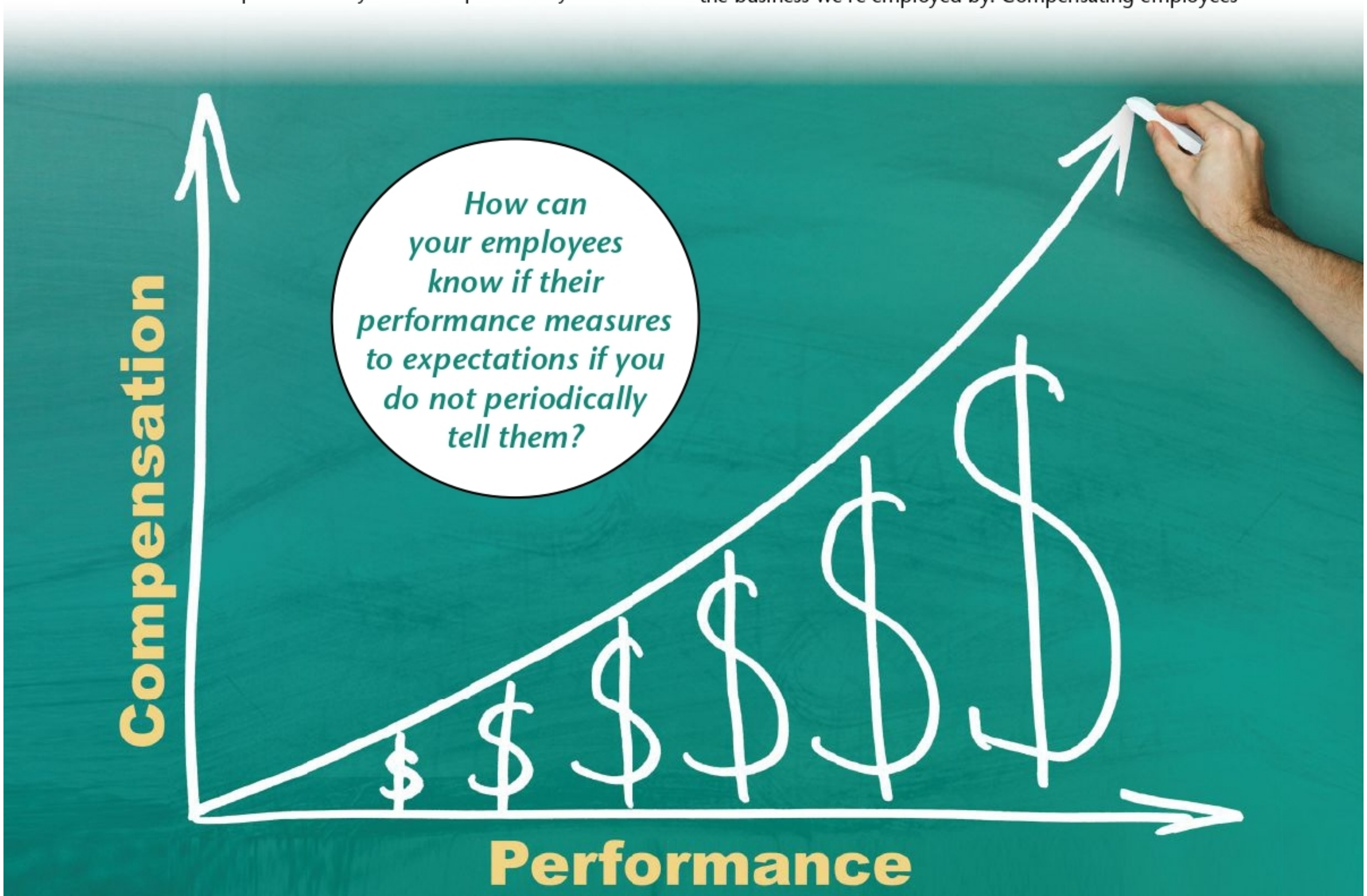
Connecting Pay to Performance: Part I

We were given report cards all through school. These reports summed up our scholastic performance by subject with a letter or number grade. Remember how important those were? We couldn't wait to show our parents the report cards with high marks and delayed as long as possible in sharing the report cards that weren't so good.

What if you had just attended school by going to class, doing homework and taking tests, but never received a report card? How would you have known how you were doing and where you stood academically? As we move into the workplace, the need for this type of feedback remains. How can your employees know if their performance measures to expectations if you do not periodically tell them?

The "Old Joe" Method

When I was an employer, I knew toward the end of the year we would need to review employee compensation and decide if raises and / or bonuses were warranted. But who should get what and how much? We all work for a paycheck. Hopefully it reflects the job we do and its value to the business we're employed by. Compensating employees



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is frequently one of the most difficult decisions owners and managers wrestle with annually. ***"How much of a raise should we give and what should it be based on?"*** are frequent questions we get from clients. To help answer this question, we'll typically ask what the criteria has been in the past. It is frequently based solely on how long the employee has been with the company.

The response typically goes something like this.

> ***"Oh, that's Old Joe. He's been with us for X years. Gotta give him the biggest raise since he's been here for so long."***

This "Old Joe" method of evaluating compensation may not accurately reflect a realistic review of Old Joe's performance. However, since it is the only criteria being reviewed, no matter the performance given, tenure is all that matters. Therefore, if Old Joe consistently performs at an average level, his raise would be proportionately higher than perhaps others performing at a higher level just because he's been there longer. Does that seem fair to the employee who may be knocking it out of the park on a daily basis? The implication is no matter your performance, the only thing that counts is how long you've been working there. I am not discounting tenure and loyalty, as both are very important to most leaders. They certainly were to me as an employer. However, I am suggesting that when evaluating compensation, each employee's overall performance should be the dominate factor. Yes, tenure should be considered in your evaluation…just not the only criteria.

Performance Appraisals

When talking to our garage door dealer clients about employee compensation, we typically ask if they provide written performance appraisals for their employees. The answers we receive vary, mostly depending on the size of the dealer, but of those surveyed, only about 10 percent actually do employee performance appraisals. These tend to be larger dealers that have been in business for a good deal of time. Mostly, these dealers see great value in giving their employees periodic, documented feedback about their value to the company. So why don't the other 90 percent do them? When we ask this question, we're given answers such as "it takes too long," "employees already know how they're doing," "doing P/A's is a waste of time," and in some cases "don't know how to do them."

Employees provide the biggest influence on any company achieving its mission. Smart owners understand this and understand how critically important it is to evaluate their value to the company and to share this information with their people. It is the owner's job to paint a favorable future for their career with the company. To do this, the owner has to establish each position's duties and responsibilities while setting goals and performance expectations for each employee. Once this is established, measuring the employee's performance and sharing it with him or her, is critical to obtaining the employee's maximum value to the company. It is difficult to expect employees to do great things if they do not understand their mission and what progress they are making toward accomplishing it.

For the purposes of this article, we are going to assume you either have or can create job descriptions for each position. Job descriptions define the mission for each employee. Next you'll need to create a set of expectations for each job. Simply put, a set of benchmarks that define levels of performance by duties assigned to each position. Performance appraisals are sort of like our old report cards. We understood the goal was to progress to the next grade level (mission), the subjects we took were how we were going to get there (expectations) and the grading system defined how we did (benchmarks). Once these are defined, you'll need to periodically measure each employee's performance progress periodically - I would suggest annually at a minimum. This is done by evaluating his or her performance for each category as defined by the job description. Finally, this performance review is shared with the employee during a face to face meeting that should last a maximum of 20-30 minutes.

Performance appraisals create an opportunity for two-way communication between the company and its employees. Yes, the owner or manager is providing feedback about an employee's performance, but the process should allow for reverse feedback. This gives the employee an opportunity to provide valuable input about their performance, their position, issues in the workplace and their opinion of the company as a whole. In addition to reviewing past performance, this process should allow the employee to share in professional goal setting, improvements needed and provide input about the review itself. Finally, and perhaps most importantly, it's a great opportunity to point out the employee's value to the company, highlighting and reinforcing superior performance as well as suggesting areas of improvement. While seeing the written "grades" matter, hearing the words matters more. As a manager, it's your job to catch people doing something right and then tell them about it. This is an excellent opportunity to do just that.

A-B-C Players

In past articles I have evaluated employees like coaching players on a team. When I owned and operated garage door dealerships, we would rank our team members as "A, B and C" players. A-players were superstars, our go-to folks that were able to get the job done no matter the obstacles. B-players were steady, all around employees but were not quite ready to lead and did not have the same fire in the belly that we saw in the A's. C-players were just 'making 8' (putting in time) and were all about doing the minimum to stay employed, but were usually on their way out anyway. Every business has this mix of performers. The A, B, C

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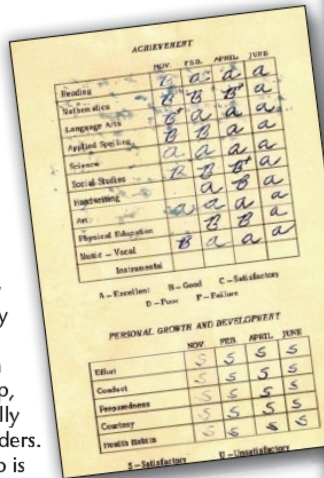
ranking was shared with employees at evaluation time but through their performance review using a 4.0 rating scale. A-players are pretty easy to recognize, constantly need to be challenged and expect to make the best money. B-players are on time, require very little supervision, are easy for other employees to work with and may even be motivated to move up, although they are typically better followers than leaders. As for C-players, your job is to challenge them to perform at a higher level or move them out so they don't occupy the space that could be your next A-player's spot. Performance appraisals should help recognize top team members' performance and reward them in a timely manner, hopefully motivating them to grow and advance their career with your business.



ACHIEVEMENT

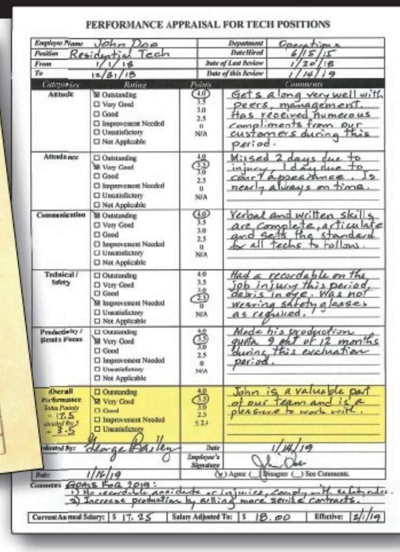
	NOV.	FEB.	APRIL	JUNE
Reading	B	a	a	a
Mathematics	B	B	B	a
Language Arts	B	a	a	a
Applied Spelling	B	B	a	a
Science	a	a	a	a
Social Studies	B	B	B	a
Handwriting		a	B	a
Art	a	a	a	a
Physical Education		B	B	a
Music – Vocal	B	a	a	a
Instrumental				

A – Excellent B – Good C – Satisfactory D – Poor F – Failure

PERSONAL GROWTH AND DEVELOPMENT

	NOV.	FEB.	APRIL	JUNE
Effort	S	S	S	S
Conduct	S	S	S	S
Preparedness	S	S	S	S
Courtesy	S	S	S	S
Health Habits	S	S	S	S

S – Satisfactory U – Unsatisfactory



PERFORMANCE APPRAISAL FOR TECH POSITIONS

Employee Name	John Doe	Department	Operations
Position	Residential Tech	Date Hired	6/15/15
From	1/1/18	Date of Last Review	1/20/18
To	12/31/18	Date of this Review	1/14/19

Categories	Rating	Points	Comments
Attitude	☒ Outstanding ☐ Very Good ☐ Good ☐ Improvement Needed ☐ Unsatisfactory ☐ Not Applicable	4.0 3.5 3.0 2.5 0 N/A	Gets along very well with peers, management. Has received numerous compliments from our customers during this period.
Attendance	☐ Outstanding ☒ Very Good ☐ Good ☐ Improvement Needed ☐ Unsatisfactory ☐ Not Applicable	4.0 3.5 3.0 2.5 0 N/A	Missed 2 days due to injury, 1 day due to court appearance. Is nearly always on time.
Communication	☒ Outstanding ☐ Very Good ☐ Good ☐ Improvement Needed ☐ Unsatisfactory ☐ Not Applicable	4.0 3.5 3.0 2.5 0 N/A	Verbal and written skills are complete, articulate and sets the standard for all techs to follow.
Technical / Safety	☐ Outstanding ☐ Very Good ☐ Good ☒ Improvement Needed ☐ Unsatisfactory ☐ Not Applicable	4.0 3.5 3.0 2.5 0 N/A	Had a recordable on the job injury this period, debris in eye. Was not wearing safety glasses as required.
Productivity / Results Focus	☐ Outstanding ☒ Very Good ☐ Good ☐ Improvement Needed ☐ Unsatisfactory ☐ Not Applicable	4.0 3.5 3.0 2.5 0 N/A	Made his production quota 9 out of 12 months during this evaluation period.
Overall Performance Total Points = 17.5 divided by 5 = 3.5	☐ Outstanding ☒ Very Good ☐ Good ☐ Improvement Needed ☐ Unsatisfactory	4.0 3.5 3.0 2.5 ≤2.4	John is a valuable part of our team and is a pleasure to work with.
Evaluated By:	George Bailey	Date	1/14/19
		Employee's Signature	John Doe
Date:	1/16/19	(x) Agree ( ) Disagree ( ) See Comments.	

Comments: GOALS FOR 2019:
1) No recordable accidents or injuries, comply with safety rules.
2) Increase production by selling more service contracts.

Current Annual Salary:	$ 17.25	Salary Adjusted To:	$ 18.00	Effective:	2/1/19

check the boxes and fill in the blanks. He or she could even hand write them to save time. Of course, this assumed the manager kept notes of an employee's performance during the evaluation period, using them as a guide to fill in the form. The single page appraisal form included five performance rating categories that were specific to the position being evaluated. The rating system was based on a 4-point scale for each category. There was a space for comments for each category to expand on the rank given if needed. Once all categories were evaluated, the points were totaled and divided by the number of categories to arrive at an overall rating. If additional comments were needed, the manager could add them at the bottom along with career development goals for each employee. There was a place for signatures of both the employee and the person doing the evaluation. Finally, there was space for recommended salary adjustments. The percentage of increase was tied directly to the overall performance rating given.

Are the ratings subjective? For the most part, yes. The manager or owner assigns a rating for each category based on observations of the employee's performance. While this is only one person's opinion, in the case of a privately-owned business, it is the one that is used. If you are paying a person to manage, making this type of judgement call is part of the job and therefore must reflect the manager's most honest opinion, backed up by examples of the employee's performance during the rating period. However, things like attendance and safety records are more objective, as they can easily be documented through written records.

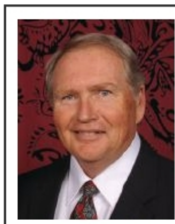
Reviewing Employee Performance

There are debates supporting each side of the performance reviews practice. In general, most agree the traditional review process is arduous and can actually demotivate employees (and managers). This is mostly due to the process, in my view. Often it is done annually on a long, drawn-out, pre-printed generic form with various categories considered in the rating, with some not even applying to the position. Managers usually hate doing these because they take a long time to complete and are often due before the end of the year, which for many companies is a very busy time. Typically, they are put off until the deadline is fast approaching (or past), mostly due to higher level job priorities, and now the managers have to cram them into their schedules to get each one written, edited, approved and in the hands of their direct reports. This traditional appraisal process is the problem. Rather than acting as a positive tool for motivating performance, this process can actually be a disservice to those individuals being reviewed when not given the appropriate attention. If your pay counted on the review and rating, wouldn't you want it carefully considered?

Simplify the Process

There is an easier way to create performance reviews. In my previous job managing employees, we created a one-page rating sheet – specific for each position – that could be completed in 15 minutes! The reviewer would then simply

In the next issue of ID&OI magazine, Part II of this article will explain an easy way to connect an employee's performance rating to compensation including raises and bonuses. We'll also take a look at the actual performance review process including when and how to do your periodic 'sit-down' with employees. If you are interested in rewarding and reinforcing superior performance be sure to read Part II!



Dan Apple is managing director of The Apple Group LLC, a garage door industry consulting firm located in Bonita Springs, Florida. The firm offers business management coaching, training and new employee recruitment. Dan served as president of Apple Door Systems in Richmond, Virginia, for 33 years. The company grew into a statewide dealership with eight locations. He was the first president of the Institute of Door Dealer Education and Accreditation (IDEA), where he was responsible for creating the industry's first national accreditation program in 1998. Dan also served as a director of the Door & Operator Dealers Association (DODA) and IDA from 1994-1998. For more information, contact him at (239) 494-3505, email at Dan@AppleLLC.net or visit the website at AppleLLC.net. The Apple Group LLC is an IDA Approved Program. More information about their programs and services for IDA members can be found on doors.org.