



Management and Performance Associates – November 2006

Performance Appraisal

Now that we are coming to the end of the year and it is time to conduct performance appraisals, we would like to use this space to explore a problem that managers face in this situation: mixing effort, potential and performance. We will use three simple stories to exemplify this.

Mary arrives early every day, at least one hour before her colleagues. She seldom goes out for lunch, and she stays for at least another hour after her colleagues are on their way to happy hour. What a dedicated employee...

Peter is bright, young, what companies nowadays call a “hypo” (High Potential). After all, he has an MBA from an Ivy League School, so he has to be good, right?

John has an interesting profile. Although he has no college degree he has an IQ higher than anybody else in the department. As a consequence of that, he constantly finishes with his tasks well ahead of deadlines. He has learned that even after helping out his colleagues, he can leave the office by 4 pm every day.

Chances are that at the end of the year Mary’s and Peter’s appraisals will be better than John’s. Not to mention their bonuses. Is that fair? No. Unfortunately, most managers confuse commitment with the number of hours that people spend at the office. Worse, they assume that graduating from a top Business School guarantees a solid performance. We still remember a young lady in a highly visible international program for Management Associates who, in spite of her two masters’ degrees from MIT, was terminated because of her poor performance.

1. **Be careful with employees that spend too many hours at the office.** As mentioned before, commitment is much more than arriving early and leaving late. Commitment has to do with alignment with the company’s

goals and values. Commitment is also related to motivation. As a manager, it is our responsibility to make their jobs fun, important, and contributing to the overall strategy of the company. Arriving early to the office may have to do with the time your employees leave their kids at school. In some situations employees stay late just because the company provides for dinner or a car service back home....Not to mention that too many hours in the office may be causing stress to your team. Some employees feel pressured to stay, especially when their colleagues or boss are still working.

2. **What about my High Potential employees? Doesn’t that mean they perform well?** Not necessarily. Coming from an Ivy League School sometimes only means that they play football well. Or that they come from a rich family. Until that potential is translated into performance, managers have only one big responsibility: develop that potential. Coach your employees to maximize performance. Many people assume coaching is just for the employees that are not performing well. Not true. Coaching is a fundamental tool to develop employees to their fullest potential. Remember, potential is for the future, while performance is current.
3. **Rewards must be proportional to performance. Nothing else.** When it comes to rewarding your staff the only element to be considered is how well they performed against their goals and to what extent they have demonstrated the company’s values as defined in the expected competencies. This brings two points to our attention. First, careful with the employees that surpass their goals but do not demonstrate the company’s values. (Jack Welch, former CEO of General Electric, in his Business Week article dated November 13, suggests that companies are guilty of either condoning bad behavior or



firing them but communicating to other employees a false reason for leaving, such as saying that “they left to spend more time with their family”). Second, ask yourself if you are not falling in the trap of over-appraising someone because they have shown extra effort or because you *expected* them to perform well because of their impressive academic credentials (once again, the question is, to what extent was that translated into performance?).

In summary, good managers thank their staff members when they demonstrate additional effort when performing their duties; they develop their staff member’s potential, and they only reward staff members with high performance. Any different combination is unfair.

See you next month. Suggestions are welcome.

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