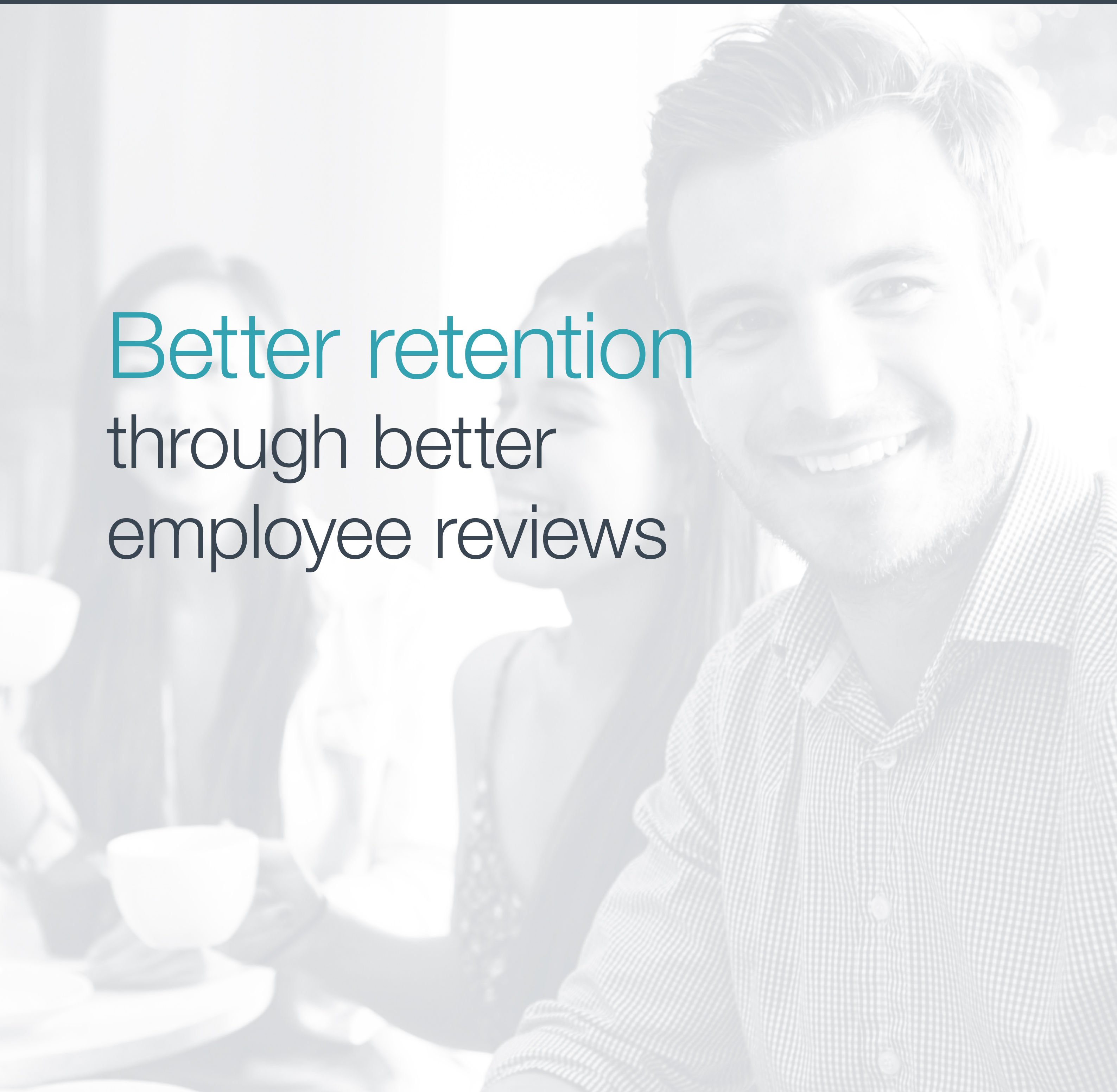
bucks and berks RECRUITMENT



Better retention through better employee reviews

Better Retention Through Better Employee Reviews

Love them or fear them, employee reviews are one of the most valuable tools in your retention arsenal.

Done properly, they can engage and motivate your staff. Done like David Brent in The Office (and we all remember that episode), then they can result in disengagement and, eventually, an increased staff turnover.

15% **lower turnover rate for companies who implement regular feedback**

This White Paper looks at how to carry out effective reviews with an eye on retaining your best talent. It will showcase great examples of how businesses are tying objectives to results, and getting the most out of the annual review process.

It doesn't have to be a tick-box meeting - it can be a great opportunity for open discussion, and an anchor point for your whole year.

Benefits of Employee Reviews

For the employer

From an employer viewpoint, not having a review system in place is like leaving your employees out in the cold, and out of the loop. You won't hear from them, and they won't hear from you - at least not in a formal setting.

And it's that formal setting that allows for a frameworked discussion to everyone's benefit. A review should set in place the key objectives for the year - for the employee's own personal progress, and for the business objectives. The first review of the year is that opportunity to get buy-in to the business objectives, and to establish team and personal targets for everyone to work to.

It's a cliché, but you need everyone singing from the same hymn sheet, and the review is the chance to do that.

What's more, it's the perfect opportunity to start tying remuneration to performance. If you can identify those who have met their targets - set together at the start of the year - and reward them, while not rewarding those who haven't met their targets, then you develop a more performance-based reward system that focuses on high achievers.

For the employee

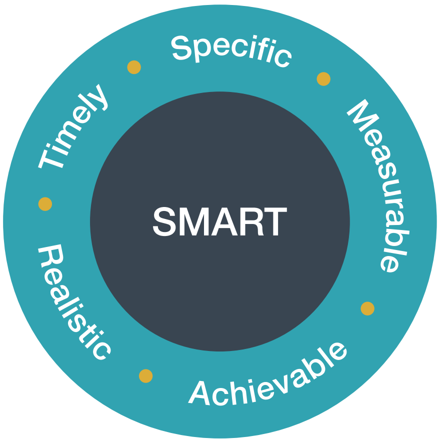
Employees can feel negatively about the review process if it is not explained clearly in advance. When delivered in the right way the advantages for the employee of going through the process are pretty clear:

- reward and recognition is tied to performance
- objectives are both personal and business-based
- this is the opportunity to give feedback as well as receive it
- it provides direction and motivation for the coming year

How to conduct a great review

Planning

A great review starts well before the review itself. A good deal of planning has to go into the process to ensure that the appraisal goes smoothly.



If, for instance we are demanding SMART objectives (Specific, Measurable, Achievable, Realistic, Timely) from our people, then we need to be, at the very least, specific with our employees. That means keeping a diary of things that have happened for each of our people - good things, bad things, achievements, improvements, so that when they are brought up in the review, there is something specific to refer back to.

Equally, the planning stretches back to objectives - and a good way of establishing these is to use the cascade system.

When objectives are cascaded, they flow through your hierarchy downwards so that everyone has objectives aligned to those of the business, as well as their own personal objectives.

For example:

In an organisation where the business objective is to expand internationally, the Managing Director will have objectives such as:

- Grow the business by 25%
- Expand into at least 3 territories
- Retain 95% of existing client base

Those objectives will flow down to the board. The Marketing Director will have these three objectives, as well as individual, related ones:

- Develop a sales pipeline worth £1,500,000
- Negotiate expansion terms with 6 territories
- Meet quarterly with all key clients

The marketing team will, themselves, have these objectives but equally their own individual objectives relating to them:

- Run quarterly campaigns targeting £500,000 pipeline each
- Carry out market research into 12 territories
- Achieve Net Promoter Score (NPS) of +10 or above

Therefore, with the cascade system, objectives flow downwards and are all tied to the original objectives as laid out for the Managing Director.

The only disadvantage of this system is that the lower down the hierarchy you are, the longer you have to wait for your appraisal!

Planning, therefore, goes a long way back - but it's the foundation of any good review.

Establishing the benchmarks

Remember SMART? (Other systems are available) Well, we can't be SMART about our objectives if we don't know the benchmarks.

Know your figures before a review. Usually, you'll have completed a year-end review before the start-of-year review (these should be separate discussions, as we will note later) - so you should have an idea of what the benchmarks are.

This makes setting objectives much easier because the targets will be realistic and based in reality. They won't be unachievable, finger-in-the-air objectives, and above all, they have to be timely - in other words, with a specific timescale against them.

Being clear about the type of review

Much of what a good review is about lies in clarity. If you're clear about benchmarks, targets and expectations, then you should also be very clear about exactly why you're having this review.

There are those who say that you should separate out reviews for pay from reviews for performance. And this is quite valid - although not always possible. If you've moved towards a performance-based pay system, then the two are quite intertwined.

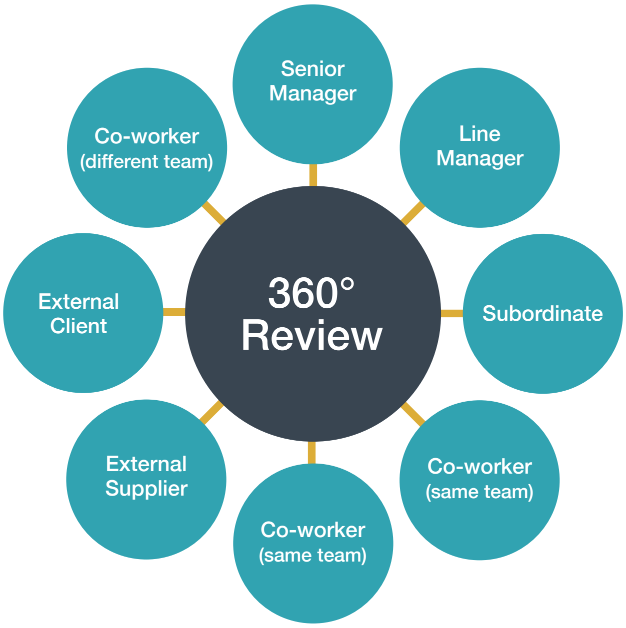
Equally, initial start-of-year reviews can have an element of pay about them - especially if that's something that motivates the employee.

So be clear about what type of review this is - is it a start-of-year 'let's get our ducks in a row' type of review, a mid-year 'how are we doing' or an end-of-year 'how did we do' type of review? Are we talking pay here or are we talking objectives? If the latter - does pay come into it at all?

Types of review

There are several different ways of conducting a review. Let's look at some of the most popular:

The 360 degree review



These are often the ideal review for those people that work across a business and have regular contact with different departments as well as external agencies. Often these roles have little day to day contact with the line manager that is conducting the review and, therefore, a clearer appraisal of their performance can be gained through gathering feedback from their co-workers. However, 360 degree reviews can be a significant undertaking, for both the line manager and those who are enlisted to participate. Though when they are done right, they give considerably more insight than simple reviews - and can therefore give a much better action plan.

A 360 degree review will typically involve 8 to 10 people answering simple questions about the employee. These are often people from all levels of the business, regardless of hierarchy, that have regular contact. Therefore, management get reviewed by the team, and vice versa, while peers review each other.

In order to avoid the typical failings of a 360 degree review, ensure that:

- the questions are clear and unambiguous
- there is no room for personal feeling to seep through
- get the relevant people to answer questions on each other
- you get buy-in from the top

The open discussion

It is said that the majority of your employees will appreciate an open discussion in a review, as opposed to a form-led, tick-box exercise. But, not everyone and some will hate it, and will potentially become defensive as a result – keep in mind around 20% (and these are your high achievers) will absolutely love it.

The open discussion is made for them. They will open up like never before - and this is one of the reasons many organisations take the open discussion route. If you're looking to retain these people, giving them the opportunity to discuss freely, around a loose framework, is the ideal way to conduct an employee review.

The disadvantage for an employer is when the framework is too loose, you may find that you are wasting time dragging the conversation back to the key points that you want to cover during the meeting.

With an open discussion, it's often a good idea to recap at the end with the key action points or objectives that you have identifies during the conversation. Ensure that you take notes throughout and these are typed up, reviewed and signed by you and the employee afterwards so that nothing is missed or misinterpreted!

The open discussion does not mean the end of the appraisal form - you need a standardised document against which objectives and targets are held - but the skill here is in bringing the conversation back round to where you want it to go, while giving the employee the opportunity to talk freely.

The form-led review

The much-maligned form has come in for a bit of stick - again, remember David Brent? That's not to say that it doesn't have its place. After all, how are you going to standardise the process without one?

The trick is not to get bogged down by the form - not to hide behind it. If the conversation strays from the form, don't get agitated and don't worry - you may have the opportunity to pre-fill a box as a result. Don't let the granularity of the form make the review incredibly granular - you can get everything you need out of a top-level discussion and fill in the form later.

The more you rely on the form, the more stilted and removed the process appears for the employee - making it seem more about form-filling than actually giving the employee an hour of your time to discuss their performance and objectives for the year ahead. It's all about the latter - but the form is there to support this process. It's not a crutch.

Grading on key competencies

There is a slight nuance between competences and competencies, which is important to understand:

A competence is something that an employee needs to have in order to complete a task. A competency, however, is a skill or a talent that adds value to that particular task.

In this instance, we'll talk about competencies, and competency frameworks are particularly popular in public sector roles where there is a grading system.

If you are grading on key competencies, they should never be a surprise. Indeed, those key competencies should run throughout the business, from hiring and on-boarding through to training and here in appraisals and reviews. You can't spring new competencies on people, or use ones that are irrelevant to their role.

Some argue that competency-based frameworks reward those who stick to the framework, and not those who think out of the box and deliver results. However, it need not be that way - the framework should encourage career development and should foster that out-of-the-box thinking.

Beware, though, that some people are never going to have the competencies you desire, even if they are delivering great results for you. If so, the review process could put up some barriers for them, and you have to treat this situation delicately.

Motivating your line managers

In the case of trickle-down (cascading) objectives especially, each line manager will have a sizeable stake in the review process - and indeed, the whole review process relies upon them.

Getting their buy-in, therefore, is incredibly important. Without this buy-in, it is hard to imagine their teams having particularly strong buy-in to the process either. Or worse, those employees who are looking forward to their review are going to feel disenfranchised.

There is a school of thought that your line managers are your most important people - and looking after them will result in a better working environment all round. Therefore, give them the time they need. Give them the tools, the forms, the processes and the training to carry out effective reviews.

Many line managers are thrown into the role without the necessary training or support, so never throw a manager into a review situation unless they've been fully briefed and they fully understand the importance of the process.

What to cover in a review

Achievements

What has gone well? What has stood out over the last review period that you would want to point out? It's always best to look at achievements through the lens of objectives and business strategy. For instance, bringing in a new client helps meet growth targets - achieving a 25% clickthrough rate on an e-mail campaign helps towards the pipeline targets, etc. Tie everything back to stated objectives.

Behaviour

There is always a place for behaviour in a review - from late attendance to scruffy dressers, it needs pointing out somewhere and the official environment of an appraisal is a good place to do it. Again, this can be done through the lens of objectives and business strategy. Everyone knows that a well-presented, punctual and polite receptionist is vital to the image of the business - it's the first impression that lasts. Therefore, this ties everyone's behaviour to the success of the business.

SMART Objectives

As mentioned before, SMART means Specific, Measurable, Achievable, Realistic and Timely (there are variants), and it's a good idea to review any from the previous year before moving into this year's. This is the opportunity for the employee to 'bat back' any targets that you might be suggesting. Rather than dictating targets and objectives to employees, it's often a good idea - and, better for morale and buy in - to collaboratively create these objectives.

Key Performance Indicators (KPIs)

Once the objectives are established, how are you going to measure them? What are the intermediate measures required to understand how the employee is progressing? A Key Performance Indicator could be a monthly or quarterly sub-target. Establish them here, and establish a formal way of reporting back on these measurements, so everyone knows what is expected and any small concerns can be addressed quickly and efficiently.

Training opportunities

The objectives may expose some skills gaps - and if you are using a competency-based framework, you will already be a step closer to understanding those gaps and the training requirements to plug them.

Training is often a key retention factor with employees, so ensure that it's factored into your review process, and ensure that it is tracked regularly as part of the discussion. Whether the training is sourced internally or externally, or you are using a mentoring / coaching process in-house, tie that training need to an objective. Therefore, subsequent discussions will have more substance - if an objective is not met, was training given to help achieve it?

Professional Development

It's always good to talk about career aspirations - and don't be afraid if those career aspirations lie beyond your organisation. Everyone will leave you at some point (a sad truth of employing people), your objective is to retain them for as long as possible. So don't be afraid to talk career paths, and whether those career paths lie within the organisation or not.

A responsible employer will always seek to help each and every employee reach their full potential within their career, and recording this as part of the appraisal process helps the employee feel that they are valued, and that their employer is looking out for them.

Personal Development

Quite separate from the aspect of professional development is the idea of personal development. Your employee might want to learn French - and this is quite unrelated to the job. However, it may be helpful elsewhere in the business, so it's not outside of the scope of the review to include this type of discussion.

More closely related to the job role might be specific soft skills, such as confident communication or internal networking. Again, it's good to record these in the review process, and to discuss them throughout the year.

Things to avoid in a review

- Contrast effect: Be careful not to contrast the employee with other employees, and instead to focus on benchmarks, objectives, competencies and targets.
- Halo (or horn) effect: Don't let overachievement in one area obscure under-achievement in others. This is known as the halo effect.
- Similar-to-me effect: It's sometimes easy to look more favourably on those who are similar to you or are from a similar background.
- Central tendency: Having a central tendency means giving everyone an average score, regardless of performance. On the other side, there is strictness, which marks everyone down, again regardless.
- Leniency/desire to please: Avoid being lenient in order to avoid confrontation or out of a desire to please.
- Recency effect: While sometimes justified, the recency effect puts too much emphasis on recent events, positive or negative.
- First-impression bias: Don't let your first impressions cloud performance reality...
- Rater bias: Rater bias is personal - don't let your personal feelings towards the person cloud the review.

Conclusion

There really is no need to fear the 'dreaded' appraisal process – it's the process that underpins your whole year. If your objectives are cascaded down from the top, it gives everyone the sense that they're all pulling in the same direction – and that really helps with retaining great team members.

It gives everyone the feeling that they're involved, and that they're appreciated – and best of all, that someone is listening to them.

And, if you're carrying it out properly, the review process takes place throughout the year, so it becomes a framework in itself. You set targets and objectives, you measure KPIs, you discuss progress – from a business, a departmental, and a personal point of view – and you can then start to align reward to performance.

Get it right, and the employee review is key to retention and happy more productive staff.

Do you have a vacancy that needs filling or need some recruitment advice?

Contact one of our branches today!