Performance Appraisals and employee engagement ... pay now? Pay later?

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CFMA Dinner Meeting
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It's Annual Review Time?
“EMPLOYEE ENGAGEMENT”
Key drivers of employee engagement...

- Career Opportunities
- Pay
- Recognition
- Organizational reputation
Why should I care about engaged employees?
Operating income ...

- In companies with low engagement scores, they earn an operating income 32.7 percent lower than companies with more engaged employees.

- Similarly, companies with a highly engaged workforce experience a 19.2 percent growth in operating income over a 12-month period.
Performance metrics with *most engaged* workplaces demonstrated ...

- 2X higher customer loyalty
- 2X higher productivity
- 2X *lower* turnover
Performance Appraisals?
Is the news really bad?

• Most dreaded conversation *annually* ... done manually or electronically
• Dulls your brain ... temporarily
• 44% of employees don’t think boss is honest
• 20% of employees feel it’s unfair
• 48% say processes are weak in driving business value
• 58% of executives believe their current performance appraisal processes do not drive employee engagement
3 different ways people approach life goals that are work-related

1. Learning-Oriented: tend to want to learn and get as much out of a situation as possible

2. Performance/Prove: want to prove something to others – that they are better or can do the job or whatever it is

3. Performance/Avoid: want to avoid looking foolish or avoid looking bad

4. * Satoris Culbertson, Ph D.
Bottom line?

Despite their life goal orientation, no one likes negative feedback.
Performance “conversations” work well when they ...

• Happen *frequently & regularly* = NO surprises
• Emphasize strengths ... what’s working
• Include self-evaluation; two-way conversation - “draft” mentality
• Are relevant, linked to job description
• Take place formally and informally
• Are supported by solid, specific examples
Performance “conversations” flow when they ...

- Constructively include peer/other feedback
- Are linked to overall strategy; company goals
- Are thoughtfully prepared
- Include conversations about future aspirations, *co-creating* career/work goals
- Involve follow-up ... within weeks ... what did *you* agree to Do? Provide? Research? Deliver?
Some good news!

• **15% lower** turnover rate if performance appraisals are done *regularly*

• When companies spend 1% or more of payroll on *recognition*, 85% see a positive impact on engagement.

• Peer-to-peer *recognition* is 35.7% more likely to have a positive impact on financial results than manager-only recognition.
What is the number one reason most people quit their jobs?

- People don’t feel appreciated. “In fact, 65% of people surveyed said they got no *recognition* for good work last year”
Giving recognition = saves money, decreases turnover

Write down 1-2 sentences to a co-worker, or a direct report, or a client, or your boss, or a peer, recognizing them for work well done! Pay attention to note **what, when, how and why**.

“ I really appreciated it that you (what) (when) you (....) The way you (how) ... it was important to me/the company because (why) ... thank you.”
How did it go?
PRACTICE MAKES EASIER
QUESTIONS?