Practice Strategies

Don’t Put Off Employee Performance Appraisals

John G. McDaniel, M.L.H.R.

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including the simple fact that few people enjoy being critical—even constructively so—of the friends and cohorts they work with every day. Oftentimes, conflict seems to be inherent in the appraisal process. Though this conflict may seem inevitable, it does not have to be unmanageable. A more complete understanding of the appraisal process, more comprehensive communication with employees, and a more effectively engineered appraisal system can help a practice manager avoid such pitfalls and reap the benefits of an effective performance appraisal process.
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Benefits of Performance Appraisal

What are the benefits of performance appraisals? It stands to reason that if the benefits are not tangible or significant, the process can be eliminated altogether. This explanation is offered by a large number of practices that choose not to conduct appraisals. So, why should conduct performance appraisals be conducted? Here are some reasons:

- **Pay for performance**: linking pay increases to performance will lead to better employee performance.
- **Promotions**: if performance data are available to guide decision making, promotion decisions will be made more analytically and will be based on more accurate information.
- **Training and development**: performance appraisal information can help identify which employees need additional training (e.g., computer, technician, filing system, etc.). Time and money can be saved by accurately identifying training and development needs and avoiding training redundancies.
- **Feedback and employee communication**: most office managers understand the role of communicating with staff, but often find that time constraints limit opportunities for communication. In particular, people need feedback to know if they are meeting, exceeding, or failing expectations. Performance appraisals provide a mechanism for delivering regular feedback.
- **Reinforce employee roles and duties**: make sure employees understand their particular responsibilities. Often there is a significant gap between what practice managers think an employee's responsibilities are and what the employee perceives those responsibilities to be. The appraisal process provides an excellent opportunity to iron out those differences.
- **Improve office procedures and processes**: employees who have a sense of ownership over jobs are more likely to find improved ways of completing job tasks and outcomes. How do practice managers discover these new ideas? The appraisal process offers an excellent opportunity to find out what ideas and solutions employees are bringing to the job.
- **Job enrichment decisions**: a staff is a dynamic entity in constant flux. Job descriptions created even a few years ago are probably out of tune with the current practice needs, and the appraisal process is an ideal opportunity to assess the fit between job descriptions and actual practice needs.

Identification of practice goals: employee performance should align with organizational goals. Incorporating practice goals into employee performance expectations can aid in assessment of practice goal achievement. Appraisal data can also be used for human resource planning, goal identification, and evaluation of human resource systems.

Assisting employees in career goal setting and management: proactive interest and involvement in staff members' career goals sends the message that employee objectives are an important part of practice goals. Career management assistance can be an effective means of reducing staff turnover. Attention to employee career goals might, for instance, help a practice manager to identify a talented technician who is interested in training to become an optician.

The Duality of Purpose

Convinced of the benefits of performance appraisals? Now, what makes this process so complicated and so frustrating? Simply put—duality of purpose. There are two opposing objectives of performance appraisal, and in many ways they appear to directly contradict each other. First, these evaluations are conducted for the purpose of making pay, promotion, and retention decisions. This "side" of appraisals may create employee attitudes that are defensive, argumentative, confrontational, or adversarial. It also funnels the employee into a short-term outlook about the process. The employee's objective is to inflate the evaluation as much as possible to effect maximal increases in pay and in promotion potential, and to decrease the likelihood of being "downsized" in the future. The second side of the appraisal process is designed to analyze the training and development needs of the employee. This objective requires attitudes that are open, honest, self-aware, and self-evaluative. It also requires a longer-term focus by the employee. Without these employee attitudes and outlook, it is often impossible to assess areas that require training and development intervention. Clearly, the conflict between the rewards side and development side can hinder the overall success of the process. How can this dichotomy be managed?

Coping Strategies

The honest answer is that the duality cannot be truly eliminated. Both objectives of performance appraisal are essential in management of employees, and these objectives will always be at odds. Despite this conflict, various coping strategies exist to help practice managers work around the duality and maximize the poz-
tive impact of the appraisal process. When a manager is confronted with the complexities of the process, the most typical response is to eliminate the link between pay and performance. This is accomplished by creating a system that takes objective and subjective performance criteria out of the pay decision. Once performance is eliminated from the pay decision, pay raises are likely to become seniority-based increases, standard increases (everyone receives 3%), or indexed increases (based, for instance, on the Consumer Price Index). In some cases, increases are withheld entirely or offered arbitrarily. Be very cautious about any of these strategies. These approaches each send a clear message that the employer values something other than improved performance and, in turn, employee performance may be adversely affected. For example, if pay decisions are based on seniority, people are encouraged to focus on job retention. Employees may expend just enough effort to keep their jobs. If pay decisions are based on well-thought-out formulae that focus on an index—such as the Consumer Price Index (CPI)—CPI monitoring will be encouraged. Remember, pay decisions send simple and obvious messages to employees—what should those messages be?

Other, more effective coping strategies maximize the effectiveness of the performance appraisal process while minimizing the headaches. Because no single strategy is perfect, multiple strategies should be used. The most effective options include:

1. **360° reviews, including self-assessment**: A 360° review provides a more complete picture of employee performance by using multiple sources of information. Many 360° reviews involve gathering performance data from an employee’s peers, patients, subordinates, other supervisors, etc. Coupled with a self-assessment from the employee, this strategy is designed to give a complete picture of employee performance. If used effectively, it will help the employer cope with the duality by increasing the available information and perspective, by creating buy-in from employees who are more involved in the process, and by increasing the perceived objectivity of the process. The flaws with this approach include the time necessary for initial set up and the potential intra-staff conflicts that might arise. To overcome the latter, 360° programs are often used only for developmental purposes; the results are not used as a basis for pay and promotional decisions.

2. **Multiple performance appraisal sessions**: since there are two conflicting objectives to the process, why not have two different appraisal sessions to address each one? This method is one of the easiest and most successful for addressing the duality. Separating the two objectives temporarily creates a perceived separation of pay decisions and training and development decisions. One of the more effective methods involves biannual appraisals. The first appraisal (e.g. in January) is dedicated entirely to pay decisions. The second (e.g. in June) is dedicated entirely to training and development issues. The potential drawback here goes back to the “vanishing appraisal.” The time demands associated with multiple review sessions make it even easier to neglect appraisals associated with pay decisions.

3. **Rater evaluation**: reviewers need to be held accountable for the effectiveness and efficiency of their work. In other words, the raters need to be rated on their ability to provide good ratings. This mechanism will help the supervisor ensure objectives are being met and make sure ratings are meaningful. When analyzing the appraisals, look to see that the information distinguishes between high and low performers. The entire process of performance evaluation can be time consuming, so be certain the process produces the desired results.

4. **Appeals process**: in the fields of human resource management and organizational behavior, there is a concept called procedural justice. Simply put, do employees perceive employer processes as being fair? When processes are put in place—be they explicit or implicit—the fairness of those processes is continually evaluated by affected employees. The need to address procedural justice is exponentially greater when the process is used in decisions about pay, promotions, and access to training and development. The simplest way to enhance the sense of equity in the appraisal process is to create an appeals mechanism as an integral component of the performance appraisal system. Appeals processes are highly variable and individualized and will accomplish a sense of fairness, as long as they are created with significant employee participation. If employees help create the process, they will have a hard time later arguing that they disagree with it.

5. **Job analysis**: when used properly, job analysis is the process by which the job description is produced. Job descriptions, in turn, should serve as the basis for the performance evaluation criteria. Make sure job descriptions are up-to-date and that the employees are intimately involved in the job analysis process.
PRACTICE STRATEGIES

Incorporating some of these coping strategies will make performance appraisal a more efficient and effective employee management tool in any practice. However, be sure not to forget the big picture. Be sure to get employees involved at the beginning to develop accurate, objective-based job descriptions that will become the source for the performance criteria used in the performance appraisal process. Finally, link pay increases to performance. If pay increases are not tied to employee performance, what are those additional labor dollars actually buying?

Legal Considerations

Gary L. Moss, O.D., effectively articulated the fundamental steps in the performance appraisal process in the December 2000 issue of Optometry Journal of the American Optometric Association. While the above coping strategies should be woven into the fabric of a basic performance appraisal system, other considerations raised by Dr. Moss are important to ensuring compliance with legal requirements. Dr. Moss's article presented six general characteristics of performance appraisals for legal compliance: specificity and job relatedness, observable criteria and documentation, limited use of subjective criteria, employee understanding of performance expectations, bias avoidance, and protection of employee privacy.

The legal implications of every human resources decision should be carefully evaluated to determine the practice's exposure to risk. Some fundamental considerations regarding performance appraisal procedures, content, documentation, and raters (those conducting the appraisals) are necessary. The following points are designed to help the office manager assess the legal aspects of a performance appraisal system:

Procedural considerations:
1. Involve employees in the creation of the appraisal process. Their participation will create staff acceptance, and it demonstrates the employer's willingness to consider employee views on the process.
2. Use a formal, standardized performance appraisal as the basis for personnel decisions.
3. Formally communicate specific performance standards to all employees.
4. Implement a formal appeals process. Such a process will increase employees' perceptions of fairness.
5. Provide documented training to all performance appraisers on all relevant antidiscrimination laws and Equal Employment Opportunity Commission guidelines.
6. Provide documented formal instructions to all raters to explain how to complete the appraisal process.
7. Permit employees to officially review the results of their own performance appraisals. Also, require a signature on the final appraisal form, then place the form in the personnel record. This signature will serve as acknowledgment that the employee was permitted to review the appraisal results and that a discussion regarding that information took place. The signature should not be an indication of agreement with the final results.

Content considerations:
1. All performance appraisal systems should be based on a reliable and valid job analysis process that yields a documented job description and job specification.
2. Avoid trait-based performance appraisal approaches. Trait-based systems focus on personality or personal characteristics of employees. While this type of appraisal effectively evaluates what a person is, it does very little evaluation of what the person does.
3. Use objective, quantifiable data as much as possible.
4. Consider external factors that impact performance criteria but are not within the control of the employee. These external factors should be a deliberate part of the appraisal process. External factors might include changes in third-party participation, a new competitor in the local market, or new laws and regulations that may add to an employee's workload.
5. Use multiple measures of performance in favor of a global measure. For example, use measures of customer service, sales volume, professionalism, accuracy, etc., in favor of a single measure such as sales volume for dispensary employees.
6. Prioritize performance criteria. Determine which criteria are most important to the job being appraised and establish a weighting system that reflects these different priorities. It is best if the prioritization is done during job analysis. For example, rank tasks/outcomes such as schedule management, phone etiquette, and patient greeting and service in order of importance in accordance with the practice strategy. These rankings can then be used to determine relative weights for each item on the performance appraisal form.

Documentation considerations:
1. Always remember the three golden rules of human resource management: (1) document, (2)
document, and (3) document. Some things to aid the documentation process are:

a. Schedule time on a weekly basis to add events to a critical incidents file or other behavior and performance tracking system being used.

b. If multiple people are used to administer the review process, be certain to document the procedures and criteria to be used for tracking behaviors and/or outcomes throughout the appraisal period.

c. Document all reprimands, attendance/timeliness issues, performance problems, etc., in addition to all attempts at remediation.

2. Use computer-based human resource information systems (HRIS) to maintain all employee records, including performance appraisals. Make certain the HRIS is flexible enough to customize to match the data collection and analysis needs. As is always the case with computer-based solutions, data redundancy is essential. Treat employee records in the same manner patient records are treated. Pre-developed HRIS systems are readily available for purchase.

3. Publish formal documentation requirements for employee understanding. Well-understood criteria will create greater consistency in situations with multiple reviewers.

Rater considerations:

Train all raters on the performance appraisal system, including documentation requirements and potential sources of rater bias. If disparate understandings of the process exist, disparate results will be produced, which may open the system to legal challenge.

Raters must regularly observe the staff members they are required to appraise. Observation can be either direct observation of performance or frequent observation of the direct outcomes of that performance. Although logical, this requirement is all-too-often neglected. For example, a doctor who has infrequent opportunity to observe the office receptionist might ask the office manager to perform the receptionist’s appraisal.

Multiple raters lessen the risk of intended and unintended bias. The 360 degree reviews are an excellent tool for providing multiple rater performance appraisal data.

Final Thoughts on Performance Appraisal

Performance appraisal does not occur in a vacuum. It is an integrated part of a practice’s overall human resource strategy. For performance appraisals to be completed effectively, they must be well-considered and well-developed. Furthermore, the goal of the practice manager is to improve practice performance. To obtain any form of competitive advantage, the link between individual performance and overall practice performance needs to be continually monitored. Simply put, if a practice has high-performing employees, the practice has a reasonable chance of attaining high performance. Conversely, if a practice is riddled with low performers, it is nearly impossible to achieve any level of sustained practice-level performance.

References


