

Performance Management

How Do I Evaluate Performance and Conduct Meaningful Performance Reviews?

Ask employees about performance management and their experiences giving or receiving performance appraisals and you are likely to hear gripping or humorous or scary anecdotes. Companies' approaches to performance management vary widely. There are organizations with elaborate performance management systems that combine frequent feedback with documentation, those that use simple forms for one annual discussion copied from other businesses or forms books, and others that use no system at all.

Meaningful ongoing performance management helps both individual employees and the business as a whole. Effective performance management is a key for the motivation, retention, and development of employees, because individuals learn how they are performing and where they are going in the organization. Managers learn more about their subordinates in the process, strengthen relationships through discussion, and develop their own coaching skills. The entire organization benefits from a system that aligns performance to companywide goals; provides a structured format for measuring results and giving feedback; and establishes a record for each em-

ployee that can be used to develop employees, inform future supervisors, and make sound employment decisions.

No matter what the size and culture of your organization, it pays to be attentive to performance management. Since there is no single correct approach for every business, you must take steps and adopt structures that fit with and work for your organization. Never just copy the approach of another company and assume that it will work for you. In this chapter, we will discuss some of the considerations involved in developing and implementing a performance management system that will get you the results you want.

DEVELOPING A PERFORMANCE MANAGEMENT SYSTEM

What is "performance management"?

Performance management is a systematic approach to tracking individual performance against the targeted objectives of the organization, and identifying strengths and opportunities for improvement. It involves more than giving an annual performance review. While a periodic formal review may be part of the performance management process, good performance management is an ongoing process, not a once-a-year event.

Where do I begin in creating a performance management process for my organization?

Set your expectations. You cannot measure performance unless you first establish the expectations. For professional sports teams, the expectations are clear and measurable. The team wants to win. Individual players are expected to score points, complete specific plays, increase speed, or keep the opposing team from scoring. Performance is monitored daily and progress is easily determined. When performance declines or goals are set at higher levels, players are coached for improvement in form, plays, strength, speed, strategy, or resilience.

Monitoring performance is not as straightforward for most employers, but the same principles apply. You need to set goals for the company as a whole. Include specific objectives, such as revenue targets, excellence in customer service, or development of cutting-edge products. Once you have established your goals, you can set team and individual objectives to meet your goals.

Individual expectations for employees can be divided between specific

results and the attributes, attitudes, or behaviors that lead to these results. For example, you may expect your vice president of sales to achieve target annual revenues of \$1 million. To sell \$1 million worth of products, she must perform a series of activities and actions that perhaps include hiring and managing a sales force, planning and forecasting, and customer development, etc. For you to determine whether your vice president has been successful, you must continually evaluate whether her skills, attitudes, and behaviors are producing the results you want.

WORTH REPEATING: "THANKS, NOW I KNOW WHAT I HAVE TO DO!"

A start-up service industry employer gives its new employees a job expectation sheet that lists their major responsibilities, the name of their manager or supervisor, the other positions and departments with which they will interact, and their measures of success. Expectations are crystal clear from the outset.

Fit the program to your company's culture and philosophy. If you are a technically savvy organization, look at the many Web-based systems available. If you have articulated precise goals to your employees, emphasize these goals in your program. If you are in the process of significant business growth and need information on which to base promotions, design a process that will elicit the information you require. A well-thought-out performance management system that meets your needs, fits your culture, and can be adapted when the business changes will improve morale and retention and become an integral part of your operation.

Facilitate solid communication. Performance management requires solid two-way communication about expectations and the individual's progress against these expectations. The best managers meet informally, one-on-one with their direct reports on a regular basis to share updates on activities and projects, business direction and goals, philosophy, and feedback on results and expectations. The managers comment on performance status and suggest improvements; the subordinates tell the managers if there are any process problems or other obstacles to meeting the objectives.

What is all this I hear about coaching?

Coaching—or developing individual performance—is central to performance management discussions. Scheduled meetings can provide an oppor-

tunity for coaching, but the most successful managers coach their subordinates all the time. Successful employees seek out direction and coaching. Coaching can consist of a variety of activities, including:

- ◆ Giving and clarifying direction
- ◆ Jointly identifying and developing goals
- ◆ Giving and listening to feedback
- ◆ Acting as a source for guidance and advice
- ◆ Actively helping people do the work
- ◆ Suggesting improvements in concepts, process, or outcomes
- ◆ Building self-confidence by providing encouragement and reinforcement
- ◆ Maintaining morale through motivation
- ◆ Breaking down barriers and providing resources to achieve results and change
- ◆ Developing skills, knowledge, and abilities
- ◆ Giving guidance on advancement
- ◆ Providing guidance on interpersonal relationships as they affect the employee's work

Do we need a formal mentor program?

It depends on your organization. Mentoring on some level exists in all organizations. Strong managers will act as mentors to those that they supervise, and mentor situations will evolve naturally and informally outside of the reporting structure, whether as an outcome of the recruitment process, a special project, or a friendship. Mentors may coach, but in addition they provide practical advice on how to get things done within the organization, or how to navigate company politics and plan a career strategy. The most successful employees often credit a strong mentor with helping them to prosper and advance within the company.

One complaint about informal mentoring is that mentors tend to seek these special relationships with people just like them. If you find that only a narrow segment of your employees are benefiting from mentoring relationships, you may want to adopt a more formal mentor program. These can be simple approaches, such as pairing new employees with a more senior manager, or structured programs with significant training requirements for individuals who volunteer to be mentors.

WORTH REPEATING: MENTOR UP

Intel Corp. and some other large companies have instituted reverse mentor programs that encourage learning relationships up the hierarchy. Senior managers can find out firsthand about new technologies, learn from the experiences of those at other levels of the organization, and gain the confidence of the next generation of managers.

How do I deal with unacceptable performance within my performance management structure?

When faced with unacceptable performance, such as a project riddled with major errors or disruptive behavior at a staff meeting, give immediate feedback rather than waiting for a “better time” or, even worse, the annual review date. If you fail to address the issue, the employee will either not know of the problem or will think that she can get away with poor performance. And you, the manager, may continue to seethe inside. When addressing performance deficiencies, don’t bring employees into your office, tell them what they are doing wrong, and threaten them that they are never to do it again “or else.” Instead, plan for a two-way discussion where both sides understand the problem and agree on a solution. Recommended actions are to:

- ✓ Explain the nature of the deficiency and ask the employee why it occurred.
- ✓ Listen to the employee’s response.
- ✓ Ask the employee for ways to correct the problem or prevent a future recurrence.
- ✓ Agree on a plan of action, which may include identifying additional resources or obtaining more information.
- ✓ Express support and confidence in the employee’s ability to improve.
- ✓ Document the plan of action in a memo or e-mail to help track follow up. This documentation should not be a disciplinary action, but rather an agreement on expectations.

If performance does not improve, then begin a progressive disciplinary process. Progressive discipline does not mean that once an employee prob-

lem comes to light, discipline speeds up. The idea is to correct performance problems, not to “catch” employees and build up a record against them. The level of discipline should be appropriate for the type of infraction or performance problem and consistent with actions taken in similar situations. The procedure may vary for hourly and managerial employees. For hourly employees, disciplinary action will usually follow the progression of verbal warning; first written warning; final written warning or suspension without pay; and termination. Managerial discipline is usually handled by means of discussions, which are documented by memos or letters, and ultimately, if appropriate, termination.

Documentation of disciplinary steps is very important. In written warnings, state the reason for the action and the consequences for future infractions or continuation of the problem. Both the manager and the employee should sign the documents, with copies retained by the employee and placed in the personnel file. When developing a progressive disciplinary policy, give yourself the leeway to skip some or all of the disciplinary steps in appropriate situations.

There are some serious circumstances that require immediate termination without progressive discipline. They include theft, fraud, possession or use of illegal drugs in the workplace, and physical violence. New employees on probationary periods typically do not get the benefit of the progressive disciplinary process.

THE PERFORMANCE APPRAISAL PROCESS

Does performance management have to include formal performance evaluations?

The great majority of organizations use performance evaluations as part of their performance management process. Some companies limit their performance management activities to appraisals alone. Many of the same people who use performance evaluation as a tool dislike and criticize the entire process, citing reasons such as poor communications, lack of training, and the discomfort of a potentially negative conversation. Some critics fault the hierarchical approach of traditional top-down feedback, believing that it de-emphasizes entrepreneurial talent and individual input.

There are organizations that have successfully eliminated formal, structured evaluations while maintaining a performance management system. Some have replaced the once-a-year evaluation with informal and formal processes that revolve around providing better and more frequent feedback.

You are not required by law to conduct formal evaluations (with the

exception of limited government standards for certain licensing arrangements). In fact, a poor evaluation process and format may do more harm than good. If you have a system in place that is not helping you achieve the performance results that you want, take a break from the process, review it from start to finish, and introduce a new evaluation system if you feel it will help the company.

What are my first steps in developing a performance appraisal system?

First, identify what you are trying to measure. Typically, the evaluation process will:

- ◆ Identify gaps in performance or competencies and recommend strategies for closing the gaps.
- ◆ Capitalize on strengths.
- ◆ Use a combination of the above approaches.

You will also need to determine whether the review will be tied to compensation decisions and, if so, how.

Surveys and focus groups with managers and employees are excellent ways to gather information about the measurement approach and techniques that will work best in your organization. Ask questions designed to identify goals, previous positive and negative experiences with performance reviews, roadblocks to effective reviews, preferred rating scales, timing and levels of evaluation, best practices, and training needs. Soliciting input will also help you get early employee buy-in regarding a changed or a new process. Your program must have full support from top management for success. Management should participate in your development and training process.

How often should performance reviews occur?

Use an evaluation schedule that fits with the goals of your organization. Some employers have one set due date for all evaluations, with the discussions conducted up to eight weeks before the deadline. This universal date makes record keeping and tracking very easy and, if tied to compensation practices, can facilitate budgeting. It also provides a set time frame for managers to concentrate on the process and allows them to easily compare members of their teams. A single review date can, however, create a logistical nightmare for larger departments or managers with a large number of

direct reports. They may be forced to complete dozens of appraisals within a short time frame.

You may find that it's more realistic to set up more than one review date during the calendar year. Think about assigning different review dates for hourly and salaried employees, or dividing employees based on factors such as hire date, last promotion, or geographic location. Spreading the review dates can alleviate time pressures, but it will increase record keeping and tracking requirements. Some businesses perform evaluations on or about the worker's employment anniversary date. The anniversary date system allows managers to review performance over consistent one-year increments, but it can be time-consuming to track due dates and collect documentation.

Once you choose an appropriate review schedule, it is important to devise tracking procedures that will ensure that appraisals take place as planned. HRIS and payroll systems can track due dates automatically and generate reminders. Special software, with or without performance management tools, can help track the process. Strictly adhere to your stated timetables. Even an outstanding performance review can dampen the morale of an employee if it's conducted six months after the due date. If you fail to provide negative reviews in a timely manner, you may risk legal liability should you decide to terminate an employee and he argues that he was never notified of his shortcomings or given the chance to improve.

What does a good review format look like?

Keep it simple. A twenty-page performance review document will look daunting to most managers. Simpler reviews are more likely to result in greater consistency among ratings. You may decide to have more than one review format, such as separate appraisal documents for managerial and support staff or technical and nontechnical employees, but be sure that employees in similar job categories are measured similarly. Effective performance evaluation forms contain the following elements:

- ◆ *Clear standards by which the performance will be measured.* List the specific competencies or skills being measured, with examples of success. If you have job descriptions for your positions, the abilities listed in these documents can serve as good starting points. There are also many standards that apply to all positions, such as timeliness, accuracy, ability to prioritize, and positive attitude, among others.
- ◆ *An appropriate rating scale.* The purpose of the rating scale is to provide an objective way to determine whether an employee is meeting perform-

ance standards. Some organizations use a numerical system (e.g., a 1–5 scale); others prefer descriptions such as Excellent, Good, Fair, and Unacceptable. Most businesses provide between two and five tiers of achievement within the rating scale. Having more tiers can allow you to draw finer distinctions among candidates, but it can also lead to inconsistencies when people have varying understandings about the difference between a rating of 3 versus a 4. Whichever measurement you choose, clearly specify which ratings constitute acceptable performance and which fall below company standards. If you distribute a form to your customers asking them to rate their satisfaction with the company, using the same rating scale for your internal performance reviews will promote consistency in language and expectations when you talk about performance.

- ◆ *Space for written comments by the supervisor.* Encourage specific comments, and require them in situations involving superior or very poor ratings. You do not want managers to mechanically check boxes without thinking through their responses. Explain on the form that the reviewer should carefully select examples that concentrate on performance, not personalities or trivialities, with an eye toward helping the employee understand the assessment.

- ◆ *A section for an employee self-appraisal.* Employees should be able to assess their own performance. A designated space can be provided on the evaluation form or, prior to the review meeting, employees can be asked to complete the same form their supervisors complete. Self-appraisals (see Tools and Templates) increase employee buy-in to the process, assist supervisors in their focus, and identify any blind spots workers may have about their performance.

- ◆ *Suggestions and specifics for employee development.* This may include in-house or external educational or training programs or on-the-job experiences recommended for the worker's further professional growth.

- ◆ *Objectives set by the employee and manager at the last appraisal and rating of their results.* Comparing last year's goals with actual performance provides continuity of standards from evaluation period to evaluation period.

- ◆ *Objectives to be met by next appraisal date.* These can include new goals, as well as prior objectives that were not completely met.

- ◆ *Approval by all of the levels necessary for the company's process.* Approval requirements will vary, but all appraisals should be reviewed by at least one person in the organization who is familiar with the goals of the appraisal process. When supervisors submit reviews that do not meet the organization's performance management objectives, they should be coached on the proper way to complete the appraisal and required to redo the document.

Where do I get my form?

While another organization's appraisal form will rarely be entirely adequate for your needs, you may be able to customize documents from other companies, or you can pick and choose elements from several different forms. Alternatively, you may want to work with a consultant to develop an original form or purchase an off-the-shelf software program with built-in performance evaluation templates or wizards. If you choose an off-the-shelf product, look for one that you can tailor, and evaluate the training materials, rating guides, or other support materials available.

BETTER FORGOTTEN: RIGHT LOGO, WRONG INFORMATION . . .

An HR director responsible for the opening of a new location of a national company took with her a copy of the company's performance evaluation form. She carefully changed the logo on top to reflect the new location, but she did not look at the body of the form. As a result, the form contained confusing references to functions and priorities not relevant to the new location.

There is no need to rush to select a product or grab someone else's forms. A quickly developed program that doesn't reflect your organization or meet your needs will cost more money in the end and cast doubt on the integrity of the entire review process. Before purchasing an expensive product, test the system with a small group that includes members of senior management. Even if you then decide it is a perfect product, make sure that it allows you to make changes, or that you have not spent so much money on this one product that you can't make any other changes in your process for at least five years! Performance review should be a dynamic process that grows and changes with the company.

I have the forms . . . now I just send them out and wait for the reviews to come in, right?

Wrong. The biggest mistake employers make in performance evaluations is setting calendars, sending out forms, and then sitting back and expecting them to be completed effectively. You cannot assume that all managers will read the instructions on the form and proceed to write insightful appraisals. Whether you are implementing a new system or maintaining an existing

process, training is critical to give managers the knowledge and motivation to provide meaningful feedback. Whether you conduct the training in-house or through outside providers or educational institutions, it should include information about:

- ◆ Why the organization values performance appraisals and how individual performance benefits the organization
- ◆ The structure of the process and its relationship with compensation
- ◆ The meaning and application of the rating criteria
- ◆ How to develop goals that are specific and measurable
- ◆ How to give feedback, both positive and negative
- ◆ How to coach an employee

Training should also provide managers with the chance to practice their written and verbal appraisal skills before their first review discussion. Managers have the most difficulty giving constructive feedback that focuses on objective measurements, using specific examples. Instead of telling an employee he has a “bad attitude,” the reviewer using effective feedback techniques might say, “I have noticed that you often fail to cooperate with your coworkers. You did not show the teamwork we expect of our employees when you started an argument with Mary just because she asked to borrow your scissors.”

BETTER FORGOTTEN: “NOBODY’S PERFECT!”

We have all worked for, or heard of, managers who state that they never give the highest ratings available on evaluations because “no one is perfect.” Why have the highest levels on the form, then? Train managers about the meanings of the various ratings and the standards of performance that qualify an employee for a particular ranking.

Every manager’s own appraisal should include a section rating his timely and comprehensive completion of subordinates’ evaluations. Managers will come to understand that providing accurate, prompt, and constructive feedback is an organizational priority and an important criterion of acceptable performance as a manager.

Alternative Appraisal Methods

There are numerous other evaluation methods that come in and out of vogue that you may wish to consider. Usually, these approaches will supplement, and not substitute for, the traditional one-on-one performance review.

Will 360-degree feedback make me dizzy?

The concept of 360-degree assessments, feedback, or evaluations is based on the assumption that an organization can cull more information from a variety of sources than from managers alone. This process replaces the traditional top-down rating with anonymous performance feedback from peers, subordinates, managers, and in some cases, even customers and suppliers.

Before even investigating 360-degree assessments, identify your goals and the results you expect. Will you use the information for development purposes only, or will it become a factor in pay and promotion decisions? What will be your timeline and training needs, and how will you communicate the results to participants? A 360-degree assessment can be administered using paper and pencil, on the Web, or even by telephone. The method you choose will depend on your goals and your participants. When selecting appraisal forms for 360-degree reviews, you'll want to look for flexibility, costs, and support services that meet your needs.

The evaluations will generally contain four or five rating scales with space for comments, with between eight and fifteen respondents assessing each employee. It is important to use at least six evaluators to preserve anonymity, to train participants on the system, and to communicate the timetable.

If used properly and under the right circumstances, 360-degree feedback provides honest information and different perspectives, and during growth and change periods it can be a perfect tool to gain a picture of the entire organization. It can be especially useful in work situations that involve many cross-functional teams or relationships. However, this appraisal method will not work for every organization. It may not work in companies with a distinct hierarchy of management and reporting structure, or where there is a low level of trust among employees. Furthermore, it may not be effective over the long term. Studies have indicated that when you solicit ratings from the same group over a long period, the evaluators tend to be less honest and more flattering. In addition, implementation of the process can be daunting due to the number of people involved. Do not cut corners to minimize costs.

Who's keeping score on a balanced scorecard?

The balanced scorecard is a method of evaluation that uses four specific, balanced perspectives to measure performance: financial, customer, internal business processes, and learning and growth. On each scorecard are goals and ratings at each level of achievement. While the balanced scorecard approach can be adapted to rate individuals, it is really a tool for understanding overall organizational performance. Balanced scorecards can take different forms based on the results that you want to measure, but the system is best used in an organization where there is a highly developed existing structure or means for process improvement.

Should I rank my employees through a forced ranking system?

Forced ranking systems place employees along a curve of performance or place them in categories of percentiles for performance. The best performers would, for example, be placed in the top 20 percent, with a large group in the middle at 70 percent and the worst performers dwelling in the bottom 10 percent. The ranking is "forced" because there is a requirement that 10 percent of employees be given the lowest rating regardless of whether their reviewers would have rated the workers that way on their own.

Forced ranking is rarely the sole component of performance management, but rather a result of some form of review. The system has been used to provide greater rewards for top performers and specific deadlines for performance improvement for the lowest-ranking employees. Some employers have used a "rank and yank" philosophy under which the bottom 10 percent of employees are automatically terminated each year, allowing the organization to consistently purge the lowest performers. Although this process can aid an organization by reinforcing goals and objectives and rewarding the best employees, it can be demotivating for the rest of the workforce and promote competition and individual performance over teamwork. In some major companies, forced ranking has resulted in well-publicized discrimination, disparate impact, and class-action lawsuits.

Probationary Periods

How do I evaluate new employees?

Some new employees seem to fit seamlessly into their new jobs and surroundings and others take more time to get acclimated, but you have probably also faced the situation where a recent hire is performing far below

expectations and shows a lack of desire or ability to improve to an acceptable standard. You will want to have flexibility built into your policies so that you can terminate these clearly unsatisfactory relationships before they adversely affect other employees or your bottom line. A well-defined probationary, introductory, or "tryout" period will enable both you and the employee to determine if the job is a good fit.

Generally, a probationary period will range anywhere from sixty days to six months. Inform new employees of the terms and duration of the probationary period, whether in a written offer letter or the employee handbook. Your explanation should state that either you or the employee can terminate the employment relationship at any point during this time, with or without cause or notice.

When you have a new employee who is not performing, first ask yourself whether you have established and clearly communicated your expectations. If your new IT technician is completing a substandard six repairs a day, did you inform her that the expectation is ten repairs a day? Also look at whether there is another significant problem with a working relationship or with communications, and whether the employee does in fact have the necessary skills and knowledge to complete the job. Let her know that her performance is unacceptable, then set a brief period of time within the probationary period for her to demonstrate change. Workers who begin the employment relationship violating basic rules of conduct such as attendance or punctuality are unlikely to be good employees. New hires should be expected to demonstrate their best behavior, and those who come in with bad attitudes or behavior problems should be terminated.

WORTH REPEATING: "THANKS FOR THE FORM!"

A service employer gave all new hires a blank copy of the new employee evaluation form during the orientation program, explaining when and how it would be used. This took some of the mystery and potential for fear out of the process.

The completion of the probationary period is a good time for a first performance evaluation. You can use a basic checklist that summarizes what the employee has accomplished or learned, reinforces expectations, and measures adherence to generally expected outcomes, such as good attendance and ability to work with other departments. The same evaluation form can be used prior to the end of the probationary period to provide

the framework for a discussion when the employee is not performing at expected levels.

Do not make the mistake of extending a probationary period to give an employee another chance. The purpose of a probationary period is to set a time frame for early review to predict success. In addition, extending probationary periods for one employee but not for others can raise concerns about inconsistent treatment. Complete the introductory evaluation as soon as possible after the end of the probationary period. If you wait too long, the employee will likely believe either that everything is great or that you just do not care. Don't limit introductory reviews to lower-level employees. Even the most senior executive will benefit from early, structured feedback. If you find that the term "probationary" creates a negative impression, simply call the first discussion a ninety- or 120-day review.

CONDUCTING THE PERFORMANCE APPRAISAL

Who should conduct the appraisal?

Generally, the employee's immediate supervisor should conduct the performance appraisal. If the supervisor does not have the experience to conduct a proper review, the next level manager can communicate the evaluation. While more than one manager may have input into the content of the review, select only one person to actually participate in the appraisal meeting. A lone employee sitting in a roomful of managers is likely to be put on the defensive.

How should I plan for the in-person appraisal discussion?

The best performance evaluations are conducted when both the employee and the manager are well prepared. Use a structured approach for planning and conducting the review.

- ✓ Set the date, time, and location of the review and communicate this information to the employee.
- ✓ Request a self-appraisal and designate a due date.
- ✓ Review previous performance appraisal documents for this employee, especially the most recent. If another manager prepared the last review, you may want to contact this person if you have questions.
- ✓ Review any other goals or incentives, both individual and team-based.
- ✓ Review the individual's personnel file or your own notes and records concerning any recognition received or conversations about performance.

- ✓ Complete a draft of an evaluation form once you have received and read the self-appraisal.
- ✓ Submit the review to any parties that need to authorize the document or any related salary actions.

How do I conduct the review?

Choose a quiet place, free of interruption. If you select an off-site location such as a restaurant or coffee shop, choose one where you and the employee will be comfortable. Do not start the meeting by reading the form out loud and reviewing it line by line. The best reviews focus on discussion of performance, not completing a form, and you want to set the scene for a conversation. Begin by welcoming employees and asking them about their overall experience at work since the last appraisal. You can also gain insight by soliciting their perceptions about the department. Then proceed to the body of the review. Summarize results from the previous appraisals, including specific goals and development activities; cover the ratings of the specific competencies or job requirements, skills, or knowledge; and set out the new goals and development plan. Sometimes the insights you gain from the conversation may lead you to change some of your prepared ratings.

The evaluation should be an interactive process, giving the employee the chance to participate, ask questions, respond to feedback, and offer suggestions. The worker may not always agree with all comments in the review, but should be allowed to express concerns and request clarification—although you should not let the meeting disintegrate into a complaint session. You may wish to split the review into more than one session, with the latter meetings focusing on goals and development plans that require further thought. Once the review document is completed, whether during or after the review meeting, the employee should sign it and retain a copy.

Can I use the evaluation to tell the employee to shape up or ship out?

The performance review is not the place to have your first discussion about an individual's unsatisfactory performance. A review—positive or negative—should never come as a surprise, but should be a reinforcement of your continuing communications with the employee in accordance with your total performance management process. If you have had previous discussions about performance problems, you may appropriately use the re-

BETTER FORGOTTEN: "DON'T PUT ANYTHING NEGATIVE IN WRITING!"

A mid-level manager worked in the field for a company where the managers conducting reviews wrote summaries to ensure that nothing negative ever went in the form sent to the corporate office. They said that only positive items belonged on the permanent record. As a result, employees did not get helpful developmental suggestions in writing.

view to put the employee on a performance improvement plan (PIP), outlining the performance standards that the employee must meet as a condition for continued employment. When structuring a PIP, be sure that it includes:

- ◆ Specific, measurable improvements that the employee must demonstrate. Instead of using vague language such as "We expect better attendance," you might say, "We expect no unauthorized absences within the next ninety days."
- ◆ A defined, reasonable time frame during which improvement must occur (generally sixty to ninety days, but no more than six months).
- ◆ A written statement that if the employee does not make the improvements within a designated time, disciplinary action will be taken, up to and including termination.

If a performance evaluation discussion gets nasty or the employee is too defensive or argumentative to hear you and respond clearly, do not hesitate to reschedule and get advice on how to continue.

What do I do with the final written evaluation?

Once the evaluation is completed and signed by all necessary parties, place the document in the employee's regular employment file. Retain all previous evaluations in the file as well, so that you have a history of the individual's performance and growth.

Are there any other rules about maintaining the employment files?

Because an employee's file is generally available for inspection by the employee and his superiors in the organization, it is important to limit docu-

mentation in this file to materials that *relate to the individual's employment*. It is proper to put the following documents in the employment file:

- ◆ Job application
- ◆ Resume
- ◆ Employment contract (if applicable)
- ◆ Performance evaluations
- ◆ Disciplinary reports
- ◆ Company awards
- ◆ Training record
- ◆ Compensation history

Keep information that is sensitive in nature and not directly related to the employee's qualifications, compensation, or performance in separate files, in order to protect the employee's privacy rights and avoid allegations that the information was used improperly. Strictly limit access to this information to those with a need to know. The types of information in question include:

- ◆ *I-9 Documentation*. While the law does not require that these forms be kept apart from the basic employment file, the Bureau of Citizenship and Immigration Services recommends keeping them separately. (See Chapter 8 on regulatory issues for more information about maintenance of I-9 records.)
- ◆ *EEOC Records*. Because these records cannot be used for determining employment status, they should be stored separately (see Chapter 8).
- ◆ *Grievances, Discrimination Complaints, and Responses*. Since these documents do not relate directly to the individual's employment status, store them separately from general employment files in an "employee confidential" file. This will help to avoid potential retaliation claims.
- ◆ *Employee Assistance*. Documentation concerning whether an employee has sought help through the employer's employee assistance program is confidential and should be kept in a confidential file.
- ◆ *Medical Records*. The Americans with Disabilities Act (ADA) requires that medical information be kept apart from personnel records. Therefore, benefits enrollment information, documentation on preemployment physical exams, workers compensation, disabilities, Family and Medical Leave Act (FMLA) requests, reasonable accommodations, insurance claim spe-

cifics, and physicians' notes should be kept in confidential medical files, protected from access by other employees. You may inform managers and supervisors about necessary work restrictions or accommodations, but only to the extent necessary to enable them to implement appropriate actions.

Finally, never collect or retain information that is not directly related to an individual's employment. Examples of such inappropriate material include documentation related to an employee's personal life, religious or political beliefs, social club memberships, or sexual orientation.

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