**Thomas Industries Ltd. Performance Appraisals**

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**Executive Summary**

Toi

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**Purpose**

The current mission for the newly appointed Vice President of Human Resources is to change the culture of the organization through effective leadership. The desired outcome is to “take workforce development to the next level” by creating a positive work environment and increasing productivity. Achieving this goal will also keep Thomas Industries on the path of continued success and rapid growth.

The company is now experiencing growing pains that need to be dealt with we do not interfere with any potential growth. Among these growing pains is an overall dissatisfaction from our employees regarding their working relationship with management. These findings are the result of a recent employee/management attitude survey which revealed several issues concerning performance feedback. These issues include, but are not limited to: lack of adequate feedback and the need for improved coaching and performance development. The company currently is without a performance appraisal system and therefore expectations are not clearly defined and employees are not being developed to their full potential. Also, it is the perception of employees that there is no link between pay and performance which has been proven to be demotivating.

**TASK FORCE**

It is imperative that the issues raised in the employee/management survey are addressed immediately. With the support of the CEO and HR support staff, we are proposing the implementation of a new human resource performance improvement system. In an effort to expedite the design phase, we will be establishing a task force. Members of the task force will include the VP of Human Resources and two additional Human Resource Managers.

Prior to the task force meeting however, a survey will be given to 10% of the workforce (roughly 60 employees) at each of the two locations. The purpose of this survey will be to provide invaluable input from all employees in order to gain input from the whole organization so as to create the most effective performance management appraisal system.

The selection of hourly workers will be based on supervisor observations of both high and low performers. Input from the supervisors and workers will give us insight as to what motivates the high performers and discourages the low performers. Therefore, one hourly worker from each category will be chosen to join the task force.

The responsibilities of the task force will include reviewing the results of the survey and creating a performance appraisal system that will address each issue; the task force will also design the process for implementation. A sample performance appraisal form will be provided to the task force to use (please see Appendix A). Weekly meetings will be held to ensure the process is being carried out appropriately in order to meet all of the required objectives.

**DESIGN AND OPERATION**

1. **Performance Planning**

Establishing Standards and Measures

During the performance planning stage, managers will work with subordinates to channel their effort towards achieving organizational objectives. Managers must communicate organizational goal(s), performance expectations for each employee, evaluation methods, check the availability of resources to ensure the employees have what they need to complete their work, and appoint authority to their employees so they can get their jobs done.

Goals

Managers should work with employees to collectively come up with realistic, yet challenging, goals for employees to achieve. This sets the tone for honesty and relationship building so that the employee feels like they are a part of the goal setting process and should subsequently feel more driven and empowered to achieve those goals. The measures which will be used in the appraisal process should also be made known to employee so as to breed trust and honesty. Such communication should clarify expectations and create a feeling of involvement.

Performance Expectations

The following are the performance expectations that will be required of all employees:

* Maintain complete and accurate production and quality records
* Ensure safe operation of all equipment
* Accurately input and retrieve information from computer terminals
* Load, unload, and move products and materials
* Visually inspect products for defects
* Reports any issues to their immediate Manufacturing Supervisor

Knowledge, Skills and Abilities

The following have been shown to be the specific knowledge, skills, and abilities an employee should encompass in order to achieve maximum effectiveness:

* ISO 9000 knowledge is desired
* Team player with strong relationship-building skills
* Able to lift up to 50 pounds
* Be able to withstand standing, bending, and rotating motions
* Ability to operate various types of forklifts

(Make it follow the job Description, Reference the JD, and omit things like standing, lifting, etc…) Ability to perform physical requirements.

Resources

Managers must make sure that the employees have the knowledge and availability of organizational resources as well as the authority to use them in order to be effective. Such resources include:

* Proper equipment
* Energy sources such as electricity and water
* Stationary for making the rough draft
* Well maintained restrooms/personal cabins or lockers

1. **Performance Management**

During this stage, managers and frontline supervisors will track and monitor the employee’s performance to help them successfully achieve their previously communicated goals. This can be done by:

* Observing the work of the employees continuously
* Walking around, thus creating continuous contact and involvement
* Provide and demonstrate example desired behaviors and tasks
* Providing appropriate ongoing feedback
* Providing assistance as necessary and removing obstacles rather than interfering
* Providing first-hand information and identifying problems which can then be solved promptly
* Resolving conflicts via coaching and providing knowledge of legal/compliance issues
* Providing on going feedback to employees for continuous improvement

1. **Performance Appraisal**

In this stage, the mangers document the performance of subordinates and create a written record based on what they monitor. This requires managers to have sound knowledge of the rating forms/procedures. The following tools will be used for measuring and documenting appraisals:

Work Standard Method

In this technique, management establishes the goals openly and sets targets against realistic output standards. These standards are incorporated into the organizational performance appraisal system. Thus each employee has a clear understanding of their duties and knows well what is expected of them. Performance appraisal and interview comments are related to these duties. This makes the appraisal process objective and more accurate. However, it is difficult to compare individual ratings because standards for work may differ from job to job and from employee to employee. This limitation can be overcome by some form of ranking using pooled judgment.

Ranking Methods

There are many accepted and widely used methods of conducting a performance appraisal. After weighing the pros and cons of each method, it has been determined that Thomas Industries will use two methods for their new performance appraisal system. The two methods are the checklist method and the behaviorally anchored rating scales.

1. *Checklist Method*

The assessor is furnished with a checklist of pre-scaled descriptions of behaviors, which are then used to evaluate the personnel being rated (Monga, 1983). The scale values of the behavior items are unknown to the assessor, who has to check as many items as she or he believes describe the worker being assessed. A final rating is obtained by averaging the scale values of the items that have been marked.

Advantages (Tie back to how they will be used for our company, you can also mention Appendix A as a sample performance appraisal form)

*2. Behaviorally Anchored Rating Scales (BARS)*

This is a relatively new technique. It consists of sets of behavioral statements describing good or bad performance with respect to important qualities. These qualities may refer to inter-personal relationships, planning and organizing abilities, adaptability and reliability. These statements are developed from critical incidents collected both from the assessor and the subject.

Advantages (Tie back to how they will be used for our company, you can also mention Appendix A as a sample performance appraisal form)

Decision Making

On the basis of the appraisal results, managers or human resource personnel will then make decisions regarding:

* + Giving rewards (e.g., promotion, incentives, etc.), and
  + Punishments (e.g., demotion, deprive of incentives, etc).

1. **Performance Review**

This is the stage for a face-to-face discussion of the given appraisal. Managers should:

* + - Meet with subordinates
    - Review their performance ratings
    - Deal with their reactions to ratings
    - Resolve conflicts and guide them to improved performance
    - Remove employee concerns, workplace frustrations, and performance barriers
    - Counsel employees with regards to career development and make them aware of opportunities for improvement

**OPERATING PROCEDURES WITHIN THE ORGANIZATION**

Performance appraisal is a multistage process in which communication plays an important role. It is recommended that the following procedure be carried out by managers:

* Clearly establish standards and measures including goals, objectives, vision, and job expectations
* Communicate the above established measures and standards to subordinates and ask for their suggestions
* Plan for the realization of performance expectations
* Arrange for the resources required to attain these goals to be available
* Monitor the performance of employees
* Provide feedback
* Document the performance
* Ask for feedback
* Make decisions about rewards and punishments
* Counsel employees for the purpose of development of performance enhancement

**Paper Flow**

The task force will initially design the performance appraisal forms in order to provide perspectives from all areas within the company. Once this initial form has been created, it will then be sent to the Human Resources Department to review. It will then be ensured that it addresses legal concerns and has areas for both employee and manager feedback and signatures. The final draft will then be reviewed by the CEO as well as the board of directors to ensure its completeness.

Once the final version has been created, it will then be submitted to the IT department where it will then be entered into a data system which all managers and employees have access to (within each one’s limits). This virtual system will ensure consistency with the performance appraisal as well as easy access to the information.

The first step in performing the appraisal should be for an email to be sent to the employee asking them to log into the system and conduct a self-evaluation (not the same evaluation form the manager uses). Employees will be given two weeks to complete their self-evaluations and once completed, an email will be sent to their managers alerting them to this fact. The manager should then be given one month to conduct the written portion of the performance appraisal and assign a grade to the employee.

Once this has been submitted, the manager will then meet face-to-face with the employee to discuss discrepancies, concerns, and provide feedback. Once completed, each will then provide an electronic signature and any concerns they have. Throughout this process, the virtual data system should allow mangers to input information throughout the year and in-between formal reviews to ensure they are not appraising only one short period of time for the employee. However, formal performance appraisals should be conducted bi-annually.

Once the face-to-face appraisal is complete, the Human Resources department will then receive an email alerting them to this fact and will then be able to check the form for completeness, errors, or address any concerns they have. If all is well, they will then enter an electronic signature and an email will then be sent to the CEO for approval. The CEO should review each appraisal; this will keep them connected with the rest of the company and informed about the appraisal process and it effectiveness. If all is well and there are no concerns, the CEO should also enter an electronic signature to show that the process is complete and this form should then be stored in the database as a view only form.

This process should be competed at each performance appraisal review time. If it is not completed, HR should be alerted to the fact and the employee will be then forced to start the process.

In order to provide access to this information and employee email accounts, kiosks will be provided for both of Thomas Industries’ locations for employee use (please refer to Appendix B – Budget for pricing information). Down the line, these kiosks can serve a multitude of purposes including but not limited to: clock-in/clock-out, access to an intranet (pay stubs, tax information, schedules, W2’s, company information, etc…), company directory, and much more. The kiosks should prove to be a worthwhile investment.

**GAINING EMPLOYEE AND MANAGER ACCEPTANCE**

At Thomas Industries, it’s apparent that there are several problems which were determined via an employee/management attitude survey. Through the results, we were able to stress the benefits of what the new appraisal system means to both managers and employees in order to get them on board with this new initiative. Below are the most problematic areas which the survey exposed and suggestions on how the new appraisal system can solve these problems and gain acceptance amongst all who use it.

**Performance and Pay**

The survey results showed that a staggering 82% of respondents perceived little or no relationship between pay and performance and 59% of employees believed that “getting ahead at Thomas depends on who you know more than on your ability.” As part of our appraisal system, we’re aiming to halt this mindset by linking pay more closely to on the job performance. By making this change clear to managers and employees, they will feel that their contributions to the company matter and their paychecks will reflect this. An important part of company-wide buy-in rests in getting the employees to see how the new appraisal system benefits them and this is definitely going to be a point that helps them accept the new system.

**Clarify Job Description**

The survey also showed that 67% of employees said they were unsure of what their “value-added” job description entailed. If the employees have no idea what value they’re adding to the company, how can you expect them to care about getting better? By clarifying their value-added job description and rating them according to their actual duties, the employee will not only feel a better sense of why they belong, but they will feel they are being rated fairly when it comes to performance reviews. With the employees feeling fairly rated and having a higher sense of purpose, they will be more likely to buy-in to the idea of the new appraisal system being set in place.

**Coaching**

The attitude survey showed that 66% of employees believe that “managers at Thomas need to improve their approach to coaching their people,” but without clear performance goals and measures, achieving this will prove to most challenging. No manager wants to be notoriously bad or uncaring, but most managers lack the development to be proper leaders and provide basic nurturing to their employees through coaching. With the employees’ job descriptions being laid out clearly in the appraisal form, the managers will then be able to better understand what kind of coaching is needed for each employee. Through the appraisal system, employees who lack in certain areas will be rated accordingly, but this provides the manager a coaching opportunity to help that person better themselves within the workplace to advance their performance and career.

Any successful appraisal system must be supported by top management before employees will follow suit. Subsequently, getting Thomas Industries’ top management on board will be vital to the success of the implementation of this new appraisal system. (Does it seem like this fits here to anyone else, I am not sure?) Through the ability to improve coaching, managers will understand the benefits on profitability seen by the company and will make every effort to better themselves as the head coach of the team.

**Employee Development**

The survey pointed out that 65% of employees felt their immediate supervisors failed to give them adequate ongoing performance feedback and that 67% of employees agreed with the statement “my supervisor really does not care about my development as an employee.” As an employee, these are frightening realities to face because without proper feedback or a manager who will help you develop, how will you ever secure stability in the workplace with an ever growing list of applicants due to high unemployment rates. Many managers state to their employees “if you don’t like your job, then quit, there are 100 other people out there who would be glad to replace you.” This is not considered feedback nor development.

If an employee is expected to perform at their highest level, they have to be coached by their managers (as previously stated) through constant performance feedback (both positive and negative) and being shown how they can further develop their skills. The appraisal system being implemented will allow managers to see what areas of strengths and weaknesses each employee possesses. Once these strengths and weaknesses are realized, managers can then act accordingly to help that employee better themselves. Ideally, with the managers buying into the idea of the system, they realize the benefits of a more productive workforce and will care to develop their employees and encourage them to reach for the sky.

**Improved Legality**

By pointing out that the new appraisal system will better protect the organization from legal risks/exposure due to negligent firings, management and top executives of Thomas will be interested right from the very onset of the implementation. By implementing our formal appraisal system, it will remove the problem of rating every employee the same way no matter what their jobs (not differentiating between job tasks/duties). It will also lay out more procedural guidelines for the rater to adhere to.

By getting management on board with the appraisal system, they will fully embrace the process and carry out the most vital part, having written documentation to show employees’ problems or successes. The simple act of having written documentation removes much of the legal risk most companies face when it comes to terminating employment of a certain problem individual. For managers to better understand the benefits of this appraisal system when it comes to legal consequences, they will most certainly accept the system.

**TRAINING**

Training is a key component in place to a successful performance appraisal system. Any manager who is to evaluate employee performance must have the right skills to conduct an effective performance appraisal. Proper training can also increase the overall quality of the rating managers’ and the employee’s experience of the performance appraisal process. Top management supporting the and improved organizational performance appraisal system and manager training are key components to a successful performance appraisal system, which include three steps:

1.**Conduct a Needs Assessment**

It is obvious that each organization need to conduct a formal training for the managers to get an effective appraisal process. Human Resources can make the need assessment by conducting a questionnaire/Survey to clarify all problems which affect the employee performance which usually involve: the relation between employee performance and pay, Job description, ongoing performance feedback, proper coaching, and clear carrier development. The needs assessment helps task-force to determine where management training is indeed needed.

2. **Conduct Manager Training**

In order for managers to produce effective and beneficial performance appraisals for their subordinates, it is imperative that they know how to effectively use the new performance appraisal forms. To ensure their knowledge of how to utilize this new tool, a training session will be held for managers. The following categories are those which will be covered during this training session.

Ratings and Procedures

Training managers on the relevant procedures and guidelines of the appraisal system ensures that managers will consistently evaluate performance in the proper frequency and time intervals required for effective appraisal. In addition, it ensures that each rater will have a common reference point in terms of what the standards of outstanding and satisfactory performance are for each job duty. Another important advantage is that it creates a more fair and uniform appraisal system for employees to be measured with; this will also create less legal issues in the future.

Performance Planning

Clarifying responsibilities and setting goals are critical to the appraisal process. Managers should have effective performance planning skills and also should be trained to communicate specific goals with employees. This will create an environment without confusion and will facilitate two-way communication between managers and employees.

Coaching

For the appraisal process to be effective, the rater must be trained on how to provide feedback and encourage employee improvement. There are specific coaching skills which will lead to effective appraisal including:  interaction, performance tracking, and immediate feedback. Without effective coaching skills, managers fail to conduct an effective appraisal. For this reason, these particular skills should be focused on during the training sessions.

Decision Making

Decision making skills are key skills for conducting effective performance appraisal (why?). Training can vastly enhance a manager’s accuracy and consistency within appraisals to improve their decision making effectiveness.

Communication

Ineffective communication skills can destroy the appraisal process. Training can help managers improve the communication skills necessary for the coaching activities which will help managers prepare for planning and conducting feedback. Managers spend much of their time communicating with others and therefore, the training of managers should be diligent in including classes to practice their listening, speaking, and writing skills in order to enhance their communication with their own employees; this should then be followed by performance feedback.

Delegation/Empowerment

Delegation skills which the managerial training sessions should target include: clarifying duties, work assignment, goals, and expectations. This training will help managers to perform an effect appraisal (not sure how this fit/why you put it here, explain further).

Employee Career Development

These training sessions will allow managers to aid their employees to do a self-assessment of their performance, set smart goals, and design and achieve personal improvement. This will enhance employee skills and abilities via continuous feedback and encouragement. Building up these skills will lead to improved performance which will accelerate employee careers within the company; as excellent performance reviews can lead to promotions.

Tools

Computer based tools for scheduling, data collection, and communication can help managers to perform their tasks. Classes should be conducted with an objective to train managers on how to better use these valuable tools.

Leadership

Leadership involves influencing rather than ordering employees. Employees of Thomas Industries clearly lack motivational support for their employees according to the previously study conducted. Therefore, leadership skills should be enhanced via these training sessions to assist managers in motivating their employees in an effective manner. However, the most effective way to help a manager become a leader is through coaching and an executive model.

3. **Provide Accountability and Rewards for Effective Rating Practices**

Conducting effective appraisals must be a key component to a manager’s job description and should also be a part of what all managers are held accountable for within their own performance appraisals. Top management should reward managers when they conduct effective appraisals because this process will positively impact the employees overall performance.

**BUDGET**

The proposed budget for designing and implementing this performance appraisal system is estimated to be $11,600. Please refer to Appendix B for budget specifics.

**LINKING APPRAISAL SYSTEM TO COMPENSATION**

Commonly known as "Performance pay" or "Performance based pay," this system links the compensation of an employee to their performance and their contributions to organizational goals.

Commissions, incentives, and bonuses help the employer to pay the employee according to their productivity and hard work. The process of performance based pay demands the manager to:

|  |
| --- |
|  |

* Decide and clearly define the performance goals and the performance measures
* Set the target bonus for different levels of performances
* Measure the performance of the employee
* Give rewards and bonus according to performance

We suggest the following types of Performance Pay

* Merit Pay would set an employee’s basic salary according to the position and rank while the variable part of their salary would be based on their periodic performance reviews.
* Profit Sharing would share the profits of the enterprise with employees as bonuses.
* Incentives and Performance Bonus would reward special accomplishments, or fulfillment of targets, such as sales commission.

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**Conclusion**

Clint, should we add a conclusion?

**APPENDIX A – JOB DESCRIPTION**

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| --- | --- | --- | --- | --- | --- |
|  | | **THOMAS INDUSTRIES LTD.**  A Midwest manufacturing company dedicated to producing high quality office furniture and equipment. We are committed to continuously developing our people and improving our processes to fulfill our company vision. | | | |
| Job Title: | | **Manufacturing/Production Worker** | Date: | | April 26, 2011 |
| **Job Description:** | | | | | |
| * Maintain complete and accurate production and quality records * Ensure safe operation of all equipment * Accurately input and retrieve information from computer terminal * Load, unload, and move products and materials * Visually inspects products for defects * Directly reports to Manufacturing Supervisor | | | | | |
| **Knowledge, Skills and Abilities:** | | | | | |
| * ISO 9000 knowledge desired * Team player with strong relationship-building skills | | | | | |
| **Requirements:** | | | | | |
| * Must be willing to submit to a drug screen and background check.​ * Must be able to lift up to 50 pounds in standing, bending, and rotating motions. * Ability to operate various types of forklifts.​ | | | | | |
| Education: | High school diploma or equivalent required | | Years of Experience: | 2-4 years experience preferred | |

**APPENDIX B – PROPOSED BUDGET**

|  |  |
| --- | --- |
| **Personnel**  Current Staff (5 managers \* 2 and 10 supervisors) |  |
| **Consultants**  Human Resource Consultant :Dr. N. Cruncher (3 days of consultation \* $360 daily rate)  Legal Counsel to ensure compliance (8 hours of consultation @ $175/hour) | **$1,080.00**  **$1,040.00** |
| **Supplies**  Task Force  25 notes pads  Writing utensils (Pens, Pencils, Highlighters) | **$125.00**  **$35.00** |
| **Meal and Refreshments**  Task Force  Catered lunches for 21\* 4 days @ $15 per person  Refreshments (5th Day-orientation) | **$1,260.00**  **$100.00** |
| **Bindery Services**  Performance Appraisal Manuals (20 manuals \* $15)  Handouts | **$300.00**  **$300.00** |
| **Equipment**  Data System for formal appraisals and IT involvement  Kiosks for employees (5 per location \* 2 locations \* $700 per kiosk) | **$16,000.00**  **$7,000.00** |
| **Budget Total** | **$27,240.00** |

**APPENDIX C – SAMPLE PERFORMANCE APPRAISAL**