



Implementing performance reviews



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SECTION 1

Overview of the performance management planning process

The purpose of having a performance review process is two-fold; it's both for employee evaluation and development.

Performance reviews should not be, you, the manager, giving employees a report with ratings, but instead an interactive reflection of the employee's performance.

Because performance reviews are so strongly associated with evaluation, the developmental aspect can often be overlooked.

That's why managers must manage performance accordingly, to leverage the opportunity to not only evaluate but help employees improve their performance.

The performance management process should be a collaborative exercise.

With that in mind, planning a performance management process should include the following elements:

- Define the purpose of your organization's performance review process.
- Understand your organization's values, goals and expectations.
- Align individual goals and expectations to the organization's vision and core values.



Key steps to take in the performance management planning process

Your organization might only conduct performance reviews once a year but performance management leading up to reviews is year-round.

There's planning that needs happen before performance reviews start and the key steps we recommend to take:

Make sure the employee's job description is up-to-date

Like performance reviews, job descriptions should be updated at least once a year. One of the most accurate ways to update a job description is to have the employee review it themselves. Without an up-to-date job description, it becomes impossible to provide accurate feedback because there are different expectations for every responsibility. So before anything else, make revisions where needed to job descriptions.

Clarify key job functions

This essentially means asking "what are the core reasons for this position to exist?". Have these job functions changed since the last performance review? Do some need to be added or replaced? Having identified key job functions will help guide you in setting any new performance expectations.

Revisit performance expectations

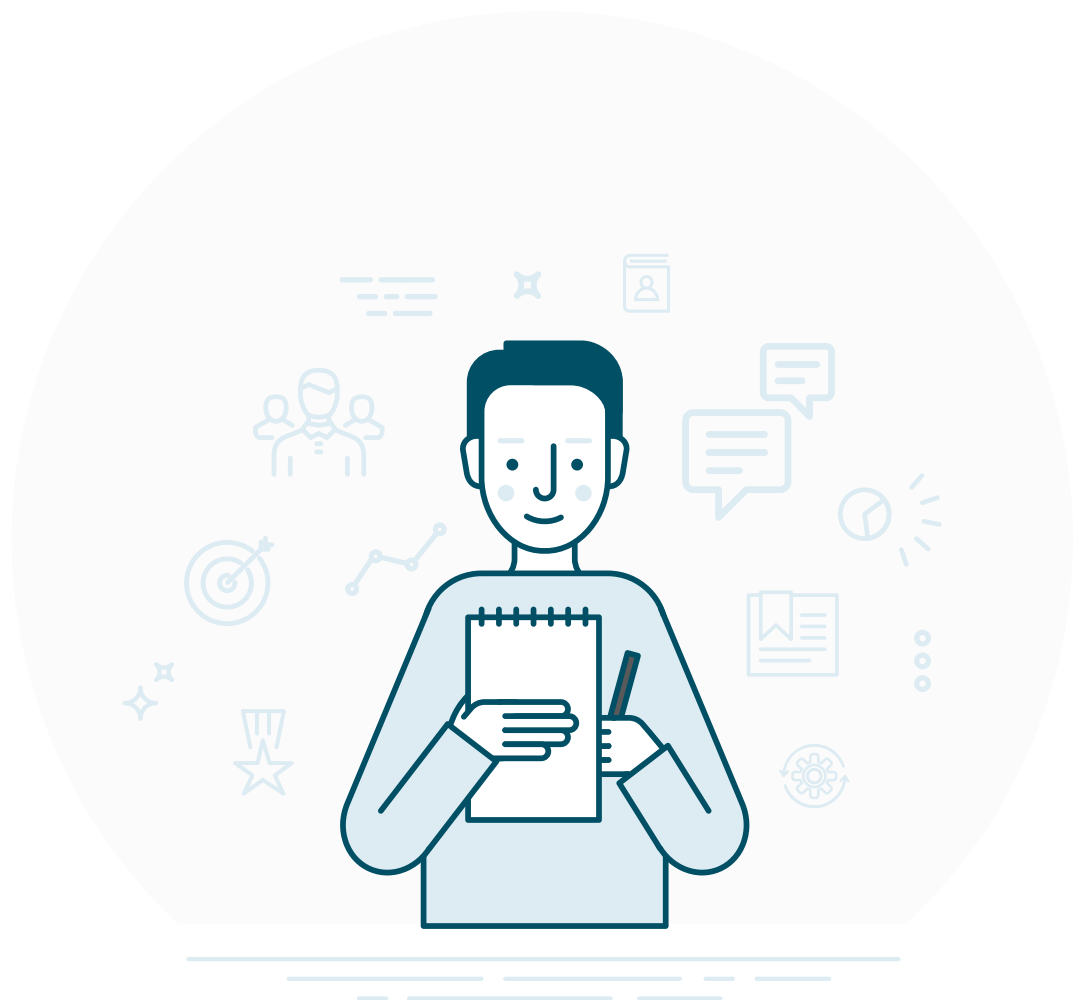
With a current job description and key job functions, it's review and updates performance expectations. Performance expectations should be a list of outcomes that will occur if all key job functions were fulfilled. As a rule of thumb, performance expectations should be developed collaboratively and aligned with goals and core values of the company.

Revisit goals and/or objectives

When planning for performance reviews, you can revisit several types of goals into the process. As we've identified before, there's both evaluation and development are crucial takeaways to every review cycle. That's why job function and development goals should be assessed and set. At Paycor, we set Objectives and Key Results (OKRs).

SECTION 2

Planning for better employee performance



Setting employee performance expectations

Understanding the performance expectations provides exceptional context for which performance reviews can be facilitated and employee development may occur.

It is most important for the employee, as it is a framework that will guide them in developing goals, assess their own progress and align themselves with the company's mission.

So what are employee performance expectations?

- Outcomes that will occur if all key job functions were fulfilled
- Metrics that show how well key job functions are performed
- Benchmarks employees and managers can use to assess performance

When should employees and managers collaboratively develop performance expectations?

- When new employees are hired to the company
- When job descriptions or job functions change or new ones need to be added

Here's a quick checklist of what a strong performance expectation should include:

- ☑ Alignment with core values and company goals
- ☑ Demonstrate culturally aligned behaviours that drive optimal organizational outcomes
- ☑ Demonstrate optimal outcomes
- ☑ Metrics that show expectations have been met
- ☑ Mutual agreement between employee, manager and company

Setting employee goals and/or OKRs

As a manager, you should ensure that employee goals are well defined. This is particularly true when planning for your company or team's performance review process.

At Paycor, we set OKRs or Objectives and Key Results, a goal setting methodology popularized by Google's Rick Klau.

An OKR has two main components:



Objective

- The overall outcome you want to achieve
- Objectives push the limits and are typically set for a predetermined time frame, such as three months in length, although some companies use different timespans.
- Example: "To get in shape, fast"



Key results

- Each objective has 3-5 key results. Each key result should be a way to define success, and measure progress toward success. They should not be tasks.
- Example KR's "lose 10lbs, complete a half-marathon in under 2 hours".
- Some companies use what they call stretch goals. An example is Google, who set "stretch goals" so hard, that 70% completion is considered successful. The intention is to push people to achieve big gains.



For more information on OKRs

GET THE FREE COMPLETE OKR GUIDE →

Tracking employee performance

Performance management is meant to be an ongoing process that allows for discussion, improvement, and adjustments based on employee performance.

In order to gather enough data to successfully facilitate performance reviews at the end of the year, your performance management process should include some element of ongoing performance tracking.

When managers are observing employee performance with the intention of documenting it for performance reviews, it should be done regularly and in a consistent way throughout the company.

Here are several methods you can use to track employee performance (whether for documentation or review purposes):

Look for patterns in employee performance

Tracking employee performance for patterns over the year is one of the most effective ways to derive quality data for performance reviews. For example, if one employee does not meet expectations in December, it would not be fair to assess their year-round performance based on such a short window. Similarly, if an employee exceeds expectations, note whether or not this is a consistent pattern.

Look for distinct behaviours of success

These are actions or events facilitated by an employee that truly makes them stand out; behaviors that go beyond performance expectations. It is most important to note and recognize these behaviors of success.



Documenting employee performance

As we discussed before, tracking employee performance consistently throughout the year provides valuable data to make performance reviews successful. It also makes way for feedback to be given more regularly.

But since it's over the course of a year, this makes it nearly impossible for managers to remember every new observation.

That's why we recommend developing an appropriate method for performance documentation that fits your company's workflow.

Small teams can consider manager driven performance documentation

Managers can use 30 minutes at the end of every week to round up all the key highlights of their employees' performance.

These highlights should consist of key information like the behaviors demonstrated, associated performance expectations and alignment with company core values.

Large teams can consider employee driven performance documentation

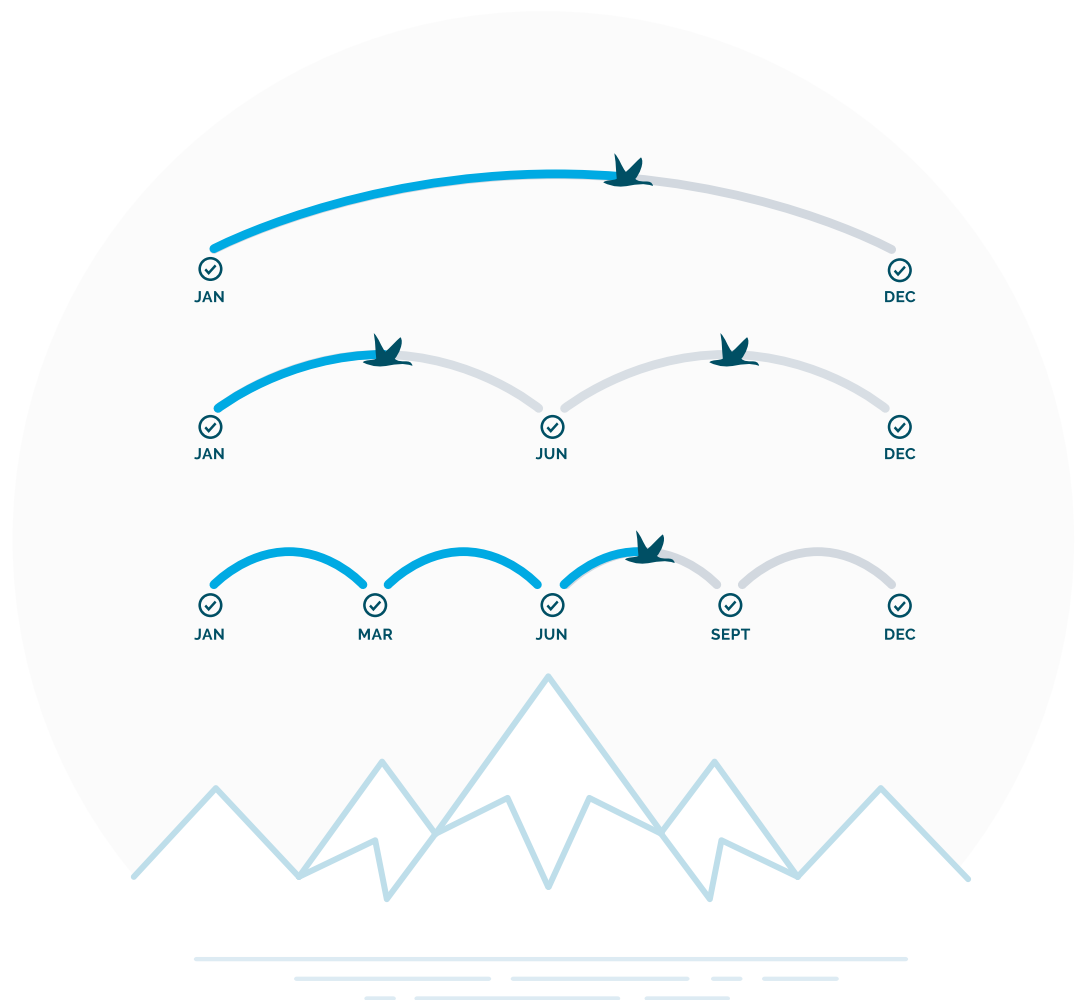
Of course, 30 minutes a week might not be enough if you manage large teams. Employee-driven performance documentation is also a very feasible option.

At Paycor, our employees get a weekly reminder to check into their goals.

This way, managers have reduced the burden of performance documentation. At the same time, we're still able to collect and store employee progress and performance data throughout the year.

SECTION 3

Planning the performance review process



Conducting performance reviews

When it comes time for performance reviews, there is a general 3-step process many follow:

1. Educate and allow employees to complete their self performance assessment forms
2. Compile the employee performance documentation gathered throughout the year.
3. Plan a 1-on-1 meeting to review results of employee and manager assessments.

Managers will need to complete a performance review on their employees before meeting to discuss the results of employee self-assessment. Before proceeding, there's the information you'll need:

- Employee job descriptions at hand for quick reference.
- Goals and/or objectives of each employee throughout the year (or evaluation cycle).
- Performance expectations relative to key job functions.
- The results of your employee's performance review to compare.
- Your own notes of each employee's performance gathered throughout the year (if available).

While administrative performance reviews often occur on an annual cadence, there are exceptions to be made for different company workflows and circumstances.

Poor performance, in particular, indicates that immediate assistance and coaching is required.

Under these circumstances, we recommend that managers take action immediately, rather than rating an employee to be "less than satisfactory" at the end of the year.

Work with employees to create a performance improvement plan and check-in regularly to ensure performance expectations are being met. So by the time performance reviews roll around, it may be possible underperforming employees are not meeting their performance expectations.

Building employee performance review forms

Your employee performance review form can make or break the results and directly impact management needs. That's why so important to build an employee friendly performance review form.

Our in-house human resources professionals suggest taking the following guidelines into consideration when creating performance review forms for your company:

Determine the objectives of the performance review process before selecting questions

The objectives of each performance review process vary from company to company. For instance, we will likely find companies completing administrative performance reviews towards the end of the year to summarize employee performance, adjust compensation or help determine the priorities of the new year.

In determining what the objectives of your performance review process are, you will build out questions that allow you to collect the necessary information to meet your objectives.

Select the optimal assessment method to evaluate key job functions and competencies

Chances are, various metrics have already been determined to measure the success of a single employee's performance expectations. But if not, now is the time to clarify what employees are being measured against.

Ensure the language used appropriate and understandable by various employees

The language used in performance review forms come hand-in-hand with providing clear instructions to ensure employees are able to complete it with ease. Don't use jargon unless you're confident it's well understood company-wide.

Tailor performance review forms to specific roles and job functions where necessary

Not every team or role is the same. Where necessary, tailor questions and metrics on the form to ensure an accurate reflection and assessment.

Structuring the performance review meeting

You know, performance reviews are the most effective as a collaborative effort between manager and employee. That's why both parties should prepare for the 1-on-1 meeting.

As a manager, you can set the tone by reviewing your employee's performance review responses in advance. Then, you can set a time and place to meet.

Don't forget to acknowledge that employees may find performance review meetings stressful. Clarify to your team these meetings are always a two-way discussion.

During the meeting, managers can consider incorporating elements of the following performance review meeting checklist:

- ✔ Reiterate the purpose; to review the performance of your employee over the past year.
- ✔ Run-through the performance review meeting agenda.
- ✔ Ask your employee if they have any questions or discussion items to add.
- ✔ Allow your employee to walk you through their performance review responses.
- ✔ Share your notes on their performance in comparison to their performance review responses.
- ✔ If there are disparities between performance review results, facilitate a discussion to clarify and address these disparities.
- ✔ Take turns providing one another feedback on performance.
- ✔ Set new performance expectations for next performance management cycle according to current company priorities and job functions.
- ✔ Optional: Create a development plan to assist with your employee's short and long-term career goals.
- ✔ Recognize your employee for their efforts.
- ✔ Close the meeting by providing a copy of both parties performance review responses.

Building employee development plans

That being said, performance reviews provide the information necessary to help match employees with developmental opportunities.

A simple way for managers to leverage information from performance reviews for development is to coach employees on topics of interest for their short and long-term career goals.

It is incredibly important for managers to take interest in employee development because their skills directly impact the effectiveness of your team.

The quick checklist to creating employee development plans after a performance review:

- ✔ Discuss the skill development that needs to occur to meet the short and long-term career goals of the employee.
- ✔ Come up with key areas of development with the employee involved.
- ✔ Take into consideration the employee's strengths and new skills developed through the last performance review cycle. Which of these complement the key areas of development you've collectively identified?
- ✔ Come up with how the employee will acquire these new skills. Do they need to attend an online class? Get coaching from their manager? Be put on new projects? How about reading material and other resources?
- ✔ Define the success measures for achieving these skills.
- ✔ Reiterate how this development plan will fit into the employee's regular job functions and expectations.
- ✔ Set a check-in point to reflect on progress made in the development plan.

SECTION 4

Facilitating the Paycor performance review process



Key steps to success when using Paycor for performance reviews

At Paycor, we take a developmental approach to our performance review process. This means we incorporate both self-evaluation and manager evaluation to ensure a holistic view of employee performance.

Within these two components, we aggregate continuous performance management data from all of our Paycor features within the time period (whether this is a month, a quarter or even a year).

The questions we ask in performance reviews are based on an aggregation of principles from growth mindset, strength orientation and appreciative inquiry to name a few.

To ensure ease in admins and managers overseeing the performance review process, we added an additional approval step. With this in mind, managers are easily notified to by our platform to schedule a 1-on-1 when the self-evaluation portion has been completed.

Because we believe in the value of performance reviews, we are excited to announce that we are currently beta testing our new reviews feature.

This performance review feature allows users to have data rich 1-on-1 conversations at regularly scheduled intervals with...

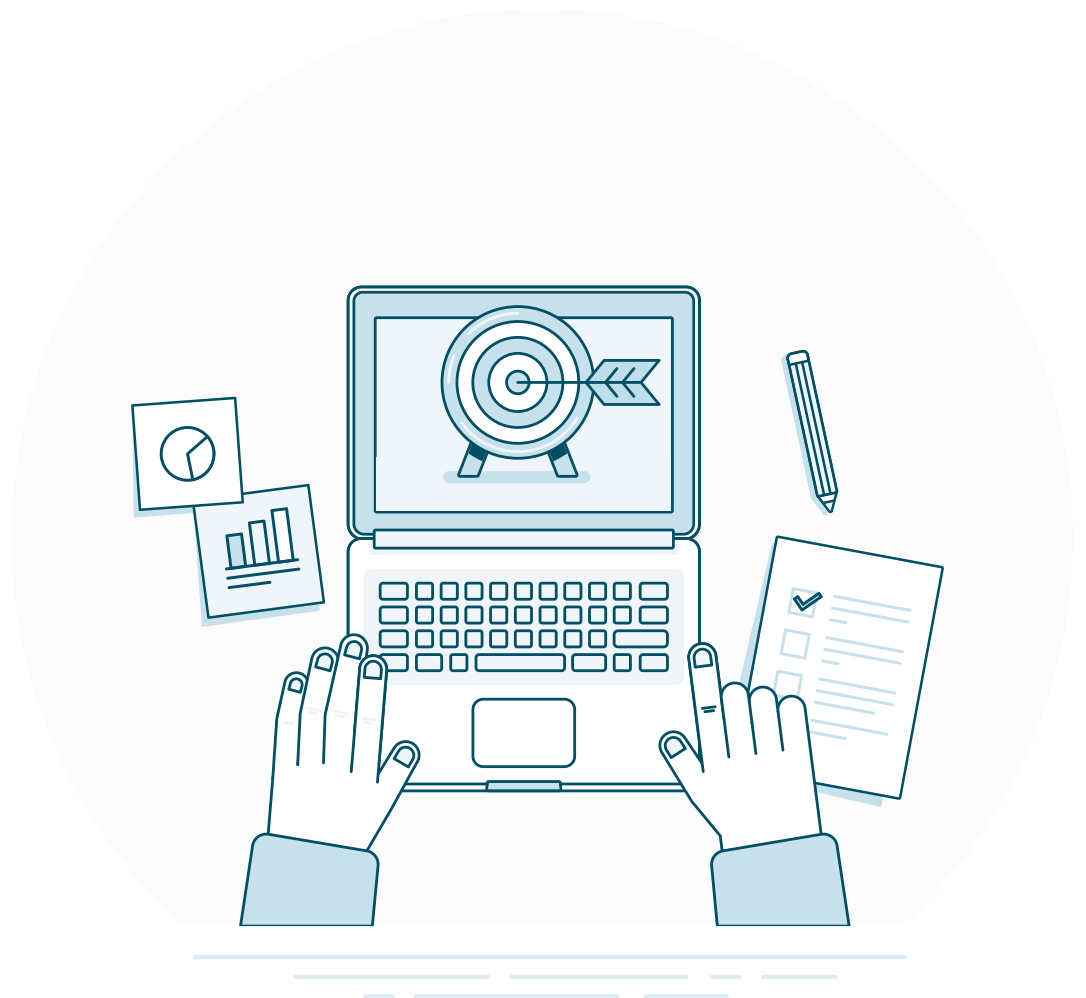
- Automatic compilation of data
- Workflow, cadence, and template customization
- Optional numeric or multi-source ratings
- Tie-in to employee career management

If you want to reinvent your performance review, process or discuss further, please reach out.

International toll-free: +1.855.565.3291

SECTION 5

Performance review FAQs



Performance review FAQs

Performance reviews are a hot topic. In recent years, there has been much debate regarding their role in companies and whether they truly measure performance and drive positive outcomes. As a result, “Continuous Performance Management” was born.

Many employees still want to know where they formally stand and what their next steps may be to achieve their career goals.

Companies also wish to compile their data in such a way that they can inform compensation and succession planning processes.

In the following Q&A, you’ll find answers to frequently asked questions on performance reviews.



PERFORMANCE REVIEW FAQs

Are annual performance reviews on their own a waste of time?

If the question is in relation to conducting performance reviews in the absence of other continuous performance management activities (i.e. feedback, goal setting, recognition and ongoing 1-on-1 conversations), then they are certainly less beneficial and are unlikely to overcome the challenges and biases of the traditional review as we discussed in the webinar (e.g. recency effects, administrative burdens and the accuracy of data used to inform the process).

Research by CEB in 2004, however, has indicated that for those companies that do not regularly provide feedback, employees may suffer as they crave the ability to understand where they stand or be rated. And it could be argued that some information, compared to none at all, may be essentially “better than nothing”.

Other studies have shown that employees with a higher proclivity to anxiety actually suffer more without feedback than they do when receiving critical feedback. The challenge here is that we know other very robust research states that if the employee does not perceive the feedback as fair, this may risk de-motivating the employee also.

If your company insists on only having annual reviews alone (not ideal), then I would try and refocus them to come back to the “why?” (i.e. finding the purpose of running the review in the first place) work to enhance the perceived fairness of the process overall in order to ensure the process is as motivating as possible for those involved. To do this, at the very least, it is imperative to ensure your managers are equipped and capable enough to handle the conversations and provide robust and effective feedback throughout.

PERFORMANCE REVIEW FAQs

Is there a link between performance reviews and succession planning?

This is a big question and really depends on your current methods for succession planning.

For example, organizations with clearly defined competencies will find this an easier process to integrate into their succession planning initiatives. Given this, depending on the process you use for your performance reviews, you could and should certainly use some of the data from a review for succession planning purposes.

In fact, this is a key reason as to why most organizations feel they need to gather data through the review. Of course, you should be gathering more ongoing information to inform succession planning processes as well. You should use these as an opportunity to craft conversations around scoping whether you have high performers, high potentials as well as scope opportunities for replacement planning.

The conversations should also inform where individuals want to move – could it be lateral, progress into leadership or even diagonal? There are so many options and using Reviews and performance conversations overall are a great way to diagnose this and capture this information.