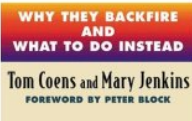


Ron Baker, Founder
VeraSage Institute



Replacing the Annual Performance Appraisal

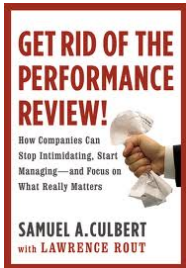
An Iatrogenic Disease?



- More than 90% of academic studies of appraisals offer no evidence of effectiveness.
- Yet, 97.2% of US—and 91% of worldwide—companies use them.



An Iatrogenic Disease?



“The fad of 360-degree feedback is supposedly objective because it’s anonymous. So is hate mail.”



Some Disadvantages of Appraisals

- More about maintaining control than fostering responsibility
- Boss takes responsibility for development
- Counterproductive to driving out fear
- Inhibits authentic communication
- Encourages “sucking-up” behavior
- Applies one-size-fits-all approach
- Contains background “noise”: discipline, termination, pay raise, bonus, promotions, etc.
- Provides less and delayed feedback



Some Disadvantages of Appraisals

- Ranking people does not help them perform better
- HR focuses on 100% compliance, not conducting quality reviews and effective communication
- No clear focus on business purpose, strategic value, or customer service
- Filling out forms is not delivering effective feedback
- 7 good things, 3 bad things, not effective approach
- Any acknowledgment of deficiencies will be used against team member
- Provides the illusion of control
- Annual appraisal like dieting only on your birthday wondering why you're not losing weight

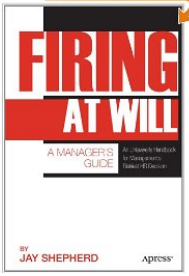


What about the law and firing employees?

- Tom Coens labor lawyer—appraisals offer no protection in court
- Not required by law; “at will” employment
- They're not “legal backup” to avoid being sued
- Most lawsuits are employees who get positive comments
- You can still document underperforming employees for termination
- You can fire anyone, anytime—not based on an arbitrary annual date




Click to **LOOK INSIDE!**

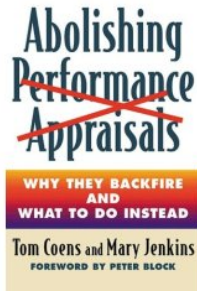


FIRING AT WILL
A MANAGER'S GUIDE
BY JAY SHEPHERD
Apress

“The dumbest managerial tool.”





An Iatrogenic Disease?



~~Abolishing Performance Appraisals~~
WHY THEY BACKFIRE AND WHAT TO DO INSTEAD
Tom Coens and Mary Jenkins
FOREWORD BY PETER BLOCK


“Appraisal is not the system that drives pay, careers, and status; it is an incidental effect of those dynamic systems. Appraisal is primarily the paper-shuffling that sanctifies decisions already made.”





Peter Drucker

“Appraisals were designed by the clinical and abnormal psychologists for their own purposes. He is legitimately concerned with what is wrong, rather than with what is right with the patient... therefore, very properly looks upon appraisals as a process of diagnosing the weaknesses of a man.”



The Presenting Problem



What are you going to replace it with?



Replacing the Performance Appraisal

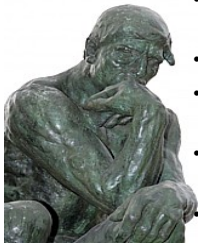
1. Key Predictive Indicators for Knowledge Workers
2. Peter Drucker's Manager's Letter
3. After-Action Reviews
4. Knowledge (Skills) Matrix



Human Capital, Not Cattle



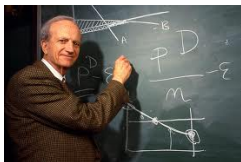
How Knowledge Workers are Unique



- They *own* the means of production
- Firms need them more than they need firms—balance has shifted
- KWs have unique value, not jobs
- Office is their servant, not their master
- **Effectiveness** is far more important than *efficiency*
- **Judgments** are more important than measurements
- Ultimately, they are volunteers



3 ways to allocate our time



1. Nonmarket time
2. Investment time
3. Labor market time

Gary S. Becker,
Nobel-Prize
winning economist,
Human Capital



Knowledge-Worker Effectiveness—
Drucker

- “What is the task?” (Definition, delegation, deadline)
- Autonomy (Greek for “self-governance”)
- Continuing innovation
- Continuous learning and teaching
- Quality more important as quantity
- Treated as Human Capital Investors (volunteers)





Henry Ford, *My Life and Work*,
1923



Factory organization is not a device to prevent the expansion of ability, but a device to reduce the waste and losses due to mediocrity. It is not a device to hinder the ambitious, clear-headed man from doing his best, but a device to prevent the don't-care sort of individual from doing his worst.



Steve Jobs
Apple

“It doesn’t make sense to hire smart people and then tell them what to do; we hire smart people so they can tell us what to do.”





Peter Drucker



“Performance can only be built on strengths. One should waste as little effort as possible on improving areas of low competence. And yet most organizations concentrate on making incompetent performers into mediocre ones. Energy, resources, and time should go instead to making a competent person into a star performer.”



“A man’s worth to an organization can be measured by the amount of supervision he requires.”

—Jim Casey, founder, UPS, 1947



Replacing the Performance Appraisal

1. Key Predictive Indicators for Knowledge Workers
2. Peter Drucker’s Manager’s Letter
3. After-Action Reviews
4. Knowledge (Skills) Matrix



Knowledge Worker KPIs

- Marginal Contribution to Firm Revenue/Value
- Customer Feedback
- Interpersonal skills
- Effective Listening Skills
- Effective Communication Skills



Knowledge Worker KPIs

- Continuous Learning & Coaching Skills
- Effective Delegator
- Ability to Deal with Change



Knowledge Worker KPIs

- Number of Customer Contacts/Week
- Pride/Professionalism
- Passion
- HSDs



Peter Drucker's Management Letter



Drucker's Manager's Letter

- Twice a year
- Define objectives of executive/you
- What performance standards apply?
- What must you do to obtain objectives?
- What helps/hampers you?
- What resources do you need?
- Becomes the covenant



Peter Drucker's Orchestra

- What results have to be achieved to make a difference?
- How is the firm helping you to achieve your professional goals and aspirations?
- What does the firm do right and what should it continue doing?
- What are the firm's weaknesses and what should it stop doing?



Peter Drucker's Orchestra

- What critical things should the firm start doing?
- Why do you work here? "Commitment to excellence and what I do makes a difference"
- Does the firm deserve your loyalty?



Capturing Tacit Knowledge: After Action Reviews



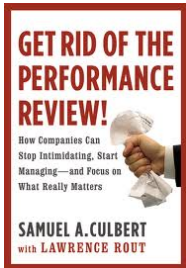
Knowledge Matrix



Knowledge Worker Compensation Model



The Law of Compensation: the appraisal will always support the recommended pay action



- 3 factors determine pay:
 1. Want to retain employee?
 2. Is a raise necessary to do it?
 3. Firm's budget.



Why People Work

- *Intrinsic Rewards*—inherent in the work itself. Purpose.
- *Opportunity to Grow*—how will firm enhance my intellectual capital?
- *Recognize Accomplishments*—how does firm celebrate successes?
- *Economic Rewards*—composition of wages, benefits.



Compensation Model

1. Salary
2. Profit-sharing
3. On-the-spot bonuses
4. Enhancement of intellectual capital—Knowledge Matrix





IF YOU HATE YOUR WORK, YOU'VE GOT TO CHANGE IT.
OR YOU'LL CHANGE YOURSELF.
—Simon Sinek

WHY
WORK SUCKS
AND HOW TO FIX IT

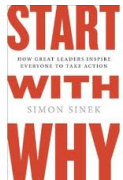
THE UNUSUAL, UNCOMMON, AND UNEXPECTED WAYS TO FIND MEANING, PURPOSE, AND HAPPINESS IN YOUR WORK

Calli Ressler and Jody Thompson



Jody Thompson and Cali Ressler


“You don’t look at a pile of laundry and think, I’d better make sure I’m putting enough hours into this.”

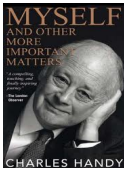


START WITH WHY
HOW GREAT LEADERS INSPIRE EVERYONE TO TAKE ACTION

SIMON SINEK

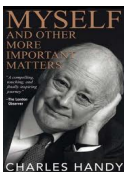
- *Start With Why*, Simon Sinek





Charles Handy, *Myself and Other More Important Matters*

“Above all people know instinctively that there has to be trust if any organization is going to work. ... Yet organizations need trust if they are not going to clutter themselves up with rules, checks and checkers. Too much time is spent in organizations making sure that what should have happened is happening. If people know what they have to do and are competent to do it, they should be left alone to get on with it.”



Charles Handy, *Myself and Other More Important Matters*

“Go to the theater. Everyone is listed. They don't talk about human resources. Managers are reserved for things, not people (stage manager, lighting manager). They are directed, not managed, by someone who leaves the scene once the project is underway. Audience feedback, the people who matter, doesn't have to wait for annual performance appraisal.



Peter Drucker



If I had a son or daughter, would I be willing to have him or her work for this firm? If yes, why? If no, why?

Thank You!



VeraSage website/blog
www.verasage.com
(707) 769-0965



www.voiceamerica.com
www.thesoulofenterprise.com
Fridays, 1pm PT/4pm ET



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