

The performance evaluation and bonus

[Business](#), [Management](#)



Perhaps one of the most challenging aspects of managing a company is to provide a performance evaluation technique that does not frighten employees. The fear in my organization, among those marginal performers, is that the evaluation may cause their being fired. " One of the most controversial tools for boosting performance is ranking employees and dismissing the laggards. Proponents argue that the practice stretches star employees...(Marchetti 2005 16). Those at the bottom of the performance scale tend not to be as motivated as they might be, simply because the fear of being poorly evaluated stifles their determination to improve.

While there are many companies which automatically provide a cost of living raise to their employees (sometimes due to labor contracts), the idea of providing bonuses or merit awards also can cause some serious problems, and such " merit raises" often cause more conflict within a business than they solve in the way of increased productivity and/or efficiency. Here is one author's proof: " It's clear that employers' compensation systems aren't making the grade. Only 10 percent of organizations describe their merit pay programs as " very effective," according to an employee attitude survey conducted in 2002 of 335 companies by Hay Insight (the research and survey arm of Philadelphia-based HR consulting firm The Hay Group), WorldatWork and Loyola University of Chicago" (Wells 2005 76).

One problem with many businesses today is that management is too lenient, too worried about hurting someone's feelings. In today's competitive world, where every worker must pull his weight or make way for someone who can, such leniency may be costly. Wells (2005) suggests something called " tough love.":

" By contrast, adopting--and enforcing--the get-tough approach to merit pay has clear advantages: It doesn't waste increasingly precious salary-budget dollars, it sends the right message that improvement is imperative, and it doesn't fund under-performers at the expense of high-performing employees" (Wells 2005 78).

In my particular organization, the idea of performance evaluation and some sort of bonus or merit award is now no longer strictly limited to the top performers. It is the middle level, what some tend to call " B performers" that have some stake in the company's bottom line. Again, here is some proof of that: " Midlevel performers thrive when they know they've got something to work toward--and you've got to give that to them. In fact, 52 percent of respondents who qualify for incentive programs at their companies--which typically reward the top 10 percent of workers--feel they have only somewhat or no chance of winning an award. This is far from motivating. 'Your B-players have a significant effect on your bottom line,' says Rodger Stotz, vice president and managing consultant for Maritz Inc. 'You'll always have a top five percent, but those rewards don't move the middle'" (Galea 2005 9).

What is needed to ease the pain and strain of performance evaluation and resultant merit increases or bonuses is the fact that top management must now set specific targets and goals, by the month, by the quarter, by six months, annually, and even provides some projections for one, two and five years into the future. With such goals specifically outlined, employees-

whether on a production line or white collar, now know exactly what is required of them.

To make performance evaluation less painful; and more effective requires supervisors to keep track of performance of their section or departments, as well as individual employees. In this way, if someone falls short, there is an opportunity for a one-on-one discussion that may provide both a reason for such a shortfall and a means of improving performance. This personal oversight by supervisors can go a long way to eliminate the fear of being discharged as a marginal or low performer, and at the same time reward what Galea (2005) calls " B Performers."

Therefore, what will make performance evaluation and compensation tied to it far more effective in my company is to focus on these mid-level performers as well as providing a means " up the ladder" for the marginal ones, knowing the top performers will always continue to shine. By also stressing teamwork, it becomes the responsibility of everyone within a section or department to make sure everyone contributes to reaching the goal.