On the Job: Some employers are giving a big thumbs-down to performance reviews

O.C. companies are finding alternatives to the dreaded evaluations.

During the 13 years Craig Martin worked at Nordstrom, he came to loathe annual performance reviews.

As an employee, getting reviewed was painful. The evaluations always included his strengths and weaknesses. But “the opportunities for improvement were the only things I could focus on once they put the paper in front of me,” Martin says. When he became a manager, he dreaded the reviews even more because he had to use them to fire employees who weren’t working out.

When Martin quit Nordstrom to start an Orange County residential real estate company, he left annual
job reviews behind, too.

At Brea-based TNG Real Estate, Martin evaluates how his 15 employees are doing every month and sits down with people if there's a problem. He handles raises separately, approaching employees who show they're "owning" their job.

“This past week, I approached three individuals and said, ‘It’s time for you to get paid more, and I’d like your input on where you deserve to be,’” he says.

Annual reviews are the dentist appointments of the workplace: employees might not hate them outright, but they aren't thrilled about them, either.

Employers aren't much different. Nearly 90 percent of companies undertake some kind of annual performance evaluation, but even human resources professionals – the very people behind the process – give them mixed reviews, according to a survey released in October by the Society of Human Resources Management.

Employers don’t enjoy telling employees what they’re doing wrong.

“The longer an employee is with them, the harder it is to do,” says Nick Leighton, owner of The Alternative Board, a Newport Beach consulting company that manages peer-to-peer advisory boards for Orange County small-business owners.

Here and across the country, more companies like TNG Real Estate are ditching annual reviews for different types of yardsticks to measure how well employees do their jobs.

Some rely on regular, informal chats between managers and their direct reports. Or they use internal online dashboards to keep tabs on people’s performance and suggest adjustments in real time.

Like Martin’s agency, some have separated the process of evaluating employees’ job performance from any discussion of pay increases.

Companies with a substantial number of remote-based workers or that operate virtually, with no physical offices, have said goodbye to traditional job reviews out of necessity.

One of them is Decision Toolbox, an Irvine recruiting agency with 80 employees spread across the country. Since the company went virtual after 9/11, Chief Executive Kim Shepherd has based evaluations and compensation on results of metrics tied to employees’ responsibilities.

The company’s 55 recruiters, for example, help corporate clients find professionals in engineering, finance, pharmaceuticals and other industries. Recruiters are measured on six key performance indicators, including how quickly they fill an open position, customer satisfaction and repeat business.
Recruiters with the highest scores make the most. “I have recruiters making $60,000 and $160,000, and it’s 100 percent based” on the recruiters, Shepherd says.

Using data to measure how successful people are at work removes biases a manager might have in favor of employees who come off as poised and polished but don’t deliver results, Shepherd says.

Employees who are hard workers love it “because they’re getting paid for every great thing they do,” she says. For slackers, though, it’s agony, “because there’s no place to hide.”

As more companies move away from annual job reviews and automatic salary discussions tied to them, people have to learn to be better advocates for themselves, says Leighton, The Alternative Board owner.

Someone who wants a raise should request a meeting with his boss or the company owner, says Leighton, who also coaches Alternative Board business owners on management issues, including employee remuneration. “It’s a difficult conversation to have. Both the employee and employer have to be open and transparent, and not everyone has that kind of relationship.”

He suggests being ready to spell out how you could help make your company better, whether that’s getting products out the door faster, speeding up billings to improve cash flow or improving customer service.

Don’t assume that because you’ve put in another year there’s more money to pay you a higher wage, Leighton says. Some small-business owners kept employees during the recession out of loyalty even when there wasn’t enough work to go around and now expect their workers to put in more.

Now that times are better and business has picked up, owners are asking people to work harder for the same pay, “and there’s a little bit of discord,” he says.

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