

Closing the Employee Performance Gap: Boosting Competitiveness & Profit

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Creating an environment where there is no place to hide poor performance:

After many years of reengineering, downsizing and the use of endless performance enhancement initiatives, most businesses are still inefficient. One of the most effective ways to increase business performance and profit is to increase the performance of employees, from the lowest levels of the organization to senior management, and little has been done in this area. Raising the level of performance of the weakest performers in each job category can have a dramatic impact on the profit of any company. While many companies are rightfully focusing on technology and strategic solutions to expand profit margins, other opportunities to increase staff performance are frequently overlooked.

Employees are the most important asset of any organization. Fielding a winning team is critical to the ability of any company to compete effectively and to thrive, and top performing employees are the foundation of winning teams.

The Employee Performance Gap:

Employee satisfaction survey and employee engagement survey comments received from employees at all levels of organizations include complaints about some employees that are minimally productive and other employees that are disruptive.

There is a huge gap in performance between the strongest and weakest employees performing the same or similar jobs in most organizations. We call this performance differential the Employee Performance Gap. The Employee Performance Gap is typically 25%-100% in simple jobs and as much as 500%-1,000% in complex and high-responsibility positions requiring broader and higher-level skills. To illustrate this point, the Chief Information Officer of a leading company told us that "my best programmers produce ten times as much code, of better quality, than my least-effective keepers." He then added "there is little correlation between what our programmers produce and what they are paid." Closing the Employee Performance Gap can provide breakthrough increases in profit at most companies, even if their profit is already at all-time high levels.

Managers and the strongest employees often spend much of their time fixing problems caused by the weakest performers. This creates an enormous drag on organizational performance and serves to de-motivate top performers, a situation few organizations can afford to tolerate.

An effective way to assess and identify employee performance gap issues is to conduct an employee survey. Employee engagement surveys and employee satisfaction surveys measure how engaged and satisfied employees are, and identify what needs to be done to increase employee satisfaction and engagement. Employees that are more engaged and satisfied work harder and smarter, they get more work done and their enthusiasm rubs off on other employees.

Closing the Employee Performance Gap enables organizations to get more done with fewer staff and to significantly improve quality and customer service. For many companies, the bottom line impact of the Employee Performance Gap is huge. Ineffective sales calls translate into lost opportunities. Based on a wide range of consulting reviews, we have found that twenty to thirty percent of a company's staff cost, including management and employees, is spent fixing things, performing rework, correcting errors and handling customer complaints because something wasn't done right the first time. Most of this excess staff cost is due to errors produced by employee. Even when the cause of a problem can be traced to a failure in technology, there is a great likelihood that an error, lack of action or poor judgment on the part of employee caused the technology to fail.

Picking a Winning Team:

Imagine ten kids coming together to play a sport, any sport. The kids know each other and have played together many times before. Is there ever a question about who the captains will be? Of course not, the two best players will be the captains and everyone knows who they are. When it comes to picking the teams, about the only thing that isn't known is which captain will get to pick first. Once the coin is tossed, it is clear as to which person will be chosen first, second and so on down to the tenth player. Some of the kids may not like the order in which they are chosen, but they all know the selection process and accept that they are picked based on their relative ability and value to the team. Depending on the particular players, there usually is a wide range of ability and performance on each of the chosen teams.

Now let's think about the teams that come together to make up our companies. A team may have seven accounting clerks, twelve engineers, five cashiers, fifty customer service representatives, nine computer programmers, eight sales employee, twenty-six manufacturing specialists, eleven bond traders or any number of employee performing similar jobs. If the teams have worked together for a while, the team members all know each other's strengths and weaknesses, as well as whom the top, middle and bottom performers are.

As in sports, corporate managers and team leaders should have a clear understanding of the relative performance of each of their players. While some corporate managers know the performance of each of their employee, many do not accurately measure and assess the performance of their team members. Of equal importance, those managers who have performance measurements often avoid or

have difficulty using measurements as a tool for increasing the performance of their employee.

All managers should ask themselves every day, is my team a winning team and do I have the right players, playing at peak performance to win? If the answer to these questions is no, or I'm not sure, what can be done to increase performance of employee and create a winning team?

Closing the Employee Performance Gap:

There are a number of actions that can be taken to identify and close the Employee Performance Gap. The most important step comes first, understanding that the Employee Performance Gap exists and that management can take action to close the gap. Following are fifteen action steps that managers can take to quantify and close the Employee Performance Gap:

1. Identify the success factors and desired results for each position.
2. Establish and communicate meaningful standards of performance excellence. The standards should guide behavior to achieve desired results. Communicating effectively with customers is not a performance standard. Establishing a goal of 98% customer satisfaction as a result of effective communications and other positive behavior/actions is the kind of meaningful, measurable standard we are talking about.
3. Measure staff performance based on the performance standards.
4. Share the results of the ongoing performance measurements with staff on a frequent and consistent basis and use the measurement results to define the areas of performance that need improvement.
5. Conduct employee satisfaction surveys and employee engagement surveys and take action based on the survey results.
6. Provide positive leadership and management. Many employees perform poorly at least in part because they report to weak or abusive managers. Consider conducting leadership surveys. Leadership assessment surveys are 360 surveys that provide feedback to many of your company's leaders, managers and supervisors at the same time. It is a highly effective way to identify strong and weak managers and to identify what needs to be done to strengthen managers and significantly reduce your company's employee performance gap.
7. Design jobs to be broad and flexible. This will help facilitate teamwork and enable you to get more done with fewer employees.

8. Provide training to ensure that all team members have the required skill sets to succeed.
9. Make it clear to the staff that individual performance and teamwork is critical to the success of the team and the company.
10. Before hiring, promoting or transferring staff, make sure there is a high probability they can succeed with a reasonable amount of training.
11. Tie compensation closely to performance.
12. Place employees first, customers second and shareholders third. Satisfied, competent staff will ensure that customers and shareholders are taken care of.
13. Strengthen the recruiting and hiring process to increase the odds of hiring strong performers.
14. Use a defined probationary period (typically 90 days) to evaluate new hires and cull out the weak performers before they become permanent fixtures. Many companies have probationary periods; few use them.
15. Start now to identify the weakest half of your staff and to increase their performance. Some employee will respond well to clear expectations and feedback on their performance. Others will need more training. A few individuals may need to be prodded occasionally to keep their performance on track. There are some employee that will not bring their performance up to the required level, period, no matter what is done to help them. Following your company's performance management process, do everything possible as quickly as you can to eliminate the marginal performers from your organization. Replace them only if you really have to.
16. Establish clear priorities and eliminate inappropriate conflict from the workplace. Do everything possible to eliminate competing agendas.

Management's Role:

In employee satisfaction surveys and employee engagement surveys managers frequently comment on their difficulty in finding the right employees, and their inability to get the necessary support from their Human Resources department in dealing with poor performers. On the other hand, HR often talks about managers who are ineffective at selecting the right employees and who avoid dealing with employee performance issues at all costs. Human resource managers sometimes point to the fact that they have all of the necessary performance measurement and pay for performance policies and procedures in place. They say that managers need to use these processes effectively.

There is an important role for both managers and human resources in increasing overall employee performance. Working as a team, they can create and implement effective approaches to ensure that staff performance is appropriately measured and that closing the Employee Performance Gap is a top priority for everyone in the company. Ultimately it is management's role to measure and increase employee performance and to put in place a winning team.

Final thoughts:

Companies can achieve sustainable profit growth by strengthening the performance of their employees, especially their least effective and marginal performers. Closing the Employee Performance Gap can be the next frontier for corporate performance improvement. It really is possible to get more done with fewer employees and to do a better job when you field a winning team. Most importantly, customers will know the difference in employee performance and they will act accordingly. Satisfied customers will buy more, remain loyal and recommend your company and its products more often.

For many companies, closing the Employee Performance Gap can mean the difference between thriving and mediocre bottom line performance. For others, closing the Gap can mean the difference between business success and failure. Companies must create an environment where there is no place to hide poor performance, and they need to manage knowing that peak performance of all employees is critical to the success of their company. Establishing meaningful standards for performance excellence and measuring the important results factors for everyone in your company will ensure that there is no place to hide. Using performance standards and measurements to increase individual and team performance is the next step in closing the Employee Performance Gap and achieving breakthrough increases in company performance. This holds true for companies of all sizes in any industry.

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