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The Positive Side of Performance Reviews

By Toddi Gutner | [Business on Main](#)

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Because the pace in a small company tends to be quite a bit quicker than larger companies, many small-business owners forgo performance assessments. They think they don't have the time. The truth is that these reviews can save time in the long run — and promote job satisfaction, lower turnover and productivity. I've seen company after company benefit from this review process, provided that it's conducted effectively. It's particularly productive when managers take the time to review their own performance in open ways.

Small-business owner Jan Howard-Merutka, Director of Marketing for Lucky Line Products, a key chain manufacturer in San Diego, is a case in point. Howard-Merutka knew she needed to transition to a more strategic managerial role in her family-owned business after the death of her father two years ago. So she turned to Steve Hansen, an executive and leadership development coach, for help in conducting a performance review process to help her improve her managerial skills.

At Hansen's suggestion, Howard-Merutka conducted a 360-degree feedback process that gives business owners, managers and employees the opportunity to receive performance feedback anonymously from those who work with them. It also gives individuals an opportunity to assess themselves. The feedback allows each individual to understand how effective she is in the workplace and how she is viewed by superiors, peers and direct reports.

Through this process, Howard-Merutka learned she was seen as a good mentor and a very accessible manager — both of which were extremely important to her. "I also learned that I needed to be clearer in my communication with others and make sure others knew what I needed to be accomplished," she says.

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As a business owner and manager, Howard-Merutka's willingness to change is refreshing. Typically, "everyone thinks they aren't part of the problems in a company and so they don't need to change," says Bob Anderson, CEO of The Leadership Circle, an international provider of leadership assessment tools and strategies. If managers aren't as willing as Howard-Merutka to do some self-assessment, Anderson suggests bringing members of the management team together and asking them to assess how they think the company is doing as an organization. "Once they assess themselves collectively, they can understand that since they're the ones saying what needs to be changed, they're the ones who are part of the problem," says Anderson. When they see where they are and where they want the company to go, they may be more willing to engage in a performance management process.

So what is the goal of assessing performance? To help boost performance and, ultimately, the productivity of the business. Those organizations that have regular feedback mechanisms seem to function at a higher level, with less turnover and higher employee satisfaction. "Small companies can't afford to replace people and bring them up to speed in such a rapidly paced environment," says Jaye Smith, president of Breakwater Consulting, an executive coaching and team-building firm.

How do you create a good review process if it's not already in place? For companies just launching a performance management system, it's important to recognize that it doesn't happen all at once. You'll need to work with your human resources manager or a consultant to carefully design a system and plan how it will be implemented before you roll it out to evaluate your managers and employees.

A good performance management system should provide employees with the following basic benefits:

A clear job description and understanding of job expectations. In the absence of a clearly defined work role, an employee would likely formulate his own goals and objectives. In that case, your company suffers. Job descriptions should include position, title, reporting relationships, a summary of work and responsibilities, and expectations of skills, knowledge and behavior (both required and preferred).

Regular feedback about performance. Try to avoid the annual performance appraisal or review where employees can often feel like the process is an annual assault. Instead, "meet on a regular basis, even if just for 15 minutes," says Smith. "Check in on how things are going, what people need to know, and keep connected to what is happening so that work can be leveraged and aligned," she says. Check for understanding as well, rather than making assumptions.

Advice and action steps to improve performance. Whether you use the 360-degree feedback or another assessment tool, you want to make sure that you identify and set specific goals to help promote new behaviors, says Hansen. For example, to improve her communication skills, Howard-Merutka had a specific goal to ask the person she was working with whether or not there were any questions and if everything was available to get the job done.

Rewards for good performance. As the co-owner of the company, Howard-Merutka doesn't necessarily need or want the same kinds of rewards that her managers may require. For her, successfully growing her company may be reward enough. But it is important to build in incentives for managers and employees, whether they are performance-based bonuses or salary hikes based on performance.

So the next time you think, "I don't have time for this review," you might want to think again. I've always found it's time well spent.

Toddi is an award-winning journalist, writer and editor and currently is a contributing writer covering career management issues for The Wall Street Journal.

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