



Town of Allenstown
Finance Director
16 School St.
Allenstown, NH 03275
603-485-4276 ext. 120
ksimmons@allenstownnh.gov

To: Board of Selectmen

From: Karen Simmons, Finance Director

Date: 3/29/17

Re: Performance Evaluation Research

Per your request, I have done some research on alternatives to our current performance evaluation system. The information comes from the Society for Human Resources Management (SHRM).

According to SHRM, the most effect systems should include four qualities:

- Future focus. The mountain of time leaders spend talking with each other about ratings and past performance should shift to open discussions with employees focused on work priorities and their growth and career.
- Individual experience. Intuitive, easy-to-use technologies can continuously engage employees on their strengths and the best ways for them to contribute to the organization.
- Consistent data. An ongoing stream of consistent data and analysis will yield new insights into performance.
- Simplicity. .Easy-to-understand design elements should be executable in a few minutes, whether it's a survey, snapshot or check-in.

The trend is to move away from Annual Reviews to weekly check-ins with quarterly evaluations, and a focus on engaging employees and bringing out the best in them.

Some things to consider:

1. We need to take proper steps to assure that the any system implemented is in compliance with equal opportunity laws and regulations, and will protect Town in event of a lawsuit.
2. In addition to focusing only on a few major goals during a single year, the goals should be "SMART":
 - .Specific, clear and understandable.

Measurable, verifiable and results

oriented.

Attainable, yet sufficiently

challenging.

Relevant to the mission of the department or organization.

Time-bound with a schedule and specific milestones.

Also should include continuous feedback process, and a two-way conversation.

3. Types of evaluations:

- a. *Ranking-rate* all employees in a group from highest to lowest in order of performance. The obvious problem with this is that it does not promote a team environment.
- b. *Forced distribution*- Supervisor allocates a certain percentage of the ratings within the group to each performance level on a bell curve. This system is very quantitative, but I have reservations as to how it would work in practice.
- c. *360 degree feedback*-reviewed by supervisor, colleague and subordinates. Can even include rating by those outside the organization-for example the attorney rating Shaun or a vendor rating Cindy for her Accounts Payable work. I worked for a company that was implementing this system, and the drawbacks are that it can be tainted by office politics, and it is very time consuming.
- d. *Competency –based*-performance is measured against specific competencies instead of specific tasks or behaviors. Competencies are set for each individual position. This would be more flexible, but also time consuming to develop. I would have a concern about legal ramifications on this one.
- e. *Management by Objectives*-set overall goals for Town, and rate employees annually based on how well they achieved the results specified by the goals.
- f. *Graphic Rating Scales*-list a number of general behaviors and characteristics - such as attendance, dependability, and quality of work-and rate on a scale of 3 to 5 gradations. This is what we have now, and it is very widely used.
- g. *Behaviorally anchored rating scales*-assess employee behavior rather than specific characteristics. Very time consuming and expensive to develop.

ALL of these systems require buy-in by employees and senior management, care in developing goals, commitment by everyone involved to doing reviews on a timely basis, and consistent follow up.

I have given you examples of various evaluation forms from the SHRM website in your folder.

The bottom line is that there is no quick, easy way to develop a new system. There is no one size fits all approach.

I see three options:

- Remain with the system we have, and perhaps consider some further training for supervisors and perhaps the Selectmen. The system will not be optimal without buy-in from the Selectmen and employees.
- Move to one of the other systems. We must get it right the first time because of its importance to employee retention and morale and potential legal issues. If the Selectmen wants a new system, it definitely will require legal review, and probably an HR consultant. Both of these will have a budget impact. It will also require a significant time commitment by the Selectmen and management to develop the new system. There is a list of HR consulting firms who specialize in performance evaluations in your folder.
- Modify the existing system. We could stay with the same type of system we have now, but either change the form for everyone, or do something different for supervisors and department heads only. This would also require legal review, possibly an HR consultant, and a big time commitment by the Selectmen and management.

If there is strong interest in either a new system or a system modification, that decision should be made soon so that costs can be included in the 2018 budget. I think the decision hinges on how important you think changing the evaluation system is in comparison with the other Town needs for funding and employee time.

Please let me know if I can provide further information.