**Providing Performance Feedback**

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Performance reviews are perhaps the most stressful tasks for small business owners and entrepreneurs.

If you're an employee you already know why performance reviews can be stressful. Getting promotions and raises - sometimes even keeping your job - depends on earning favorable performance reviews.

For business owners and entrepreneurs, performance reviews are an opportunity to improve team member performance and increase their motivation. But done wrong, performance reviews can be demotivating, and even lead employees to leave the company.

Let's examine the following performance review topics:

Start-ups funded by outside investors give team members formal performance reviews because they know their future success depends on the quality of their employees. Investors insist on performance reviews that help team members maximize their effectiveness.

The owners of many small businesses, however, feel they are so busy they don't have time for formal performance feedback.

***The insights offered in this section should convince you that performance reviews are the best way to make employees (and every small business) successful.***

1. Preparing for Performance Reviews
2. Rules for Writing Effective Performance Reviews
3. Rules for Giving Effective In-Person Performance Reviews
4. Handling Emotional Reactions
5. Guidelines for Terminating Poor Performers
6. Giving Team Members the Opportunity for "Boss Performance Reviews"

**Preparing for Performance Reviews**

***The most important rule with performance reviews is: "NO SURPRISES!" Team members should never hear about a performance issue for the first time during a formal performance review.***

Entrepreneurs and company leaders should be practicing "performance management" with team members every day of the year. Performance management steps include:

1. writing short notes / emails / texts of recognition (when employees do something well) and coaching (when an employee could have done something differently or better);
2. holding short coaching sessions with three agenda items: 1) things the employee is doing well; 2) opportunities for improved performance; 3) what the employee wants to accomplish in the weeks and months ahead;
3. inviting employees to talk about how they believe things are going at work in informal settings, like during breaks, at a meal, or before/after meetings. *These sessions should focus on what the employee is thinking and feeling.* The owner / entrepreneur should take notes during this discussion - it's very flattering when you take notes while someone else is speaking (it lets them know you think what they're saying is important). Afterwards, the entrepreneur / owner should send an email thanking the employee after each informal meeting, summarizing the key points the employee made.

If an entrepreneur / business owner is well-organized, he / she can go back to the written results of these interactions and have all the information necessary to develop effective performance reviews.

**Rules for Writing Effective Performance Evaluations**

***Written performance evaluations should immediately make the key conclusions of the review. Anything else will just make the employee scan the review looking for key points, rather than considering the written feedback.***

***Performance evaluations should use "caring words" that communicate key points with minimal stress.***

**Examples of "Caring Words"**

* Challenge / opportunity (not problem)
* Ineffective (not inept or horrible)
* Setback (not failure)
* Disappointing (not inadequate)

***Caring words should help you fully express your key points without creating emotional reactions that prevent effective feedback.***

Some rules for writing effective performance evaluations include:

1. use bullet points! Short and direct points are the best;
2. using "caring words." These are words that clearly communicate main points without negative emotions. Write about the "challenge" an employee faces, or the employee's "setback." Don't avoid issues, simply be careful in how you phrase the points you're trying to make.
3. start the performance evaluation with the key conclusions. Summarize the ways the employee is succeeding and/or the issues the employee must address. If the evaluation includes company performance ratings, put that rating up front. If the employee expects compensation to be part of the review, address that issue up front.
4. end by establishing specific expectations for the period until the next formal performance review.

The best policy to follow is to make sure employees receive a copy of their written performance evaluation before you sit down for their in-person performance review.

**Rules for Giving Effective In-Person Performance Reviews**

***It's far tougher to give verbal, face-to-face feedback than it is to write a performance evaluation. Face-to-face meetings are where the greatest amount of stress and emotion are likely to occur.***

**Rules for In-Person Performance Reviews**

1. Start with the headlines
2. Be direct
3. Use specific examples
4. Make this a two-way conversation, not a lecture
5. *Listen!*
6. End by setting clear performance expectations

***Start every in-person performance review with the "headlines" - the key points that you intend to communicate (positive and/or negative). Include company ratings. If compensation is part of the discussion, indicate the compensation decision.***

***Once you've provided these headlines pause . . . indicate that you intend to provide details on key points . . . and then ask: "Can we now talk about specific points that led to these decisions, or do you want to take a moment?" Make sure the team member is ready to hear what you're saying before moving forward to provide specific feedback.***

Critical rules for giving effective in-person performance reviews include:

1. start with the headlines (see above). Provide the headlines and pause to give the employee a moment to "process" everything he / she just heard. Don't move forward until you've confirmed the employee is ready;
2. emphasize the positive (especially with strong performers) and be direct with areas for improvement. *Use the written performance reviews or bullet point notes to make sure you say exactly what you intend to say;*
3. use specific examples. This should be easy if you have written periodic notes about accomplishments and areas for improvement (see first section above);
4. try to set a conversational tone. Invite questions or comments. Try *not* to make this a one-way conversation;
5. ***listen!*** If the employee wants to react, allow him / her to react. Letting the employee react has many benefits.
6. The employee may not be understanding the feedback they're getting. By listening to the employee's reaction, the business owner may be able to rephrase their feedback in a way that the employee can understand and act upon.
7. In their reaction to feedback, the employee may raise points that help the business owner understand their situation better. (Example: employees may be unavailable for weekend hours because of family responsibilities.) This will help the business owner be a better performance coach for the employee, while making changes in the workplace that help the employee be a top performer.
8. Finally, sometimes people just need a moment to express their emotions (see next section). That's the human side of business, something an effective business owner understands. It's important to allow employees to believe they're a "partner" in their performance review. If the business owner doesn't listen, the employee may feel they're being lectured to . . . and no one likes to have someone talk down to them.

When the employee is reacting the business owner should take notes, because (as we learned above) the most flattering thing you can do when someone is speaking is take notes. You should "listen within reason" - if the employee gets bogged down making a point or making the same point several times, summarize the point and ask if it's OK if you move forward to additional points;

1. end by setting clear expectations and goals. This should include both basic goals as well as goals for exemplary performance. If the employee is performing at an unsatisfactory level, this should include the essential performance standards the employee must attain in order to remain part of the team.

**Handling Emotional Reactions**

***It's OK for people to express emotions in a performance review. The key is to allow the expression of emotion, without allowing emotions to interfere with the key points you need to communicate.***

Some people will cry in a performance review, even if the review is mostly positive. That's OK. Give them a tissue and a moment to recover themselves. Don't let this display of emotion dismay you - it's a natural human stress reaction.

Some people may interrupt you. In this case it's appropriate to be patient within limits. Listen to the key point the team member is making - take notes - and then say: "I've heard what you've said. I understand. Now let's move forward."

If the employee continues to interrupt, a good approach is to say: "I'm going to listen to your point. Then I'm going to ask you to allow me to complete the review." If, after you say this, the employee continues to interrupt, you can say: "I listened respectfully to what you had to say. I'm going to ask you now to listen to the rest of the review."

Finally, if the performance review is so uncomfortable that you can't continue, the correct approach is to say: "I can see this review is upsetting. Let's stop now and bring this up at another time. When we get back together I'll be happy to listen carefully to what you believe is the appropriate review, and how we can move forward together."

**Guidelines for Terminating Poor Performers**

***If a business owner or entrepreneur reaches the conclusion to terminate an employee, the best way to do so is decisively. It's important for the employee to understand that the decision has already been made, and that the termination meeting is simply to talk about next steps.***

Termination sessions should start with the conclusion first: the employee will no longer work at the company. Then:

1. focus on the next steps for the employee, including any benefits he / she may be entitled to receive;
2. *do not* debate the decision. State why the decision was made, indicate the decision is final, focus on next steps;
3. *listen if the employee wants to provide a reaction or feedback.* Even employees who weren't good performers may offer feedback that the company can use to improve future performance. Employees who are about to leave the company may give valuable feedback that other employees don't feel comfortable sharing with the boss.

***Exit interviews*** - where business owners get input from employees about to leave the company - are often a way for companies to get suggestions for improvement. An employee leaving the company can be completely open and honest, saying things to the business owner that current employees might not share.

**Giving Team Members Opportunities for "Boss Performance Reviews"**

***The only person who doesn't get a performance review is "the boss." Sometimes advisors or Boards of Directors will provide CEO feedback . . . but they aren't in the company day-to-day, and they might not have insights into the ways that a business owner or entrepreneur can be more effective.***

***A "boss" can make an "upward performance review" an exercise that is fun for team members and enlightening in terms of finding ways to be a more effective, motivating and successful business owner / entrepreneur.***

Of course employees will be reluctant to provide feedback to their boss, afraid that their criticisms might cause the business owner to react badly.

One way to get around this is to implementation the Boss Performance Review:

1. have everyone write up two bullet points about the boss: a) one great thing you do; b) one thing I'd like to see you change;
2. print these out so that the source of every observation is completely anonymous;
3. make each point a separate cut-out (sort of like the fortune in a fortune cookie) and put them in a bowl or a hat;
4. review all the cut outs to check for inappropriate language or points; and
5. provide the boss with all the feedback points, one at a time.

Some organizations will just give the business owner / entrepreneur this feedback for him / her to review in private. Others may make this a fun event, reading out the points one at a time as they're drawn out of the bowl / hat, with the boss sitting right there and reacting.

Done correctly, this "boss performance review" can be a motivating event that creates a stronger company culture (see Micro-Enterprise Credential resource 24-13: "What is 'Company Culture?' Is a company's culture important?").