

## **CHAPTER 1**

### **THE DREAM**

It all started innocently enough. In preparation for the analysts' meeting in New York City in November 2005, the CEO of the company, part of the transportation industry, asked for a presentation from HR. He wanted to let the analysts know how much work the HR function had done around developing managers. That work was important, as it had provided a platform for the company's continuously improving bottom-line, which was always of interest to the analysts.

As the presentation got closer, the Senior Vice President of HR tried to imagine how the analysts would respond to all of the HR initiatives at the company, and sorted out which ones to include. The words "Earnings Per Share" kept running through his mind as he knew that the analysts used this key measure to evaluate and rate companies. There was something in the phrase that intrigued him, but he couldn't quite put his finger on it.

The phrase stayed with him, and triggered a long held idea. The company was the fourth organization where he had worked that had a significant union presence. None of these companies did performance evaluations with unionized employees. No one ever thought about it, because it just wasn't done. There was no mandate in the collective agreement to do it, and it wasn't on the management agenda. Those absent reviews were a missed opportunity. And so the dream of Employee Performance Scorecards—EPS—was born.

#### **Check Your Brains at the Door**

Most large, unionized companies have something in common—there is a tendency on the part of managers not to treat unionized people as regular employees. Managers expect the unionized ranks to do what they are told, when they are told, but not to contribute their ideas. It's as though the unionized employees are supposed to check their brains at the door.

This behavior doesn't make any sense. Without unionized employees, and the myriad of jobs they do, none of these companies would have a business. Yet, out of 22,500 employees at the company, only 4,500 annual performance appraisals were done. A quick check of the arithmetic showed that meant 18,000 people didn't get a review, which left 80 per cent of the work force with no information on their performance.

The ones missing performance information were the unionized employees. Traditionally, the company did not do performance reviews with unionized workers. Why not include everyone? The short answer, that no performance reviews were done because the employees were unionized, was not good enough. If "tradition", used in the sense of "this is the way we've always done it" was the answer, then tradition was getting in the way.

#### **The Distance Factor**

To some extent, having a unionized work force is almost like outsourcing your employees. They work for the company, but the intermediary, the union, is the one that negotiates work conditions, pay and benefits through the collective agreement. All interventions with unionized employees must be done with respect to this agreement, which creates a sense of distance between managers and employees.

The collective agreement is a piece of paper that tends to make managers nervous. Make a misstep with it, and serious trouble may result. There's a lot riding on keeping the peace. Keeping the peace is very different than helping everyone bring out their best. It also meant that supervisors didn't get to know their employees very well. They often

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LES DAKENS  
Sample Chapter

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were not aware of their employees' full work experience, or what they thought about the business or where they wanted to go in their careers.

The distance between supervisors and unionized employees did not work to anyone's advantage. Most people want to do a good job. Certainly, there are people who do not perform well. Any number of reasons can account for that poor performance, but very rarely is the reason a lack of desire on employees' part to be successful. It doesn't matter if someone is in the union or sitting in the corner office: a desire to be successful at what you put your hand to is part of the human condition.

It would be ground-breaking to let all employees know how their performance was seen by management. Without that performance information, there can be a real, yet invisible, barrier to success for people in doing their jobs as well as possible. With feedback, and an understanding of how their performance was seen, they would have a chance to leverage their strengths or work on areas of improvement. It would be their choice. Taking away that barrier would be the right thing to do.

## **Culture Change**

The culture within the company had been undergoing change since the organization went public. Previously, making a profit was not at the top of the priority list. A job with the company meant life-long security. If you did your job well, that was fine, and if you didn't do it well, that was fine too. Managers and supervisors often avoided confronting unionized employees to the point where they had ceded control to them informally. In this atmosphere of abdication, productivity was low, customer service was abysmal and the safety record was spotty.

After the IPO, there was a change in the thinking of the company's management team. Profitability, to attract shareholders, became the watchword. Managers were encouraged to embrace a "command-and-control" approach to business, and sharp eyes focused on costs and productivity. Like all organizations that try to recreate themselves, these changes resulted in pain and distress for employees. It also meant opportunity, although it wasn't always easy for people to see it among the uncertainty, turmoil and job loss that accompanied the turnaround. Some of that opportunity, of course, involved unionized employees. And in a new organizational climate, one that emphasized achievement, good employees began to get noticed.

## **Hidden Gems**

The company had always had good employees. It was just that in the past being a good employee didn't get much notice. That lack of care hurt the employees a lot more than it helped them.

It is a huge disadvantage to people to be part of an organization that doesn't focus on making every employee successful. Yet, because the company had good people, there were exceptions.

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### The Power of Ideas

Jim Moore, a transport driver and a long term employee, illustrates the power of ideas. He developed the idea that shutting down his engine when a product was being loaded from customers at plant and warehouse gates, would be worthwhile. Accordingly, Jim initiated this practice.

Some of his fellow drivers thought he was crazy. What did it matter? Everyone let their engines run. It was the way things were done. What difference would it make?

His actions made a big difference. In one year, his initiative saved about 500 gallons of fuel. While it represented a small amount of money in a large company, his actions demonstrated that employees on the line could have control of costs, and they could manage company assets well. It also meant that all those gallons of unburned fuel weren't adding any emissions to the air, which was a terrific bonus.

And that was only one truck. There were hundreds of trucks in the company's fleet. If everyone matched the new practice, a significant amount of fuel and emissions would be reduced.

It wasn't a manager who thought of this idea and put it into practice—it was a front-line employee. Who wouldn't want to open the door for people like Jim and his colleagues and give them a chance to show what they could do? There were tons of hidden gems among the 18,000 unionized employees at the company, and EPS could help them to emerge.

### The Truth About Performance

A pragmatic business person would probably be muttering something right now about how performance reviews for unions are all very nice, but what's the pay off? Who needs another process which eats time? Why not just slip a little extra monetary reward to people at the end of the year and save all the effort? It's not a bad question. The problem is that the ROI on that money would be very uncertain.

It would be uncertain because of a hard truth about performance. When people do not get objective information and feedback about their job performance, they have no way of shaping it. When performance reviews are absent, research shows that mediocre employees think that they are the good performers, while the actual good performers tend to downplay their effectiveness.

Giving a bonus to people at the end of the year, rather than going through the tough work of performance reviews, might achieve exactly the opposite of what is desired. Mediocre performers would continue doing a middling job, and a bonus would deepen their false impression of their performance.

Nothing much would change with the good performers either. They're tougher on themselves, and if no one connected the extra money with information on how well they perform, they cannot redirect their efforts at company goals.

Nor would there be much progress with changing the culture in an organization in a positive direction. It's more likely that it would move back than go forward, because at the end of the day, while performance wouldn't have changed, business challenges get steeper all the time.

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### The Analysts' Meeting, November 2005

Here is the promise the analysts heard at the meeting from the SVP, HR:

"Most of our employees, about 90 per cent of them, do a good job. We actually have very few people who are a problem, and some of our employees go the extra mile without being asked.

Right now, our return on assets is the best in the industry. Imagine what could happen if we took that 90 per cent of employees doing a good job and helped them to do a great job. Imagine how our profitability would improve.

It has long been a dream for me to offer performance evaluations to unionized employees. Up until now, no one has told them how they are doing. We do performance evaluations for the non-union staff, but not the unionized people. In 2006, that's going to change. I promise you that every one of our employees in the next year will receive a scorecard that measures them against our basic business principles. They'll be able to see how they are doing, and learn how they can do better.

The new performance evaluations will be called EPS. Now, to you, that means Earnings Per Share. But when you think about it, the individual performance of our employees is what adds up to make the company successful.

So EPS, Employee Performance Scorecards, produces EPS, Earnings Per Share. And by growing one, we'll grow the other."