The SESCO Report – October 2021

The Employment Process

What Are We Really Doing in This Process?

As an owner/leader of your organization, you are entrusted and responsible with one primary responsibility — to complete organizational tasks at the highest level of attainment possible with selected employees. Any organizational leader's primary role is to maximize the job performance and job satisfaction of each employee in your organization or department, while at the same time optimizing the organization's return on the labor cost expended to obtain these services.

So, what owners and leaders are primarily doing in the employment process is **purchasing behavior to complete the organization's tasks in the most efficient and profitable manner.** When leaders do not understand or ignore this primary responsibility then labor costs and related expenses increase and subsequently profitability decreases. All organizations must have an effective process to not only purchase (hire) behavior but to also maximize this purchased behavior to ensure the highest return on that investment (productivity) as possible.

As SESCO has been coaching and developing leaders as well as developing screening and hiring and compensation systems to assist leaders in this primary endeavor, it is critical that leaders understand the importance of a formal compensation and performance management system. A system as such will:

- **Clearly** explain the job duties and job standards that the organization expects and requires from each employee (job description and subsequent ongoing training and development).

- **Ensure** that each employee's performance is at the level to your organization's expectations to ensure the organization receives an equitable return on its investment (labor cost).

- **Provide** the basis for the payment of not only competitive wages but also internally equitable compensation for every individual based upon their performance.

Without these basic systems, the owner/leader, and more importantly, department and functional managers do not have the tools to ensure that the organization is receiving the most it can from the payroll dollars it spends. Further, the primary responsibility of all leaders is lost in the day-to-day chaos of managing functions, processes and

employees. Managers get caught up in putting out fires, addressing customer complaints, dealing with quality issues, addressing material shortages and the list is never ending, especially when you interview a frontline manager. Thus, the critical importance of hiring, training, coaching and ensuring an effective return on our **largest single controllable cost is lost in the day's chaos.** Ultimately, the difference between a very profitable and successful organization is one that:

1. Develops the necessary systems which undergird success and profitability which are the tools managers use on a daily basis.

2. Promote and/or hire leaders into management positions which include training to these systems and the importance thereof as well as training to effective leadership skills.

Understanding the Basic Tenets of Compensation Administration

There are basic tenets of compensation administration. These tenets must be adhered in every organization's compensation plan and offerings to ensure your largest single controllable cost if managed effectively. Please consider:

Focusing on the reality of wages

- Fairness, equity and consistency are key tenets of compensation administration.

- There normally is not enough margin in our P&L to give us the kind of staffing levels and wage rates we desire.

- We will never be the highest payer in our region.

- Lean staffing and high productivity will always be a way of life.

- Be specific in the job offerings, avoid saying, "Come to work for us, do a good job and we'll take care of you." The younger generations expect very specific offerings to include pay, benefits, responsibilities and other practical elements of the job.

- Be able to communicate compensation positively and this is only done with a formal compensation plan, otherwise when questioned you are going to be on the defensive.

- Given our competitive economy for wages and staffing, gear up for turnover which means develop screening and hiring, training and development systems and practices.

How much compensation is enough?

- It is critical every organization allocates a payroll budget — how much of your sales dollars do you set aside for payroll? Labor less benefits is an organization's largest single controllable cost and must be managed as such.

- You must determine your right price for every position which is a consideration of the market, the position and the value it brings to your organization and, finally, your ability to pay (budget). If we do not establish this right price, then most organizations spend more than they have to chasing after talent and then subsequently destroying their internal morale due to inequity of pay.

Avoid the "little things" of compensation administration that devastate your credibility and employee morale

- Assure that new employees are not hired at a rate equivalent or too close to the rate of an existing employee.

- Hold employees' pay information in confidence; however, understand employees will not do the same.

- Do not erode your credibility by "chasing" after an applicant or a demanding employee by offering more money.

- Mediocre behavior cannot go unaddressed as we cannot afford the labor cost of mediocre returns nor can an organization afford the affects that mediocre behavior has on other good performing employees.

The Importance of an Effective Compensation Program for All Employees

Especially in today's environment with the younger generations, an organization's compensation program is effective when it addresses employees' needs as follows:

- **Employees need** to be the recipients of a compensation program that readily explains job duties, standards of performance and compensation opportunities available to them based on their efforts.

- **Employees need** to have the knowledge, confidence and belief that their manager/employer has a credible and equitable system of compensation administration and performance evaluation.

- **Employees need** to possess a high degree of job satisfaction and self-esteem as derived from the psychological as well as monetary rewards of good job performance and a satisfying work life culture.

- **Employees need** to understand that every effort is being made to provide the best in long-term opportunity and success to them, their fellow employees and the organization as a whole.

Performance Appraisal: More Than an Event — Part of the Performance Management Process and Subsequently Employment Retention

SESCO provides training and development for leaders at all levels in the organization to include performance appraisal and performance management skills and processes.

From our training system, we provide the following basic principles of leadership's coaching responsibilities. Coaching efforts in the performance management process will have a greater likelihood for success if they occur in an environment in which the following SESCO principles of leadership are exhibited:

1. Focus on the situation, issue or behavior, not the person.

2. Maintain the self-confidence and self-esteem of employees during the coaching process.

3. Maintain constructive relationships with all employees, peers and leaders in the organization.

4. As a leader, always take initiative to make things better with that individual employee or team.

5. The bottom line is, lead by example.

The basic steps in the performance appraisal process are as follows:

Step 1 - Always prepare for the performance appraisal discussion. Never sit down with an employee unprepared. Being prepared includes assembling data such as the individual's job description, documentation of behavior/performance since the last meeting, projected earnings/ increases and, finally, ensure that there is a proper setting and climate to ensure that there are no interruptions.

Step 2 includes opening the discussion and sharing your appraisal. During this time, set a friendly tone, restate the purpose why you are there and review your assessment of the employee's job performance by referring to the job description and other relevant documentation. Subsequently, explain reasons behind your assessment always focusing on specific behaviors, accomplishments and need for improvement and not the individual.

Step 3 involves obtaining the employee's response and perspective on your review. Ask the employee for their view of their performance since the last meeting. Actively listen

and subsequently ask open-ended questions to the employee to facilitate more discussion. Do not challenge their perspective at this time.

Step 4 allows you to summarize the result of your joint analysis/discussion developing a plan of action that you both can agree upon. During this summary, provide praise for the work well done. Point out areas for improvement to include specific expectations. Review areas of which you agree as well as disagree. Finally, jointly develop an action plan which will include performance/behavior expectations, improvement, career development and changing job requirements. Include a timeframe in the action plan being as specific as possible in defining outcomes. And then subsequently schedule a follow-up meeting(s).

Step 5 - This step is critical as the leader/manager needs to address the issue of pay. As is commonly expected during a performance review process, there is an increase on its way. The manager first must understand and support the organization's compensation plan. This allows during this step the opportunity to review the organization's compensation philosophy and practice. It is critical for the overall success of not only the organization's compensation plan but the manager's credibility to be able to clearly articulate the organization's compensation philosophy and practice of compensation. During this time, the manager will discuss the program's administrative procedures to include discussing the potential pay opportunities for the employee's position based upon performance.

Step 6 finally includes closing the evaluation meeting. This is an extremely important step in that this conclusion allows the manager to explain their desire to support and assistance to help the employee exceed at their job. At this time, it is important that the leader ask for feedback regarding their behavior and effectiveness so that they can improve their leadership. Thank the employee for their honesty and encourage candid feedback, summarize discussion, reinforce with praise and always end on an encouraging note.