

PERFORMANCE RATINGS AND BONUSES FOR SALARIED EMPLOYEES¹

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WITH all of us who have had the organization, direction and executive supervision of the work of others there has doubtless been a rather general desire for and a reaching out after something really tangible with which to measure the performance of salaried employees and to act as a stimulus to better effort and accomplishment by them.

1. The Need for Ratings

We have been careful when engaging new employees not only to analyze their apparent qualifications for the jobs, but to inquire of their previous employers as to their records, frequently sending out for this purpose blanks which list quite a number of general qualifications on which we wish the former employers to indicate their records. And yet how many concerns really make a well-defined attempt to determine the standings of their employees while they are still with them, and have any records at all showing what their ratings are, or, most important of all for the executive to know, the specific occasions for establishing such ratings? The inquiries we may make under such circumstances are usually answered at best only upon the basis of the general impressions that have been left behind, frequently colored with the haphazard yet freely expressed opinions of their fellows, who may or may not have had personal reasons for being glad to see such a man leave, or to unduly credit or discredit his work. Yet this attempt to check up our new men shows the trend in the direction of definitely rating the performance of such employees.

When we come to a consideration of salary adjustments, we have often felt the need of a "yard stick" to measure these salaried employees. When a man comes to you for an increase in salary, he is at least in *hope* of getting it. He may be in the class with those who ask for increases periodically regardless

of merit, and who then turned down remark complacently, "Well, it didn't do any harm to ask, anyway;" or he may be one who definitely knows that he has earned an increase by his attention to the details of his work. It may be just as much an injury to the business to grant an increase to the former as to withhold an increase from the latter. Yet your general impressions of past performances of a subordinate (and these tempered by the time elapsed since their occurrence) is a pretty poor basis for passing upon the value of an employee to the business.

We must remember at all times that we are really building men. The product of our plant may be machines or garments or what not, but if we fail to bring out the best in those who contribute their efforts, we are failing morally in our duty to the "other fellow," and we are failing financially to produce our product at as low a price as we should. So in whatever way we can bring out and develop the best that is in our employees (and this not in any patronizing, welfare or uplift way, but as a matter of fair and just appraisal of efforts exerted and encouragement for still better effort), it is in every way just as much to our own advantage as it is to theirs.

For a good many years we have issued standard practice and standard routine written instructions for the carrying out of practically every detail that is called for in the factory and office, and we need just as much to *know* that this routine is being followed and to reward each individual for carrying out his or her work in more than an ordinary measure of interest, cooperation, skill and accuracy.

In reorganizing a plant, as soon as proper standards are established and tasks set, our hourly workers are usually put on bonus, premium or differential piece work, and we endeavor to have a standard of daily, hourly or unit output by which to measure the results of each man's work. We have also for many years set standards of detail performance, means of

measurement and bonuses for rapidly and accurately executing tasks in many other directions than strict production, as witnessed by the standard routine and bonuses for gang bosses, instructors, inspectors, tool room attendants, tool messengers, move men, set-up men and machine helpers, sweepers, firemen, millwrights, and so on, as well as for washing windows, cleaning boilers, and in various divisions of sales efforts, and for typing, posting and numerous other clerical functions in the office.

But it is in the work of our superintendents, department heads, functional foremen, clerks, understudies, and others, the results of whose efforts cannot be so easily measured, that we have felt the need of something by which we can really know whether they are continually executing anywhere near 100 per cent on their individual daily performances and really qualifying for further responsibilities. These are the men we are depending upon to carry out our policies and plans, and we need a means of accurately measuring the results of each one's work, and this measurement carried out so that it shows up the unsuspected "weak sisters" and the "Alibi Ikes," and also the newly developing really strong men of the organization, and so that they know it affects their own standing as to job and salary as well as the amount of the bonus coming to them as a result of their day's or week's or month's rating.

And in many plants, it is not merely in the detail duties and functions of their particular jobs that this need has been felt, for we have for many years paid bonuses to many of these men for the execution of their specific duties. It is rather more in matters of attitude and cooperation, reliability, ability, action, leadership and personal qualities, that we have felt the urgent need for a "yard stick" to measure up our men and women on the points that go to make up first-class business individuals in general. Along with this goes the rating of each one on his performance of duties of his particular job, but the qualities coming under the headings just enumerated carry a much larger measure of value in determining an employee's "net worth" to the business and to himself.

How many times have you gone through the plant and in checking up a foreman, gang boss, despatcher or move man, have called his attention to congestion or disorder, a high percentage of spoilage, lack of discipline, idle machines or men, excessive costs or a score of other recurring deficiencies, only to have him make a spasmodic and perhaps half-hearted, in-

effective attempt at correction, and before your criticism was hardly cold, drift back into the old rut, or make excuses and "pass the buck" to someone else, knowing that real cooperation with his fellow foremen and workers had no definite money value which directly affected his own bank account that particular week or month?

Unless a rating is made and a bonus incentive offered for a high degree of daily performance, this outcome is apt to become a frequent or regular occurrence. It is to cure these conditions, and to cause them all to reflect a definite effect upon these employees' individual ratings, that this plan is utilized.

There is really nothing intrinsically new about this plan of rating salaried workers, except perhaps that it is carried a little further up the line than usual to include department heads and factory executives, and that we have made an attempt to analyze the elemental qualities that go to make up a first-class man in matters of cooperation, reliability, ability, action, leadership and personality, and that we provide for its functioning by the participation of the employees' themselves in bringing to attention all matters which should be considered in determining all ratings, and really making these employees helpful in such participation in their industrial relations and the success of the business.

It is almost impossible to take up any phase of management and administration which has not been pretty well covered, in principle at least, by the work of Frederick W. Taylor. If it were not for the early work of Mr. Taylor in coordinating all shop activities and establishing standards of performance for practically everything that is called for in the operation of the plant, with bonuses for their correct and rapid accomplishment, and in stimulating others to extend his work still further, it is very doubtful whether we should be anywhere near where we are today in this particular development as well as in every other phase of management. Many a concern has inaugurated a beautiful plan of this, that or the other feature of management and control, and felt that it was their exclusive invention, only to find when they looked around that Taylor had many years before worked out that problem to a much more complete and practical conclusion, and perhaps long ago discarded some of the features since brought forward as new.

There has been a good deal of talk of job analysis, rating schemes, clerical tasks, and so on, as comparatively new things of the last few years, yet the job

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