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The Cost of Underperforming Employees

Topic: Organization

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Why do we keep employees who are underperforming? Do we subscribe to the theory that the underperformer I have is better than the one I might hire next?

Most entrepreneurs keep underperforming employees because of loyalty or concern of available replacements in the tight labor market. Moreover, uncertainty of production standards and appropriate employee measurements create doubts as to true performance. If you are not using objective measurements in employee evaluations, then you are probably uncertain of the individual's performance. Employee evaluations should be a positive tool to help promote improvement and set goals, as well as provide feedback as to specific performance. Your employees really want to know, "How am I doing in meeting the teams' expectation?"

What is the secret to termination without prejudice? Agreed performance standards and timely measurement. If you don't have this, you are missing out on the synergy of $1+1=3$, or more. Employee loyalty is nice, but not the essential ingredient. The most important mental attribute is "buy in" and commitment to the company, their goals and the team.

Failing to meet agreed standards and lukewarm commitment are signs that it is time to terminate. Have you ever experienced an employee asking for a raise at the time that you have considered firing him? This communication breakdown reveals problems within your organization that need immediate attention.

It is particularly painful to terminate an employee if you feel that maybe the company or team has failed him. It has been our experience that three out of four entrepreneurial companies' lack appropriate measurement standards and agreed upon goals.

So, how do you hire the candidate you desire when they have so many other job choices? If you can provide an inspiring vision of your company's future, a "detailed plan of how you will get there," and an outline of the need you have for them in your plan, you will have their interest. This represents opportunity and challenge. Providing support (training) and other tools of success are also important. A company environment that is enriching your current employees is enticing to a candidate. Leadership and vision will attract the employees that you desire, and they will take less money now for these future opportunities.



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Getting good employees is the first step. Keeping them involves giving a feeling of ownership and being part of a team. This is actually more complex than is initially apparent.

Here is a partial list of activities that promote "buy-in."

- Mission and vision. Employees can buy into a company that stands for principles they believe are important.
- Communication activities.
- What are the company's goals?
- How is the company doing?
- What are my goals?
- How am I doing?
- Do I have input in company direction and in my personal goals?
- Does the company seek my opinion?
- How will I be measured and is my job description clear?
- Is success celebrated and rewarded?
- Are there consequences for those who let the team down?
- Does the company invest in my personal growth?
- Do advancement opportunities exist and how are they attained?
- Is the individual respected?
- Is authority and responsibility delegated?

Even if many of these items exist in a business, poor performance in a few of these items can prevent buy-in (i.e. keeping poor performers increases the load for others and is demoralizing). This proves that there are no downside consequences and stimulates an attitude of "if they don't have to, why should I?" A smooth operating team is like a finely tuned orchestra. However, a sour note spoils the performance.

Team building and employee "buy-in" result in harmony and productivity. Productivity results in profitability and long-term success. Long-term success creates value in entrepreneurial companies and gives the entrepreneur an opportunity for a personal life. When the time comes for you to retire, someone will be there to buy what you have built.

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