

Conducting Effective Performance Appraisals

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People frequently appraise others and their performance. When chatting over coffee, it's natural to talk about what other people have accomplished, and how effectively they've done it. But these informal conversations are generally based upon *perception*. They're subjective and unreliable. Performance appraisals seek to redress this imbalance by making the conversations objective and constructive.

Initially, performance appraisals were designed to ensure workers' productivity correlated with the values of their salaries. If an appraiser determined an employee's output to be more valuable than his salary, then he would likely get a pay raise.

When performance appraisals first became popular, they didn't emphasize development. Work was seen more as a straight-forward transaction: you work, you earn money. Now, some fifty years later, we recognize that motivation can enhance the quality of a person's contribution, as well as her level of commitment. This is why the modern performance appraisal focuses on motivation, development, and objective feedback.

What You Need to Know

What is the purpose of a performance appraisal?

A performance appraisal should answer a number of questions: what is someone expected to do, how should they do it, have they done it according to the standard expected of them, and what reward or development will emerge as a consequence of the performance appraisal.

I need to do a performance appraisal for a member of my virtual team. How do I include a development discussion when I can't see *how* he is meeting his targets, only whether or not he *has* met them.

It is important that you do not canvas others' views on your team member's behaviors behind his back. If you do this, you will be giving feedback and identifying development areas on the basis of hearsay. If you cannot illustrate your comments from your own perspective, you will diminish the impact of your discussion. However, you might try a 360-degree survey, which you can use to highlight issues. With this tool you can ask specific questions that are relevant to your team member's role and explicitly ask for development recommendations.

I have just taken on a new staff member. When do I conduct her first performance appraisal?

Your new employee will need a little time to settle into her role, so it is probably a good idea to conduct the first performance appraisal after about six months. You can schedule a second one six months later before settling into a annual routine. But do not forget to keep an eye on her needs and exchange feedback regularly.

What should a performance appraisal include?

A performance appraisal generally includes a numerical scale for rating the person's overall performance against targets and objectives agreed on beforehand, along with spaces for comments and feedback. In terms of its reach, a performance appraisal should confirm the role responsibilities and their rationale; the levels of authority and the extent of the role holder's discretion; and the targets and objectives along with their relative importance, so that the role holder knows how to prioritize tasks—a feature of Management by Objectives (MBO). It should also include the standards expected of the role holder. These standards include the Key Performance Indicators (KPIs) and the SMART (Specific, Measurable, Achievable, Realistic and Time-bound) goals.

What is the best type of scale to use?

This depends on the purpose of the performance appraisal. If the performance appraisal is being conducted for developmental reasons, you may want to use it as a framework for providing feedback. If the rewards and remuneration system is linked to the performance appraisal, then an absolute scale may be required. Performance appraisal scales tend to fall into one of four categories: the role holder's performance compared to other employees; the frequency with which desired behaviors are observed; the extent to which role expectations have been met; and a measure of absolute performance on, say, a five-point scale: 1. Outstanding, 2. Exceeded expectations, 3. Met expectations, 4. Below expectations and 5. Unsatisfactory.

What to Do

A performance appraisal is a structured, two-way, conversation based upon pre-agreed objectives, and it usually takes place between a manager and his or her direct report. Generally, a performance appraisal is an annual event, although it may be more frequent in project-driven roles. The intention behind a performance appraisal is not only to determine whether the goals and objectives of the role have been met by the role holder, but also to seek out and celebrate areas of strength—perhaps by

way of a bonus or promotion—and to identify any areas where improvement could be made through a development intervention or plan.

It should be stressed that there are two distinct schools of thought in respect of the value of performance appraisals. There are those who think the process is flawed and should not be used in organizations to allocate bonuses, award salary increments, or offer promotions. On the other hand, there are those who think this is the only way to set remunerations levels and judge the value of an employee.

Those who take the first position feel that the person conducting the performance appraisal has too much power as the judge, jury, and possibly executioner, and that because the tool is inherently flawed, monetary issues should not be linked to it. The distrust of performance appraisals does not only lie with the appraiser however. Some people feel that the person being appraised is encouraged, through this system, to focus on reaching goals and objectives without regard to how it is done. This renders the performance appraisal a negotiation at best.

The second school of thought advocates performance appraisals as a means of identifying the value of the contract that the organization has with its employees. As rewards are often limited, and as discretionary rewards are open to debate, performance appraisals are far the fairest way of allocating resources and rewards to those who deserve them most. This view is also sometimes held by the people being appraised, because it demonstrates that the allocation of rewards is concrete, systematic, and transparent, and, as such, everyone knows where they stand.

If you wish to follow the practice of conducting regular performance reviews, here is a list of preconditions which will enable you to do it fairly.

- **Create a clear role description** with unambiguous role boundaries, levels of responsibility, and authority.
- **Agree on specific goals and objectives** along with timelines and quality targets. Identify and agree on the amount of training and/or coaching that will be required to assist the role holder in meeting your expectations.
- **Agree on the learning objectives** that the role holder needs to meet when executing his or her tasks.

The performance appraisal discussion should include:

- **an outline of the agenda and a confirmation of the conditions.** Although the person being appraised is likely to have experienced the discussion before, or know about it in theory, it is a good idea to reconfirm this understanding and make explicit the terms of engagement. This would include confidentiality issues, the rating scale and your interpretation of it, the aims and timings of the conversation, and the intended outcome;
- **a review of goals and objectives.** Using the outcome from the former appraisal, you should begin the appraisal with a review of where the person being appraised is with respect to the targets previously agreed on;
- **an exchange of feedback** between the appraiser and the person being appraised. This is a discussion that allows both parties to share their views on whether or not the targets of the role

have been missed, met, or exceeded. Often 360-degree feedback is used to make this part of the discussion as objective as possible, or the organization may subscribe to Management by Objectives (MBO), which sets SMART goals at the end of each performance discussion. Whatever approach you use, the discussion should end with an agreement on the performance rating of the person being appraised. This is usually a number on a scale with performance criteria described against each position and, perhaps, with rewards linked to each. An appeals process should be available to the person being appraised if he or she should have an objection to the rating or the way in which the performance appraisal has been conducted;

- **a learning review.** This is to ensure that the role holder is aware of the developmental value of his or her experiences and can articulate how to use what he or she has learned to approach a similar or related challenge differently in the future. This part of the discussion ensures that the role holder continuously develops expertise and professionalism;
- **a career discussion.** If you are to keep an employee happy and motivated in his or her role, a career discussion will enable you understand the person's motivations and set the next period's targets in line with his or her aspirations;
- **a new set of goals and objectives.** It is not enough just to say, "carry on as you have been." Clarity in goal-setting leads to clarity in meeting objectives. Taking the role purpose into account while setting stretching targets ensures that the role holder remains committed to his or her development plan and continues to use his or her talent to bring value to the business;
- **an agreement to hold interim reviews.** You may want to suggest and agree to the means by which you can stay in touch with your direct report between this and the next performance appraisal. It is not helpful to save everything up until the time for your annual discussion. Much time, effort—and possibly success—will be wasted if you do. You may need to intervene with additional support or resources if things start to go off track.

The appraisal can be a rich and motivating discussion, especially if you think about it as a two-way conversation that can bring value to both parties. Try to remember to refer to the appraisal between sessions. You could ask how things are going and whether or not your direct report needs any support or resources to assist him or her in meeting the goals you have agreed on. The appraisal should not be a once-a-year event that stands out by virtue of this fact.

What to Avoid

You Fail to Rate Employees Based on a Normal Distribution

If appraisals are to be meaningful, the outputs across the team, or across the organization as a whole, are likely to form a bell curve. It is inevitable from a statistical perspective that this will occur for large populations, but it does mean that a certain proportion of the ratings will be forced to one end of the scale or another. For employees who occupy the lower extreme this may be contentious,

and they will need to be handled with sensitivity. But rating on the basis of a normal distribution does encourage managers to use the whole scale rather than rating everyone at the high end.

You Fail to Make Your Rating Scale Known and Understood by All Employees

Sometimes performance appraisal systems encourage competitiveness among employees, and negative behaviors can result. Employees may become political and over-promote themselves and their achievements. They may diminish or sabotage their colleagues or may become secretive and hide their mistakes. To avoid this situation, it is important that the rating scale be known and understood and that it be used consistently.

You Fail to Conduct Performance appraisals in a Spirit of Reciprocity

Performance appraisals may be considered to sit culturally in opposition to the more modern flat organizational structure, as they conjure up images of a hierarchy with the appraiser sitting in a superior position to the person being appraised. To avoid this apparent cultural contradiction, performance appraisals should be conducted in an exploratory manner and in a spirit of reciprocity. In this way, an exchange of feedback can take place, and the appraiser is able to look to his or her own developmental issues as a consequence of the discussion.

You Fail to Make the Performance Appraisal System User-Friendly

Performance Appraisals can fail because managers dislike giving feedback, because they fear that the recipient may take exception and not receive it well. Performance appraisals can also be viewed by effective managers as a waste of time and a disruption of the coaching relationship that they have with their direct reports. It is important, therefore, to make the appraisal systems as user-friendly as possible. Some organizations adopt electronic systems that collect feedback continually, relieving the administrative load.

Where to Learn More

Books:

Lyster, Stephanie, and Anne Arthur, 199 Pre-Written Employee Performance Appraisals: The Complete Guide to Successful Employee Evaluations and Documentation. Atlantic Publishing Company, 2006.

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Web Sites:

Dexter Hansen: http://iso9k1.home.att.net/pa/performance_appraisal.html

Distance Consulting: http://home.att.net/~nickols/scrap_it.htm

Northeastern University College of Business Administration:
<http://web.cba.neu.edu/~ewertheim/hrm/perfapp.htm>

HRDQ: <http://hrdq.com/products/pasi.htm>