

## I Hate It; But I'll Do It: Performance Appraisals

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Yes folks, it's that time of year. The holidays are upon us and we are thinking about our family, the coming year with hope and our shopping list. It's also that time that so many of us dread; year end performance appraisal. We are giving them, getting them, or thinking about how to avoid them. Everybody loves to hate performance appraisals. Consider this quote from an HR manager:

In our organization, everyone hates the entire appraisal process. The employee that gets a good performance appraisal thinks that the system is wonderful; the employee that gets a bad one thinks that the system is unfair.

Performance appraisal is one of the most controversial human resources management processes generating a range of views and emotions that run the gamut from blind advocacy to outright vilification. What is wrong with performance appraisals? How does the following fit with your experience:

- Generally, managers and employees don't really like performance appraisals (PA).
- Managers don't do them regularly.
- Many people thought it was a good idea at the time; don't do them.
- Traditional PA's don't guarantee success for the person or the organization.
- Traditional PA's don't fit with the new vision of organizations.
- In many organizations, PA is a waste of time.
- HR says I have to do it to protect the company.

Did I miss anything? You can probably add 100 items to the list. Maybe PA isn't perfect and there must be a better way. First, what is a PA supposed to do for the organization, my employees and me? First let's consider "good" organization performance.

The Evergreen Project was a statistically rigorous study that profiled 160 companies in 40 different industries covering 1986 to 2001. The research was profiled in the book, *What Really Works: the 4+2 formula for sustained business success*. The results of the study clearly show that superior performance is built on the four primary practices and at least two of the secondary practices:

- **Strategy:** Managers must devise and maintain a clearly stated, focused strategy. It will work only if it is sharply defined, clearly communicated, and effectively understood by employees, customers, partners and investors.
- **Execution:** Companies must develop and maintain flawless operational execution. Winners consistently meet the expectations of their customers by delivering on their value proposition,
- **Culture:** Organizations must develop and maintain a performance-oriented culture.
- **Structure:** Companies must build and maintain a fast, flexible and flat organization. Simpler and faster are the best goals for all reorganization efforts.

Any combination of **two secondary** management practices (talent, leadership, innovation, mergers/partnerships), when combined with the four primary management practices, can make a company a winner.

- **Talent:** Companies must hold on to talented employees and work to find more.
- **Leadership:** Firms must keep leaders committed to the business.
- **Innovation:** An agile company keeps turning out innovative products and services, and anticipates disruptive events, rather than constantly reacting to them.
- **Mergers/Partnerships:** Internally generated growth is essential, but companies that can also master mergers and acquisitions are more likely to be winners.

Can PA support the 4+2 formula for sustained business success? If so, how? Here are some suggestions. The question to answer is: *What does the organization need in order to improve collective and individual performance?* As a leader, what can you do? Here are some recommendations:

- Change PA to Performance Management. Think of Performance Management (PM) as a service to internal customers. Take into account the needs of the people affected by the process – the employee; the supervisor; the manager; executives, the organization.
- Consider the wider implications of any action. I use the following acronym with my clients: ACTION – Always Consider The Interdependent Organizational Needs.
- Reduce vengeful conflict and isolation; create ways for information exchange and new ideas across boundaries.
- Contribution to the organization needs to be valued above individual success.
- Create an environment that supports internal collaboration rather than internal competitiveness. Provide coherence and direction to the whole organization.
- Drive out fear. People that live in fear will hide mistakes and withhold information.
- Create clear and concise communication. People need a clear understanding of how they contribute to organizational success. Research clearly shows that the performance appraisal process is ineffective absent day-to-day communication. One of the most demotivating experiences is to receive an unexpected poor appraisal. To improve performance, employees require specific, timely and behavioral feedback.
- The PM process should emphasize learning, personal growth and development.
- PM must be future oriented. W. Edward Deming comments fits, “...driving while looking the rear view mirror.” How effective is that?
- PM is NOT – a disciplinary procedure, a paper quagmire exercise, owned by HR.

To make your PM and PA processes successful consider the following recommends and actions:

- Organizations must upgrade performance appraisal rater training and support. A comprehensive training program entails one to two days devoted to feedback and communication skill, developing goals and standards, documentation skills, conducting the appraisal interview, practice in using the rating form, and discussing rating errors to avoid, among others.
- Provide raters with the time to complete a comprehensive appraisal. Without some type of support, raters will rightly look to shortcuts that impede the rating process.
- Employees consistently report a desire for more frequent and specific feedback. Encourage and mandate frequent communication between superior and subordinate.

An effective appraisal process avoids surprising employees. Ongoing communication and feedback are the keys.

- Carefully monitor the quality of performance documentation to ensure a consistency with business strategy.
- Hold raters accountable for how well they administer the rating process. Implement a comprehensive evaluation protocol that assesses adherence to policies and procedures, identifies rating errors and rater bias, and completes a comprehensive assessment of employee attitudes. Make the appropriate adjustments based upon the results.
- Conduct additional research to guide the development of a proper balance between group and individual performance goals and competencies as each position displays a unique combination of individual versus group tasks. The development of valid group standards must avoid the "free-rider" phenomena while providing incentives for both individual and group effort. A job analysis process can help identify group and individual competencies and develop the proper mixture of group versus individual standards.
- Incorporate multiple sources of information from peers, subordinates, customers, and employee self-evaluations. Conduct additional research on how these types of measures can be reliably and validly developed and integrated into the appraisal process.
- Survey raters and ratees on their basic confidence and belief in the appraisal process. If users perceive that performance appraisal is an inherently flawed process, no amount of training or support will compensate for a lack of belief in its legitimacy.
- Ensure that employee and supervisor language skills and ability levels are compatible with the demands of the appraisal system.
- Additional research is needed on how to combine both administrative and employee development objectives within the appraisal process. Clearly, many employees discount all other uses of appraisal other than compensation decisions. This contributes to the cynicism and a lack of effectiveness of the appraisal process.

Attention to these issues can facilitate the development of a more effective performance management and appraisal process. No amount of tweaking can completely reduce an inherently subjective performance appraisal process. PA and PM are prone to the vagaries of human emotion and decision making. However, any improvement is welcome by everyone.