



Performance Management & Staff Appraisal Skills Training Course

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1 - Introduction

Appraisal is an inherent part of managing people.

It may be carried out informally and consist merely of employees being told what to do and given feedback on what they have done in an informal and unstructured way.

Alternatively it may be part of a formal system of performance management. This will probably include goal setting and a formal regular review with some sort of form to be filled in and signed.

However, it is done, the aims of appraisal are:-

1. **To define performance standards**
2. **To identify levels of performance**
3. **To identify barriers to performance**
4. **To correct these barriers**
5. **To improve performance**
6. **To motivate employees to improve their performance.**

Other aims of appraisal may be

- To reward performance**
- To identify promotion potential.**



2 - Goal Setting

A goal tells the employee exactly what is expected of them in terms of performance and timing. This is essential information for every employee. A goal can also act as a spur to motivate the employee to a certain performance level.

Finally, a goal gives the opportunity to assess and evaluate performance against a requirement.

We could start by **handing out** goals to our employees i.e. these are your goals for the next few months. However, it is unlikely that we would get much commitment and enthusiasm for the goals. Most people don't appreciate being told what to do.

Alternatively, we could try to get our employees to **agree on the goals**. This might require some persuasion but would at least ensure that the employees are committed to achieving the required performance. The biggest problem with goals is making sure that everybody agrees on what they mean.

"Become a more effective employee, improve your attitude, become more cost conscious etc." are useless as goals because they are open to so many interpretations. They don't tell the employee or the supervisor precisely what performance is required. Goals must be defined in terms of success. The employee and supervisor must both understand that if certain agreed things are done then the goal has been achieved.

Ideally, goals and objectives should be:

- **Specific**
- **Measurable**
- **Achievable**
- **Realistic**
- **Time Framed.**



It would be very useful if each goal were measurable. Success could then be defined in terms of the measurement and there could be no confusion as to whether the goal has been achieved or not. A measurable goal like "increase efficiency by 10% by January 1st is unambiguous and precise.

Unfortunately, some goals are not amenable to being put in quantitative terms. Qualitative goals are fine provided they are clearly defined and understood. If the meaning of the goal is ambiguous it will be useless.

Performance goals should be challenging. Goals which are difficult to achieve tend to motivate more than easy goals.



3 - Assessing Progress

Having agreed on the appropriate goals we can't leave it at that. Both the supervisor and employee need to know what progress is being made so that corrections can be made.

This requires a control loop of monitoring, comparing and correction.

This is a continuous process which may be conducted formally or informally. Most organisations require some formal procedure to ensure that this process takes place and to provide some sort of record. This procedure, called review, covers only the formal part of the process at regular but usually quite long intervals.

The day to day part is left to the discretion of supervisor and employee. The formal review forms part of an appraisal system which may be used for reward or development or both.

We will distinguish between them by referring to the reward element as **merit review** and the development part as **performance review**.



4 - Merit Review

A merit review is mostly about money. It is a means of giving an employee some financial reward for performance.

The procedure is almost infinitely variable; from the amount being at the total discretion of the manager to a mechanistic and automatic process where everybody in a department gets the same reward.

The merit review is based on paying for performance which seems logical and equitable. It makes sense to pay more to those who have achieved above average results. Many companies regard this as "The Performance Appraisal" and expect to be seen to be fair and to have good morale and a motivated workforce.

They are then surprised when the merit review does not motivate people. Motivation is not one of the aims of merit review and those instances where it does occur should be regarded as a bonus.

Money is not, in general, a motivator. It can be a powerful demotivator if people think they are not getting enough but it doesn't impel people to greater performance. Merit reviews have little scope for motivation but can easily demotivate.

Every review system has an implied or stated average. Most people will rate themselves above average but the review system should rate many of them below average. Clearly, many people are going to be disappointed and will feel that the merit review and those instances where it does not occur should be regarded as a bonus.

Merit review does have positive elements. It provides a formal occasion for communication on progress between employee and supervisor. It allows the supervisor to identify the strengths, weaknesses and aspirations of the employee and to discuss them with him/her.



The merit review emphasises the need for goals and measurements: without them the supervisor cannot justify an assessment of performance and the employee cannot know what performance is expected.

The merit review forces the supervisor to gather data on the employee's performance. The supervisor has to know how the employee is performing.



5 Performance Review

A performance review is a completely separate process to merit review. It has different aims and different requirements and will not operate successfully if combined with merit review.

Performance review is about **improving performance**. The supervisor cannot improve the employee's performance. The supervisor can, however, do a lot to help the employee improve his/her own performance.

People like to do a good job, one in which they can take pride. The biggest barrier is in the selection process. Having a person in the wrong job is a virtual guarantee of poor performance. Even with correct selection there are a number of things which prevent employees having pride in their work.

The barriers to better performance can come from a number of areas.

- They may be in the employee him/herself in the form of under-utilised strengths, unidentified and uncorrected weaknesses or unsatisfied (or unreasonable) aspirations.
- The way in which the job itself or the work area is organised may prevent the employee doing a better job.
- The way the employee is supervised or the relationship with the supervisor may not encourage the employee to his/her best efforts.
- Finally, aspects of the organisation in general may constrain effective performance.

Performance review will not cure any of these problems but, properly done, will encourage their identification and rectification. Improving the performance of people in their existing jobs should be the principal aim of any active appraisal system.



People come into a job with a certain capacity and inclination for that job. A passive appraisal system merely maintains the initial level of ability and interest for the work to be done, whereas an active system attempts to add to people's capacity and inclination to work.

If this kind of employee development is carried out by every manager and supervisor the organisation cannot fail to become more effective. The performance review addresses two areas, **capacity** and **inclination to work**.

An effective performance review must result in one or both of the following: a development step and an increase in motivation.

(1) A development step is an increase in the capacity to work.

This can be either an increase in knowledge, a change in attitude or an extension of skill and can result from the review or from some experience or training which has been agreed during the course of the review. This increase in capacity can be defined as the development step. It derives from the assertion that at any given moment there is an aspect of knowledge, skill or a change in attitude that any worker could acquire which would make him better at his job.

It is the function of the supervisor, when observing employees, to identify that knowledge, skill or attitude change; for this is the next development for the particular employee. The assumption is that if the employee can be persuaded to take the step that (s)he will be better able to do the job. It is the function of the performance appraisal to check that this development step is realistic and, if so, how it can be achieved.

(2) The second major goal of performance review is an increase in the inclination to work.

As a result of the review any blockages, brakes and frustrations are identified and removed or their effect lessened. In addition, the aspirations and needs of the employee are identified and arrangements made to satisfy them as far as possible so that an increase in the inclination to work is obtained. This is a motivational process. The assumption is that there is something in the way of



an employee's improved performance or that there is some need which, if satisfied, would result in the employee being more satisfied with the job and more inclined to work harder at it.

It must be emphasised that motivation only occurs when a need is met; it is derivative rather than causative. Diagnosing a person's next need and devising an action plan that increases the chances of meeting it is the basis of all motivation growth.

To achieve these two aims the performance review must be very different to the merit review. It must be a co-operative effort between supervisor and employee in order to accurately identify and solve the performance problems that exist.

This precludes judgement and ratings of performance. It must have open and frank communication. It must be a two way effort; neither the supervisor nor the employee can dictate what needs to be done. It may require persuasion and negotiation to hit upon a list of action items which is agreeable to both.

Performance review is similar to merit review in that both require a set of agreed goals, continuous feedback and a formal review session at the end of the review period.

Performance review may, however, require more frequent formal sessions as goals change and new problems arise. The frequency is up to the judgement of the supervisor. In a highly stable organisation with a stable work force, once a year may be enough.

With a young work force in a very changeable organisation it may, at times, be necessary to review performance every month or even more often. The ideal frequency is very variable but reviewing too often will create the feeling that "the boss is always in my hair" while reviewing too infrequently will result in "he doesn't care".



6 - Common Problems

Successful performance appraisal does not come easily and frequently fails to live up to its promise. Both merit review and performance review suffer from some common problems.

Merit review suffers from the perennial problem of being run by people. It relies on human judgement and assessment of other people. Human judgements are not subject to precise and quantifiable controls. This makes it very difficult to achieve the equity and consistency which are necessary if the system is to be successful; the system must be seen to be fair.

The most common problem associated with merit review is the "just above average" syndrome. All appraisal systems have some elements which relate the performance to a real or imagined norm, and most appraisals carry the explicit or implicit message that the person being appraised is just above average. This is easy for the supervisor and acceptable to the employee, but produces a general blandness that makes the system of little value.

Lack of consistency is related to this. With many different appraisers conducting reviews it is difficult to ensure consistency. Some appraisers will review according to their honest judgement of the employee's performance. Others will take the easy way out, and all their employees will be just above average. Reputations as hard, or easy, reviewers are developed and make it difficult for the appraiser to change.

Another related problem is the "halo effect" in which one aspect of an employee's performance stands out so much in the manager's mind as to colour the overall assessment of performance to the exclusion of other important factors.

Performance review also suffers from a number of problems. The most critical of these is the attempt to combine merit and performance review into one system. This destroys the atmosphere of co-operation necessary for performance review.



Studies conducted in several industries show that reviewers are happier about the review conducted than those being reviewed. In most companies the principal problem was lack of thought and preparation by the reviewer, but this is more effect than cause. Reviewers find reviews difficult. They don't like doing them and find an unpleasant but necessary evil for the following reasons.

Reviews can easily become confrontational. It becomes "us" versus "them" and in this tense atmosphere the only thing in mind is to get it over with. Everyone forgets that performance reviews should educate.

Reviews can also become exclusively judgmental. Judging people is uncomfortable and like playing god. The complementary role of counsellor requires knowledge and skill which many reviewers lack. Effective reviews are difficult to do. They require a full understanding of the employee's job and of his/her performance. Even the best reviewers rarely describe them as easy.

The problems above are intrinsic to any appraisal system. They can not be got rid of but only managed as well as possible. Yet, there are many other reasons why appraisals fail. These fall under three headings:

- 1 - A poorly constructed appraisal system
- 2 - An incorrect attitude to those being reviewed
- 3 - Inadequate reviewing skills.

1 - Poorly Constructed System

Problems due to a poorly constructed appraisal system will show in lack of preparation by reviewers. It will also surface in confusion among reviewers as to what the appraisal system is supposed to achieve. They don't realise that it is more than recital of the employee's shortcomings. There will also be the tendency to regard performance appraisal as a once-a-year affair. It should be thought of as a continuous process. The final problem associated with a poorly constructed appraisal process is an over reliance on forms. Many companies carry out a never-ending search for the perfect form which, when properly filled in, will motivate everyone. Effective performance appraisal depends on people, though forms may help.



2 - Incorrect Attitudes

Incorrect attitudes show up in four areas; intolerance of conflict, self-imposed censorship, disrespect and misuse of power. Conflict or confrontation are inherent in performance appraisal. Many reviewers try to make the appraisal into a genial get-together; side-stepping conflict becomes a supreme concern.

In an effort to be "kind" some reviewers censor themselves. They distort or tone down talk of deficient performance. Their intentions are good but the results aren't. By playing games they deprive employees of insights that could lead to better performance.

Few reviewers would admit that they don't respect their staff, but a surprisingly large number behave as if they don't. Either they refuse to take the appraisal seriously or they fail to engage the employee in serious discussion. The message is "you're not worth the effort".

For some reviewers, an appraisal is a chance to "show who's boss", Starting out with fixed, and usually disparaging ideas, they devote the appraisal to "laying it on the line". The employee feels beaten down, resentful and unmotivated.

3 - Inadequate Skills

Many managers just don't have the skills to motivate employees through an appraisal. They:

- Fail to probe. To appraise performance effectively, a manager must know how the employee performed and why. This nearly always requires diligent probing. Many managers don't know how to do this.
- Offer unsolicited advice. Most appraisals require the manager to give advice only when it's solicited. But because employees usually don't solicit it, managers must guide the appraisal to the point where the employee asks for advice. Since most managers don't know how to do this smoothly, their advice falls on deaf ears.



- Fail to get the employee's views first. The boss gives his or her view first and then asks, "what do you think?" The employee cagily replies, "I go along with that". This is no way to get at the facts.
- Fail to prepare data. Performance appraisal too often degenerates into a loose series of accusations and denials because no one bothered to collect the facts. Since neither can document claims, the appraisal becomes a mishmash of impressionistic ramblings and unresolvable conflicts.
- Fail to involve workers. Many managers think, "What's to discuss?" Their performance is over and done with. All that's left is to tally the score. And my job is to let them know the score." They many know the score but that doesn't mean they are planning to improve it. Exclusion and commitment rarely go together.
- Fail to devise goals and action plans. Employees should get the answers not only to, "How have I been doing?" and "Why?" but also to "How can I improve?" Only goal setting and action planning can answer this third question.



7 - What Can Be Done?

Appraisal must be considered an all year round activity which begins with goal setting; continues with periodic performance reviews and ongoing feedback; and concludes with the traditional year-end appraisal. Then it begins all over again.

This cycle ensures that:

- **Performance isn't "busy work"; it is effort directed towards predetermined objectives.**
- **Employee's progress will be monitored. If progress is slow or non-existent, corrective action can be taken at once, while it still makes a difference. Without these periodic progress reviews, year-end appraisals are likely to resemble post-mortems - too late to do any good.**

Managers need to be able to appraise properly which will involve.

1. Explain the purpose of the discussion (to set goals, monitor progress, or appraise performance) and its procedures
2. Elicit employees' ideas and opinions, without saying anything to influence them

Merit review does have positive elements. It provides a formal occasion for communication on progress between employee and supervisor. It also allows the supervisor to identify the strengths, weaknesses and aspirations of the employee and to discuss them with him/her. The merit review emphasises the need for goals and measurements; without them the supervisor cannot justify an assessment of performance and the employee cannot know what performance is expected. Finally, the merit review forces the supervisor to gather data on the employee's performance. The supervisor has to know how the employee is performing.

A third and completely separate use for staff appraisal is in the areas of identification of potential and succession planning.



The aim here is to identify the potential that exists within the organisation and that can be used to fill vacancies that arise in the future. This will frequently mean promotion for an individual but may also involve the transfer of someone to a job where better use can be made of their abilities than in their current jobs.

It is important that an organisation has some mechanism for taking stock of the talent that exists within it. On the other hand it must be recognised that in any organisation only a minority of individuals ever receive a significant promotion.

If an organisation over emphasises promotion there is a danger that it will create expectations it cannot fulfil. There is a lot of difference between telling an individual that he has the potential of promotion and telling him that he is going to be promoted. Overlooking this difference can cause problems in an appraisal scheme.

