
Taking the Pain Out of Performance Appraisals

A White Paper



Both managers and employees typically dread the annual performance review, also known as the employee appraisal. The employee is most concerned with the impact on their compensation and advancement while the manager often views it as another task that HR makes them do. But done right, as part of a comprehensive process known as performance management, employee appraisals can be a powerful tool for building your business and improving your bottom line. One recent survey found that small companies with good employee management practices had profits 23 percent higher than companies that did not. Moreover, "performance reviews serve as important evidence in employment disputes," says John Boggs, national recognized labor and employment attorney.

A good performance management system does not happen overnight; you have to plan, prepare, and execute, and the process is ongoing. "It's like playing the piano: You just can't walk in and deliver a good performance review," says Steve Miranda, chief human resource and strategic planning officer at the Society for Human Resource Management. "It takes practice, self-reflection, and more practice."

Checklist for Performance Management

1. Start with a job description

The job description establishes benchmarks for employee evaluation. The job description should outline the position's responsibilities and may also detail the competencies needed and/or how tasks are to be completed. A company introducing a performance management system for employees already in place should have those employees help define their own tasks and performance goals. Use SMART planning (specific, measurable, attainable, realistic and timely).

2. Develop the process

Performance development is a process and performance appraisals are not isolated events, but should be an annual conclusion of a series of regular meetings. Meetings should be held at least quarterly. These meetings give managers the opportunity to discuss what is working, what needs to be improved, and what needs to be changed. The quarterly meetings with employees do not require a form to be completed (as the annual review meeting does), but the manager should take notes and refer to an ongoing log of employee performance. Taking notes will mitigate the chance of the manager giving more weight to recent occurrences and discounting the employee's earlier performance, which is referred to as Recency effect.

Have a standard annual review form. Evaluation forms used in the annual review should be tailored to your company's needs, but do not need to be complex. Consider having two sections, one for performance goals and one for competencies; then further subdivide competencies into a handful of general attributes applied companywide (communication skills, work habits, etc.) and those specific to the job. When selecting the goals and competencies, again, use **SMART** planning (specific, measurable, attainable, realistic and timely).

For companies creating a new performance management system or overhauling one that is not working, keep it simple. Use a three to five-point rating system and incorporate comments to provide more details.

Ask the employee to complete a self-appraisal, which reinforces the process as collaborative, including employee investment. Managers should never be caught unaware by the employee's perceptions of their performance. This should not be a concern if the manager is meeting with the employee periodically, but as a precaution, you should ask the employee to submit the self-review a few days in advance of the review meeting.

Consider having a cross representation of the employee's peers; other managers or subordinates complete an evaluation of the individual as part of the annual performance appraisal. Known as a 360-degree evaluation, it will provide additional insight into how the person interacts and is perceived by others. A simple paper form that asks the peer to rate effectiveness of each competency is a good way to start. The manager can then consolidate the information and include in the annual performance appraisal, or provide as separate feedback session.

3. Hold an effective meeting

A good annual review usually requires no less than an hour, but should not take more than 90 minutes. Give the employee your full attention -- no interruptions. Sit in a comfortable environment, preferably without a desk between you and the employee, and remember that this is a conversation, not an interrogation.

Let the employee tell you what they think of their performance and provide goals for the upcoming year. Begin with the good news and be as objective as possible. Subjective statements tend to be ambiguous, hard to act on, inflammatory, and can get you into legal trouble. If you must provide a subjective statement, focus on specific behaviors. Have examples ready, but do not name them unless you have to. The meeting should close with the setting of goals and expectations for the upcoming year. If there were performance issues that needed immediate resolution schedule a meeting within 30 to 90 days.

Performance Appraisal Terms

Contrast effect: Comparing one employee with another, rather than against performance benchmarks or other criteria

Halo (or horn) effect: Allowing performance in one or two areas to color the overall review unfairly

Similar-to-me effect: Being more generous to those with similar backgrounds or beliefs

Central tendency: Giving everyone an average score, regardless of performance

Leniency/desire to please: Granting a better review than warranted, in order to avoid confrontation

Recency effect: Giving excessive weight to the most recent part of the evaluation period

First-impression bias: Allowing your initial judgments to color all subsequent information

Rater bias: Allowing personal biases to infect the evaluation

Resources

The Society for Human Resource Management (shrm.org) offers members a tool kit (including sample policies and forms). Membership costs \$160.

World at Work (worldatwork.org) offers forms and instructions for performance appraisals. Membership cost \$350.

HotlinkHR™ provides complete HR management and compliance program. Included in the program are standard performance appraisals and customizable job description. The performance appraisals can be completed and stored online. Expert advice from attorneys and HR professionals is included in the program. Monthly subscription fee varies by company size.

Perfect Phrased for Performance Reviews: Hundreds of Ready-to-Use Phrases that Describe Your Employees' Performance by Douglas Max and Robert Bacall

2600 Phrases for Effective Performance Reviews: Ready-to-Use Words and Phrases That Really Get Results by Paul Falcone

Sample Performance Appraisals Competencies

- Leadership: Motivation, team building, role model, visionary, trouble shooting, positive reinforcement.
- Management: Develops methods and procedures, sets expectations and standards, plans to achieve goals, allocates resources, holds people accountable, rewards achievement.
- Supervision/staff development: Hands-on, process-oriented, people development, delegation, coaching, counseling, giving feedback, managing conflict, brings out the best in people in achieving goals.
- Business management: Accounting, collections, budgeting, quality control, continuous improvement, best practices, design of policies and procedures.
- Communication skills: Persuasive, frank and productive communication, listening, writing, presenting, reporting.
- Independence: Performs functions not specifically assigned, but within work area. Able to work effectively without supervision.
- Interpersonal skills: Productive one-on-one relations, adapts to different styles, emotional maturity, respect, values diversity.
- Personal characteristics: Integrity, trustworthy, manages stress, responsible, organized, disciplined, good work ethic.
- Adaptability/change readiness: Effective in varying circumstances, eager to learn new skills and tackle new responsibilities.
- Client focus: Knowledge of clients, manages client change orders, customer service, product knowledge, networker, influences clients, positive client relationships.
- Sales ability: Persuasive, command of sales strategy, versatile communication tools, bottom-line focus.
- Judgment/problem solving: Systematic problem-solving skills, analytical, conceptual, detail oriented, thorough, creative, innovative, proactive.
- Technical/professional proficiency: Expertise in area of specialty, keeps current, pioneers new developments.
- Work quality/quantity: Consistently produces high volume, handles difficult assignments effectively, available to help others, meets deadlines, reliable.
- Teamwork: Effectively works with team dynamics, promotes team productivity, subordinates personal objectives to team goals.
- Project planning: Preparation, goal setting, develops plans and schedules, develops monitoring systems, models life-cycle framework and estimating.
- Project implementation: Resource management, procurement, communications, group awareness, priority setting, project control, risk management, managing scope changes, follow-through, project reviews.
- Quality focus: Attention to detail, continuous improvement, design of processes and procedures, development of expectations and standards.
- Safety: Understands and follow all established safety procedures. Recommends processes or programs to improve workplace safety.
- Attendance: When absent, does everything possible to minimize workplace disruptions. Provide adequate notice of scheduled and/or unscheduled absence. Provides satisfactory reason for absences.