

# Staff Appraisals

The rights and wrongs of a powerful motivating tool

*Expert knowledge means success*

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

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## Introduction

As a manager, an important part of your job is motivating and encouraging your employees to be productive contributors. Employee appraisals are a powerful tool toward this end. By approaching the appraisal process as an on-going, positive event, you can:

- Increase communication;
- Establish clear expectations;
- Reinforce good performance;
- Improve unsatisfactory performance;
- Foster a spirit of co-operation and teamwork.

Despite its importance, one of the most difficult aspects of management is the task of measuring the performance of others. Yet most managers struggle with the problem of creating an appraisal system that works - the facts are that most fail.

Apart from discussing how effectively the employee has been doing their job, the performance appraisal can also be used to set objectives - targets to be achieved or standards to be met - by the time of the next review. This process is described in many ways - including performance review, performance evaluation, personnel rating, merit rating, employee appraisal and employee evaluation.

### What does it involve?

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Staff appraisal involves obtaining performance information about and providing feedback to an employee. In essence, it's a personnel decision that affects the status of employee in:

- Retention;
- Termination;
- Promotion;
- Demoting;
- Transfer;
- Salary increase or decrease;
- Participation in a training programme.

Evaluating your employees' performance and communicating your impressions of their performance, can be the best way to create a productive and happy work atmosphere.

## Why Have Staff Appraisals?

Staff appraisal is a process the purpose of which is to measure and evaluate contribution to the company in order to provide feedback and fairly distribute rewards. It's about improvement, not blame. Appraisals are undertaken to improve performance, not to attribute blame or criticise past performance. The whole point of performance appraisals is to get managers and employees working together to achieve more. The most effective performance appraisals allow bosses/managers and employees to share ideas, opinions and information rather than to have one-way communication.

### How appraisals help

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Performance appraisals help in:

- Validating and refining organisational actions (such as in selection, training and promotion).
- Providing feedback to employees with an eye on improving future performance.
- Motivating and encouraging employees to be productive contributors.
- Establishing clear expectations and setting measurable and achieving objectives as to future performance by employees.
- Reinforcing and rewarding good performance by recognising the contributions of effective employees through distinguishing their work from the work of bad or only marginally effective employees.
- Improving unsatisfactory performance by enabling a problem employee to improve future performance by being more aware of what is expected of him/her.
- Creating a spirit of cooperation and teamwork and increasing communication throughout the organisation.
- Reducing exposure to unjustified legal actions from disgruntled employees whose sudden dismissals are unexpected.
- Enabling the company to prove the fairness of a dismissal if the employee does bring an action under Unfair Dismissal legislation.

Although employee appraisals are a critical element of employee relations and company success, the appraisal interview is an emotional experience for the manager/boss and for the employee too. The manager must communicate both praise and constructive

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*"The main purpose of a job performance appraisal should be to improve future performance but all too often the appraisal ends up as a discussion about past performance and focuses on what's been done badly."*

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criticism (although if there is criticism to be levied, it's better to do so at the time the matter arises rather than leaving it until the appraisal event). It's important to emphasise the positive side of the individual's performance but still discuss improvements that are needed.

## Effectiveness and purpose

The effectiveness of any appraisal system depends on the cooperation and ability of the employee's manager/boss or whoever is the employee's immediate supervisor. Appraising performance and communicating the appraisal constructively are their most important tasks that managers can undertake - they must learn:

- How to set goals that are fair and achievable;
- How to communicate the objectives in a clear manner;
- Despite being reluctant to offer honest criticism, they must learn how to be more assertive and forthright.

The main purpose of a job performance appraisal should be to improve future performance but all too often the appraisal ends up as a discussion about past performance and focuses on what's been done badly. In focussing on the future rather than the past, good performance appraisals should:

- Provide an interactive process for both managers and employees. Apart from encouraging better communication between employee and the manager, productivity and effectiveness improves too;
- Spell out clearly what needs to be accomplished and by when - instead of leaving it to employees to interpret their manager's directions or to try to read their mind;
- Allow employees to see more clearly the results of their efforts, the relationship between their job and their company's performance, and be rewarded for their particular contribution.

## Having something to aim for

First creating clear and agreed-upon objectives and then measuring progress against them, can best improve results in any organisation. Setting objectives establishes a benchmark and gives employees a known target at which to aim. If there are no clear objectives, managers have to measure something else - such as effort, attitude, personality, teamwork, behaviour, etc. A performance appraisal is therefore good at measuring outcomes and results - what people are actually employed for and paid to produce. It is designed to clarify and document the goals, outcomes, milestones, timescales and measurements to be used.

## Dos and Don'ts

Things you should/should not use the appraisal process for are shown in the table below:

Things you should do	Don't do these things
Prepare in advance	Lecture the employee or make comparisons to others
Focus on performance and development	Feel it's necessary that you agree on everything
Be specific about the expectations of the job	Be overly critical or 'harp' on failing performance
Decide on specific steps to be taken for improvement	Don't do all the talking
Emphasise the positives	Concentrate on the negative
Reinforce the behaviour you want	Mix performance appraisal and salary or promotion issues

The appraisal process ought not to be limited to an annual or bi-annual appraisal and subsequent interview, but instead should include all of the following:

- Communicating to employees what their duties and responsibilities are - this is communicated through written job descriptions, training, and on-the-job instruction;
- Agreeing with employees as to the criteria on which they will be assessed;
- Providing ongoing feedback so that whenever employee performance fails to meet expectations (or exceeds expectations), discussion with the employee takes place then rather than at the time of the scheduled appraisal;
- Documenting poor performance in writing;

- Employees should have the opportunity to review and comment on evaluations before they are filed on the employees file;
- In larger organisations, a higher management review of written appraisals;
- Formal employee appraisals scheduled at least annually - all evaluations should be in writing.

## Increasing the effectiveness of the Appraisal

Some things you can do to increase the effectiveness of the appraisal process include:

- Holding periodic, on-going progress reviews with your employees - don't limit your interactions to formal appraisals once or twice a year;
- Acknowledging good performance immediately - don't wait for 6 months and say: "you did really well last year". It's better to note and record specific examples of performance whenever they occur;
- Providing specific feedback - not vague generalities;
- Addressing problems as soon as they arise - it's easier to solve them early, before they develop into larger issues;
- Keeping communications open - remember to ask your employees about their feelings and perceptions. Actively listen and respond to their input.

## Appraisal problems

Take a look at your organisation's handling of appraisals. There are some sure signs of a system with problems. For example:

1. Are most appraisals submitted at the last minute?
2. Are there very few comments about what the employee has really accomplished, good or bad?
3. Are most of the ratings well above average with a few below averages and almost no one in the middle ranges?
4. Does anyone read them except the personnel manager who makes sure they are submitted?

All of the symptoms described above are signs of a system that simply isn't working. Although it may be possible to identify other benefits of an effective appraisal system,

there are four main reasons for expending all the resources that conducting an appraisal program requires:

1. Provide management with a measure of the quality of its workforce so management can determine if the organization has the human resources to accomplish present and future objectives.
2. Tell employees what you expect them to accomplish, measure their progress in attaining these expectations, and let them know how they are doing.
3. Identify people who can contribute to future plans through training and growth and those who cannot or will not contribute and should be eliminated.
4. Provide a means for equitably rewarding people for their contribution to the organisation's goals.

## Preparing for the Appraisal

Before holding the person-to-person meeting with the employee, there are some things a manager should do:

- Gather input from various sources - If you've been observing and recording specific examples of performance when they occur, you should have a good starting point for preparing the appraisal. However, don't limit input to your own observations. Solicit input and feedback from colleagues, customers, and other individuals. You might even have the employee prepare a self-review of projects and accomplishments. Be sure to review prior performance appraisals, along with any progress reviews you've conducted. Concentrate on the objectives that were set and how well the employee has performed in relation to those goals;
- Be specific - Be very specific in your feedback and give examples of the employee's actions that support your points. Avoid analyzing an employee's motivations. Concentrate on the observable behaviours and results and not the person. Point out the effects of the employee's behaviours and actions-how they've helped or hindered the group's efforts. If there are areas that need improvement, be sure to specify what the employee should do to improve. Ask yourself if the job requirements have changed since the last appraisal. If so, do you and the employee have a clear definition of the new requirements? You might want to list or discuss these in the appraisal document itself. Get agreement with the employee on the new requirements;

*"It's not just what one does that determines that person's value; it's how others think about what that person has done that determines it."*

*From: Mind-Set Management, by Samuel Culbert, 1996, published by Oxford University Press*

*"The issue with advice is potential resistance; with feedback it is potential resentment."*

*From: Managers as Mentors, by Chip R. Bell, 1998, published by Berrett-Koehler*

*"If the intent of the appraisal is learning, it is not going to happen when the content of the dialogue is evaluation and judgement."*

*From: Stewardship, by Peter Wilson, 1993, published by Berrett-Koehler*

*"The intent of 360 degree feedback systems is to support people and encourage their continued improvement through the use of high-quality information."*

*From: 360-Degree Feedback, by Mark R. Edwards, 1996, published by Amacom*

- Plan what you're going to say - Try to balance positive and negative performance feedback. Be prepared to give praise for accomplishments as well as provide constructive criticism. Don't overlook either positive or negative behaviour. You can normally find some positive performance by an employee who is generally unsatisfactory. Similarly, point out areas of improvement for outstanding employees. Determine the best way to present your points. The emphasis should be on mutual problem solving and concentrate on future actions. Anticipate possible reactions from the employee. Be ready for any reaction, and be prepared to listen. Constructive criticism is often hard to accept, so don't be surprised if an employee becomes defensive. Determine, ahead of time, how you'll handle such situations.

## At the Appraisal

Eventually the time will come when you need to sit down with the employee for that all-important person-to-person meeting. The key to an effective performance appraisal interview lies in the ability of the appraiser to listen and to give constructive feedback - an essential skill for any manager. It is the process for relaying the effects of behaviour for the individual's benefit and learning. Without feedback it can become difficult to progress. So give the meeting the preparation and priority it deserves-the same as you would expect for your own personal appraisal with your manager:

- Hold a brief, preliminary meeting - If possible, schedule a brief meeting with the employee to discuss the upcoming review. The main purpose of this meeting is to ensure that you and the employee have some common understanding of the topics you'll be covering in the appraisal document. Don't allow this preliminary meeting to become formal in any way. Stay focused on the topics, don't discuss your preconceived evaluations, if you have any;
- Create a positive, communicative atmosphere - Schedule the formal appraisal meeting several days in advance. Allow the employee the opportunity to prepare whatever he or she wants to say. Be sure to allow ample time for the meeting. Select a meeting place that is both comfortable and quiet. Arrange your schedule so that you won't be interrupted during the meeting;
- Be sensitive to employee feelings - Always begin the meeting by providing positive feedback. Point out specific

accomplishments, noting how they have contributed to the group's efforts. Emphasise problem solving and concentrate on future actions that can be taken in any areas that need improvement. Avoid discussing motivation and personal issues. Concentrate on the employee's behaviour and the consequences of that behaviour to the individual and the organization. This is a good opportunity to stress the requirements of the job. Always allow the employee the opportunity to discuss his or her feelings and reactions to your input and feedback;

- Make the appraisal a two-way affair - Listen to the employee. Encourage reactions and suggestions. Allow him or her to say what they need to say. If there are areas that need improvement, encourage the employee to come up with potential solutions. If the employee disagrees with you, allow him or her to state their feelings. Listen without arguing or defending your point of view. Be prepared to adjust your viewpoints, if necessary;
- Arrive at a mutual agreement - If the employee has a satisfactory or better rating, set objectives for the next period. You can either discuss the objectives in the appraisal meeting or schedule a follow-up meeting. If the employee has unsatisfactory performance, work together to create a development plan. Follow whatever guidelines your organization might have for performance improvement plans. In general, such plans: (1) Contain very specific actions and behaviours that the employee is expected to demonstrate, (2) Are limited in focus, and (3) Concentrate on one or two major areas for improvement;
- Have specific checkpoint dates - If the problems are severe, or improvement has not been demonstrated in the past, the development plan might also contain a written warning about the consequences to the employee of not meeting the goals in the plan.

## What performance categories should be used?

Careful consideration should be given as to setting and then deciding which performance category is awarded, such as:

- Outstanding - this should represent achievement that is consistently and substantially beyond what is normally expected of an employee in the position;
- Superior - this is designated when an employee's performance is generally beyond the requirements of the position and the criteria established;

- Very Satisfactory - this represents thorough competence. The criteria and expectations established by the boss/manager with the employee have been met and possibly exceeded from time to time;
- Satisfactory - this represents work performance which is sufficient but no more, and some improvement can be made;
- Not Satisfactory - this might be used when an employee does not meet one or more of the fundamental requirements of his/her job.

## Phrases to Use with Performance Appraisals

The words used in performance appraisals can make all the difference. The right choice of words can motivate and inspire employees to achieve greater things by the time of the next review. But the wrong words can result in exactly the opposite. The aim is to express your ideas in words that are based on specific, observable actions or outcomes. As an example, the following guidelines<sup>1</sup> will help you get the right words to describe some situations you may encounter during the performance reviews you undertake. For negative skills or actions, use words such as "Doesn't always communicate with confidence in discussions with peers and others", etc.

- Communication Skills
  - Communicates effectively with credibility, confidence and style.
  - Effectively communicates objectives, ideas, and concepts.
  - Communicates with confidence in discussions with peers and others.
  - Conveys a positive impression that reflects favourably with customers and clients.
- Competence
  - Combines technical competence with dependability and loyalty.
  - Effectively applies skills and abilities to the job.
  - Demonstrates a strong personal competence on the job.
- Delegation
  - Delegates well to maximise organisational strengths.
  - Delegates with clearly defined responsibility and authority.
  - Recognises the importance of working with and through other employees.
  - Delegates to motivate and encourage other employees.
- Leadership
  - Projects self-confidence, authority, and enthusiasm.
  - Demonstrates natural leadership ability.
  - Displays the strengths of an

- exceptional leader.
- Inspires confidence and respect.
- Effectively uses power and influence.
- Inspires the cooperation and confidence of others.
- Promotes harmony and teamwork.

- Objectives
  - Effectively implements corporate objectives.
  - Excels in formulating, planning, forecasting and achieving objectives and implementing action plans.
  - Sets and manages realistic organisational objectives.
  - Establishes relevant objectives and performance standards.
- Individual Qualities
  - Demonstrates positive self-concepts.
  - Turns negatives into positives.
  - Maintains an optimistic outlook when faced with difficulties.
  - Competes with confidence-very self-confident.
  - Demonstrates credibility.
- Appearance
  - Displays a charming personality with a cheerful disposition.
  - Is dependable and patient.
  - Always appears to be in control, is unflustered and inspires confidence.
  - Is companionable and enjoyable to be with.
  - Shows good manners and professionalism.

## Objectives

### Why Have Objectives?

There's a saying: *"If you don't know where you're going, any road will do."* Having clear objectives will usually result in them being both understood and capable of being met. The appraisal process starts when the employee and manager reach agreement on what needs to be achieved. It won't succeed unless and until that agreement is in place. It's a simple truth: if expectations aren't clearly stated, mutually understood, and presented in ways that can be measured, the effectiveness of an individual's performance will be difficult to evaluate. Objectives allow job expectations to be established. If you are responsible for performance appraisals, you will need a good understanding of how to set objectives - in other words, what is to be achieved. To do so, you will need to establish:

- What is to be achieved - a specific action plan;
- A timescale for achieving it;
- How the tasks undertaken are to be measured;

- What resources the company is willing to make available in order to achieve the desired result.

## Setting Objectives

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**In setting objectives, you need to:**

- Understand the need for objectives - Setting objectives with employees establishes clear expectations. Effective objective setting can help foster a spirit of greater cooperation as well as contribute to higher productivity and morale;
- Understand what effective objectives are - An employee's objectives should relate directly to the key areas of responsibilities for their job description. The key areas identify the most important skills and behaviours necessary for success.

**Effective objectives are:**

- Observable and measurable;
- Specific;
- Related to the most important job requirements;
- Under the employee's control;
- Achievable given time and resources;
- Limited in number.

**When writing specific objectives, always include the following components:**

- A specific action;
- A measurable result;
- A time frame for completion.

## Continuous Feedback

Perhaps the most effective approach is to give continuous feedback on performance throughout the year. It makes sure that nothing is missed, keeps the channels of communication open throughout the year and as a result, the formal annual or bi-annual review will be more effective.

The purpose of giving feedback is to improve performance in the future. Remember feedback is not a demand to change, nor should it ever be done to punish, win against or dominate the appraisee.

## Characteristics of constructive and positive feedback

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**Characteristics of constructive and positive feedback include:**

- Being descriptive rather than evaluative - without making judgements as to whether the appraiser sees the facts as good or bad, and leaving the appraisee to make their own assessment of performance. Effective feedback describes the behaviour rather than evaluates it. Evaluative statements attack the appraisee. An individual is much more likely to be less defensive in response to a valid description than when he/she is being subjected to an evaluative attack;
- Encouraging self-criticism - people are more willing to accept the criticism when they have recognised their own strengths and weaknesses;
- Being specific rather than general - it's easier for someone to react to this than to general statements;
- Focusing on behaviour rather than perceptions - feedback is given so the person can better understand the effect his/her behaviour has on you or others in the organisation;
- Being achievable - directed towards behaviour about which the recipient has some degree of control in the future - effective feedback concerns behaviour the appraisee can do something about. The objectives set during the appraisal interviews must be adapted to each individual; something that can only be done after the appraisee reaches an honest understanding of his/her own capabilities and encourages them to set their own objectives;
- Being given at the right time - by taking the time to explain things to the employee properly - something that cannot be achieved by talking to someone about their performance in a few rushed seconds just before leaving work. It is not a good idea to give feedback when you are angry, when it might cause embarrassment or discomfort to the appraisee;
- Sharing information - instead of being advisory - thus leaving people free to decide in accordance with their own objectives and needs.

## Should Pay Be Linked With Performance?

Some people say that linking pay with performance is not a good idea. They say that focusing only on pay, stops attention to other important things like quality of work and customer care.

Having employees with separate agendas to achieve the best pay increase for themselves will not, in the long run, benefit the business at all. That's why some businesses give the same pay increase to all employees to ensure that the entire team is working toward the same objective. On the other hand, having no individual motivation to excel at a personal level may not be a good idea. Making an employee appraisal system work - accurately evaluating performance and improving it - is a challenge for most managers. For better or worse, most businesses use cash to motivate employees in some way or other - by bonuses, commissions, cash awards, or bigger raises for good or better performance.

### Pay is not the main motivator

Interestingly, cash is not the main motivator for employees. Bosses think that it is. But employees are more motivated by doing interesting work as well as being appreciated and recognised. In a recent study<sup>2</sup>, employees were asked to rank 10 items (in order of importance) they wanted from their jobs. Their employers were then asked to guess how they thought their employees would rank the same 10 items. The results were very surprising:

Employees' Ranking	Employers' Ranking	Item
1	5	Doing interesting work
2	8	Being appreciated and recognised
3	10	Feeling informed on what's going on
4	2	Having job security
5	1	Being paid more
6	3	Getting promoted
7	4	Good working conditions
8	6	Personal loyalty
9	7	Receiving tactful discipline
10	9	Receiving sympathetic help with problems when they occur

## Recommended Reading

- *Manage People, Not Personnel: Motivation and Performance Appraisal (Harvard Business Review Book Series)*, by Victor H. Vroom, published by Harvard Business School Press, ISBN: 0875842283.
- *Effective Phrases for Performance Appraisals: A Guide to Successful Evaluations*, by James E. Neal, published by Neal Publications; ISBN: 1882423097
- *Abolishing Performance Appraisals: Why They Backfire and What to Do Instead*, by Tom Coens, Mary Jenkins, Peter Block, published by Berrett-Koehler, ISBN: 1576750760
- *Performance Reviews*, by John Sullivan, published by Macmillan, ISBN: 0028639677
- *1001 Ways to Energize Employees*, by Bob Nelson, (published by Workman Publishing Company, Inc., ISBN: 0761101608.
- *The Complete Guide to Performance Appraisal*, by Dick Grote, published by Amacom, ISBN: 0814403131.
- *360 Degree Feedback: The Powerful New Model for Employee Assessment & Performance Improvement*, by Mark R. Edwards and Ann J. Ewen (Contributor), published by Amacom, ISBN: 0814403263.
- *Performance Measurement, Evaluation, and Incentives*, by William J. Bruns, published by Harvard Business School Press, ISBN: 0875843506.
- *Manager's Portfolio of Model Performance Evaluations: Ready-To-Use Performance Appraisals Covering All Employee Functions*, by Brandon Toropov, published by Prentice Hall Direct, ISBN: 0138564515.
- *Performance Appraisal: One More Time*, by John D. Drake, published by Crisp Publications, ISBN: 1560524421.



## Further Information

The writing of employee appraisals is a task that some managers find tedious and sometimes daunting. Operating under the stress of tight deadlines and the need to always stay objective can be a problem. But, from the employee's perspective, the appraisal document and meeting can be the most important factors in their career development. Success comes from getting it right and the appraisal process deserves your time and attention.

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible

### References:

<sup>1</sup> These guidelines are general and therefore merely illustrative. The particular circumstances of each appraisal will dictate the right words to use.

<sup>2</sup> See CCH Business Owner's Toolkit at:  
[www.toolkit.com/small\\_business\\_guide/sbg.aspx?nid=P05\\_7170](http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P05_7170)

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