

How to Appraise Employees More Effectively

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 In addition, some of the information in this publication may be out of date.

Introduction

As a part of the process of training, coaching and motivating employees, most bosses sit down with their employees and discuss how they have been doing at work, a practice known as performance appraisal.

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?

Performance 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.

When it's time for employee appraisals each year, managers and bosses wince at the thought of the tedious interviews and evaluations that lie ahead. But, employee appraisals are a necessary part of the success of any organisation. Managers and bosses use the review to see how well employees are attuned to achieving their objectives and this helps in deciding merit to a pay rise as well as some of the other personnel decisions listed above. It's important to note that the process of appraisal requires frequent exchanges of information between

boss/manager and employee to make sure that misunderstandings do not occur.

Why Have Performance Appraisals?

Performance 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

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 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.

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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.

Undertaking the Appraisal

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 guidelines¹ 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.
 - Recognises the importance of working with and through other employees.
 - Delegates with clearly defined responsibility and authority.
 - 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.

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.

Effective Objectives

Effective objectives are:

- Observable and measurable;
- Specific;
- Related to the most important elements of the job;
- Under the employee's control - and are achievable given time and resources;
- Limited in number - not too ambitious.

If you set objectives clearly then there is a good chance that a committed employee will succeed in achieving what you both desire - best performance and job satisfaction. Setting objectives is a two-way process. It involves both the employee and the manager. If all the objectives are set by the manager/boss with no input from the employee, both sides will be disappointed in the outcome.

Effective Feedback

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.

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.

"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.

Characteristics of constructive and positive feedback

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 study², 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' Rank	Employer's Rank	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, (April 1990), published by Harvard Business School Press, ISBN: 0875842283.
- Effective Phrases for Performance Appraisals: A Guide to Successful Evaluations, by James E. Neal, (January 2000), published by Neal Publications; ISBN: 1882423097
- Abolishing Performance Appraisals: Why They Backfire and What to Do Instead, by Tom Coens, Mary Jenkins, Peter Block, (January 15, 2000), published by Berrett-Koehler, ISBN: 1576750760
- Performance Reviews, by John Sullivan, (November 2000), published by Macmillan, ISBN: 0028639677
- 1001 Ways to Energize Employees, by Bob Nelson, (May 1997), published by Workman Publishing Company, Inc., ISBN: 0761101608.
- The Complete Guide to Performance Appraisal, by Dick Grote, (January 1997) 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), (May 1996), published by Amacom, ISBN: 0814403263.
- Performance Measurement, Evaluation, and Incentives, by William J. Bruns, (May 1992), 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 (October 1999), published by Prentice Hall Direct, ISBN: 0138564515.
- Performance Appraisal: One More Time, by John D. Drake, (January 1998), published by Crisp Publications, ISBN: 1560524421.



Further Information

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:

- 1 These guidelines are general and therefore merely illustrative. The particular circumstances of each appraisal will dictate the right words to use.
- 2 See CCH Business Owner's Toolkit at: www.toolkit.cch.com/text/P05_7170.as

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