

Appraisals – do they *really* add value?



Appraisals - just another thing to do, bureaucratic time-wasting, form-filling exercise? Or the opportunity to manage people professionally, help you improve the performance of everyone in your business, retain your best people and deal with your worst people all in a fair and consistent manner?

Of course we think a good appraisal process should be the latter, but the odds are that you probably view appraisals as a pretty negative thing - especially if you've been exposed to one that was badly done!

Our aim here is to provoke your thinking about the potential value a good appraisal process can add to you, your managers and your business. If you already have a process, great - but spend the time reviewing how it could be improved. If you don't have a process spend the time evaluating how it might be of benefit to you.

What do we mean by Appraisal?

There are many different terms for appraisal - performance management, performance appraisal, performance reviews, etc. etc. We have chosen the term appraisal as it is probably the one most commonly used.

Whatever the name used, appraisals are a mechanism for giving people formal feedback (both positive and negative) with a view to gaining their buy-in and commitment to continuing to do the right things and to start doing other things differently (and hopefully more effectively).

The overall objective of a good appraisal process is to improve peoples' performance at work, but additional objectives might be:

- to ensure people are working on things that contribute directly to the business's strategy and goals
- to co-ordinate the activities people are working on
- to encourage people to behave in certain ways
- to raise productivity
- to identify training needs
- to determine bonuses or pay increases

Why do it?

Think of the last time your dog "relieved" itself on the kitchen floor, what did you do? You probably gave it a damn good telling off! Think of the first time one of your kids learned something new, what did you do? You probably gave them lots of praise and recognition for how clever they are! Well, you've just done your first appraisals!

People, like animals, need to know where the boundaries are. They need to know what is acceptable behaviour and what is not. They need to know when they do something good and when they do something bad. If we receive recognition for the good things we do we feel good - which makes us want to do more of it. If we get told off when we do something bad of course we will feel bad, but if the message is delivered in a way that helps us understand why it was bad and what we should do instead then we are quite likely to try and do the right thing the next time.

Appraisals are simply a formal mechanism for letting people know about all the good things they have done and all the bad things that need to be done differently.

This sounds fairly simple and straightforward. So why are appraisals generally viewed as negative? There are two common issues:

1. the design of the process
2. the way the appraisal meeting is handled

Common pitfalls associated with the process

Some common problems associated with the process are:

- **Using the process as a management crutch instead of a management tool** - occasionally we, as managers, might need to give bad news and that's painful right? People are bound to hate us, go off in a strop and not talk to us ever again? Maybe, but a big mistake that many organisations make is to implement the process in the belief that it removes some of the responsibility the manager has for delivering the message - it doesn't. A well designed process will guide the manager through the process, but at the end of the day it is down to the manager to utter the words!
- **Allowing the process to become a "straightjacket"** - as we saw in the previous section the best way to give feedback is as quickly as possible after the event. Most appraisals are intended to be used only once during the year. The danger is that the introduction of a formal process prevents or inhibits managers from giving feedback on a continual basis.
- **One size fits all** - appraisal systems are tricky things to get right. How the process works and what its objectives are will differ greatly from organisation to organisation.
- **Trying to achieve too much** - as we will see in a moment some uses of appraisals can conflict with each other. For example, trying to create an environment where people open up about their shortcomings will not work if someone's pay rise will be discussed in the same conversation.
- **Focussing on the process and not the implementation** - the very nature of appraisals can make them awkward (remember Ricky Gervais as David Brent doing appraisals in The Office?!). When implementing the process make sure every manager has been involved in the design, train managers in how to give good feedback and brief employees so they are clear on how the process will work and what it is being introduced for.

Common pitfalls associated with the appraisal meeting

We could have the best system in the world, but if the meeting is badly handled then the credibility of both the process and the manager is destroyed. In our experience, how the manager conducts the meeting is criticised significantly more by employees than the process.

Before we get into specifics here's a quick exercise we do with Managers during appraisal training...

Take a blank sheet of paper and divide it into two columns. Call them what you want, but the left hand column is basically everything you really appreciate about someone and the right hand column is everything that drives you nuts about someone. Now think of one of your employees and fill in the columns. Typically, managers find this a very easy exercise to do and it demonstrates that actually a blank sheet of paper is a pretty decent appraisal form!

The point is that being clear on someone's strengths and weaknesses is fairly easy, it is delivering the message that is the tough part.

Common pitfalls include:

- **Approaching the appraisal meeting as a form-filling exercise rather than a discussion** - the form should be a means to an end. The purpose of the meeting is to gain the employee's buy-in to any positive and negative feedback they might need to hear. Often, Managers focus on filling in the boxes rather than delivering the message.

- **Copping out** - avoiding delivering the message is probably the single biggest problem with appraisals. If your Manager is not prepared to deliver good quality feedback to their people, then how can they expect them to ever change?
- **Allowing the employee to run the meeting** - depending on the objectives of the process, employees may sometimes attempt to run the meeting, especially if the manager lacks assertiveness. It is the manager's job to position and run the meetings.
- **Adopting a "tell" approach** - when giving feedback it is sometimes appropriate to deliver the message in a "telling" way, especially if the employee is doing something that is clearly unacceptable or inappropriate. However, the best way to gain someone's buy-in to change is to encourage them to volunteer what they could do differently. The point is that the appraisal should really be a discussion between the manager and the employee. Most employees will reveal their own development needs given the opportunity.

So what does a good process look like?

First, be clear on what you are trying to achieve. If we accept that the purpose of the appraisal is to change behaviour we need to be clear on the aim of our process. Different aims will encourage different behaviours. For example:

- if the aim of the process is to reward those who achieve the most during the year the process needs to ensure that job objectives and measures of performance are clearly defined. The implications of this approach are that you will see an improvement in performance - at least in the short term. However, you may also see people becoming more competitive with each other. This might undermine customer service, it might undermine teamworking. You also need to ensure that your reward policies (such as salary and bonus) are in line with what you are trying to achieve - who would put in significant extra effort throughout the year for a £10 Marks and Spencer voucher?!
- if the aim of the process is to develop people's skills and abilities and people feel as though you are genuinely trying to help them develop themselves they will be highly motivated and loyal to you. However, this causes an issue with driving performance. For people to openly discuss their shortcomings (i.e where they need development) they need to feel safe. If part of the appraisal then evaluates achievements and these are what determine pay, people are less likely to focus on what they didn't do well and try to maximise the discussion around what they did do well.
- is the process going to be tied into pay? In our view it is realistic to assume that pay is usually linked to performance. Using appraisals to determine pay rises has a big benefit of adding fairness and consistency to the pay review process - should someone complain that they have been treated unfairly regarding pay then you should be able to refer to their appraisal to highlight why they received an unsatisfactory review. However, the big downside is that people will become very protective about discussing their performance (and by implication their weaknesses) if they know their pay rise will be determined by the outcome. There is no way to get around this problem completely, but a way to look at it is that performance should be discussed during the pay review meeting, but pay should not be discussed during the performance review meeting.
- is the process going to use some kind of rating or scoring system? As above, having a rating system enables you to make distinctions between your best people and your worst people which can enable you to demonstrate fairness and consistency if you need to manage poor performers. However, the rating needs to have a purpose otherwise the risk is that it just makes people feel bad.

Once we are clear on what the process is trying to achieve, a good appraisal process will have the following characteristics:

1. it will be designed specifically for your business taking account of what you are trying to achieve with the process
2. the objectives of the process will be clear and agreed by the whole management team
3. all managers will be involved in the design of the process
4. all managers will be trained in the principles of the process and in the skills of giving feedback and coaching
5. the process will be supported by appropriate policies e.g. training, pay
6. the process will be carried out on a regular and consistent basis - it will not be optional otherwise people quickly learn that it is not important
7. form filling should be kept to a minimum
8. the form should be a means to an end rather than an end in itself i.e. you should use the process to gather data to make business decisions around who should receive what type of pay increase, who should receive what type of training, who should/could be promoted, who's performance you need to work on etc.
9. the process should reinforce the kinds of behaviours that are important to your culture. These are the behaviours that people should be given feedback on. Once defined, they can also be used to help you recruit the right people, provide targeted training to your people and develop your highest potential people.