

The Vexed Question of Performance Appraisals

Have we lost sight of their real purpose and value?



A paper from



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Have we lost sight of their real purpose and value?

This short paper is designed to help leaders and managers clarify their thinking when it comes to performance appraisal.

Performance appraisal processes have been around since the time of WWI and have served an evolving range of purposes over that time. The literature and lived experience of managers and employees alike is that the process has often frustrated or even destroyed good intentions by all parties.

I hope that by exposing assumptions and focusing on what really helps people perform that the value of the process can be restored.

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Many organizations wrestle with the whole idea of performance appraisals (PA).

Common issues:

- Managers and employees alike dislike the process
- The processes associated with PA's are time consuming and not felt to deliver value for the time invested
- Many feel the process is counterproductive – in fact studies show that often it demotivates and de-moralizes workforces rather than inspire improved performance
- It becomes contaminated as a process when it is tied to salary review.
- In these times of rapid change, the PA process is too slow and cumbersome – business priorities change quickly, and the traditional annual PA cycle is not agile enough to reflect reality
- It is very difficult to get fairness, objectivity and lack of bias in any system
- The process does not result in better decisions about how to manage poor performers
- Counterproductive (encouraging individual competition) in an age where the importance of teamwork and collaboration are critical to business performance

Why performance appraisal?

It seems that many organizations have lost sight of the WHY they really want a performance management or appraisal process.

From the literature, there are numerous reasons stated or implied, and many are historic hangovers or are assumed, but mostly it seems not made explicit.

Stated reasons

Various, the purpose of a performance appraisal system is said to,

- Drive individual accountability
- Get everyone clearly understanding their contribution to the organization's performance and business goals, i.e. foster alignment
- Provide a basis for rewarding good performance and identifying poor performance
- A basis for providing financial reward and bonuses
- To provide the executive of an organization a high-level view of people's performance, so that they can identify risks or gaps and ways to manage these
- To identify development needs of employees so that they can improve their performance and value to an organization, and then agree on a path to meeting the needs

Assumptions

The underlying assumptions of these statements are that

- If individuals clearly know what they are expected to achieve then they will perform
- That if you measure an individual's performance against clear goals or objectives, that you can hold them to account and they will perform better
- That PA provides an effective way to distribute financial rewards and bonuses (in those organizations that have such an approach to remuneration)
- That if you develop people, they will automatically improve the performance of the organization
- That a PA process is the most effective way

to get employees to perform and make the organization successful

Flawed thinking

Several of these purposes (assumptions) have already been shown to be flawed.

Mixing remuneration decisions inside PA has been show time and again in multiple studies to create significant problems. The conclusion is that unless an organization truly desires these (unintended) consequences that ways in which people are remunerated should be done by a separate process. Deloitte's (ref) have developed a 4-question system which is an example of a process that goes some way to addressing the distribution of annual bonuses and reward for performance.

Rewarding performance financially is only one way, and again there is much research to indicate that intrinsic reward (opportunity for development, happy supported team, acknowledgement and appreciation) provides more sustained motivation for continued performance.

Although measuring people's performance by objectives has an illusion of fairness and objectivity, there are many unconscious biases that can influence 'measurement'

Organizations at their core want to perform well and achieve their goals (whether that be to create shareholder value or serve their community - in the case of public sector and non-government organizations), and it is PEOPLE who are fundamental to their success.

Preconditions for performance

So...how do you get the PEOPLE to perform at the best in whatever sector or organization?

At a high level these are the basic requirements for supporting people to perform:

- Ensure recruitment process provides the most suitable people for the roles
- Ensure the organizational design and operational systems and processes that people use and work within are optimized to assist them to perform well
- Provide them with a work environment that is physically and psychologically safe

These first 3 points above are assumed to be a given. But a PA process is often supposed to be a solution to the following four requirements:

- Ensure employees are led and managed by skilled and trained people who care about their employees
- Ensure employees clearly know, and are



part of a conversation on a regular basis about the direction and priorities for the organization and how this translates into expectations for teams and individuals

- Skill and develop them to grow and perform well
- Treat employees fairly, guide and provide them with feedback about their work

Sadly, this is not the case in most instances.

Imagine we had a clean slate

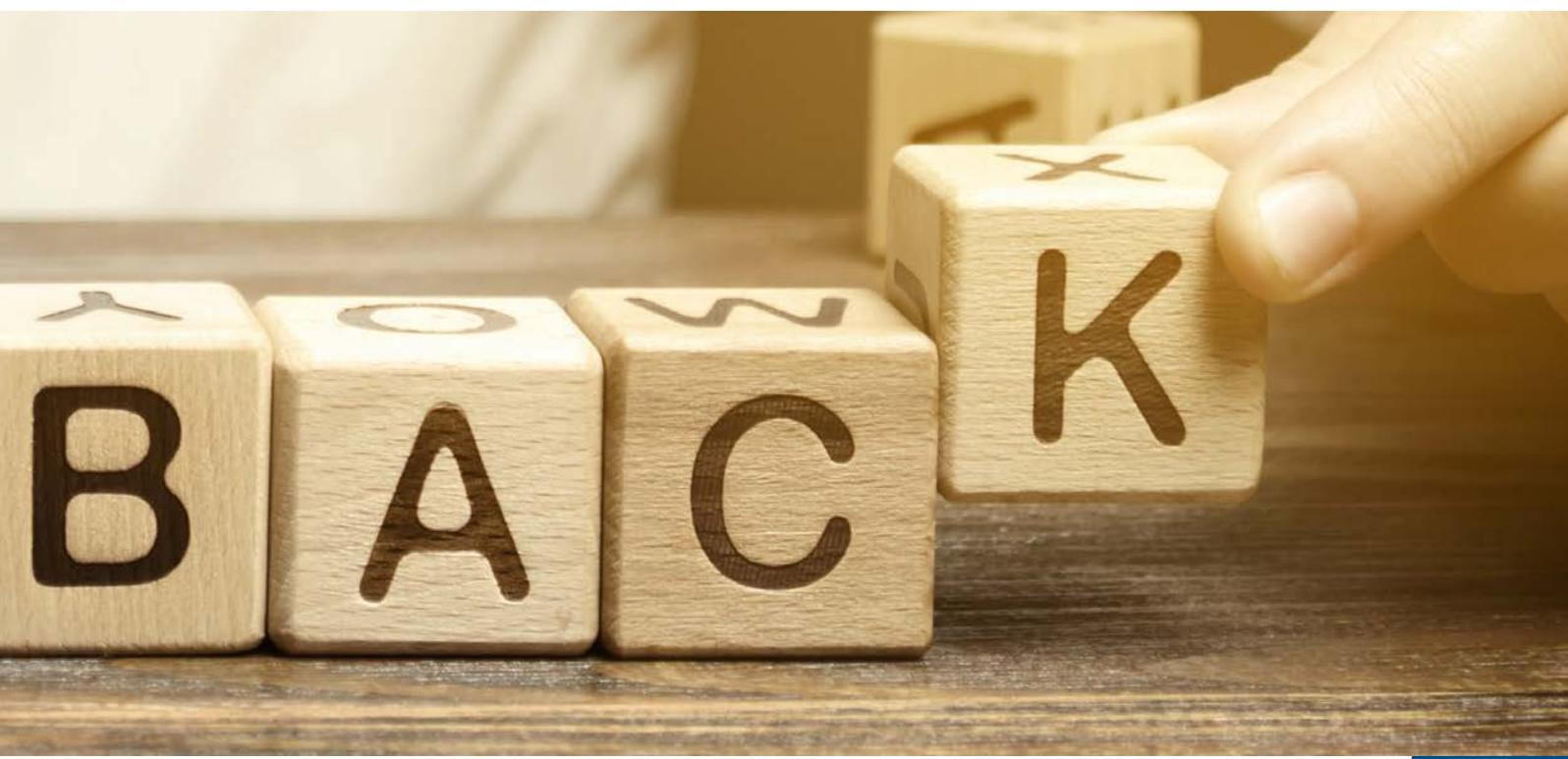
However, if we take a step back and imagine we had a clean slate - what would we do to ensure that those second 4 criteria are met?

We would ensure our leaders and managers

- **have the skills and abilities to lead people:** to communicate, encourage, listen, coach, empathize, build strong relationships, organize, hold themselves and others to account, and develop and provide opportunity for people. These are just some of the key things leaders need to do well. Unfortunately, just because people are placed in leadership roles doesn't mean they are automatically endowed with these skills. Training and development are vital for

leaders to perform.

- **engage frequently with their teams and people about business direction and priorities** and build understanding and clarity about what is expected from them. It is now an established fact that good leadership of teams requires regular communication about the company and its future. This is a frequent, never ending, constant and core part of basic leadership and management. Many seem to underestimate the degree required by an order of magnitude or more.
- **help their teams and people know specifically what their part is in creating success for the business, both in what they do and how they do it.** They would identify where teams and people need to improve what they do and how they do it, and provide feedback, guidance and coaching. In a famous global survey about 15 years ago it was established that engagement and motivation in the workforce is directly influenced on how well the average employee can link what they do on a day-to-day basis to the desired



future and strategy of the company.

- **understand what motivates the people who work in their team.** Knowing the future career aspirations or work goals and being able to facilitate the personal and professional growth and development opportunities towards these aspirations is one key factor in motivating individuals. For others, a key to motivation and performance is to be treated fairly, to know where they stand and how they are perceived as a contributor to a team or business.

What people need to perform at their best?

Supporting people to perform at their best requires the following:-

1. Leaders and managers who are well trained and equipped to lead teams and people
2. Ways that encourage and support leaders and managers to
 - Interact frequently with their teams

and people about business directions, priorities and expectations and make this meaningful for both

- Draw direct and explicit links between what each person does in their role and





how this contributes to overall company strategy and goals.

- Build strong relationships with their teams and people so they can listen, guide, coach and have the difficult conversations especially about meeting task or project expectations and the way they work and behave with their colleagues in achieving these
- Know what, from an employee's perspective, they need to do to help them work at their best, what their aspirations are, and what can be done to support their development and benefit both the organization's and the individual's growth
- Communicate how their contributions and approach to their work is perceived.
- Communicate, in real time (or close to it) if an employee is not meeting expectations, and together work out a way for this to improve.

Again, we need to assume that well-trained, developed and equipped leaders are a given, and I would argue that without this performance appraisal of any description should not be considered.

Then, only when you have leaders and managers that are skilled can you consider if a system or process is required to support and encourage them to manage the performance of individuals and their teams.

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