

Performance Appraisal

Performance appraisal can significantly improve business performance by identifying the strengths and weaknesses of each employee and motivating them to improve their skills and achieve more challenging goals.

To successfully achieve these outcomes, it's essential to use a system that fairly and accurately measures performance and to deliver feedback in a way that avoids confrontation and inspires the employee to make any necessary improvements.

The appraisal process provides the information that managers need to allocate pay rises and promotions to employees who deserve rewards. In the absence of a formal appraisal system, unfair and inaccurate judgements can easily be made, resulting in poor staff morale and lost productivity.

The Purpose of Appraisal

The two main purposes of appraisal are to measure how well the employee is doing and to give them feedback about the quality of their work, so that the employee is held accountable for how well they do their job. People will produce their best work if they know exactly what they are expected to achieve, with their supervisor providing regular feedback on how well they have done. Positive morale and motivation will be achieved if managers help staff to improve their performance and provide rewards for doing a good job.

Appraisal Systems

Appraisals usually involve some form of rating scale, where the lowest rating means the required standard has not been met and the highest score indicates that performance exceeds expectations. For example, in a 1-3 rating system, the ratings might be defined as follows:

- 3 - Consistently delivers excellent work and does more than required in the job.
- 2 - Fully meets expectations and shows potential for additional responsibility.
- 1 - Performance does not meet required standards. Requires close supervision.

To avoid errors in ratings, it's important to ensure that all supervisors have the same understanding of the meaning of each rating and apply them consistently.

Results Method

The results method measures whether the employee has achieved specific goals or targets which are important for their role. For example, a car salesperson might have a target of selling 30 cars per month. The targets are set at the beginning of the appraisal period, giving the employee great clarity about what they need to achieve and providing feedback on actual results.

For the results method to be successful, the employee should participate in the goal setting process and their targets should be challenging, yet achievable.

Attitudes and Behaviours

In addition to achieving results, high performing employees must develop appropriate attitudes and behaviours for their role. For example, a salesperson needs great customer service skills to trouble-shoot any problems relating to a sale and generate ongoing business from that customer. A rating

system for attitudes and behaviours can be developed by describing the behaviour that relates to each rating. For example, a rating system for customer service skills might look like the following:

3 (Exceeds expectations)

Makes an exceptional effort to keep customers satisfied. Works long hours to fix problems.

2 (Meets expectations)

Gives friendly, cheerful service and corrects problems promptly.

1 (Improvement required)

Gives the minimal required service. Reacts defensively to customer complaints.

Relevant Feedback

Some companies use a standard appraisal form which rates all employees on the same characteristics or traits. A disadvantage of this approach is that some traits may not be relevant for all jobs. Employees will be less satisfied with feedback that is not relevant to their role.

Some traits apply to most jobs, for example:

- Meeting deadlines
- Quality standards
- Technical skills

Other traits are more relevant for some jobs than they are for others. Some examples are:

Designer: Innovation and creativity

Accountant: Analytical skills

Secretary: Efficiency and attention to detail

When setting up an appraisal system, it's important to ensure that the most important aspects of performance are being measured for each role so that all employees receive relevant and meaningful feedback.

For an example of a performance appraisal form, please go to the Resources page of the Premier Performance website.

Effective Feedback

One of the most challenging aspects of carrying out performance appraisals is talking to employees about areas where they need to improve their skills. If a supervisor confronts an employee bluntly with criticism about their work, it is likely that the employee will become defensive and will not acknowledge that any problems exist. For example:

“Your attitude to customer service is not good enough. You’ll have to improve it.”

Ideally, the supervisor should create a discussion with the employee, using factual evidence and examples, and encouraging the employee to identify their own problems and weaknesses. An employee is more likely to take ownership of a problem that they've identified themselves and will be motivated to correct the problem. It's essential that any negative feedback is supported by specific and clear examples. For example:

“We’ve received 10 customer complaints about your work in the last 6 months. What can you tell me about this?”

Supervisor Training

For an appraisal system to work effectively, supervisors must have the confidence and skills to measure performance accurately and hold an open and honest discussion with the employee about the results. They should be aware of some of the common pitfalls of the process and be committed to taking the time and effort to do a good job.

The following steps can be taken to ensure that supervisors have the right skills and attitude to make the appraisal process successful:

- Provide training in evaluating performance and delivering feedback.
- Top management must show commitment to the process.
- Reward supervisors for improving the performance of their staff.

Key Steps to Successful Appraisals

An effective appraisal system will develop and motivate staff to produce the best work they possibly can and identify and resolve problems with poor performers early on. To achieve these results, the following steps are necessary:

1. The appraisal system must measure relevant aspects of each employee’s performance.
2. Employees will be more satisfied with appraisals and more likely to achieve performance goals if they can talk freely about their performance.
3. Goals which are specific, challenging and accepted by employees will lead to higher levels of performance than easy, vague goals.
4. Employees are more likely to accept feedback from supervisors who are knowledgeable about the employee’s job and performance and comfortable with the appraisal process.
5. On-the-job feedback is essential to reinforce goals set in an annual appraisal meeting.