

The ultimate guide to performance appraisals

Author: Tatenda Sayenda . June 2021

Performance assessments are rarely something that employees look forward to in most, if not all, organisations. Research has shown that both employees and managers find the process of performance appraisals daunting. However, despite their unpopularity, research has shown that performance appraisals do provide valuable information. According to a study by Columbia Business School, when employees are assessed based on their past performance, it boosts productivity and morale. As a result, most organisations across the world make use of Performance assessments. Successful organisations try to review and guide their workers toward continuous improvement.

What is a Performance Appraisal?

Investopedia defines Performance Appraisal as ‘a regular review of an employee's job performance and overall contribution to a company.’ Performance appraisals, also known as performance reviews, performance evaluations, or employee reviews, are used to evaluate or review an employee's abilities, accomplishments, and growth (or lack thereof). Performance appraisals form part of the performance management process. Talent Management 360 defines performance management as *identifying, measuring, managing, and developing the performance of the human resources in an organisation*. Performance appraisal, on the other hand, is defined as a continuous process of reviewing employee performance.

Performance appraisals are a joint effort between the employee and manager; the manager leads the process, while the employee creates the buy-in necessary to be effective. Talent Management 360, in their article, says that performance management is about what you are going to do to help an employee continue in their development to become increasingly better in their performance for your organisation. Performance appraisal is how you evaluate the progress being made by assessing or measuring the employee's actual performance regularly over time. Both performance management and performance appraisal aim to evaluate and improve performance.

What is job performance?

Now that we have defined performance appraisal to assess job performance, it is essential also to understand what job performance is. Motowidlo (2003) defines job performance as "the total expected value to the organisation of the discrete behavioural episodes that an employee performs during a given time." Work performance is defined by the Encyclopedia of Behavioural Medicine as a means to achieve a goal or collection of goals inside a job, role, or organisation (Campbell, 1990), but not as the actual

outcomes of the acts performed within a job. According to Campbell (1990), job performance is a "complex activity" rather than a single action. Job performance is divided into two categories: contextual and task.

Employees can serve their organisation in ways that aren't immediately related to their assigned functions and complete the needs of their employment. This is known as extra-role performance, contextual performance, or organisational citizenship behaviours, according to an AIHR article. This may involve assisting your colleagues when they are under pressure or in need of assistance, doing tasks that may be out of one's scope of work but contribute to the organisation's performance.

Critical success factors for Performance Appraisals

In a study by McKinsey (2018), it was discovered that for performance management to be effective, the system needs to be fair. Furthermore, the study showed that performance management could positively impact employee performance and the organisation's performance if executed well. However, according to research on Performance Appraisals: New Data Reveals Why Employees Dislike Them, only 17 per cent of people believed their performance review was always open, honest, and meaningful. Furthermore, only 54% said they never or just occasionally thought performance assessments were transparent, honest, and essential.

Furthermore, in the research conducted by McKinsey, it was cited that performance-management systems have a much better chance of being perceived as fair when they do the following three things:

1. When there is a clear link between employee goals to business priorities and room for flexibility.
2. Managerial coaching abilities to assist them in fairly and objectively assessing performance.
3. Rewarding high performers whilst managing converging performance from other employees.

The following are factors to consider to conduct Performance Appraisals successfully:

1. The outline must be clear

To be fair or transparent in the performance appraisal process, it is essential to clarify what the performance appraisal will entail. Valjarevic (2019) outlines that it is essential to think about the kind of relevant data for the evaluation. Which aspects of the employees' performance are essential and should be noted and reported on? Using a standardised system is essential, ie. An evaluation form or system. This assists in capturing and filing the critical information that can also be made use of in the future.

2. Involve the employee as much as possible

According to research done by Cawly, Keeping & Levy (1998), there is a strong correlation between employee involvement and reaction. Furthermore, research shows that employees who participate in the performance appraisals express greater satisfaction, find the session to be much fairer, more useful and are much more motivated to improve. So it is essential to have employees participate in the performance review process; this starts by making them know their goals and targets and assisting them with ways in which they can achieve those goals and targets.

In most cases, employees usually perceive performance appraisals to be unfair. However, when employees are made to understand the outcomes of their performance reviews and how they are linked to their performance, they are likely to perceive them as fair. When it comes to performance reviews, fairness is considered in terms of how ethical, transparent and inclusive the process was.

3. Link employees goals to business priorities

In an article by Mckinsey, it is stated that it is essential for employers to give employees a say and be flexible. Employees must be made to feel involved in the development and shaping of their goals. Cascading goals from the top down rarely promotes the level of employee engagement companies strives for. Furthermore, when setting targets and goals, employers must ensure that they align with changes in the market and shifting strategies. In an article by McKinsey, it is essential to revisit goals throughout the year as it helps prevent wasted effort and goals from becoming meaningless.

4. Teach your managers to be coaches

Managers need to lead and give performance feedback and coach employees to achieve set goals and targets. According to Mckinsey, organisations need to build their managers confidence and ability in evaluating performance fairly and on ways in which they can boost their employees' performance to the highest levels. In their research, McKinsey discovered that performance appraisal quality is essential. Having the ability to give performance appraisals fairly and coach employees have shown to yield better levels of employee engagement. Subsequently, productivity, according to research, has also been seen to improve due to managers having the right skills on how to coach and appraise employees.

5. Start with the bad news

According to Daniel Pink (2018), employees prefer receiving bad news earlier in the performance appraisal. When positive information then comes at the end it helps end the meeting on a positive note and helps the employee have a sense of achievement despite having areas that may require improvement.

According to research cited in Forbes Magazine, it was found that leaders who gave honest feedback were rated higher than those that do not provide honest feedback. In addition, it was found that employees that receive honest feedback are highly engaged. In a study cited in Harvard Business Review, 57% of people mentioned that they prefer corrective feedback, unlike purely praise and recognition. Furthermore, 72% indicated that their performance would improve if they received remedial feedback.

6. Give regular feedback

Employees need regular and continuous feedback, unlike feedback that comes once a year for employees to perform. Managers should make time to give feedback to their employees regularly; this can be done through one-on-one meetings. With COVID 19 making it difficult for people to meet face to face, organisations can invest in technological software that is accessible to both employees and their managers that track performance.

7. Document performance appraisal sessions

It is essential to document all information used in performance appraisals. In a research paper by the Neuroleadership Institute, it was discovered that 91% of companies that apply performance management continuously report better people decisions. Organisations should have a standardised system in place that can be used to document performance-related information. When information is stored, it is easier to make decisions and see progress by referring to past data, allowing the manager to see if there is performance improvement.

Job performance evaluation form

Organisations should invest in evidence-based approaches to performance evaluation like the Balanced Scorecard system. Having a system in place is essential in showing fairness in the performance appraisal process. Organisations should have a standard system in place that allows for documentation of

performance. The manager must be able to record the goals and targets agreed upon; the employee must be able to have access to this information and provide the relevant information required to show how they have performed in a particular period. Whichever system an organisation puts in place must assess the quantitative and qualitative aspect of one's performance and give room for putting in place action plans for improvement where gaps are identified. With technology, organisations can find apps or systems that fit in with the organisation's performance culture.

One such system that organisations could implement is the Balanced Scorecard System. The balanced scorecard is a conceptual framework for translating an organisation's strategic objectives into a set of performance indicators distributed among four perspectives: financial, customer, learning and growth, and business capabilities. This model is based on the premise that there should be a balance between financial and non-financial measures, lagging and leading indicators, and the short-term and long-term approaches of the entity for an organisation to succeed.

Employee Performance Apps

There are several performance appraisal systems that an organisation can use in measuring performance. As IPC, we have created an automated Balanced Scorecard implementation system called **PerformanceManager**, which assists an organisation in setting and measuring performance. **PerformanceManager** is a web-based (with desktop version) performance management system used to implement the balanced scorecard developed by the IT team and Performance Management champions at Industrial Psychology Consultants. The system encompasses all the features of the balanced scorecard management tool developed by David Norton and Robert Kaplan and has additional value-adding features.

Key features of the iPerform system:

1. Its multi-dimensionality - looks at performance from a holistic approach/ broad picture.
2. Simplicity - The BSC is well known for its simplicity with regards to comprehension and implementation
3. Integration - Its ability to promote the integration of a business unit with others.
4. Strategy implementation - Its ability to support the implementation of the strategy all through the organisation's hierarchical structure. It helps employees to align their efforts with the strategic directions of the enterprise.

Once an organisation has adopted a performance system, both employees and managers must be educated on how the system works to avoid unfairness and possible bias in assessment. Where there is clarity, performance management is likely to yield positive results in employee performance and organisational performance.

Tatenda Sayenda-Havire is a consultant at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm. Phone +263 4 481946-48/481950/2900276/2900966 or email: tatenda@ipiconsultants.com or visit our website at www.ipiconsultants.com

<https://thehumancapitalhub.com/articles/the-ultimate-guide-to-performance-appraisals>