

DESIGNING A PERFORMANCE APPRAISAL SYSTEM THAT WORKS

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INTRODUCTION:

People are our most important asset. One of the best Investments you can *make* is the work you do to help your people improve their knowledge, attitudes and skills. This is the management activity of developing people which is made up of three segments: performance appraisal, performance counseling and developmental activities.

Performance appraisal is the work managers do to arrive at comparative judgments of the performance and capabilities of people. This applies bath to appraisal of current performance and appraisal of potential for career advancement, Performance appraisal requires comparison of actual performance with standards and objectives and identification of the need for improvement; You complete the appraisal of each person's performance separately, then meet to reconcile and arrive at understanding and acceptance of the appraisal. The information secured from appraising current performance is an important input to the appraisal of career potential.

The second segment of developing people is performance counseling. This is the work managers perform to discuss with people the work they are doing and the results they have secured and to provide them with advice, help, and encouragement to Improve and advance. During the performance counseling session, you review the performance appraisal and discuss what can be done to maintain or improve performance.

The third segment of developing people is developmental activities. These are specific experiences designed to help people improve their knowledge, attitudes and skills. Developmental activities include training, educational programs and experiential opportunities which are tailored to fit the specific requirements of the individual. They way be offered by the organization or may be available from outside sources. They apply both to improving current performance and preparing for career advancement.

PROBLEMS IN APPRAISING PERFORMANCE

When you appraise people, your human tendency is to assume the role of Judge. You weigh the evidence, come to a conclusion, deliver a verdict and, often as not, sentence the Inadequate performer to hard labor at improvement. However people resent being judged and this attitude can only generate uneasiness and resistance. The most effective approach is to consider performance improvement as a shared problem, and the appraisal as a tool which helps you to work with your people so that they grow and advance in their careers.

The Halo Effect

Your assessment of performance may be biased by your tendency to base your overall impression of an Individual on one outstanding trait. This is called the halo effect. For example, if a person is a hard and conscientious worker a characteristic which you admire, you may let this outstanding trait color your impression of everything else.

Confusing the Work and the Person

You don't like to learn that you are not doing an adequate job; it makes you feel like an inadequate person. The fact, of course, is that less-than—admirable work performance does not make an individual a less-than-admirable person. Performance appraisal should focus on the work, not on the characteristics and traits of the people doing the work.

Confusing Appraisals with Other Work

Performance appraisal is sometimes confused with performance evaluation and the related work of salary review. It is important to know the differences.

Performance evaluation involves assessing performance compared to a plan for the purpose of controlling work. It is an activity of the controlling function.

Salary review is the assessment of performance to determine whether the Individual deserves an increase in salary. Compensation is a segment of the activity of motivating people. Performance appraisal is concerned with helping people to become more capable individuals, not with how much those people are paid. Performance appraisal and compensation are related, but since you cannot promise more money each time you tell people they are doing a good job, it is best to schedule salary reviews at different times of the year from performance appraisals. This does not minimize the value of performance appraisal in determining whether a person has earned a salary increase.

Confusing Managers with Technical Specialists

One of the persistent problem areas in any appraisal system is the tendency to evaluate managerial performance in the same way as the technical work of individual contributors. There is a significant difference.

The technical specialist does work that directly yields a result. The salesman makes the sale, the pilot guides the aircraft. We can evaluate the technical work performed and the results secured by directly measuring personal activity.

But managers do work that is visible largely in results obtained by others. If we are managers of managers, we must remember that if a unit consistently achieves its objectives, there is a strong probability that its manager has planned, organized, led, and controlled effectively. The best management is invisible, but the manager who innovates, who anticipates problems, who corrects mistakes, who guides the unit, is making others effective. That is the way that a manager's work should be appraised.

Management and technical responsibilities should be differentiated and evaluated separately.

Holding Managers Accountable Without Authority

A deficiency in performance is an observable fact if you compare actual to standard. But it may be that the manager, while accountable, actually had little command over what happened. A case in point is the department manager whose quality performance went down the drain because of a budget cutback, which prevented her from filling vacant positions. We can hold people accountable only for the work they have the authority to perform.

CONDITIONS FOR SUCCESSFUL APPRAISAL

The Allen approach is designed to avoid most of the pitfalls described above. It is based on the assumption that performance appraisal is most successful when the following conditions are satisfied

1. Work and results are measured by standards which are realistic, measurable and attainable and are modified when required to meet changing conditions.
2. People understand and accept the results they are expected to achieve and the work for which they are accountable and can evaluate their own performance on this basis.
3. Recognition that some areas of work defy quantification and efforts to define such areas may lead to frustration.
4. The major benefit of effective performance appraisal arises from the honest communication and negotiation which take place between boss and subordinate to identify and correct deficiencies in performance.

The appraisal form and rating scale, the self—appraisal approach and the technique for appraisal have all been designed to satisfy these conditions.

THE APPRAISAL FORM

The performance appraisal form is often used routinely; however, it can be a valuable management tool if its potential is understood.

Characteristics and Uses

The appraisal form we recommend has several attributes. It guides you in following a logical sequence so that you can complete the appraisals without wasting time, It contains the information you need to explain and justify your evaluation. The form will serve as a record of the agreements you reach with the person appraised and will provide a basis for later review and comparison. It is factual, fair and lends itself to self- appraisal.

The essence of control is to compare work and results that are actually done with the standards that measure them, The form requires you to do this systematically for each area of work and each objective which you have determined is critical to your overall success; in effect,, use of the form enables you to complete an audit of your own performance and that of your subordinates at periodic intervals.

The appraisal form encourages you to use the logical thinking process and to develop rational decisions in the vital areas of performance. Using the form, you identify significant deficiencies in performance; for each, you complete a needs analysis, which requires identification of real problems, the evaluation of alternatives and a definite plan to carry out the selected option.

Parts of the Performance Review/Appraisal Form

The form provides the following information

1. Notes on its use and the award of appraisal points and determination of performance categories.
2. Appraisal factors. These are based on the Critical Objectives of the position reviewed with associated appraisal codes to guide in the appraisal rating of each factor. Reference will be made to the position charter, action plans and other results/budget information to decide on the rating awarded.
3. Priority Rating (PR). In the form attached, this column is not used. However, if it is deemed desirable, this column can be used to differentiate the degree of importance of each appraisal factor, from 3 to 1) with 3 being the most important.

Providing for Self-Appraisal

Self- appraisal helps overcome much of the bias and disagreement that often mar the appraisal process. When people evaluate their own performance they review and analyze the critical factors and identify areas in which their own judgment often differs from that of their managers. The discussion and reconciliation that follow tend to bring more objectivity to the process. Self-appraisal is an excellent means for ensuring two-way communication and understanding

Modifying the Appraisal Form

You may wish to change the form to fit your own special requirements, However, since it represents many years of experience and the best thinking of a wide variety of organizations you may find it most effective to try it out first as it is. You can change titles as necessary to conform to your own terminology. In almost every case, you will find that the logic of the approach is appropriate to your own situation and that a few trials will enable you to make the adjustments necessary for continuing use.

THE PERFORMANCE APPRAISAL TECHNIQUE

The following steps outline the Allen approach. They provide for the important actions that will enable you to conduct productive appraisals for all of your people. The steps are sequential, each

reinforcing those already completed.

1. Establish work, objectives and standards.
2. Measure progress and results.
3. Assess performance.
4. Secure understanding and acceptance.

Step 1: Establish Work, Objectives and Standards

You need two types of objectives, work and standards: continuing and time-limited. Continuing objectives establish the overall purpose and define the most important results that must be accomplished to achieve that, purpose. Continuing work identifies the work that must be done to achieve the continuing objective. Specific objectives identify the time-limited and specific results necessary to achieve continuing objectives. They are also used to correct deficiencies that arise in working -toward continuing objectives and standards. In each case, standards provide evidence that the objectives are being achieved.

Objectives are found in most planning systems. In some cases they result from a combination of Management By Objectives (IMBO) and Strategic Planning. If you use the Allen Position Planning system you will have an integrated set of plans and the work necessary to achieve them, which greatly simplifies your task. Your position charter defines your long-term, continuing key work and key objectives and standards. Your action plan will provide short-term measurable plans which contain specific objectives and accompanying specific standards, together with programs, schedules and specific budgets.

Characteristics of Sound Standards.

Standards have particular significance because they measure both work and results. Useful standards have these characteristics:

- a. Standards should be measurable.
- b. Standards must be clear and concise.
- e. Standards must be realistic and attainable.
- d. Standards must state the basis of measurement.
- e. Standards must be flexible.
- f. Limits of tolerance should be stated where applicable.

Step 2: Measure Progress and Results

You need accurate records and timely reports which you can use to compare actual performance with the objectives, work and standards. For each standard, you will need at least one source of information. When possible, this measure should be identified in your standard, It is important for you and the people whose work and results you appraise to use the same records and reports as the basis for your judgments.

Step 3: Assess Performance

The most difficult step in appraisal is determining how well or poorly an individual is performing, We will look at the logic and some cautions in assessment, then outline a tested sequence you can follow with confidence.

The Logic of Assessing Performance.

There is often question as to the best place to begin and the rationale to follow when assessing performance. We know that key work objectives and standards identify and measure your continuing, long-range work and results, while action plans are developed to correct deficiencies and exploit opportunities that arise as you work toward your objective and standards. Thus how well you carry out your action plans is one of the best indicators of how effectively you are performing your key work, achieving your key objective and standards. For this reason, in appraising performance you first assess how well the action plans are accomplished, then use this information to help you evaluate your key work, key objectives and their standards. Since key objectives and standards measure the total effort, they summarize the other objectives and standards and are evaluated last.

Cautions in Assessing Performance.

You should be alert to two potential danger areas in assessing performance. We've already mentioned the attempt to add people up. There is also the reluctance to assess inadequate performance.

1. You can't add people up. Performance is not an entity. You cannot summarise it adequately with a single number, nor can you rank the effectiveness of people by ranking their appraisal scores. The objective of the appraisal process is not to arrive at numerical ratings, but rather, to use the ratings to identify the critical few performance deviations that give rise to most of the poor performance and to help people improve in these areas. Your objective is not to end up with a score or grade, but rather, with a list of significant actions that the person you are appraising is committed to undertake to improve performance. The score or grade is useful only to the extent it helps accomplish this.
2. Face up to below standard performance. Often we are reluctant to rate people below standard in fear of putting them down and demotivating them. However, behavioral research is consistent in finding that people are strongly motivated to improve when they know and agree with the objectives and standards within which they work, when these limits are firmly and fairly enforced, and when prompt and generous recognition and reward follow good performance. You are always in a stronger position when you level with people and discuss poor work frankly and openly, rather than ignoring or glossing over it.

The Value of Self-Assessment.

The most useful aid in assessing the performance of other people is to begin with their own assessment of their work and results. Invariably you will agree with a large part of this evaluation. Some of it will be revealing to you and will give you new insights into aspects of

your own responsibility. By capitalising on the positive values of agreement and coming to focus quickly on the few areas of difference, you can devote most time and energy to careful investigation and analysis of the critical few topics that have a significant Impact on overall performance.

The best way to encourage self-assessment is to ask the person you are appraising to complete a copy of the appraisal form at the same time as you do it and in advance of your meeting. Be sure that you agree on the standards and the measures for appraisal that are being used and that you both have copies of the same records and reports.

Step 4: Secure Understanding and Acceptance

The performance appraisal is valuable to the extent it motivates people to improve. This, in turn, depends upon the degree to which they understand the significance of the ratings and agree that they are valid. You secure this understanding and acceptance by scheduling a meeting after the appraisals have been completed. You and the person whose work you are appraising bring your copies of the appraisal form to the meeting. On your own copy you will enter the final ratings, together with comments and exceptions, including the ratings on which you cannot come to agreement. This data is made part of the personnel record.

APPRAISAL OF POTENTIAL

We like to believe that we can grow and broaden, using more of our existing skills and developing new ones. Unfortunately, this process often takes place haphazardly and, as a result, we fail to realize our potential and become frustrated and unhappy as a result. Appraisal of potential is the evaluation of an individual's capability for growing into large responsibilities, some people have a great deal of potential, some very little. Your purpose in appraising potential is to identify opportunities within the organization and to assess the capability of individuals to qualify for them. You will find that two key factors are most helpful in appraising the potential of your people.

The Past Predicts the Future

Many different methods are used to assess the ability of people to grow and to move ahead. Whatever specific approaches you use, you will discover that past performance is one of the best predictors of future potential. Unless some powerful new motivating factor is introduced, you can expect your people to grow and develop in the future following a pattern similar to that which held true in the past, if they have been eager to take on new challenges, if they have initiated changes and improvements and if they have responded eagerly to opportunities to learn, you can expect the same to hold true in the future.

It is also true that you, as the manager, can introduce new motivational factors that will inspire people to greater effort. If you show confidence in their abilities, express your concern and your desire to help, and take the time necessary to coach and counsel, you can help them to overcome problems and disadvantages and to reach higher levels of accomplishment.

Understanding Precedes Growth

People are most likely to work hard to improve their abilities when they have a realistic understanding of their own strengths and weaknesses, when they have clear-cut career objectives and know what they must do to achieve them. This understanding should include knowledge of the positions for which they might qualify in their career paths and what it takes to qualify for them.

Basic Steps in Appraising Potential

While many different approaches are used to appraise potential, the most successful ones follow these steps.

1. Determine What the Organization Requires.

You will use limited resources most effectively if you appraise people for specific career paths instead of growth in general. This means you must look ahead and, in terms of planned growth, retirements reorganization and other factors that pertain, determine what positions will become available.

2. Find Out What the Person Wants

As we all know, people tend to grow to fill the mental picture they have of themselves. It is important to help them make the mental picture full and challenging. It is also important to find out what it is that people want, because this is a sound indicator of what they will do. One person may be eager to qualify for a top management post; another, with similar qualifications and ability, may not want to make the effort or may not want the added responsibility and the stresses that come with it.

3. Determine Position Specifications

People qualify for specific jobs and, if they wish to be considered for them, they must have the education, experience and other qualifications needed. For this reason, specifications for each position should be readily available. Often these will be the same position specifications as are used in selecting people for these positions. There are regulations to the contrary, these specifications can be made available for review to individuals who want to build their skills and abilities so they can be ready for opportunities when they open.

4. Identify Developmental Opportunities

Almost always there are gaps between position requirements and the qualifications of individuals who want to be considered for jobs as they come open. People who are interested should be helped to appraise their own strengths and weaknesses and to identify gaps in experience, education or training. These assessments will be of greatest value in the counseling processes that follow. Generally it is best to put these career path assessments in writing. You can then review them and add notes of your own and, use them as a basis for career counseling.