



The Essential Performance Review Handbook

A Quick and Handy Resource for Any Manager or HR Professional

by Sharon Armstrong
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Take-Aways

- Managers and employees alike often view performance reviews as unpleasant, but your appraisals don't have to be nasty ordeals.
- The performance evaluation can be a valuable tool for increasing productivity and helping a company reach its goals.
- This review should be part of an ongoing discussion; it should not be a one-time event.
- Adequately prepare for this discussion. Improvising sends a message that you don't value an employee's contributions.
- Try to keep compensation matters separate from the appraisal conversation.
- Ensure that your firm's remuneration and evaluation policies are clear from the outset.
- Avoid common appraisal errors, such as weighing recent accomplishments too heavily or allowing personal biases to skew your evaluation.
- Proper documentation and fair conduct can help preclude discrimination lawsuits.
- Performance review methods must take account of changing work procedures, such as telecommuting and job sharing.
- Different generations in the workplace expect different evaluation approaches.

Rating (10 is best)

Overall
8

Applicability
9

Innovation
6

Style
8

Relevance

What You Will Learn

In this Abstract, you will learn: 1) Why the performance review can be a valuable tool for managers and 2) How to give an effective performance evaluation.

Recommendation

Ah, the dreaded performance review: You and your employee feel uncomfortable. Together, you either inadequately address issues that really matter or just mechanically fill out and sign appraisal forms. You both leave the meeting dissatisfied. If this describes the way you conduct employee evaluations, take heart: It doesn't have to be like that. In fact, if you handle the performance review process properly, it can make you and your staff happier, increase productivity and keep your most talented people from looking elsewhere. Human resources consultant Sharon Armstrong provides a practical guide, complete with helpful checklists and sample documents. *getAbstract* believes that managers who suffer performance-review anxiety just need to follow Armstrong's deft advice and soon they'll look at employee evaluations as productive, effective tools for reaching company goals.

Abstract

An Empty Exercise?

Supervisors and employees agree on one thing: The performance review can be an anxiety-riddled event. Bosses view it as a painful process, especially since they never have a moment to prepare for it. Subordinates assume it's an empty ritual that precludes meaningful discussion. But it doesn't have to be that way. In fact, the performance review can be one of the most valuable tools a manager has to improve productivity and help the company reach its goals. Managers need to avoid common pitfalls and craft new approaches to employee appraisals.

Get Ready, Get Set, Appraise

If you're a manager, you cannot improvise a performance review. You must set aside time to prepare. First, understand "who you are evaluating, what you are evaluating, and why your appraisal is geared in one direction or another." Then use these tips to ensure that you're ready:

- **Make it a continuing conversation** – The review shouldn't be just an annual event. Get to know your staff, and have informal exchanges during the course of the year.
- **Be respectful and assure confidentiality** – Proper preparation shows that the review matters. A scattershot approach is insulting to the employee. Keep discussions private.
- **Avoid being judgmental** – Use ongoing short reviews to assuage false first impressions. You never know someone completely.
- **Express yourself plainly** – Be specific and back up your observations with evidence.
- **Know the job** – Have a correct, updated job description on hand, and use it.
- **Keep regular records** – Assessing employees' performance is much easier if you consistently log how they're doing through the year, rather than trying to recreate it for a one-time meeting.
- **Be clear on the firm's objectives** – Use them to assess every staffer's performance.

"Every performance appraisal that fails to motivate – or worse, demoralizes – is a lost opportunity for both the employee and the employer."

"Winging a performance review isn't the answer."

"Angst comes when the performance review is the single time, or just one of few times, that supervisors and employees sit down together during the year."

"Organizations invest millions in fostering motivated employees and many millions more to keep that motivation alive. Yet the performance appraisal is too seldom valued as a vital element of performance management."

"If you're a supervisor headed into appraisal discussions, it's useful to remember that your best assets on the job go home at night."

"While shared feelings are the building blocks of a relationship, the most difficult part of communication may be that sharing itself."

- **Adhere to the "ground rules"** – Both you and the employee should know how you'll conduct the review before it happens.
- **Talk about pay later** – Avoid discussing salary and raises during the appraisal meeting. That may be difficult, but, ideally, you should talk about remuneration another time.

Employees also should prepare for their reviews. Urge your workers to ask themselves what they've done on the job, what new things they've learned and what alliances they've formed to help them accomplish their tasks. Both parties should take responsibility for the appraisal, be truthful in their assessments and listen carefully to each other. Regular recognition of one another's successes and support helps ease the process.

Reviews That Work

Well-executed reviews build employees' motivation – that which drives them to excel. Being recognized for a job well done is a powerful motivator. Other strong incentives include realistic but stimulating goals, a pleasant working atmosphere and good communication. Begin the review on a positive note. To encourage discussion, start with "open-ended questions," such as "How do you think things have been going?" "Is there anything...you wish you'd done differently this year?" Catalog your employee's achievements, and listen closely to what he or she has to say. Address specific problems in detail; don't make vague statements like "You are often late." Be precise and set measurable objectives when discussing goals for the coming year. Managers often use one of these three kinds of performance review systems:

1. **The "Adjective Rating Scale "** – This indicates whether the employee exceeds expectations or falls short in terms of certain job requirements.
2. **The "Checklist Appraisal"** – This asks the manager to characterize the employee's behavior using yes or no answers.
3. **The "Forced Choice Appraisal"** – This requires the boss to choose among specific statements, deciding which statement "best describes" the subordinate.

A performance review will succeed if the manager and the employee understand the company's "core purpose," which should be "integrated through all aspects of work." How well the employee fulfills a firm's bedrock mission provides a basis for recognition. The "Management by Objective" (MBO) methodology links employees' actions to the organization's objectives. To use MBO, ask your employee to develop a list of goals. With your staffer, weigh those targets in relation to the company's purpose, and tweak them if necessary. Periodically meet to discuss whether the employee is accomplishing the agreed-upon goals.

Pay Is Just One Reward

Compensation is only one part of the performance review process. A "total rewards package" includes "direct monetary rewards," such as salary; "indirect monetary payments" like health and welfare benefits or other perks; and "psychological satisfactions," such as the chance to do significant work. Employers can offer either "entitlement" pay, with increases based on tenure and the cost of living, or "performance-based" pay, which recognizes employee achievements.

Make sure that staffers understand your firm's performance appraisal salary system up front. Employees should know whether you're rewarding them based on an entitlement or on performance, how their job description factors in, and whether they're paid according

“The performance appraisal, as a mainstreamed asset, can help drive the entire organization toward a shared vision that reflects proudly on everyone in the organization.”

“Pay has substantive and symbolic components. In signaling what and who in the organization is valued, pay both reflects and determines the organization’s culture.”

“Performance appraisals are a human process – conceived, developed and administered by people. No evaluation comes with a flaw-free guarantee.”

“Feedback must be treated as information, not as a value judgment.”

to their skills, their advancement through the ranks or their educational progress. Help your workers understand the value of their benefits. Be very detailed in your discussions; don’t just say, “I’m going to get you the most I can.” If your company uses a performance-based pay system, it may include one or more of the following:

- **“Base pay”** – Output and productivity don’t change this set form of compensation.
- **“Skill-based pay”** – The firm determines salary according to job requirements.
- **“Variable pay”** – Employees receive bonuses for completing specific projects well.
- **“Piece-rate pay”** – The firm pays according to how many units a worker produces.
- **“Gainsharing”** – The employer rewards those responsible for companywide profits.
- **“Broadbanding”** – This system recognizes employees who want to move sideways and not just up the corporate ladder, such as those who want to scale back their duties for the sake of work-life balance.

Managers Make Mistakes

Despite training and preparation, managers can err in forming the judgments behind performance ratings or in deciding what note on their reports. Avoid these mistakes:

- **The “halo effect”** – You allow a worker’s one top attribute to color your entire review.
- **The “horns effect”** – You let one disagreeable quality influence your opinion.
- **The “sunflower effect”** – You give your team good scores because average or negative scores could make you look bad.
- **The “leniency or harshness error”** – Some managers lean toward always being too tolerant or too severe in their appraisals.
- **The “central tendency error”** – In order to appear unbiased, you give everyone middling scores.
- **The “sugar-coating error”** – You don’t document the full scope of the concerns you raise in a one-on-one meeting.
- **The “recency of events error”** – You only consider a staffer’s latest accomplishment or failure rather than a full year’s performance.
- **The “critical incidents effect”** – You take isolated instances into account, evaluating a person, good or bad, no matter when it occurred during the year.
- **The “contrast effect”** – You determine your ranking of one worker based on another worker’s performance.
- **The “personal bias error”** – You give good scores to someone who is like you.
- **The “low motivation error”** – You don’t honestly evaluate employees if, for example, their bonuses depend on their reviews.
- **The “past anchoring error”** – You grade workers based on previous ratings rather than on current conduct.
- **The “sampling error”** – You don’t gauge the full range of a person’s performance.
- **The “varying standards error”** – You score workers inconsistently and according to unequal benchmarks.
- **The “holding employees accountable when it’s not their fault” error** – Don’t expect staffers to perform to standards of which they’re not informed.
- **The “attribution bias” error** – You ascribe workers’ good results to factors outside their control but blame them for any poor results.

“Derailed appraisals can indicate a struggle to say what we mean.”

“Staying out of legal trouble means rating employees equitably, based on their skills and abilities.”

“Almost everything an organization does tells its employees how much they count. For employees to feel valued, they must be valued.”

“More than 2,000 years ago, Aristotle observed that if communication is to change behavior, it must be grounded in the desires and interests of those who receive it. Since 350 BC, there have been no major changes to that central idea.”

To lessen the chance of errors, ensure that managers get proper training in conducting evaluations and that your firm has a fair grievance system. If a review goes awry, let your employee speak his or her mind, and listen closely. Don't harangue the staffer; instead, “engage in a dialogue,” especially if he or she is angry or, conversely, “too quiet.” Ask long-time, “settled-in” workers open-ended questions to evoke honest feedback.

If an evaluation leads to a legal dispute, you want to be able to justify your reviews. That means you must maintain careful documentation so you can prove your consistent objectivity. It is illegal in the US to discriminate against workers on the basis of their “race, color, age, sex, religion, national origin, pregnancy or disability.” Stay current with your state or regional employment laws. Don't give unduly glowing reviews, because that could compromise a future need to eliminate staff positions. In the US, employees who bring legal action based on discrimination must show: 1) that they are members of “a protected class,” 2) that you have inflicted an “adverse employment action” on them, and 3) that you have dealt with them differently than you have others who aren't in their protected class. An unflattering review is not necessarily an adverse action, but if the employee can show that the negative evaluation led to a specific “significant change in employment status,” such as a demotion or dismissal, a court may find that to be a reason to prosecute your firm.

The Waves of the Future

The business world is changing, and performance reviews need to keep pace. Clearly communicating and providing updated training on review processes will always matter, but new ways of working require adaptive review methods. Such changes include:

- **“Flextime”** – Employees who vary their work schedules need to collaborate closely with their managers to set rules and intervals for evaluation.
- **“Telecommuting”** – Ensure that all the requirements and objectives of employees who work at remote locations are clear from the beginning.
- **“Job-sharing”** – Assess two staffers who do one job as if they were each part-timers.
- **“Team performance appraisals”** – Evaluate the full group's accomplishments as well as the achievements of each individual member.
- **“Multiple supervisors”** – If you work in a matrix-managed organization, assign a “primary supervisor” to handle staff evaluations, with input from other managers.
- **“Upward appraisals”** – Consider having your staffers rate your performance.
- **“360-degree feedback”** – Obtain evaluations from supervisors, subordinates, customers and vendors.
- **“Automated appraisals”** – Use technology to facilitate the review process.

Remember that different generations of workers have different expectations. Baby boomers “want to problem-solve” and can help refine the appraisal process. Because of their “achievement orientation,” Generation Xers seek new opportunities to upgrade their abilities. Generation Yers eschew rigidity and are eager to share their ideas. The bottom line: Know your workers and speak to them in a language they'll understand.

About the Author

Sharon Armstrong co-wrote *Stress-Free Performance Appraisals*.