Why we STILL do performance appraisals

This whitepaper reviews why performance appraisals aren’t going away anytime soon and how organizations can make a few small tweaks to transform this dreaded point-in-time event into a strategic and effective ongoing process.
Why do we (still) do performance appraisals?

Performance appraisals are the least loved process in HR. In fact, HR guru Ed Lawler says that if we don’t do performance appraisals well, then we are better off not doing them at all.

So why do we still do them? We get a hint from a small California biotech firm. They were young, fast-paced and modern so they felt that they didn’t need old-fashioned appraisals. They asked managers to just manage performance on the fly without a formal process. What happened? The young, modern workforce started asking for appraisals. It seems that we don’t like living with performance appraisals, but we can’t live without them.

As HR leaders, we need to do two things:

- We need to be able to articulate why, despite the headaches, it makes sense to do performance appraisals.
- We need to be able to improve the process so as to minimize the headaches and maximize the positive aspects.

Neither is easy, but both are possible, and the means for doing so are fairly clear.

Articulating the reasons for performance appraisals

HR professionals know the reasons for performance appraisals and yet those reasons are still difficult to articulate in a truly convincing way. In other words, if an unhappy manager approaches you to complain about the appraisal process, and then you explain the reasons, they won’t walk away fully convinced and smiling.
It is difficult to articulate a defense for performance appraisals because, somewhat ironically, the process has many different purposes. The most important purposes are:

<table>
<thead>
<tr>
<th>Planning</th>
<th>setting individual goals that are aligned with corporate goals</th>
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<tbody>
<tr>
<td>Pay for performance</td>
<td>providing a fair and valid method for allocating rewards and making compensation decisions</td>
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<tr>
<td>Feedback</td>
<td>letting employees know how well they are doing</td>
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<tr>
<td>Development &amp; career planning</td>
<td>letting employees know what lies ahead and how they can improve, and creating a plan for their improvement</td>
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<tr>
<td>Identifying high potentials</td>
<td>helping to decide who will be promoted or who will be put in a program for high potentials</td>
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<tr>
<td>Data to defend dismissal</td>
<td>if an employee is to be fired, we need a solid paper trail to demonstrate that they were not performing</td>
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We already have six reasons and HR leaders can probably think of a few more. All these reasons are valid; however, we all know that a fundamental principle of effective communication is to keep it simple and focused. Giving managers all six reasons will just confuse the issue. HR needs to focus on just one or two reasons.

**Which reasons should you focus on?**

Another principle of communication is to target the reason to your audience. A manager who has recently had to dismiss someone may appreciate the need to have the data to defend that dismissal. A manager who believes in pay for performance will accept that as sufficient reason for the process.
Knowing the audience, and what matters most to them, will make it far easier to respond to managers who are unhappy about performance appraisal.

If you are communicating to a wider audience, then you need to pick the message that will generate the best emotional resonance. That won’t involve discussing how the process helps HR defend dismissals. The most positive and universally applicable reason for performance appraisals is that, at least once a year, employees need to have a formal sit-down with their boss to have a good conversation about how they are doing and discuss what lies ahead. As it turns out, this was the main reason the employees at the biotech firm asked for a formal process—they wanted formal feedback. Everyone can buy into this, and it will shift the focus from “Should we do this at all?” to “How can we do this better?”

**Action item:** When explaining the reasons for having a performance appraisal process, focus on one or two reasons that are most relevant to the audience you are trying to convince.

**Understanding the two biggest pain points**

Just as we can list a good number of reasons why performance management is needed, we can also list a number of reasons why some managers find it painful. However, it would be best to focus on just a couple of the biggest pain points. Address those pain points and both managers and employees will be much happier.
The two biggest pain points are:

1. **It can be unpleasant to rate someone.** Performance appraisals will always have their share of bad news. Obviously, no one likes to be told that they are a poor performer, but even fully competent performers can be disappointed to hear that they are average, and stars who get the top rating and biggest raises may still complain that the biggest raises are still not big enough. No wonder performance conversations can sometimes be unpleasant.

2. **It can take too much time.** The single most important business concern is that performance appraisals take too much time. Managers are not as concerned with the time spent in face-to-face meetings; it’s that some managers spend an enormous amount of time preparing for the meeting—far more time than HR may like to admit or their bosses may be aware of.

If you keep a laser focus on these two deep issues, and don’t get distracted by less important issues, then you are much more likely to overcome the problems. We will talk about how to address those pain points. However, we cannot have that discussion without first explaining why performance management technology is such an important part of the solution.

**Action item:** Be clear about which pain points are most important and focus on them.

**Why performance management technology matters**

Organizations that have implemented performance management technology routinely share metrics such as, “**We went from 25% on-time submission on appraisals to 95%.”** Simply getting the appraisals in on time may not seem like a lofty goal; however, this metric proves that, without technology, performance management often simply does not work. With manual systems, many companies have
not even reached the stage of asking, “How do we do it well?”, as they are struggling to just get it done at all.

Technology has such a significant impact because it puts all the information a manager needs right in front of them. For example, a manager will need to know the employee’s goals, their performance against those goals, possibly 360-degree feedback and compensation data. The system takes care of all that, as well as the basic math of making sure that they stay within policy on ratings given or compensation awarded.

Another benefit comes from getting rid of most of the administrative burden that paper- or spreadsheet-based systems put on HR. Without technology, HR drowns in administration and is unable to help managers improve the process.

However, the most profound effect of technology is that it can turn performance management into an ongoing process. It does this by making it easy for employees and managers to share and record relevant performance information on an ongoing basis, and by providing reminders that ensure managers regularly check in with employees. Most importantly, approaching appraisals as an ongoing process as opposed to a once-a-year event means that organizations are allowing employees and managers to engage in ongoing goal management and updates. Goals are dynamic and not meant to be set and forgotten until 12 months later when their relevance is likely non-existent. In order for employees to work towards timely and realistic goals, they need to be able to update on an ongoing basis. This ongoing data capture doesn’t just mean that there is better information at the year-end review; it is, as we shall see, the basis for taking the bad news out of the year-end conversation.

**Action item:** Is your talent management software effective? If not, start studying options.
How to take the “bad news” out of performance appraisals

There is simply no way to escape the fact that a frank discussion of performance is bound to have at least some unpleasant elements. Techniques like sandwiching a piece of bad news between two pieces of praise don’t hurt, but they don’t remove the problem either. **Managers have to accept that giving employees realistic feedback is an essential part of their job.**

However, on a more optimistic note, there is one very powerful technique for minimizing the pain of bad news: make sure that there are no surprises. Employees should never walk into the appraisal discussion without a pretty good idea of how they rate and the compensation implications. Appraisal meetings are where you formalize the rating, not where you spring it on an employee.

This technique is so crucial that it bears repeating. There should be no surprises. If a manager goes into the meeting to prepare a defense for a low rating, then they will spend many miserable hours pondering how to break the news. If the person knows in advance generally where they stand, then this formal aspect of the appraisal meeting can be dealt with quickly and the conversation can move on to more positive topics.

One of the reasons many managers do so badly on the “no surprises” strategy is that they, quite rightly, like to give mainly positive feedback. This means that after an employee makes a decent presentation, they say “Good job,” not “Average job.” Managers need to make a clear distinction between day-to-day feedback, which will be mostly positive, and being clear about how an employee is doing relative to the formal appraisal system—these are two different processes with two different purposes. If managers take just a few minutes each week to check in with each employee, and balance encouragement with realism, then they will find that most of the difficulty disappears from the formal year-end appraisal meetings.
These meetings also provide what employees most want from performance management: they want their boss to know what they are doing, and they want them to provide encouragement, praise and assistance. This ongoing communication cannot be replaced by a once a year meeting.

If managers succeed in this critical “no surprises” tactic, then they will find the rest of the meeting transformed. They can and should quickly get past the formalities of the rating and compensation implications and move on to a much more pleasant conversation with the employee about their future and how to improve their skills.

A second useful tactic is asking the employee to rate themselves on the same form the manager is using. Managers who have had ongoing conversations will be pleasantly surprised about how accurate those ratings are, and where the ratings agree there won’t be a need to have a difficult conversation.

The final key tactic for taking the bad news out of performance appraisal is to employ Marshall Goldsmith’s technique of using “feedforward” instead of feedback. If managers start rehashing all that has happened in the past year, they invite defensiveness—not to mention that the employee can’t do anything about what happened in the past. Feedforward focuses on what you want the employee to do in the year ahead; it is a focus on how they can do better, not what they have done wrong.

These three tactics—“no surprises,” employee self-ratings prior to the discussion and “feedforward” instead of feedback—can take most out of the bad news out of performance appraisal discussions and hence resolve one of the biggest pain points.
Action items:

- Teach your managers the “no surprises” strategy and provide the technology to make ongoing communication about performance easier with regular updates (sometimes called “performance journaling”) and reminders to have the necessary conversations.
- Encourage employees to do a self-rating to ease the pressure on the manager.
- Train your managers to use “feedforward” instead of feedback to get the conversation focused on the positive things an employee can change, not the past that they cannot change.

How to reduce the time it takes to do performance appraisals

Why do managers take so much time to do performance appraisals? Here are two main time wasters:

1. **Agonizing over what to say.** Managers waste endless unpleasant hours worrying about what they will say and what the employee may say back. For example, if the manager is thinking of saying, “I’ve heard you are too hard on your staff,” they worry that their employee will snap back by saying, “Who told you that?” Or if they say, “You haven’t delivered projects on time,” then the employee may fire back by saying, “Give me two examples... and that last project doesn’t count because it wasn’t my fault.”

2. **Struggling with the forms and processes.** Sometimes there is simply a lot of paperwork in filling in forms and gathering relevant documents. Forms are also difficult to fill in because they don’t quite match a particular job and you end up with an unnecessarily time-consuming process.
We can address both of these problems. In fact, if we take seriously the action items in the previous sections, then we will have already largely solved the first problem of managers agonizing over what to say. If there are no surprises, then the manager will know how the conversation is likely to unfold and does not have to spend nearly so much time worrying about what they will say.

The second problem has two types of solutions. One is technology, and there is no question that online systems can make it much easier for managers to simply get through the administrative side of gathering the data and filling in the forms.

The other solution is a little more subtle and it involves creating a process and forms that are easy to complete. Here’s why it can be difficult to create an easy-to-use process: managers might correctly point out the problem areas in your current forms but suggest the wrong solution. For example, they might suggest that a rating scale needs more explanation when in fact more detail would only confuse matters. Take the time to understand the underlying reasons why a manager is struggling with some part of the process and then take care in developing a solution. Carefully test any solutions to ensure that they really do address the underlying problem—and remember the solution may be in changing the form, the process, the training or the technology.

Action items:

- Teach managers that the time they spend rehearsing what they say can be largely avoided if they embrace ongoing conversations and the “no surprises” principle.
- Study where managers are struggling with the performance appraisal process and be careful in how you address those problem areas; test proposed solutions before implementing them.
Conclusion: It’s all good news

Performance management is going to continue in most organizations. Employees ask for it, some industries are bound by governing bodies and law to execute it, and as we just reviewed in this paper, if done properly, organizations can benefit from it.

The good news is that:

- We can communicate why it matters much more convincingly if we focus on just one or two reasons most relevant to our audience.

- Technology makes the process *much* better; while technology is never the whole solution to any management problem, performance management systems can take a process that simply isn’t working and provide the foundation for an effective solution.

- We can solve the worst pain points by intently focusing on how to reduce the time managers have to spend, and by teaching managers two principles: “no surprises” and “feedforward.”

We hope you enjoyed this whitepaper!

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Resources:

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"Not only can employees access their historical data, but they can enter information throughout the year to make the appraisal process easier and more efficient."

➤ See how the Federation of Canadian Municipalities made performance appraisal easier

**Why Technology Helps: Case Study**

"Human resources spent a great deal of time following up with employees and managers regarding the status of their evaluations. Additionally, the amount of paperwork that was being generated was staggering. In fact, the evaluation cycle was experiencing delays in the neighborhood of three to four months."

➤ See how PacificSource Health Plans solved this paperwork nightmare

**Article: 7 Benefits of Year-Round Performance Management**

Modern organizations are re-thinking the once-a-year approach to performance appraisals. Employees show higher levels of engagement when feedback and coaching take place on a regular, informal, continuous basis throughout the year.

➤ Explore 7 Benefits of Year-Round Performance Management
Ongoing Performance Management Made Easy

See how emPerform’s award-winning software can help you simplify performance appraisals and transform them into an effective, ongoing performance management process.

With helpful features like status dashboards, manager writing assistant tools, and tag for year-round feedback and journaling, emPerform makes it easy to