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Effective performance reviews

Moving beyond 'gotcha'

Question:

With the fourth quarter right around the corner, we're heading into my performance review time. It's the part of being a manager that I like the least. What can I do to have more effective performance reviews, both for my employees and me?

Answer:

In all the years that I've been writing for BizTimes Milwaukee, this is undoubtedly the most frequent inquiry that I receive. Why is it that performance appraisal seems to correspond so often with moans and groans from all involved parties? My sense is because they often are not done very well.

Too often, it seems, performance appraisal is a lot of paper shuffling that is supposed to have some relationship to compensation adjustments. But, in that scenario the emphasis is on the money, not the feedback. In this column, I'll discuss how to beef up the feedback aspect of the performance review in order to turn a stale process into a dynamic performance management tool.

Let's start with an operational definition of performance appraisal that might go something like this, "A standardized process that measures employee performance in comparison to certain predetermined standards." Extending the definition just a bit, let me observe that there are two components of effective appraisal systems: (1) an evaluative component that measures employee performance for monitoring purposes and (2) a developmental component that employees and managers can use performance feedback to improve performance.

In terms of its evaluative properties, an appraisal system must be valid and reliable. When it is, performance appraisal information can be confidently used for decision making relative to raises, promotions, dismissals, etc. When a performance appraisal system has a sound developmental component, it can be used as the basis for a host of activities, including training, career pathing, performance coaching, etc. In this way, an effective appraisal looks both back (i.e., evaluative component) and ahead (i.e., developmental component).

Of course, the key is to have good data. Making judgments about an employee's performance is never easy. While objective data (e.g., attendance, tardiness, productivity figures, sales results, etc.) are clear-cut, many appraisal systems use subjective criteria (e.g., behavioral criteria such as innovation, cooperation, leadership, initiative, etc.). These criteria are tougher to evaluate and often result in rating errors. Some of the most common rating errors include:

- » **Halo error:** Taking one positive aspect of performance and generalizing it to all aspects of performance.
- » **Pitchfork error:** Taking one negative aspect of performance and generaliz-

ing it to all aspects of performance.

- » **Reliability error:** Some managers have higher standards for employees than other managers.
- » **Leniency error:** Being too hard or too easy on employees.
- » **Recency error:** Basing ratings on an employee's most recent performance without considering his or her performance throughout the entire appraisal period
- » **Inadequate information error:** Rating employees without knowing enough about their performance to do so accurately.
- » **Situational constraints:** Raters often fail to take into account obstacles that prevent employees from performing their jobs successfully.

For the evaluative component of the appraisal to work well, raters must be aware of these biases and strive to minimize them. Use of more than one rater (i.e., multi-perspective feedback) can also be helpful along these lines.

But, the evaluation component is only one-half of the process. As I pointed out earlier, the developmental component is the other aspect of an effective performance appraisal system. It is the one component that is most often missing. It is the aspect of the appraisal that says, in essence, "Where are we going? How will we get there? How will we know if we've arrived?"

Let's face it, in these competitive times, maximizing individual, team, and or-

ganizational performance is a necessity. Development-oriented performance is a way to encourage performance effectiveness at the individual level. Developing your workforce helps you to increase your competitive position in the marketplace. Cast in that light, the appraisal interview is where much of the individual developmental work can be done.

There is an accumulating body of evidence to support my last few comments. Developmental interactions with employees are very powerful tools in the manager's tool kit. The presence (or absence) of such interactions has powerful consequences for the organization, as the following Gallup-derived findings demonstrate:

- » The number one reason people leave their jobs is that they don't feel appreciated.
- » More than 90 percent of people say they are more productive when they're around positive people.
- » 65 percent of American workers report receiving no recognition in the workplace last year.
- » The ratio of positive to negative interactions is critical. The "magic

ratio" is 5:1. Less than 3:1 is too little. Greater than 13:1 is too much.

I hope these citations were-attention getting. I hope they make you think about the great impact you can have when you make a commitment to move your appraisal system beyond "gotcha." Remember, a foundational principle of enabling peak performance at the individual level is to capitalize on an employee's strengths while simultaneously working to make their deficits/weak areas irrelevant.

So, what are the elements of a great performance appraisal system? Here are some observations:

Great performance appraisals...

- » Give employees advance notice to prepare.
- » Allow sufficient time for the interview.
- » Present documentation with specific examples of job performance.
- » Focus on the observed behaviors.

Great performance appraisers...

- » Actively listen to employees and try to

see things from their point of view.

- » Give feedback filled with specific examples.
- » Make sure employees understand performance problems and their relative importance.
- » Form a plan for improvement and set goals.
- » Establish a timeline for goal attainment.
- » Establish specific standards against which their performance will be rated.

In summary, I hope you'll find that by incorporating a developmental component in your appraisal system you can look forward to the fourth quarter with more enthusiasm. Beyond that, I think you'll find that by doing so, performance management will become a year-round activity, one that pays dividends to the employee and the organization. ■

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