Solutions for top 50 Problems people face with performance appraisals

Lessons learnt from Experience

Synergita
software for the people

This eBook is based on the blog by Dr John Sullivan on top 50 problems people face with performance appraisals, available at http://drjohnsullivan.com/performance-appraisal-the-most-dreaded-hr-process-a-list-of-the-top-50-problems/

We thank Dr John Sullivan for allowing us to use his blog as the basis for this eBook. We sincerely hope that this eBook will help HR practitioners across the world in their talent management journey.

About Dr John Sullivan

Dr John Sullivan has been a professor of management for over 26 years at San Francisco State University. His specialty is HR strategy and designing world class HR systems and tools for Fortune 200 firms. He has worked with over 200 different businesses and organizations in more than 30 countries around the world as a speaker or advisor.

Dr John Sullivan has not reviewed / endorsed / recommended this eBook or Synergita software in any manner. He is also not associated with us in any formal capacity.

Dr John Sullivan has given permission to Synergita team for using his blog as the basis for this eBook.

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Reproducing a blog by Dr John Sullivan on top 50 problems people face with performance appraisals

http://drjohnsullivan.com/performance-appraisal-the-most-dreaded-hr-process-a-list-of-the-top-50-problems/

"(Some) 90 percent of performance appraisal processes are inadequate." – ***Salary.com survey***

In conversations with HR leaders and employees, the talent management process that suffers from the most disdain around the world is the performance appraisal. It's one of the few processes that even the owners of the process dread.

If everyone hates it, but it still gets done nearly everywhere, you might assume some government regulation requires it, but in this case there is no such regulation. The only legal justification pertains to showing just cause for termination and other disciplinary action.

While that is the justification used, no matter how strong their design, most performance appraisals are executed so poorly that they may actually harm a legal case. (A major labor law firm found that among a random sample of performance appraisals conducted in a retail environment, a majority would damage the employer's case versus support it.)

Most ignore the shortcomings of performance appraisals and suffer through it, but that's hard to do once you realize how incredibly expensive the process is. In 1996, Frederick Nickols estimated the cost at just under $2,000 per employee. My estimate, which includes a managers preparation time, employee time, HR processing time, opportunity costs, and advances in technology, still puts the process cost at over $2,500 per employee per year. If you choose to take on the challenge of revising your performance appraisal process, the first step is to fully understand the potential problems associated with it.

Here are the Top 50 problems with performance appraisals (grouped into six categories):

1.1 Most Serious Performance Appraisal Problems

1. **Don't assess actual performance** — most of the assessment that managers complete focuses on "the person," including characterizations of their personal "traits" (i.e. commitment), knowledge (i.e. technical knowledge) or behaviors (i.e. attendance). While these factors may contribute to performance, they are not measures of actual output. If you want to assess the person, call it "person appraisal." Performance is output quality, volume, dollar value, and responsiveness.

2. **Infrequent feedback** – if the primary goal of the process is to identify and resolve performance issues, executing the process annually is silly. A quality assessment/control program anywhere else in the business would operate in real time. At the very minimum, formal feedback needs to be given quarterly, like the GE process.

3. **Non-data-based assessment —** most processes rely 100% on the memory of those completing the assessment because pre-populating the forms with data to inform decisions would be too difficult (cynicism). In addition, most assessment criteria are "fuzzy" and subjective.

4. **Lack of effectiveness metrics —** many accept that the goals of the process are to recognize results, provide feedback to address weaknesses, determine training needs, and to identify poor performers. Unfortunately, rarely do process owners ever measure their processes' contribution to attaining any of these goals. Instead, the most common measure relating to performance appraisal is the percentage completed.

5. **Lack of accountability –** managers are not measured or held accountable for providing accurate feedback. While they may be chastised for completing them late, there is no penalty for doing a half-assessed job or making mistakes on them, which is incredibly common. One firm attempting to remove a troublesome employee found that the manager had rated the individual the highest within the department and awarded them employee of the year.

1.2 Process related problems

6. **Disconnected from rewards —** in too many organizations, getting a merit raise, bonus, or promotion is completely disconnected from an employee's performance appraisal scores. When there is a weak link, employees and managers are not likely to take the process seriously.

7. **No integration —** the process is not fully integrated with compensation, performance management, development, or staffing (internal movement). A lack of integration and coordination leads to duplication and missed opportunity.

8. **Individual scores exceed team performance –** without controls, quite often the average score of team members exceeds the actual performance of the team (i.e. the team reached 80 percent of its goals but the average performance appraisal for its members was 95 percent).

9. **Each year stands alone –** each performance appraisal by definition covers a finite period of time. However, if the goal is to assess potential and identify patterns, an employee's performance must be assessed over multiple years.

10. **No comprehensive team assessment -** although individuals on the team are assessed, there is no simultaneous overall assessment of the team. Often contingent workers on the team are not addressed at all.

11. **A focus on the squeaky wheel –** most performance appraisal systems focus on weak performers. There is significantly less focus on top performers and thus there is no system to capture their best practices and then to share them with others.

12. **Little legal support** – performance appraisals may be an executive's worst enemy in grievances and legal proceedings. Even though the process may be flawless, poor execution by managers often results in performance appraisals that do not aid in a disciplinary action. Errors may include "unfettered discretion," improper handwritten notes, generalizations about race, gender, or age, and appraisals that do not match the performance data. At my university, a study demonstrated that while Asians got the highest performance score, they somehow managed to get the lowest average pay raise. When the HR director was confronted, he was furious that anyone would calculate and expose the obvious discrimination.

13. **No second review –** even though the process may have impacts on salary, job security, and promotion, in many firms the assessment is done by a single manager. If there is a second review, it may be cursory, and therefore not ensure accuracy or fairness.

14. **Not reliable or valid –** most process managers do not regularly demonstrate with metrics that the process is consistently repeatable (reliable) and that it accurately assesses performance (valid).

15. **Cross-comparisons are not required –** one of the goals of the process is often to compare the performance of employees in the same job. Unfortunately, most appraisal processes (with the exception of forced ranking) do not require managers to do a side-

by-side comparison, comparing each member of the team with one another.

16. **Assessments are kept secret –** although a salesperson's performance ranking may be posted on a wall, performance appraisals are often kept secret. An overemphasis on privacy concerns might allow managers to play favorites, to discriminate, and to be extremely subjective. Keeping ratings secret allows managers to avoid open conversations about equity.

17. **Process manager is not powerful –** often the process is managed by lower-level HR administrators without a complete understanding of performance and productivity.

18. **No process goals –** the overall process operates without clear and measurable goals, and as a result there is little focus.

19. **Not global –** most processes and forms are "headquarters centric," failing to address cultural, language, and legal differences.

20. **Forced ranking issues –** although forced ranking has some advantages, using it may result in significant morale and PR issues.

21. **No ROI calculation –** HR fails to do a periodic business case justifying the value added compared to the time and the cost of the process.

1.3 Instrument (form) problems

22. **Doesn't address diversity –** all too often, the same appraisal form is applied to a large but not homogeneous group of employees (i.e. all hourly, all exempts, all managers etc.). As a result, the assessment form does not fit the job. Only management-by-objective-type approaches address individual needs.

23. **The process does not flex with the business -** rarely does any portion of the appraisal process flex to address changing business objectives.

24. **The factors are all equal –** most forms treat all assessment factors as if they are of equal importance. Instead, they should be weighted based on their relative importance in a particular job (i.e. a janitor's customer service rating should be weighted lower than for a salesperson.

25. **Inconsistent ratings on the same form —** it is not uncommon for managers to put one level (high, average or low) of ratings in the Likert scale portion of the form, but another level of rating in the "overall assessment" box. The final narrative portion of the assessment may contain still another completely different level of assessment.

26. **Disconnected from job descriptions –** in many cases, the factors on the form are completely different from the factors on an employee's job description, bonus criteria, or yearly goals. This can confuse employees and cause them to lose focus.

1.4 Manager/execution problems

27. **Managers are not trained —** in most organizations, managers are not trained on how to assess and give honest feedback. If the process includes a career development component, it is even more likely that managers will not know how to enhance the career path of their employees.

28. **Managers are "chickens" —** some managers will do almost anything to avoid tough decisions or confrontation. Some provide no differentiation and spread "peanut butter" (an even distribution) to avoid it, while others give everyone "above average" ratings. Some managers will provide feedback that is extremely vague in order not to offend anyone. Rarely if ever is anyone immediately terminated as a result of the process.

29. **Gaming the system** — often managers artificially rate individual employees to save money or to keep employees from becoming visible for promotion. Some selfishly give a score just below that

required for a pay increase, while others give scores just above the point where they would be required to take disciplinary action.

30. **Recency errors** – managers, especially those who don't consult employee files and data, have a tendency to evaluate based primarily on events that occurred during the last few months (rather than over the entire year).

31. **Corporate culture issues** – subjective appraisals can restrict cultural change in organizations. In some organizations, there are cultural norms and values that influence performance appraisals. For example, in one organization new hires were automatically given an average rating for their first year, regardless of their actual performance. One top performing hire I knew abruptly quit after receiving this cultural gift.

32. **Inconsistency across managers** – some managers are naturally "easy raters" while others are not. As a result, employees working under easy managers have a better chance of promotion due to their higher scores. In firms that rely heavily on the narrative portion of the assessment, having a manager with poor writing skills may hamper an employee's career. Without "benchmark" numbers to set as a standard, inconsistency is guaranteed in large organizations.

33. **Managers don't know the employee** – managers of large and global organizations, as well as newly hired and "transferred in" managers may be forced to do appraisals on employees they barely know. Recently promoted managers may be forced to assess their former friends and colleagues. Following a merger, managers are likely to be confused about whether to focus on the whole year or just "post-merger" work.

34. **Secret codes** – I did some work with an army unit where by custom literally everyone got a perfect numerical score. So assessments by higher-ups were made as a result of interpreting "code words" in the small written narrative portion of the assessment. Unfortunately, if your commander didn't know the code words, your army career was limited.

35. **Mirror assessments –** most people, and managers are no exception, have a tendency to rate people like themselves more positively. This can result in discrimination issues.

36. **Managers are not rewarded –** managers that go out of their way to provide honest feedback and actually improve the performance of their workers are not rewarded or recognized.

37. **Managers don't own it –** managers often feel they don't own the process, so they invest little in it and proceed to blame HR for everything. Managers would embrace it instead of grumbling if they were presented with a positive correlation proving that managers who did excellent performance appraisals were among the highest performers with regards to business result and bonus awards.

1.5 Employee/subject problems

38. **High anxiety** – because the process is so subjective and no benchmark performance numbers are set in advance, uncertainty can cause many employees high levels of anxiety weeks before the process. Managers may also be anxious because of the uncertainty related to an employee's reaction. I know one employee who sincerely thought she was going to be fired prior to her assessment but ended up being the highest rated employee on the team. Employees should have an accurate idea of their assessment long before any meeting is scheduled.

39. **One-way communication** – some managers simply give the employee the form to quickly sign and they don't even solicit feedback. Many employees are intimidated by managers and the process, and as a result, they say nothing during or after the appraisal.

40. **Self-assessment is not possible** – if an ambitious employee wanted to self-assess their performance midstream (in order to improve), most processes do not provide access to the instrument. Providing each employee with a virtual assessment scoreboard and performance management process would be an ideal solution.

41. **No alerts** – most processes do not allow an employee to be notified midstream should their performance change to the point where it was suddenly dramatically below standards.

42. **No choice of reviewers** – although there are a few exceptions (Sun), in most cases, unlike with 360 reviews, employees are not allowed input into who does their assessment.

43. **One-way process** – in most cases, employees also have no input into the factors that they are assessed on, how often they are assessed, and what type of feedback they can receive. It is unfortunately even rare for a process manager to routinely survey their users for suggestions on how to improve it.

44. **No appeal process** – employees who disagree with her appraisal are seldom given the opportunity to challenge the results with a neutral party.

45. **Retention issues** – the ultimate cost of an "unfair" assessment may be that it actually drives your top employees away because, for example, there was no differential in recognition and rewards for their superior performance.

46. **Many possible emotional consequences** – if performance appraisal is blotched, you can expect a decrease in employee engagement, trust, employer brand strength, teamwork, and innovation contribution. Employee referrals from disgruntled employees will probably also drop.

1.6 Timing issues

47. **A time-consuming process –** most of the forms are incredibly long and time-consuming. As a result, some managers routinely recycle "last year's" evaluations. If HR is required to sit in on the sessions, the amount of wasted time increases significantly.

48. **It is historical –** the process is focused on capturing feedback about last year rather than on discussing necessary changes to job and skill requirements that must necessitated by the business strategy.

49. **Not coordinated with business cycles –** some appraisal dates do not coincide with the end of major business periods or seasons when all other business results are tabulated and reported.

50. **Not simultaneous –** if appraisals are done on the employee's anniversary date, the entire team will not be assessed at the same time.

Dr John Sullivan is an internationally known HR thought-leader from the Silicon Valley who specializes in providing bold and high business impact; strategic Talent Management solutions to large corporations. He's a prolific author with over 900 articles and 10 books covering all areas of Talent Management. He has written over a dozen white papers, conducted over 50 webinars, dozens of workshops and he has been featured in over 35 videos. He is an engaging corporate speaker who has excited audiences at over 300 corporations / organizations in 30 countries on all 6 continents. His ideas have appeared in every major business source including the Wall Street Journal, Fortune, BusinessWeek, Fast Company, CFO, Inc., NY Times, SmartMoney, USA Today, HBR and the Financial Times. He has been interviewed on CNN and the CBS and ABC nightly news, NPR, as well many local TV and radio outlets.

Formerly the chief talent officer for Agilent Technologies (the 43,000-employee HP spin-off), Dr John Sullivan is now a professor of management at San Francisco State University. Please visit www.drjohnsullivan.com for more details.

2 CHAPTER Introduction

All organizations face significant learning curve on designing and implementing a performance management system (PMS). This eBook is based on Dr John Sullivan's blog. It reflects the practical challenges that everyone faces in the organization right from a HR to a manager to an employee – towards defining, using and evolving a robust performance management system that works for them. It collectively gives us the direction on what to do / what not to do while designing an employee performance management system.

This eBook highlights the principles & best practices that Synergita software (www.synergita.com) has adopted to design and implement a performance system in an organization.

Synergita is a SaaS based Continuous HR Performance Management Software. We hope that our software will be useful for organizations aiming to implement best practices and improve performance feedback process. For more information on the product, please visit the site – www.synergita.com (or) write to info@synergita.com.

3 CHAPTER

Most Serious Performance Appraisal Challenges

3.1 Don't assess actual performance

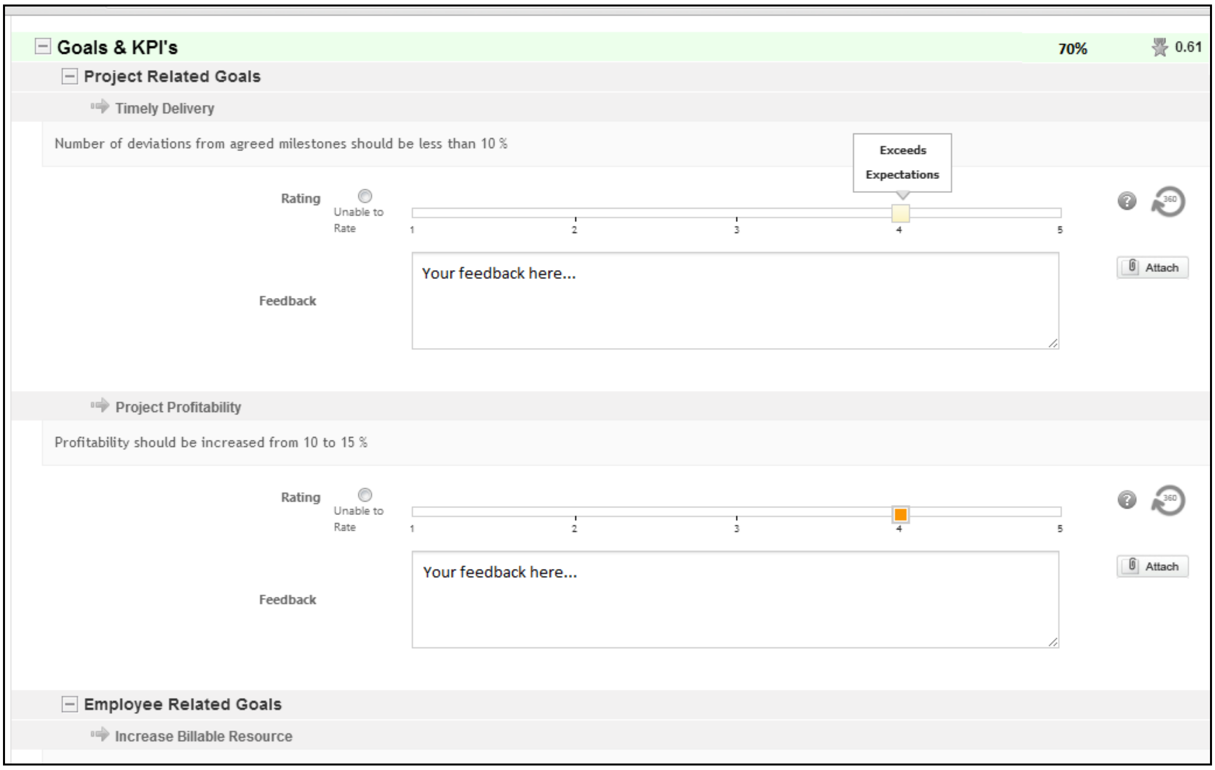
Dr John Sullivan: Most of the assessment that managers complete focuses on "the person," including characterizations of their personal "traits" (i.e. commitment), knowledge (i.e. technical knowledge) or behaviours (i.e. attendance). While these factors may contribute to performance, they are not measures of actual output. If you want to assess the person, call it "person appraisal." Performance is output quality, volume, dollar value and responsiveness.

Managers are hard-pressed with time and business goals and allocate very less time on providing performance feedback / appraisals to their team members. Moreover, they are frustrated and lack faith in the traditional performance appraisals. This leads to the challenge of in-effective appraisals, non-setting of goals and effectively leading to poor employee engagement.

Managers need to be guided towards a well-defined performance appraisal process. If the process is not defined or does not have well defined appraisal forms, it will lead the conversation more open ended. When there is open ended conversation without addressing any goals, performance parameters, competency characteristics, the discussion will focus on personal traits. Clearly defined competency matrix and appraisal forms help managers to focus on providing feedback, set expectations / goals, inspire the individuals towards their key accomplishments.

Solution:

Synergita provides a well-defined mechanism for defining appraisal forms, setting goals, identifying development needs, etc. Managers can provide rating according to well established guideline for each goal / competency characteristic. This allows the manager to capitalize on the strengths of team members and contribute to the accomplishment of work goals rather than personal traits and thereby increasing the effectiveness of appraisal.



A well-defined appraisal form captures the following:

- Key Result Areas (Goals)
- Competency Requirements
- Development Areas
- Training required

% of weightage may vary between KRA and competency rating from one organization to another organization. For example, certain organizations insist 100% weightage to KRA to and no specific rating for competency. Certain organizations put it as 70% KRA and 30% on competency rating.

3.2 Infrequent feedback

Dr John Sullivan: If the primary goal of the process is to identify and resolve performance issues, executing the process annually is silly. A quality assessment/control program anywhere else in the business would operate in real time. At the very minimum, formal feedback needs to be given quarterly, like the GE process.

Performance appraisal cycle when done annually does not actually reflect the real performance. Following are some of the reasons:

- Recency Effect: Often times, manager will be able to recollect only the previous few months performance and rate an individual accordingly. This does not reflect year-long performance.

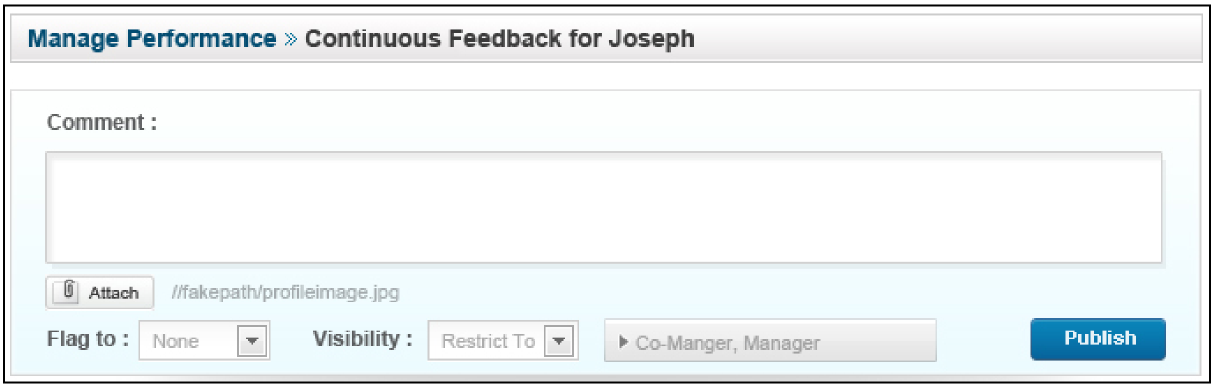
- As most of the organizations move towards projects based execution, people work in at different teams with different mangers. But, their appraisal is done by one manager (whoever is the latest) and this manager's feedback may not reflect other manager's rating/feedback.

Solution:

Synergita solves this through four different mechanisms.

i. **Continuous Feedback**

People can provide feedback to an individual at any point of time. And, these feedback are available for reference for a manager anytime. A continuous feedback can be a diary for an individual to note their own achievements, for a manager to keep track of appreciations / area of improvements, for a peer to pass their thoughts, etc. Good thing is the continuous feedback provided is accessible in any other feedback session. This will really help the manager, HR and employee to take stock of others perspectives and use it in constructive manner during the appraisal.



ii. **Periodic Feedback**

Synergita provides the ability to have periodic feedback sessions to an individual. These feedback can be tailored towards an individual needs. For example, you may have a star performer in your team and you want him/her to pick up leadership skills as the growth path.

You may want to provide periodic feedback around these skills alone. Or, you may have come up with a performance improvement plan for a person and this would cover only some area of improvements. This will also be tailored to an individual. While HR will have an overall view of things happening in a periodic feedback sessions, the manager and employee will be in the driving seat as far as designing the goal of periodic feedback sessions.