

HaRe Group newsletter: 14 June 2007

Subject: Whipping performance appraisals into line

Performance appraisal is sometimes seen as the whipping post of the Human Resources function. In many companies, employees view their performance appraisal (PA) meetings with fear and loathing. Managers resent the imposition of the PA process. Why is it so?

In *The Age* yesterday, Leon Gettler wrote about the common malaise of PA processes. In summary, he observed that managers hate the process because they are poorly equipped and “they have heaps of other things to do”; employees detest the process because it achieves nothing (as well as being intimidating).

Market studies generally acknowledge the failure of PA systems. In one case, 80% of employees were given an “above average” rating, which could indicate several faults of the appraisers, including bias (aka. favouritism), poor preparation, fear (of confrontation), inadequate training, or insecurity (eg. wanting to stay mates).

In my experience, the PA process is often seen as a mandated tool of HR. Many line managers hate the burden of a bureaucratic process, usually because they believe they can handle employee performance without a structured company-wide system. Unchecked, this attitude often leads to dysfunctional organisations (eg. internal rivalries), poor productivity and meagre profitability.

Some (too many) HR managers feel it is sufficient to produce and distribute a handsome document – a collection of guidelines and forms to complete and submit at set times during the year. Unfortunately, the document (however impressive) is worthless without meaningful discussions between employee and manager.

Market leaders in most industries are at the top because they have high performance cultures supported by broad-based performance management systems. In many cases, these companies:

- Have a balanced scorecard to set & communicate corporate objectives and to measure shareholder, customer & employee value
- Cascade these measures to all levels in the organisation
- Educate and support all employees in setting their own objectives in close alignment to the balanced scorecard
- Communicate the competencies that guide employee behaviour on how to succeed
- Assist employees in their learning and development
- Educate managers in providing lots of feedback to employees and ensure that managers are accountable for giving continuous feedback
- Provide employees with the tools to monitor their own performance and to discuss outcomes & needs with their managers
- Capture summaries of the outcomes to ensure consistent performance management

The above activities only need enough monitoring (the summaries) to feed other HR programs, like remuneration management. The only whip required is the one that keeps the PA process in check.

Wherever possible, your remuneration programs should be open and transparent. Avoid anything that is “flavour of the month”. Implement systems that keep each job family competitive in relevant market sectors. Reward your best contributors with higher base pay. Provide bonuses or incentives for those who impact triple bottom line performance. Allow managers to make pay decisions – educate them about rewarding performance and keeping within their budgets.

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