

Appraising the Appraisal Process

Impellam Group

Who are we?

We are the 2nd largest staffing business in the UK and 6th worldwide*. Our vision is to be the world's most trusted staffing company – trusted by our people, our customers and our investors in equal measure.

What do we do?

We provide managed services and specialist staff across the UK, North America, Asia Pacific and mainland Europe. We have over 3,100 Impellam people throughout our network of 21 market-leading brands across 220 worldwide locations.

Our brands



Russell Beck

This whitepaper is based on a seminar delivered by Russell Beck. Russell is Head of Consulting at Impellam Group plc and regularly delivers seminars on the most pressing recruitment issues. Widely acknowledged as a thought leader in Talent Management, Russell brings an unrivalled level of passion and insight to everything he does. Highly qualified and with an unrivalled depth of experience across industries and geographies, he thinks differently, challenges norms and envisages better ways of working. He is as comfortable working strategically on end-to-end Talent Management solutions as he is focusing on discrete aspects of the process. Russell is currently delivering this seminar to businesses all over the UK and it can be booked and tailored to suit the specific needs of your business. If you are interested in learning more please contact Russell Beck - Head of Consulting, Impellam Group on

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Introduction

“The Imperial Rater of Nine Grades seldom rates men according to their merits but always according to his likes and dislikes.” – Sin Yu, Chinese philosopher

Performance evaluation is almost as old as civilised man. The Wei Dynasty’s imperial raters of third century China selected and categorised candidates according to their abilities. In the 1790s, industrialist Robert Owen hung colour-coded wooden blocks over employees’ workstations at his cotton mills to indicate their performance. The performance review is part of our need for ratification. It’s part of human nature.

Yet for seemingly as long as they’ve existed, appraisals have been stigmatised as a purely corporate exercise that pays lip service to performance management. Indeed, the likes of Adobe, Dell, Deloitte, Gap, General Electric, IBM, Microsoft, Netflix and PwC have abandoned the annual appraisal entirely. Having spent an estimated 2,000,000 hours a year appraising their staff, Deloitte reports that 80% of people are dissatisfied with appraisals. CEB says that 66% of top performers in appraisals actually aren’t the company’s top performers. And according to Psychological Bulletin, 30% of reviews actually lower performance. It therefore wouldn’t be unnecessarily existential to suggest that the yearly review is in serious need of a review.

In this whitepaper, we’ll look at why appraisals have become regarded as a trap rather than a tool, what constitutes an effective performance review system and finally, the way forward.

Development needs

Knowing how you’re performing is an essential part of work. It’s an essential part of life. By encouraging honest introspection and a frank exchange of views between employees and management, appraisals should provide both parties with a highly effective performance indicator. But in the same way that performance appraisals are made necessary by human nature, the reasons why they aren’t working are also engrained in the very fabric of being human. So what’s wrong with appraisals?

It’s not you, it’s me

However much we like to see ourselves as impartial, fair and balanced human beings, it’s inevitable that our own personal feelings will become engaged – whether we’re aware of it or not – when we’re making a judgement on another human being’s performance. In her article “The push against performance reviews,” featured in the New Yorker, Vauhini Vara argues that unconscious biases and prejudices “influence how managers think about – and describe – their employees.” This is sometimes referred to as the “idiosyncratic rater effect.”

In fact, studies suggest that more than half of a person’s performance rating depends on the traits of their manager; in the words of the Marcus Buckingham Company, which aims to change the world of work through strengths-based talent development, “a reflection of the rater, not the ratee.” If the employee’s attitude and way of working are at odds with the manager’s, this is likely to be reflected in the outcome of the review, making it as much a character assessment as a performance assessment. Perception is, after all, a strong thing.

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Equally, a rater will subconsciously judge the appraisee according to their own ability to perform a particular task or how valuable they believe this task to be. If, for example, you rate someone on their decision-making ability, your rating reveals simply whether they make decisions more quickly than you do.

Closing doors

When work was largely mechanical and uniform in nature, output was easy to measure. Robert Owen had simply to count how many garments each worker made and compare their quality to those of their peers. But today, output is harder to quantify. Roles are increasingly unique. Appraisal systems often assess the individual, not their performance; the activity, not the outcome.

Rigidly-structured and restrictive modes of assessment can encourage a linear view of performance, one that mechanically ticks boxes and crosses off criteria. A customer service employee may be assessed on the number of complaints they resolve in a given timeframe. If they fail to reach their required number, they'll be marked down on that part of their appraisal – regardless of the complexity of their cases or the quality of the service they provided to their customers. A person's actual performance is more nuanced.

According to psychology professors at Stanford University, most individuals hold one of two views on learning and growth. Those with a "fixed mind-set" believe that intelligence and talent are established at birth and cannot be changed. Those with a "growth mind-set" believe that we learn, grow and improve all our lives.

Unfortunately, the fixed mind-set is prevalent in many organisations – and reinforced by performance management.

It causes many employees to avoid the kind of effort that leads to learning and professional growth. They will shy away from difficult challenges, seeing any stretching goal as an invitation to be marked down, to be regarded as a failure.

Suspect wiring

Human beings don't like to be pigeon-holed. It's in our wiring. In fact, research shows that labelling people with any form of numerical rating or ranking automatically generates an overwhelming "fight or flight" response that impairs good judgment – the same kind of neural response that occurs in the face of a direct physical threat. If an employee is unfavourably compared to a colleague, they may feel disregarded and undermined, even if they don't overtly express dissatisfaction. This is what David Rock, author of "Your Brain at Work" and director of the NeuroLeadership Institute, a leading global research organisation which aims to bring neuroscience to leadership, refers to as "brain hijack." He says "people's fields of view actually constrict, they can take in a narrower stream of data, and there's a restriction in creativity."

The appraisals checklist

It's clear something needs to change. But before we tear it all up and start again, we need to understand what we're doing and why we're doing it. After all, you can't go from a top-down, corporate dictatorship to pillows, funky sofas and shisha pipes by flicking a switch.

Every business is different – with varying backgrounds, products, locations, structures and people – so "best practice" is only best practice for your organisation. There's no perfect, out-of-the-box

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appraisal system. You therefore need to consider:

What does your business need?

The business world is changing: the speed of work is increasing, local is global, 9 to 5 is increasingly 24/7, organisational structures are becoming flatter and cross-company project work is becoming more and more popular. In the face of all this change, businesses need to be more agile, speedy, innovative and responsive in order to succeed. You need to understand the purpose of performance management in your business and the outcome you want it to bring you.

What is your business strategy?

Your performance management system must be aligned to your business strategy otherwise you will be pulling in two directions. What are your business objectives? Do your employees understand the importance of their contribution in helping you achieve them?

What is performance in your business?

Understand what skills, behaviours and values drive performance in your business and measure your people against them. A review of 1.4 million employees, 50,000 teams and 192 organisations considered the factors that drive high performance, including mission, purpose, career opportunities and pay. When presented with the statement "At work, I have the opportunity to do what I do best every day," business units whose employees responded "strongly agree" were 44% more likely to earn high customer satisfaction scores, 50% more likely to have low employee turnover and 38% more likely to be more productive.

What is your approach to people?

Understand how you get the best out of your people. Are you a carrot organisation (playing to employees' strengths and encouraging ongoing improvement through coaching and positive reinforcement) or a stick organisation (evaluating people against their goals and peers, producing a forced ranking)? Your position on this spectrum will inform your approach to performance.

What do your people actually want?

Different generations have different expectations. Baby Boomers joined the working world when business was highly rigid and authoritarian, where appraisals were always annual. Generation Y (born from 1980-94), a prominent part of the modern workforce, have grown up with mobile phones, the internet, social media (and, thanks to smartphones, all of the above). They're constantly connected, meaning they're used to instant feedback, immediate gratification.

This attitude will only become more prevalent in the future as Generation Z, born around the year 2000 into an era of technological advancement, now start to filter into the workforce. One research study found that 42% of Millennials want feedback every week (double the number of any other generation), 72% want to be their own boss and 79% want their boss to serve as a coach or mentor. So regularity, feedback and continual learning are crucial when considering what we want a performance review system to deliver.

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The performance development plan

Based on our research at Impellam, there are two sides to improving performance management: check-ins and the performance snapshot.

Checking out the check-ins

The world has moved on since third century China and the Industrial Revolution. Due to changes in the business world and the workforce, identified in our appraisals checklist, there are four closely-linked elements that businesses must have in place to allow for effective performance management. These elements form the check-in.

Frequency

The closer a ship gets to its destination, the larger the corrections required to stay on course. So it makes gentle course corrections from a long way out.

For our businesses to be more agile, we need to change course quickly and frequently. To take our staff with us on that journey, we need to have regular, useful conversations with them. This makes it easier for us to assess how we're doing, to make slow course corrections, to guide. It's as simple as having a 20 to 30-minute weekly conversation. These check-ins are not in addition to the work of a team leader; they are the work of a team leader. As former CEO of Intel Andy Grove has put it, "Ninety minutes of your time can enhance the quality of your subordinate's work for two weeks, or for some eighty-plus hours."

Feedback

"We all need people who will give us feedback. That is how we improve." Bill Gates

With low employee trust in the process, get detailed, relevant and regular feedback from their peers, subordinates, managers, customers and any other stakeholders; people who really know them. Instil a feedback culture where people are encouraged to give and request feedback. Make sure it's specific and targeted. Saying "be more proactive" is meaningless. Saying "you need to take more initiative in calling sales leads" is a lot more helpful.

Zalando is implementing a real-time tool that crowd-sources performance feedback from meetings, completed projects, launches and campaigns, allowing colleagues to leave candid feedback via an online app.

Goals

Regular meetings are just as well, but without feeding into a tangible goal, they'll prove pretty pointless. Over the years, we've seen a host of different goal setting strategies doing the rounds. Used to measure performance at Google since the late 90s, John Doerr's "Objectives – Key Results" (OKRs) make employees' goals visible to everyone else in the business, ensuring clarity and transparency. As a result, staff can see how their jobs connect to the overall business strategy; how their individual cog helps to keep the corporate machine moving. Ultimately, OKRs ensure everyone is working towards the same end result.

A catalyst

The catalyst is the fuel, the tool or the environment that enables effective performance management to take place. Research shows that the manager is 80% responsible for an employee reaching their potential, with 20% down to the wider

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business. The catalyst therefore needs to support managers in this endeavour. It facilitates the appraisal process by making it individual, by making the conversation directly relevant to each employee.

The catalyst we use at Impellam is a system called Open Blend. The employee chooses which eight of 28 elements relating to their work and home life are most important to them. They then give each a personalised definition and measure, from 1-10, how fulfilled they are in each specific element, as well as setting a target score. With the help of their manager, the employee decides which actions to take to increase their level of fulfilment with each element. Over time, the employee updates their scores and substitutes each element when they achieve their target score. The depth of data provided by Open Blend enables us to far better engage with our staff, to prioritise and to focus.

Sizing up the snapshot

According to the CEB, 85% of businesses have either made changes to their performance reviews in the past year or plan to do so in the next year. So how can you make them fairer, more reflective and more effective?

Make them regular

Replace the annual review with six monthly or preferably quarterly catch-ups. Both your business and your staff, especially your younger members, will demand this.

Know what you're measuring

The annual review tries to cover absolutely everything: values, behaviours, performance. But is all this necessary? Challenge yourselves on what you're

assessing and most importantly, why. If you're having effective weekly check-ins, do you need to see how someone is "living the values?" Do you even need to have performance reviews?

Have clarity on what the ratings mean

A common score of 3 out of 5 actually means someone is achieving the goal, so they're doing fine. While measurement is essential – it is, after all, the object of the process – you don't actually have to use a number. Morgan Stanley has moved to providing a list of adjectives that describe each employee.

Keep it simple

Ask questions that get right to the point and remove subjectivity. Either quarterly or at the end of every project, Deloitte asks managers whether an employee should receive a salary increase and bonus, whether they'd include them in their team, whether they feel the person is at risk or whether they're ready for promotion.

Plan

Give employees their appraisal rating before the meeting so they can get over the emotional response and have a constructive conversation with you.

Add a calibration layer

Three quarters of employees believe the current process is unfair. In addition, appraisals are open to distortion from office politics and human nature. Managers have an incentive to spin things positively because to an extent, their employees' ratings reflect their own ability. So before speaking to your employees, ask managers to explain their rankings to

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reduce the idiosyncratic rater effect and ensure consistency.

Be transparent

Reveal the numbers. Show that you as a business are aware of the issues and support your people.

Pick a side

Don't serve the "feedback sandwich" of good, bad and good as it gives no single consistent message. Concentrate on what people have done well. For low performers, do not sugar-coat it. You are not doing anyone any favours by ducking the issue.

Separate pay from performance

Talk about compensation only once or twice a year. Regular discussions about money will only be disruptive. As Laszlo Bock, Senior Vice President of People Operations at Google has put it, "If you want people to grow, don't have those two conversations at the same time. Make development a constant back and forth between you and your team members, rather than a year-end surprise."

Conclusion

They say that recognising a problem is the first step towards addressing it. Many companies across the world have started to recognise the drawbacks of annual performance reviews and either initiate positive changes or instigate alternative systems. While significant steps are being taken, we're far from a perfect system yet. Then again, where in the corporate world does a perfect system exist? Like a human being, performance reviews are imperfect – but they can develop.

According to research by MindGym, effective performance reviews can lead to

40% higher employee engagement. Sadly, today's appraisal is doing the opposite. Maybe it's time to change it. Turning a stodgy annual review that few people value into an ongoing mentoring process with clear goals that link to the business's purpose can create alignment, visibility and transparency across the board.

Assessment is a necessary part of corporate life, as it is any environment where performance is important. It's something that we need to do not only to satisfy our human need for self-ratification but also to see how we're performing, to see how our companies are performing. To see how we can get better. We just need to get better at it.

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