

Performance Appraisals



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PERFORMANCE APPRAISALS

I. DEFINITION AND PURPOSE

- A. Performance appraisal is a system by which an employee's job performance is measured against some expectation or standard.
- B. A primary goal of performance appraisal is to provide feedback to employees on how well they are doing in their jobs and to provide direction to future development and accomplishments.
- C. Performance appraisals also serve as a tool for managers in:
 - 1. Determining who is eligible for raises and promotions;
 - 2. Recognizing training needs for employees;
 - 3. Documenting the reasons for disciplinary action and, in some cases, assisting in the defense of actions which may be legally challenged;
 - 4. Encouraging employees to advance their job skills and knowledge; and
 - 5. Motivating employees in their jobs.
- D. Every supervisor practices performance appraisal--whether formally or informally.
 - 1. In formal appraisal systems, the supervisor goes through a periodic process of evaluating an employee's job performance and communicating that evaluation to the employee.
 - 2. In an informal system, the supervisor evaluates the performance of employees in his/her mind but seldom communicates those feelings to employees.

II. WHY PERFORMANCE APPRAISALS FAIL

- A. **Guilt**--Many supervisors feel uncomfortable in making judgments about the performance of others.
 - 1. Adverse appraisals could have a negative effect on the potential for raises, promotions, or job security for an individual.
 - 2. The level of power that a performance appraisal gives a supervisor over his/her employees makes many supervisors feel uneasy and, as a result, they tend to give everyone high ratings.

3. To avoid potential liabilities, supervisors must overcome these feelings and give honest ratings.
- B. **Lack of Accountability**--Managers often go through the motions of performance appraisal without giving any real thought to the process because they are not held accountable for the accuracy of the appraisals.
1. Often, the result is very high ratings for all employees.
 2. It should be a part of the manager's job to conduct accurate appraisals, set goals with the employees, coach the employees based on the appraisals,--**AND**--each supervisor should be accountable to his/her supervisor for preparing accurate performance appraisals.
- C. **Ineffective Application of Standards**--Overrating often results when supervisors do not have a good grasp of the standards being applied.
1. Supervisors often view ratings of "satisfactory" or "average" as being negative ratings.
 2. For an appraisal program to be effective, both the supervisor and the employee must understand what each level of rating means, and the supervisor must be willing to make the tough decisions necessary to give honest and accurate ratings.
- D. **Fear of Hurt Feelings**--Some supervisors would rather give everyone a high rating rather than risk "hurting someone's feelings" by pointing out performance deficiencies.
1. It must be remembered that performance appraisal systems are designed to provide honest feedback on performance to employees and are not a "feel good" program.
 2. Rating an employee high in all areas fails to recognize areas in which the employer can assist the employee's growth and development--thus possibly hindering the employee's chance for raises and promotions in the future.

III. THE LEGAL SIDE OF PERFORMANCE APPRAISAL

- A. Since many personnel actions are based on employee performance, performance appraisals may play an important role if a personnel action is challenged through a lawsuit.
1. Adverse personnel actions taken for legitimate reasons are normally viewed as acceptable by the courts.

2. The absence of factual, documented evidence concerning the reason adverse personnel action was taken makes it extremely difficult to prove there was a justified business reason for such action.
- B. An employee who has not been advised of specific performance problems may feel that any adverse personnel action taken against him/her was for an illegal reason, such as discrimination, thus creating a greater likelihood of a lawsuit.
- C. For a performance appraisal system to be an effective tool for an employer in court, it must be legally defensible.
1. A well designed, honest, and accurate appraisal program can be a tremendous asset to an employer where a lawsuit is filed because of adverse action taken on the basis of performance problems.
 2. On the other hand, a poorly designed performance appraisal system, or appraisals that do not accurately reflect specific performance problems, can be an employer's downfall in such lawsuits.
- D. The Human Resources Management Series published by Commerce Clearing House says that a legally defensible performance appraisal system should contain the following elements:
1. Be in writing;
 2. Contain specific procedures;
 3. Include specific instructions for supervisors;
 4. Provide training for supervisors in how to evaluate employees;
 5. Use standardized forms for related groups of employees;
 6. Be thoroughly communicated to employees;
 7. Be given formally at least on an annual basis; and
 8. Evaluate specific work behavior and not personal traits.

IV. THE EFFECTIVE APPRAISAL PROGRAM

- A. Characteristics of a good appraisal program include:
1. A system of evaluating specific job functions;
 2. An established performance standard for each function being rated;
 3. Standards that they are specific, observable, and measurable;
 4. Communication of expected standards to each employee at the start of the appraisal period;

5. A system of documentation of performance to show why standards were met, not met, or exceeded;
 6. A program of training supervisors in defining the levels of performance, documenting performance, preparing an evaluation, and conducting the appraisal interview;
 7. A process by which employees can respond to the appraisal;
 8. Recognition by supervisors that the primary purpose of the program is to motivate employees, to help with their personal development, and to help resolve problems. (The issue of discipline should be secondary.); and
 9. A process that does not overburden the supervisors.
- B. As stated previously, a part of each supervisor's job should be to conduct effective appraisals and he/she should be evaluated on how well this is done.

V. PROBLEMS WITH APPRAISALS

- A. Many problems creep into appraisal systems causing them to lose their effectiveness. Among the more common are:
1. Use of vague terms which really say nothing specific about the supervisor's expectations for performance. Examples include, "You need to do better," "Your attendance problem needs to be taken care of," or "Keep up the good work."
 2. Use of subjective, emotional phrases which are based on conclusions made by the supervisor and which may or may not be valid. Examples include, "You don't have an interest in your job," "He is lazy," or "You have a bad attitude." A supervisor needs to stay with specific, observed behaviors that are causing problems rather than trying to second guess the employee.
 3. Failure to define expected standards of performance which often creates a difference in how an employee perceives the appraisal and what the supervisor intended;
 4. Evaluating elements that are not a part of, or which are not significant to, the employee's job;
 5. Distortions in the appraisal based on the "halo and horns" effect;
 6. The NIGYYSOB (Now I've Got You, You SOB) game;
 7. Quickly skimming over the appraisal with the employee and not giving the employee the opportunity to respond or ask questions; or

8. Evaluating the employee on things over which he/she has no control.
- B. The good supervisor takes care to recognize and control the things that can distort the effectiveness performance appraisals.

VI. JOB DESCRIPTIONS AND PERFORMANCE APPRAISALS

- A. Before standards can be set for evaluating job performance, the job must be defined.
- B. Well written, thorough job descriptions are the basis for any effective performance appraisal program.
- C. The elements of most job descriptions include:
1. **Identifying Information**--This includes information such as job title, department, reporting relationships, normal work schedule, exempt or non-exempt status, payroll status, and other information which helps identify the job.
 2. **Job Summary**--This is a several sentence statement giving a brief overview of the scope and duties of the job.
 3. **Essential Job Duties**--These are the duties that the employee must be able to perform, either with or without accommodation.
 4. **Marginal Job Duties**--These are the duties that are desirable for the employee to perform but which are not essential to the job. Under the Americans With Disabilities Act (ADA), an employer should not make a job related decision on whether an employee can perform these marginal job duties. For this reason, many employers do not include this section.
 5. **Working Conditions**--This is a general description of the conditions under which the employee would be working. Any adverse working conditions should definitely be noted in this section.
 6. **Education, Training and Experience**--This is a statement of the minimum level of education, training, and prior experience needed to perform the essential job duties. In some cases, a higher level might be desired and, if so, it should be indicated as being preferred, not required.
 7. **Licenses and Certifications**--Included in this section is a list of any specific licenses or certifications an individual needs to be qualified to perform the job. Examples are a driver's license or CPA certification.
 8. **Physical Requirements**--This should list all physical requirements that are necessary to perform the essential job duties. These should be

specific to help ensure compliance with ADA. For example, instead of stating that a job involves lifting, the description might say, “Involves lifting boxes weighing up to 35 pounds to a height of three feet.”

9. **Special Skills and Abilities**--This is a statement of any specific skills or abilities that are necessary to effectively perform the essential job duties. Examples might include fluency in a specific language, knowledge of welding techniques, or strong writing and verbal communication skills.

D. In developing performance appraisals, the most important area of the job description is the essential job duties.

1. These should be stated in terms of specific duties and should begin with an action verb (plans, prepares, operates, examines, etc.) followed by additional information which completes the description of the duty.
2. Duties that are too broadly stated fail to give a clear definition of what the employee is to do and, thus, are hard to appraise.

E. In an effective appraisal system, standards of performance need to be developed for the key essential duties.

1. The best performance standards are based on criteria that are **specific, observable, and measurable**.
2. If standards are well written, the employee should be able to continually self evaluate and know whether he/she is meeting those standards.

VII. TYPES OF PERFORMANCE APPRAISALS

A. **Ranking**--This system involves comparing the performance of each employee against the performance of all other employees in similar jobs.

1. Even in the absence of a formal appraisal system, supervisors tend to rank employees in their minds.
2. The following describes two of the more common methods of appraisal using the ranking method.

a. Two employees are compared and the performance of one is ranked higher than the other. Another employee is compared to the first two and is either ranked above, below, or between the first two.

Next, a fourth employee is compared to the three already ranked and either comes out above, below, or somewhere in the middle of the three. This goes on until all employees have been ranked.

b. Each employee is compared to each other employee. The employee who, in the mind of the supervisor, is the better worker gets a check mark. This process continues until all comparisons are complete.

The employee with the most check marks is the best performer, the one with the next highest number is second best, and so on until all employees fall into a relative ranking.

3. The advantages of the ranking method include simplicity, cost effectiveness, and time efficiency. However, it also has major disadvantages.
 - a. Ranking is highly subjective and often is no more than a popularity contest based on a supervisor's personal feelings about employees.
 - b. Ranking does not address specific issues about an employee's performance which makes it difficult to address problems or plan for the employee's future development.
 - c. The lack of specific issues also makes it practically worthless from a legally defensible point of view.
 - d. In the appraisal interview, it is extremely difficult to justify the ranking to employees without any specific measurements of performance.

B. Trait Scales--This method involves rating a series of job related characteristics against a pre-established scale.

1. The simplest trait scale systems list a series of job related characteristics (such as productivity, attendance, initiative etc.) and each is rated against a numerical scale, often 1 through 5.
2. More advanced trait scale systems define both the characteristics being rated and the different levels on the scale.
3. Advantages of trait scale systems include:
 - a. Ease of preparation;
 - b. Addressing specific job related characteristics; and
 - c. Providing a visual look at the rating.
4. Disadvantages of trait scales include:
 - a. Failure to give clear definitions to specific standards and levels of performance;
 - b. Rating employees on characteristics not relevant to their jobs; and
 - c. The tendency of raters to start at "average" and work outward which leads to inflated ratings.

C. Critical Incident--This system involves recording on-the-job behavior over a period of time and the rating is prepared from those notes.

1. Under this method, the supervisor keeps a diary of effective and ineffective job performance on each employee. At the end of the recording period, this information is used to produce an appraisal which is frequently in the form of one of the others discussed.
2. Advantages of the critical incident method include:
 - a. Basing the appraisal on actual, recorded incidents which makes it more legally defensible;
 - b. Covering the full appraisal period instead of concentrating on the most recent few weeks; and
 - c. Ease in justifying the appraisal to employees since it is based on factual information.
3. Disadvantages include:
 - a. The tendency to record extreme behavior rather than representative performance;
 - b. Encouraging too close supervision of employees;
 - c. Creating an air of secrecy or “being watched”;
 - d. The potential for recording a disproportionate number of positive incidents on employees liked by the supervisor and negative incidents on less favored employees;
 - e. The amount of time involved in recording incidents; and
 - f. The potential for the NIGYYSOB situation at the appraisal interview since this system is not conducive to daily feedback.

D. **Narrative**--This system requires the supervisor to prepare a written narrative report on each employee’s performance at the end of the appraisal period.

1. This system gives the appraiser a great deal of flexibility in what to include in the report since structure and guidelines are usually minimal.
2. The advantages of the narrative system include;
 - a. The freedom of the appraiser to include a wide range of performance aspects allowing the appraiser to pick up unique or unusual features of the job; and
 - b. The fact that the appraiser must give more serious thought to actual performance rather than just checking ratings on a scale.
3. Disadvantages include:
 - a. The fact that it is highly subjective and can be influenced by personal feelings about an employee;

- b. The difficulty that some raters have in expressing themselves; and
 - c. The amount of time needed to prepare narrative ratings.
4. Narrative appraisals are often included as part of other systems to give them more flexibility.

E. **Criteria Based**--In this system, performance ratings are tied directly to standards set for key essential job duties.

- 1. To be effective, job duties must be clearly defined and the standards established for each duty must be specific, observable, and measurable.
- 2. Advantages to this system include:
 - a. The use of clearly stated performance standards that the employee can understand and use to self evaluate his/her performance;
 - b. The fact that it is highly legally defensible since subjectivity is virtually removed from the rating; and
 - c. The ability of the supervisor to objectively point out why the employee met, failed to meet, or exceeded the established standards.
- 3. Disadvantages include:
 - a. A problem in establishing standards for some duties that meet the requirements of being specific, observable, and measurable;
 - b. The fact that it is normally quite time consuming to develop such a system (Once established, however, it is not difficult to maintain.); and
 - c. The difficulty in measuring some performance standards.

VIII. APPRAISAL INTERVIEWS

- A. Preparation for the performance appraisal interview is extremely important and should include:
 - 1. Notifying the employees several days in advance as to when and where the appraisals will be conducted;
 - 2. Taking steps to ensure that there will be no interruptions during the interviews; and
 - 3. Reviewing in advance what will be covered in each interview.
- B. It is important that the supervisor remember that the interview be viewed as a positive process.
 - 1. An employee's achievements and strengths should be recognized.

2. Areas in need of improvement should be openly discussed and the goal should be to determine how performance can be brought up to an acceptable standard.
 3. The appraisal interview also provides the opportunity to discuss future career development with certain employees.
 4. The interview should close with a discussion of the supervisor's expectations of the employee during the next appraisal period.
- C. Many interviewers like to start on a positive note by recognizing an employee's strengths before discussing areas that need improvement. They then close with additional recognition of some strength the employee has.
- D. Some of the problems that occur with appraisal interviews include:
1. Ignoring problem areas and only discussing the employee's strong points;
 2. Playing the NIGYYSOB game;
 3. Failing to let the employee ask questions or respond to the interview;
 4. Allowing the employee to take control of the interview;
 5. Discussing performance in broad or vague terms instead of being specific; and
 6. Letting emotions get involved.

IX. DAY TO DAY APPRAISALS

- A. While periodic formal appraisals are important, day to day feedback is just as -- if not more -- important than the formal appraisal process.
- B. The "One Minute Manager" concept of giving praise when it is earned and correcting problems as they occur is a good principle to follow.
- C. Remember that employees should be praised in public and corrected in private.
- D. As with formal appraisals, day to day feedback should be based on specific instances rather than broad statements.

X. PROBLEM EMPLOYEES

- A. Sometimes a problem arises that needs to be addressed with an employee before the next formal appraisal.
- B. If it is a minor problem with an employee who has a good work record, it can usually be corrected by counseling or a reprimand.

- C. If the problem persists, or is severe enough, it may be necessary to go to higher level of discipline.
- D. Usually, serious discipline issues are addressed through a formal document that contains the following sections:
1. A statement of the problem;
 2. A statement of why it is a problem;
 3. Previous actions taken to resolve the problem;
 4. What standard must be reached to be acceptable to the supervisor;
 5. By when must the standard be achieved;
 6. What the supervisor will do to help the employee achieve that standard;
and
 7. What will be the consequences if the employee fails to achieve the standard in the established time frame.
 - a. If the employee meets the standard, all is well and the employee should be recognized for doing so.
 - b. If the employee fails to meet the standard, the consequences stated should be immediately carried out. (Never make a threat or promise that you can't or don't intend to carry out.)
- E. The same rules apply to preparation of disciplinary documents as apply to performance appraisal documents.
1. The statement of the problem should be based on specific observed incidents which have been thoroughly documented.
 2. The standards which are set must be clearly defined and developed in such a way to leave no question as to whether they have been met.
 3. Vague words or emotional statements should never be used in a disciplinary document.

***NOTE:** This paper is provided for informational purposes only. Nothing in this paper is intended to be, nor should it be construed as, legal advice or guidance. Where legal assistance is needed, the services of a qualified attorney should be sought.*