

MAKING PERFORMANCE APPRAISALS WORK FOR YOU

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INTRODUCTION

Performance Appraisals do not work. That seems to be the conclusion of many authors including Deming and Drucker. They have proposed various alternatives around the concept to make it work.

During the last few years, we have studied the utilisation of the various performance management programmes used by organisations and the software programmes available. There is little doubt that organisations struggle to implement a precise process which will best reflect their organisation's goals, culture, and desired management style. Most organisations have difficulty with the performance management programme or the software. This leads to organisations designing a process around the system features and capabilities.

The rapid growth of performance management off the shelf software is creating quite a bit of difficulty for organisations. Research organisations studying HR systems believe a major shift is taking place. While enterprise systems are being gradually edged out because of the availability of software as a service, the main focus today seems to hinge on making the performance appraisal relevant for an organisation.

SEVEN CORE PROCESSES

Performance management software systems revolve around automating the seven core processes which organisations use for:

1. Goal development (also known as key performance indicators or KPI; sometimes also confused with objectives),
2. Goal alignment,
3. Self-assessment,
4. Superior assessment,
5. 360 degree assessment,
6. Competency development, and
7. Development planning.

Unfortunately, they don't really help organisations decide how the performance appraisal process itself will work. This is ultimately the most important issue of all.

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THREE OBJECTIVES

Let us review what performance management is designed to do. The principle of such a business process has three objectives:

PERFORMANCE PLANNING & ALIGNMENT:

First, to develop and align goals that is essential to implement business strategy. This must link with the organisational structure and positions. The creation of a position is not without a reason. Organisational structure is nothing but a series of relationships/positions designed to successfully implement strategy.

Second, to create consistent goals which align employees with managers and business units and align these goals with the organisation's overall priorities. These goals also help employees themselves stay focused.

COACHING AND DEVELOPMENT:

This process enables a structured process where managers are able to provide coaching and development. This can be supported by Learning & Development organisation, leadership development, and other organisational developmental processes in the organisation.

EMPLOYEE EVALUATION:

This process helps to create standardised and equitable ratings and rankings to facilitate compensation decisions, promotions, succession planning, and talent management

DO PERFORMANCE APPRAISALS WORK?

Ask a couple of your peers their satisfaction levels with a performance evaluation or review. It is very likely that they will express their dissatisfaction. Most of us know that performance appraisals do not work very well. Research indicates only less than 35% of organisations have an enterprise wide programme. Less than a similar number are happy with the process. Even fewer of the C level executives find it useful. It is more of a yearly paper exercise if not implemented properly.

Which of the above three objectives is the most important and how do you design a process that works?

COACHING FOR COMPETENCY DEVELOPMENT

In our 30 year experience working with some of the most successful organisations, we have had the opportunity of studying best practices. Research and practice clearly indicate the business process that makes an immediate impact on business and generates far greater

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returns on investment is when coaching for competency development takes precedence over the evaluation piece. Consider the impact of the following five processes in performance management.

COACHING:

The number one highest impact process for organisations is **coaching**. The impact of coaching is overwhelming with a 150% greater return than performance assessment and almost a 200% greater return than “pay-for-performance” processes.

COMPETENCY FRAMEWORKS:

The number two highest impact process for organisations is in developing **high-value, unique, and job-aligned competencies**. When an organisation has a competency framework in place and that is maintained regularly, the impact grows by quantum leaps. The process of identifying critical competencies, coaching individuals to develop the competencies and then using these competencies to assess and improve performance clearly has very high value. This was the second ranked high-impact process in performance management.

GOAL DEVELOPMENT AND GOAL ALIGNMENT:

The number three highest impact process is goal development and goal alignment. The need to gain mutual agreement between the manager and the subordinate on work plans and aligning employees with organisational goals is critical.

DEVELOPMENT PLANNING

The number four highest-impact process in performance management is **development planning**. The need for creating clear and consistent development plans such as individual development plans are very important.

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PERFORMANCE EVALUATIONS

Performance evaluations and linking compensation to performance ratings were deemed important for talent management. They were seen as an important but far below the other four above. This was often a sore spot as the dissatisfaction mostly came from the fairness and quality of evaluations.

THE FOCUS

Most organisations focus on performance evaluations. The appraisal and the linkage to compensation were viewed as most important as it gave the Human Resources department significant importance and because it is a compliance-related issue. It is often said it is common sense that the appraisal is the most important. Respectable authors and researchers all are unanimous in their opinion that in fact the other four are far more important if you want the performance management process to drive business impact. I had echoed similar views in my book *Performance Management & Measurement: The Asian Context*.

VIEWING PERFORMANCE MANAGEMENT AS MANAGEMENT

If we institutionalise performance management as part of everyday management, it does not become as an annual chore. You design a situation where performance is managed everyday and coaching for competency development becomes part of the daily job. You will be able to shape the behaviors and activities of leaders, managers, and employees by design and not by chance.

THE JACK WELCH GENERAL ELECTRIC MODEL

Jack Welch of General Electric popularised the concept of the A players and the bottom 10% to fit with his business strategy of being Number 1 or 2 in every business. If not, then fix it, sell it or close it. To align to this business goal, performance evaluations were made very stringent and the bottom 10% for every year were replaced. Jack Welch always communicated the view that it is better for them and GE that the bottom 10% find other

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opportunities that suit them best. The top 20, middle 70 and bottom 10 model, establishes strict rules to “fire the bottom 10%” in every workgroup.

From the number of speeches and seminars you get to hear that this strategy worked very well for the company. Also, not to forget that General Electric was praised for giving employees the best learning opportunities. They were hailed as the CEO factory of the United States of America. However, will this very competitive model of forced ratings to differentiate performance work for your organisation?

While this model worked very well for General Electric, the question we have to ask is will it work for your organisation?

THE BALANCED SCORE CARD

The huge rush towards the Balanced Score Card approach to ensure goal development and alignment across the four parameters of financial, customer, internal process and learning through strategy mapping is very good. The model has been hailed as a great way to implement strategy. However, will you be able to mine the data needed to generate the first report so essential for managing performance? Will you be able to manage this tedious process?

While the Balanced Score Card has worked very well for some organizations, the question we have to ask is will it work for your organisation?

HRDPOWER FROM SMR HRT

I would like to propose an alternative approach based on *Coaching for Competency Development*, given our consulting experiences and experience in implementing HRDPower, a software tool. While I will cover this in my next article, there is one message that I like to leave behind for you.

Make sure the performance management process that you choose makes the highest impact on your business. That is the only way you can make performance appraisals work and add value for you. Make the software work for you. Do not compromise your programme to suit the software.