



Perspectives on Performance Appraisals Report December 2002

The tightening of the economy has had a tangible impact on the drive for performance. The bubble has well and truly burst. No longer are vast sums of capital being dished out on the strength of the sniff of future valuation and massive multiples on exit. Now the return to good old-fashioned business has meant a focus on profits – and as a result the need to deliver – fast, accurately and at the highest quality and the best price.

The pressure to deliver has filtered through organisations and increased emphasis is being placed on performance management. The organisation can't deliver if its people are not performing at peak. Optimising team and individual performance is key. Clearly the drive for maximum performance isn't going to disappear. If anything, increased economic pressure and the need to satisfy the Board and shareholders in tough times will ensure that this issue has even more emphasis in 2003 than it has in the past. But, the age-old question of just how to measure and evaluate individual performance is raised again and again. Issues like subjectivity, following through, and the administrative overhead of performance appraisals just never go away.

This study examines how HR professionals and other managers view the subject. 125 people responded to our web-based survey over a three week period starting in the last week of November 2002 to provide an overview of Performance Appraisals as manager believe employees see them, and also from the manager's own point of view.

The report is divided into four sections covering each of the two perspectives (employee and management) aspects, and finally providing a few details about the respondent groups:

Employee Perception
Management Views
Summary
The Respondents

None of this is intended to be an exhaustive study – rather, it provides an endorsement of some of the frequently bemoaned shortcomings of existing methods, as well as a quick look at what is working well in this area.



Employee Perceptions

1. The employee's view

On the subject of employee perception, only 12% of respondents believed that employees see performance appraisals as a positive career development tool. It is encouraging to note that only 9% held the view that employees in their organisation see the process as a complete waste of company resource. Overwhelmingly, employees seem to feel that there could be some value in performance appraisals, but it is seen either as time consuming [19%], viewed with some suspicion [28%], or considered not to deliver [32%]. It would appear from this that there is some merit in reviewing the process in order to gain employee buy in. However, this can only be achieved by addressing the question of ultimate value of the process vs the administrative overhead.

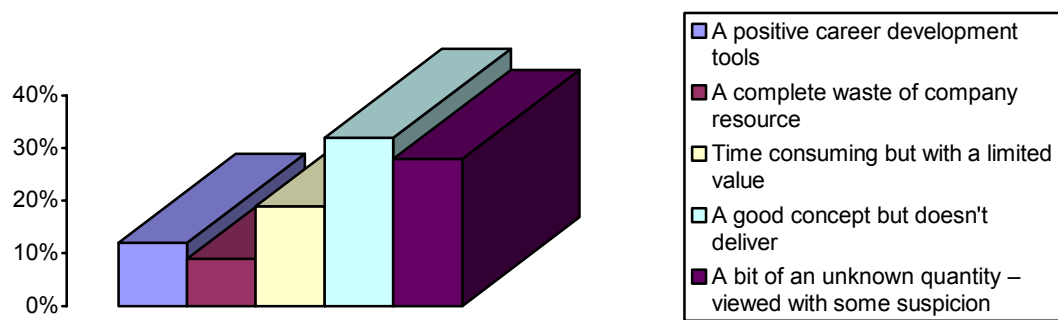


Figure 1 - Employee Perception of Performance Appraisal

2. The department manager's view

Only 26% believe the department managers in their organisation see the appraisal process as a positive force that helps build their department's capability. A resigned approach seems to be the view of 23% who simply see it as part of the job. However, the negative view dominated this question. Where respondents were invited to select a number of statements, a total of 82% of the statements about how manager's view performance appraisals were negative. Managers were seen to find the process stressful, [18%], a waste of time [10%], and yet another task to add to their load [54%].

It is easy to conclude from this that the issue of administrative overload for managers is impacting on the way they perceive performance appraisals.



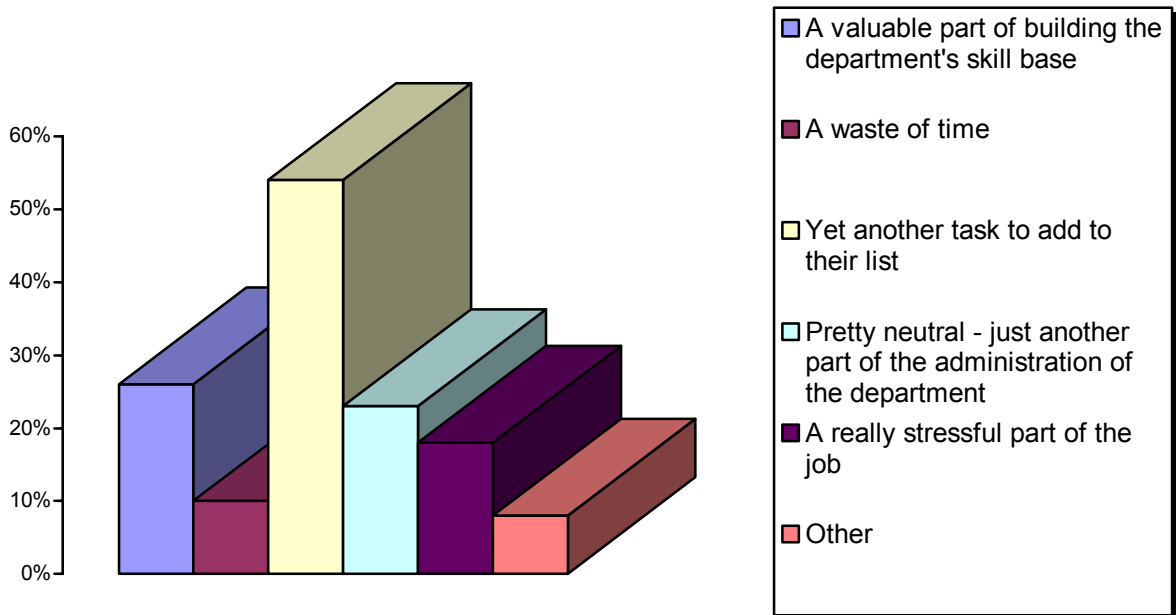


Figure 2 - Department Managers' Views

3. Follow Through

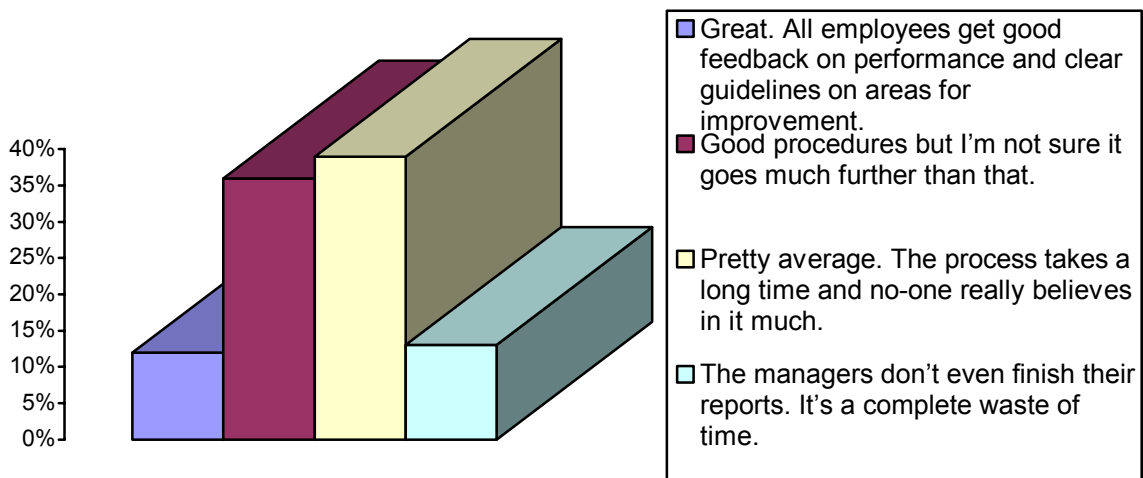


Figure 3 - Views on the Organisation's Follow Through

A key element of success for performance appraisals has always been the organisation's ability to follow through on the process. Employees and managers will only see the process as being worthwhile and positive if they see results in the form of additional training and development support. Only 12% of organisations go full circle on performance appraisal, providing a robust system and great feedback. In 13% of the cases, managers don't even complete the reports. In synch with the employee views, the highest responses showed an average level of follow through [39%] and good procedures [36%] – indications that if the process and the follow up were improved, a significant improvement in the level of belief in the system could be achieved.



Management Views

4. The appraisal process

Well-trained managers and objective methods are used by 31% of respondents. Unfortunately, a full 40% believe that the process is flawed by its subjectivity as it is based on manager opinion, while others had not thought about this aspect of the process [15%] or do not believe it matters [14%]

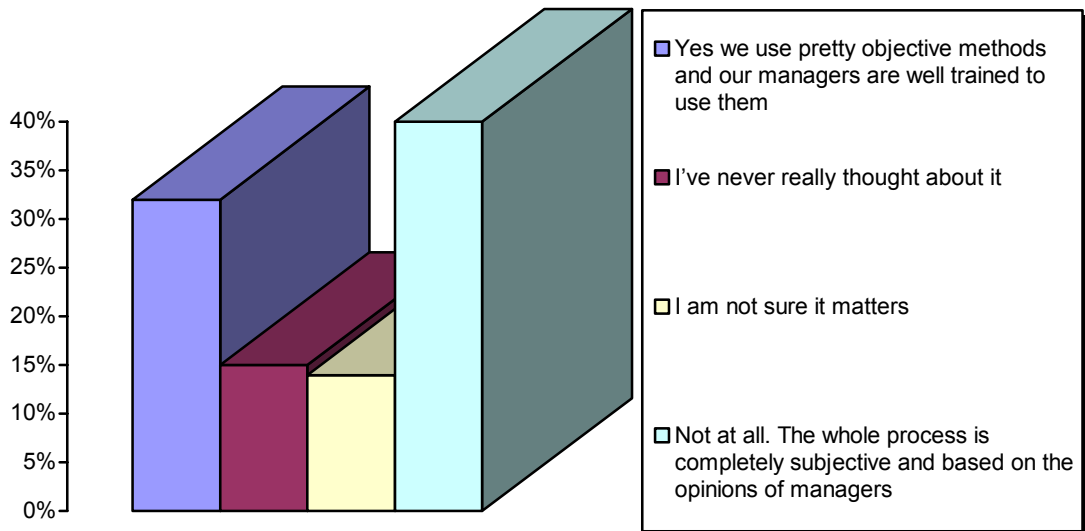
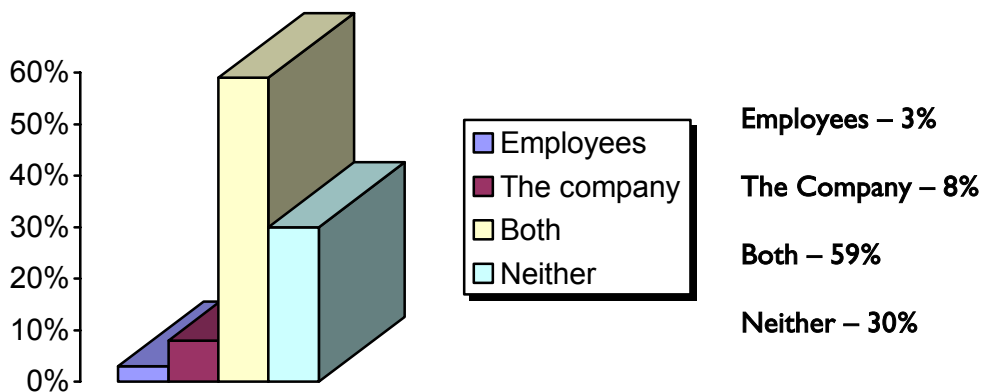


Figure 4 – Objectivity of the Process

5. Who gains from performance appraisals?



6. What problems have a significant negative impact on the process?

Subjectivity and inconsistent results are the greatest concerns in this area. Respondents were asked to select a number of statements they believe to be applicable to their organisations. Aside from pure subjectivity [32%], variation from department to department was a major concern [55%] while inconsistency as a result of a change in department manager [29%] was also seen as a problem.

An aspect that provides nearly as many problems is the fact that in 46% of cases, the department managers see appraisals as an HR function and therefore getting them to complete the process is challenging.

Respondents who supplied other responses listed amongst other things, lack of commitment from senior management, lack of time and budget, lack of consistency as a result of infrequency of reviews, as well as a the linking of performance appraisal to pay.

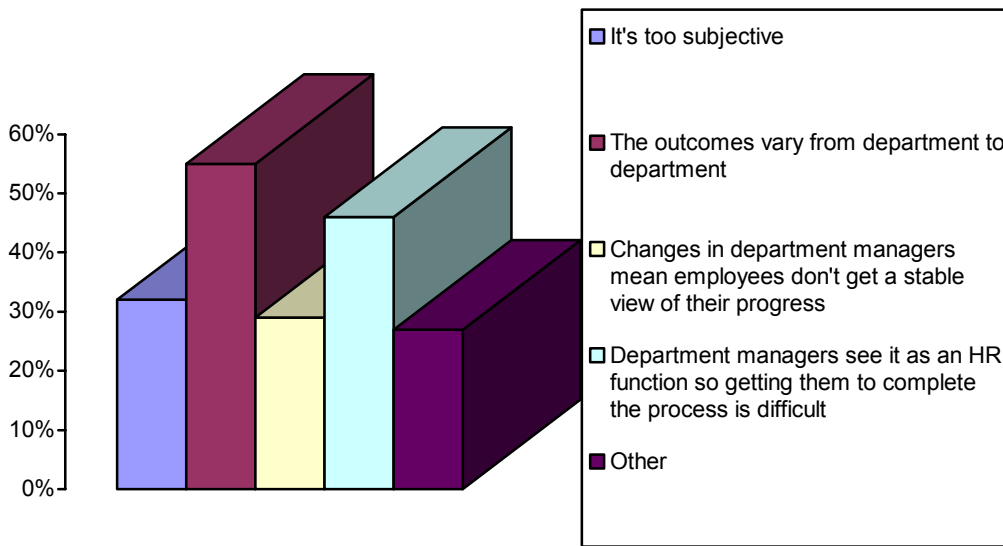
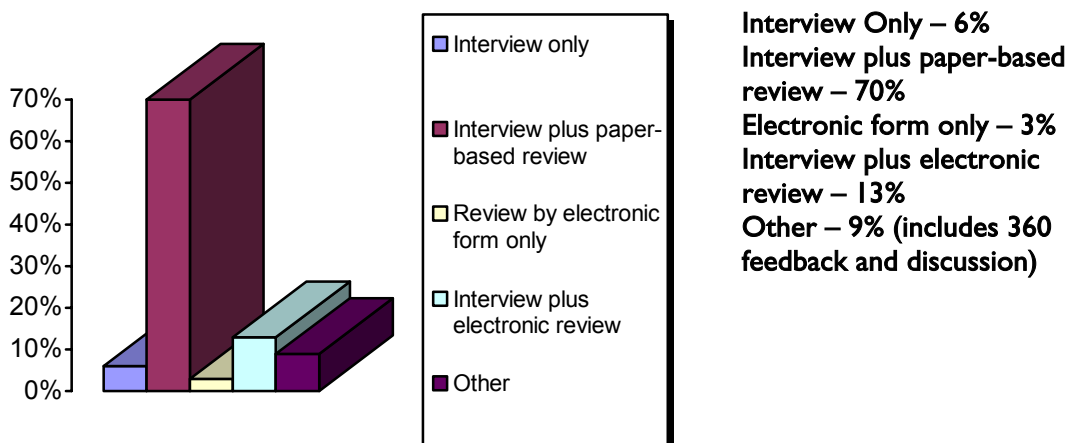


Figure 5 - Problems of Performance Appraisals

7. Appraisal Methods Used



Interview Only – 6%
Interview plus paper-based review – 70%
Electronic form only – 3%
Interview plus electronic review – 13%
Other – 9% (includes 360 feedback and discussion)

8. Changes to the Process

Finally, respondents were asked what changes they could like to make to their current performance appraisal system. 10% are happy with everything as it is and would not change at all. Reduction in administration was a common theme with 26% favouring a move to an electronic version and 27% wanting a more automated system to reduce the amount of chasing up for outstanding forms.

Multi rating systems were favoured by 40%. A high number of respondents [31%] listed other changes including:

- Doing away with performance appraisals altogether
- Training department managers to talk to their staff and provide continuous feedback
- More frequent review of the criteria
- Better training for managers in the appraisal process
- Greater support from senior management
- Clearer definition of the objectives, and
- Objectives aligned to the organisation's goals.

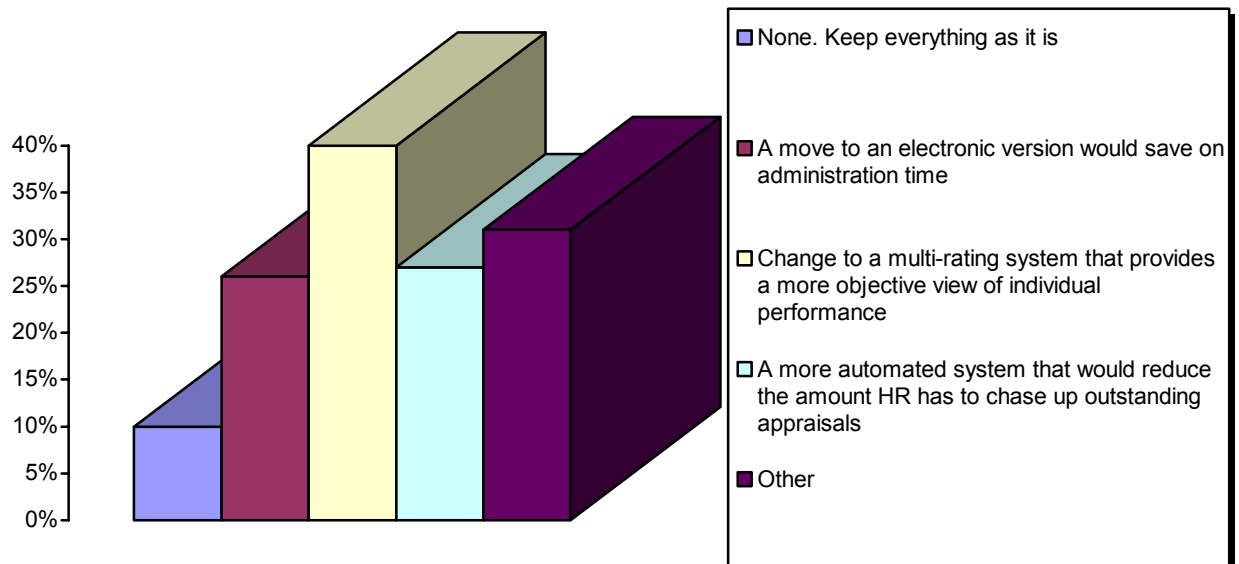


Figure 6 - Changes to Existing Systems



The Respondents

This web-based study was conducted during mid-November and early-December 2002. 125 HR Professionals and senior managers participated. The sample consists primarily of:

- HR Managers, Directors, or Generalists;
- Senior Managers, other than HR and Line Managers
- Consultants

The specific characteristics of the sample are shown in the charts below.

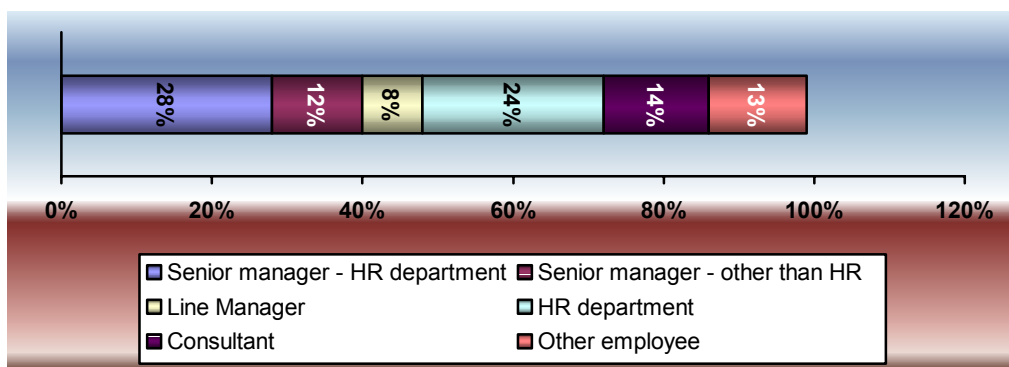


Figure 7 - Respondents' Role within the Organisation

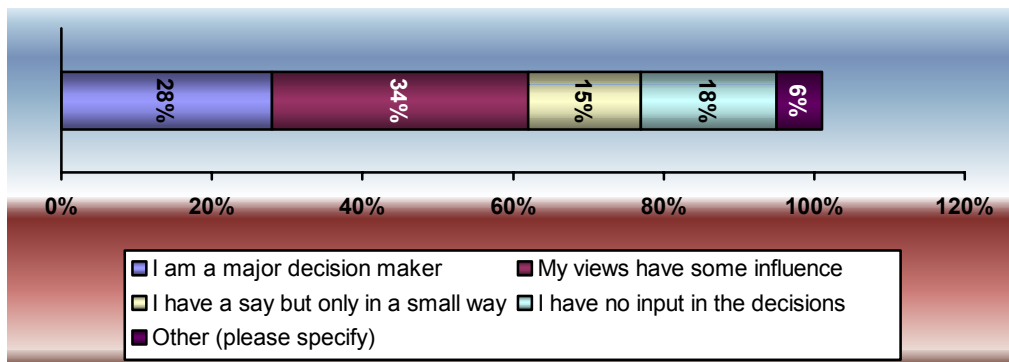


Figure 8 - Role in Decision Making for Performance Appraisals



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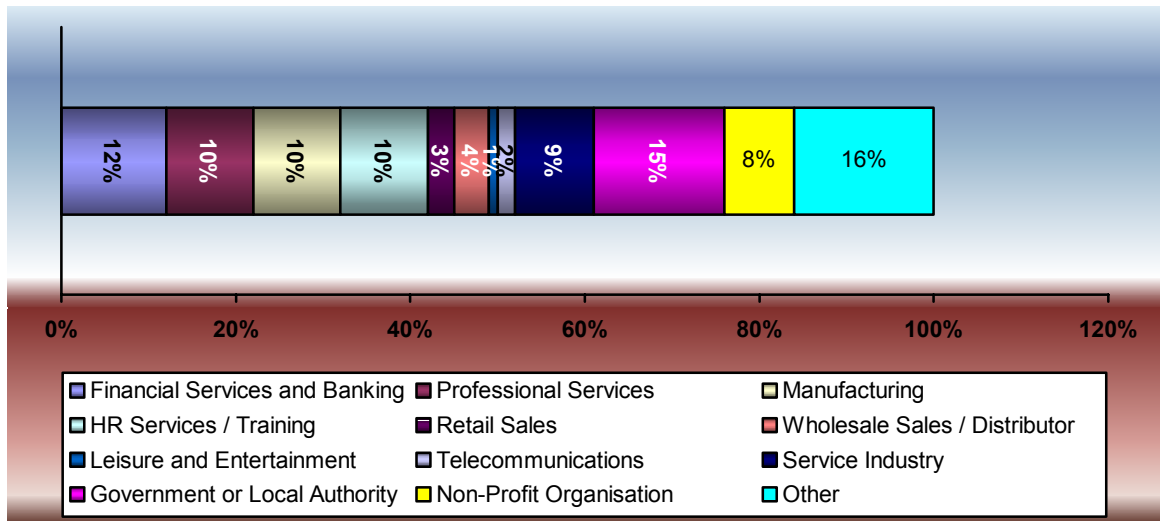


Figure 9 - Industry Sectors

Summary

By far the greatest overall perception of performance appraisal is that its here to stay and although there are problems with current methods, there is less hostility towards the process than might have been thought. Almost universally, the administration overhead of the process is seen as a negative element, as is the high degree of subjectivity intrinsic to current methods.

There is a strong perception that senior management must provide greater support for the process if it is to have any real value. This will impact positively on follow through and on the performance appraisal culture as a whole.

Operational changes favoured are clearly those that will positively address the administration and the subjectivity aspects and although there is no ideal one-size-fits-all solution to performance appraisals, these changes would provide an improvement to existing systems, in many cases.

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