



The Truth About Performance Appraisals:

They're Not Being Abolished.
They're Evolving.



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Perhaps you've read them—the stories from a handful of HR pundits and bloggers claiming that employers are utterly “abolishing,” “eliminating” and “eradicating” their performance appraisals.

This rhetoric may grab readers' attention but it simply isn't true.

If you read beyond their sensationalistic headlines, the stories themselves often reveal that performance appraisals are *not* being wiped out. In fact, they're evolving. Employers are transforming their appraisals and their appraisal processes—and it's about time.

At too many organizations, the performance appraisal has degenerated into a mere formality, and a fruitless one at that. Employers and employees are jointly complicit, dutifully sitting across from one another but simply going through the motions, ticking off goals and targets achieved over the past 12 months, those that weren't, and a new set of goals and targets for the next 12 months. As performance management tools, these by-the-numbers appraisals don't hold much value for most companies, and they do little to raise employee engagement, commitment or satisfaction levels.

A growing number of employers are reinventing performance reviews and reaping substantial rewards

However, rather than simply abandoning performance appraisals altogether, as some pundits have implied, a growing number of employers are turning around this state of affairs. They're reinventing performance reviews and reaping substantial rewards.

The Need for Transformation

There's a very good reason employers aren't simply abolishing performance appraisals altogether: every organization needs a process to measure, manage and maximize the performance of its people. This is why performance appraisals were created in the first place.

Appraisals help us provide the guidance, coaching and mentoring employees want and need. Appraisals help keep employees aligned to our businesses' changing goals. They help us nurture universal accountability throughout our organizations and identify our top performers. And they help us ensure that employees stay engaged in work they truly love to do. *But all of this can only happen if we conduct performance appraisals properly—and only if our appraisal process is closely tied to a larger performance management strategy.* And there's the rub.





For many companies, those by-the-numbers reviews mentioned earlier are poorly conducted and disconnected from any overarching performance management strategy. What's more, recent research shows that a large number of employers are aware of these fatal flaws:

- More than 70 percent of all organizations dislike the performance appraisal process they have in place, according to HR analyst Josh Bersin's November 2013 LinkedIn post, [*Are Performance Appraisals Doomed?*](#)
- "Fewer than 30% of all organizations feel their existing [performance management] process drives any level of performance or engagement at all (rather it simply helps evaluate people for compensation and promotion)," Bersin wrote.
- Deloitte's [*2013 Human Capital Trends*](#) report found that "58 percent of HR leaders gave their performance management process a 'C' grade or worse."

As the Deloitte report noted, "the pressure for performance will likely increase as business decisions become more complex and challenging." In other words, the need to improve both performance appraisals and performance management is only going to mount as competition becomes more global and more intense.

Proactive companies are replacing and reinvigorating their ineffective processes

To get ahead of this trend, proactive companies are replacing and reinvigorating their ineffective processes. Union Bank & Trust (UBT) is one such organization. The leadership of this privately owned Nebraska bank had grown so dissatisfied with its performance review process that it created an entirely new one—a process so successful, in fact, it helped to launch a separate HR solutions business called Zelle.

UBT's First Vice President of HR, Chad Thies, led UBT's effort to transform its review process, beginning with an internal survey to solicit thoughts, opinions and ideas from employees across the organization.

"What we found was that managers and employees both wanted more productive review sessions," Thies says. Both wanted a process and tools that would help them improve their ability to communicate. Employees also wanted to be sure their accomplishments were





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accurately reflected during reviews and that managers understood the challenges they faced in meeting performance expectations. For their part, managers wanted employees to be more engaged in the review process, helping to set their own goals. They also wanted a process that would motivate employees to raise the bar on their performance and feel more engaged in their work and in managing their careers. Also, managers needed tools to help them reduce the sheer amount of time and effort necessary to complete reviews.

As a result of their findings, Thies and his team created UBT's new *Four by Four Performance Review Process*, which requires managers to meet with direct reports four times a year at regularly scheduled intervals. However, there are no "ratings"—no numbers or terminology that attempt to sum up an employee's performance. Instead, managers hold conversations with their people, asking them four key questions:

1. What have you accomplished in the last six months?
2. What will you accomplish in the next six months?
3. What challenges are you facing?
4. How can I help you be your best?

"A great deal of critical information comes out of these four questions—information that goes right to the heart of how engaged employees are in their work and how committed they are to the organization's mission," Thies says. "We also found that these questions foster extremely productive discussions between managers and employees. For example, employees have a lot of great ideas for improving their work and improving the way UBT does business. And they're willing to share these ideas—if they're given the chance. Our old performance review process simply didn't lend itself to this kind of conversation. Our Four by Four Process does."

Two More Tasty Examples

Another company that recently transformed its performance reviews is the popular restaurant chain, Texas Roadhouse, which calls its new process "GPS" (Growth, Plan and Support). A June 2014 article on HRBartender.com said the purpose of GPS is "to be forward-looking instead of backward." As a result, the company's performance





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appraisals now focus on just three issues: 1) Career opportunities employees would like in the future. 2) How employees will prepare for these future opportunities. 3) The resources employees need to be successful. Texas Roadhouse also de-coupled the review process from merit increases.

To develop GPS, the company put together a team of managers rather than simply appoint an executive or an HR director to lead the effort. Involving employees (in this case, managers) in organizational change of this kind is hugely beneficial, as it almost always generates stronger results and greater levels of engagement—something employers should bear in mind when revamping their own performance appraisal and management processes.

At Chicago's Tasty Catering, performance appraisals are definitely not a once-a-year event. Managers and employees meet every three months to discuss what's on their minds. In addition to the frequency of these meetings, what's most striking about them is that employees are tasked with answering just two questions: *What do you want to do differently? What are your personal desires?*

Questions like these are invaluable when it comes to deploying talent and moving employees into roles where they can excel. These questions also cut right to the heart of employee engagement and retention. That much is evident in Tasty Catering's enviable turnover rate, which is less than one percent.

These are just a few cases illustrating how employers are transforming their old and outdated performance appraisals. Regardless of how their processes and intentions may vary, these organizations share some common objectives that helped to shape their transformation efforts.

For Your Consideration ...

If you're interested in improving your organization's appraisal process, these five objectives are well worth considering:

1. Hold reviews more frequently.

An authority no less than Aubrey Daniels, the clinical psychologist known as "the father of performance management," believes the biggest problem with performance appraisals today is that they





happen too infrequently. He's right. Business goals and marketplaces evolve too quickly these days for annual reviews to serve most organizations well. Performance goals and targets (for both individuals and teams) are now linked to shorter-term projects and other strategic deadlines as opposed to the fiscal year. As a result, people need more immediate, frequent and ongoing feedback.

A growing number of employers are supplementing their annual reviews with more frequent, informal meetings

This is why a growing number of employers are supplementing their annual reviews with more frequent, informal meetings. (Many still hold annual reviews but these meetings are used primarily to address development and career pathing issues—and to discuss compensation, raises, bonuses, etc.) The additional “reviews” are less formal and focused more on discussing employees’ needs and concerns—the things that might be preventing them from carrying out their day-to-day responsibilities with greater efficiency, for example.

Managers holding more frequent reviews would be wise to create an actual schedule of meeting dates and times for each of their direct reports, develop a structure for these meetings, and address employees’ needs and issues first and foremost.

2. Involve employees to a greater degree.

In a few of the examples mentioned earlier, organizations involved their employees to one degree or another before launching their appraisal transformation initiatives. This helped to build buzz and buy-in for their revamped processes; it also helped them better understand where their legacy processes were falling short and what specific needs were going unmet for managers and employees alike. But these organizations also focused on involving employees in the actual appraisals themselves, sometimes instituting self-appraisals and/or 360-degree appraisals.

Instead of making managers responsible for handing down performance goals, employers are making managers and their direct reports *partners* in goal-setting and creating performance targets. The reason: employees who have a direct hand in these activities embrace their goals and take ownership of their performance to a greater degree. It's another way to build up their engagement—and to build a workforce that delivers a true competitive edge.





3. Focus on employees' accomplishments, happiness and growth—not evaluating and rating them.

Look at the questions UBT and Tasty Catering ask their employees during reviews. These companies are focused on hearing what employees think and feel about their work and then aligning them with responsibilities they'll relish. A recent Forbes article featured *[9 Things You Should Tell Your Boss At Your Next Performance Review](#)*, obviously written as advice for workers. But some of the insights it offers can actually help employers create more effective performance reviews. For example, the first four items on the article's list are: 1) what makes you happy; 2) how you want to grow; 3) what you'd really like to work on; and 4) how you envision the future. These would be ideal questions for managers to ask employees during reviews. Dialing into employees' perspectives, interests and needs is a far more effective way to manage their performance than merely handing out ratings or evaluations.

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4. Nurture universal accountability.

A May 2014 Harvard Business Review [blog post](#) made the case that the best teams hold themselves accountable for resolving differences and maintaining high levels of performance. The same is true, of course, for individual employees. Your performance reviews should help to instill this dedication to accountability throughout the organization—not just reinforce it in your best people. Managers should talk about accountability openly in team meetings and during individual reviews.

5. Incorporate technology that facilitates your process.

No matter what a company's review process is, technology-based solutions are becoming a necessary component of a successful performance management process—especially when you factor in the widespread push to base reviews on metrics and hard data. Dedicated performance management software and systems help to keep the review process, managers and employees on track and working as efficiently as possible.

More Meaningful Outcomes

Clearly, the main reason companies are transforming their appraisal processes—other than the fact that most are severely broken—is to achieve better results and more meaningful outcomes.



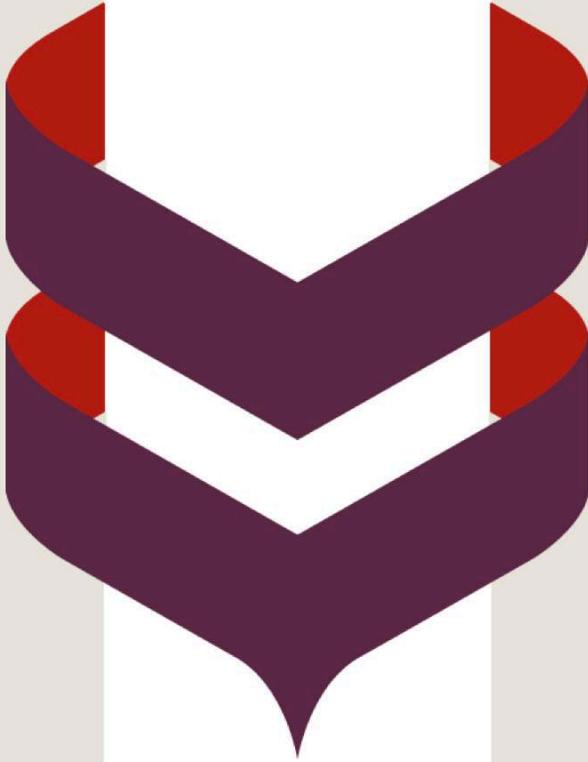


UBT calls its new Four by Four Process a “game changer” in terms of holding reviews that actually drive employee performance and engagement levels. According to Thies, employees are now more involved in creating their own performance goals and charting their own careers. They also feel free to offer ideas on how to improve their work and how UBT does business. Under the new process, Thies says, employees “have stock in their own futures.”

Mark Simpson, vice president of Legendary People at Texas Roadhouse, said the company’s new GPS process has put career development in the hands of its employees. “At Roadhouse, employees are in charge of the GPS conversation. They set up the meeting with their manager. They come prepared to talk. It’s a two-way discussion. Employees truly have a say in their professional careers.”

Examples like these make it clear that performance appraisals are not doomed. Far from it. They’re undergoing a much-needed transformation. As a result, they’re becoming exactly what they were intended to be from the start: true strategic assets that help us manage human capital and performance effectively.





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