

# Red Flags In Performance Appraisal

How to discover if your performance appraisal system is working.

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By KENNETH R. PHILLIPS

**A**lthough most organizations use a performance appraisal system, few have a system that really works. In many organizations, awareness that the appraisal system isn't working exists only at an intuitive level and is not based on facts. And without hard evidence, senior managers are unlikely to commit scarce resources to remedy the situation, even though they may share in the feeling that something is amiss.

If you are faced with this situation, the following "red flags" should both alert you to the problem and provide the evidence you will need to make your case.

## Employees have same performance standards

Ask managers for a copy of the performance standards they established with each of their employees at the beginning of the performance period. If the appraisal system isn't working, you will find that either no performance standards were established or the employees of each manager all have the same standards. If the latter is true, you're likely to find that these standards are identical to the stated goals for the manager's department.

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The missing ingredients, of course, are performance standards defining each employee's individual contribution toward accomplishing departmental goals. Meaningful performance standards take into consideration the experience, strengths and shortcomings of that individual. The development of individual performance standards by a manager with his or her employees is a key element in any successful performance appraisal system.

## Employees receive same end-of-year rating

Plotting the final performance ratings given by managers to their employees along the end-of-year appraisal rating scale will also reveal whether or not an organization's performance appraisal system is working. What you will find, if the system isn't working, is that virtually all employees receive the same end-of-year performance rating.

Furthermore, that rating typically falls just above the mid-point on the rating scale. In several organizations I've worked with, as many as 98 percent of employees received end-of-year performance ratings just on the high side of the rating scale mid-point. This situation is a sure sign that managers are not giving their employees fair and accurate ratings that truly reflect each employee's performance.

Common sense and the laws of probability tell us that in an organization of thousands or even hundreds of employees, there should be a distribution of ratings across the scale. This is not to suggest that there should be a normal curve distribution of the ratings. There should, however, be a greater range than virtually all employees receiving the same end-of-year rating.

In addition, I have found that the length of the end-of-year rating scale has no effect on fostering or preventing this type of rating bias. Organizations with 30-point scales and those with 5-point scales are equally likely to have an occurrence of this rating bias.

## Managers turn in same written review

A third way to determine if an organization's appraisal system is working is to compare the written appraisals managers turn in at the end of each performance period. If the system isn't working, you will discover that written comments about a given employee's performance are almost identical from one performance period to the next.

Many managers, when required to submit a written appraisal, simply pull out a copy of the employee's previous appraisal, change the date plus a few words, and resubmit it. In addition, when managers

are giving virtually all their employees a performance rating just above the rating scale mid-point, few, if any, negative comments about an employee's performance ever appear in the appraisal. This situation frequently leads to still another red flag as discussed later.

### **Manager and employee disagree on date of last appraisal**

Asking managers when they last conducted a performance appraisal meeting with their employees, and then asking the employees when they last had a performance appraisal meeting, is another technique for determining whether an appraisal system is working. If their answers don't agree, you have a further indication that the system isn't working.

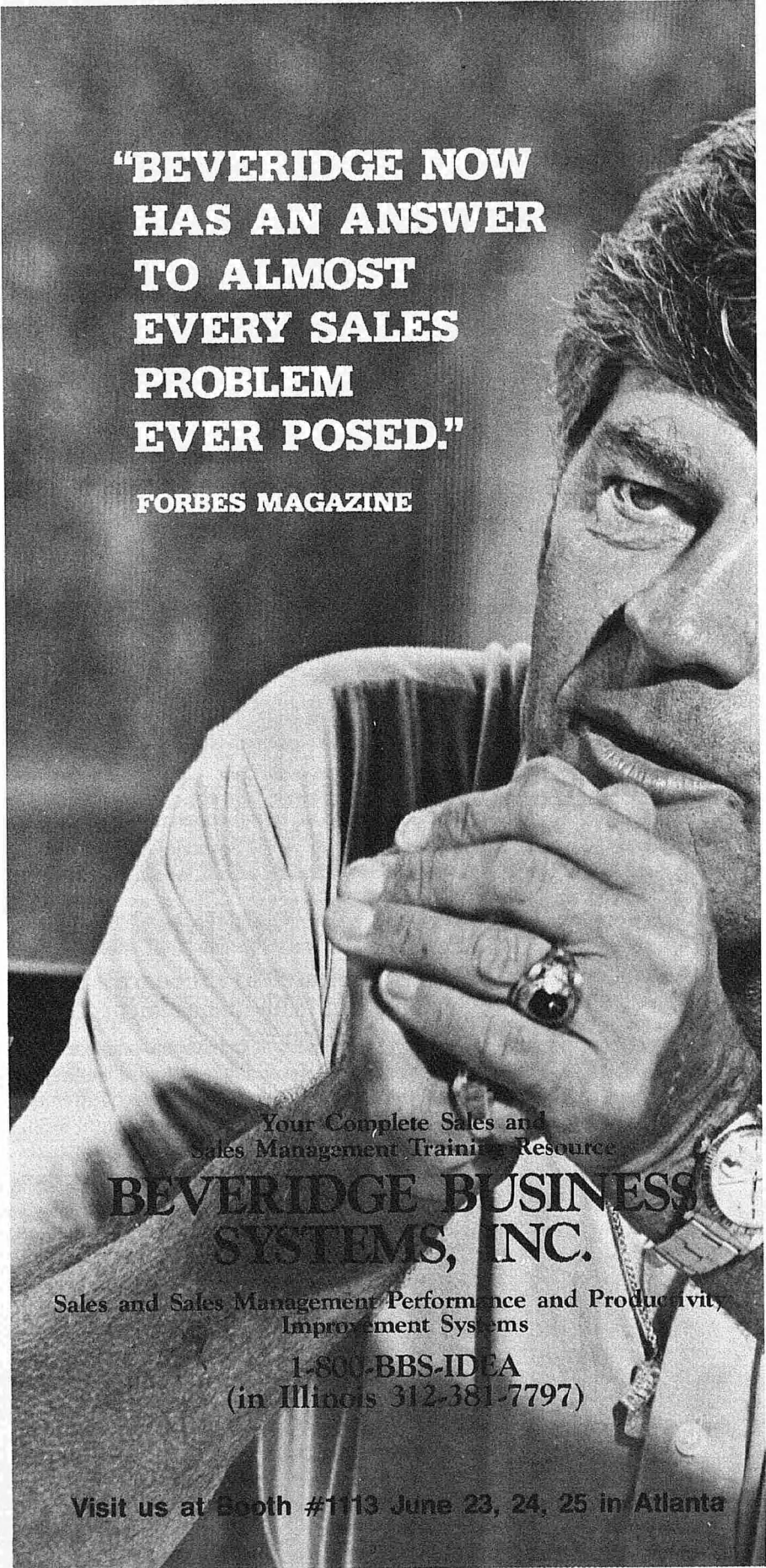
These discrepancies typically exist not because managers or employees lie, but because what constitutes a performance appraisal meeting in the manager's mind is often not perceived the same way by an employee. For example, asking an employee to read and sign an end-of-year performance review so that it can be turned in to the personnel office may be viewed as an appraisal meeting by many managers, but not by their employees.

Employees want more out of an appraisal than just reading and signing the appraisal form. They want an opportunity to participate in defining their jobs and establishing specific measures to evaluate their performance. They also want ample time to discuss issues such as accomplishments and concerns, work improvement plans, and career development opportunities.

### **No documentation for discharge**

A fifth technique for evaluating an appraisal system is to ask the personnel department whether managers ever encounter problems when trying to discharge an employee for unsatisfactory performance. If the system isn't working, personnel will report that virtually all managers fail in their first attempts to discharge an employee for poor performance.

This situation occurs because most managers neglect to document employee performance problems in writing during performance appraisal sessions. As noted above, many managers simply copy and resubmit the same employee performance review year after year, regardless of the employee's actual performance, and rarely include any negative comments. Con-



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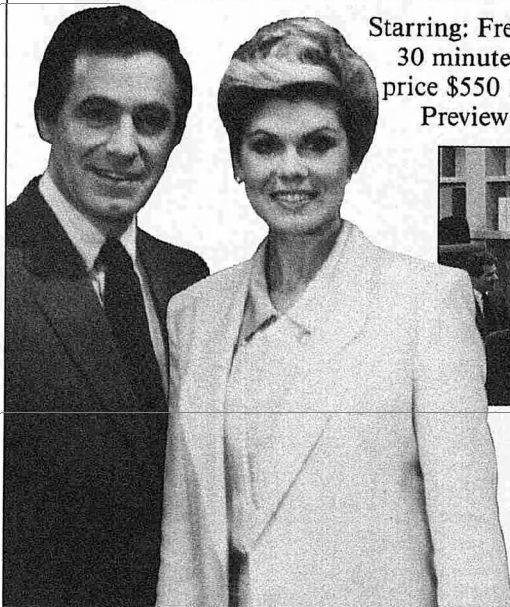
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sequently, it is likely that no documentation describing the nature of the problem and the steps discussed with the employee to correct it will exist when a manager first attempts to discharge an employee for unsatisfactory performance.

### Promotion on false information

Ask managers if they ever hired an employee from elsewhere in the organization based on the recommendation of personnel, only to have the employee turn out to be an unsatisfactory performer. If the system isn't working, you will find managers readily able to cite specific cases. Furthermore, on checking with the employee's previous manager, you will discover the employee had also been an unsatisfactory performer in that department.

Why would personnel recommend for promotion an employee with an unsatisfactory performance record? The answer is that the personnel department, at least in part, makes its recommendations based on the end-of-year performance ratings and written appraisals submitted by managers. When managers give virtually all their employees the same end-of-year rating, and rarely write anything negative in an appraisal, recommendations for promotion are made on information that does not truly reflect an employee's actual performance.

In actually gathering hard facts about an organization's performance appraisal system, you may choose to employ some or all of the above "red flags." The factors to consider in deciding how many to use are the time available and how much proof will be needed to convince senior management that the current performance appraisal system isn't working.

A good way to test the effectiveness of a newly redesigned performance appraisal system is to apply this test before and after implementation. The "red flags" approach provides managers and employees with a built-in method of evaluating the performance appraisal system's effectiveness on an on-going basis.

