

Performance Appraisals Used to Motivate, Weed Out

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By Rebecca R. Hastings, SPHR

Receiving a performance appraisal has a significant impact on an employee's engagement level and views of their immediate manager and organization, a recent study finds. Yet some organizations fail to use this management tool, even when it's more important than ever to get the most out of every employee.

According to data drawn from a representative sample of workers surveyed in 2009 through *WorkTrends™*, Kenexa Research Institute's (KRI) annual survey of worker opinions, 62 percent of employees who receive a performance appraisal have a favorable engagement score compared to just 46 percent of employees who received no appraisal. Engagement is measured by KRI using responses to statements such as "Overall, I am extremely satisfied with my company as a place to work" and "I rarely think about looking for a new job with another company."

Moreover, KRI found that employees who have received a performance appraisal have more favorable views of their immediate manager (64 percent favorable compared to 51 percent who have not received an appraisal) and are much more likely to state that their managers display the fundamentals of managerial competence such as treating employees fairly and doing a good job managing the team's work and the team itself.

Additionally, if employees received a performance appraisal, they are more likely to feel a sense of job security, be satisfied with on-the-job training, feel that performance is evaluated fairly and experience greater feelings of personal accomplishment, according to KRI.

"Human beings have a fundamental need to know how they are doing. It's simply part of who we are and what we are about," said Jack Wiley, executive director of KRI, in a statement. "When we gauge the positive impact of this important talent management tool, we once again see that building an engaged workforce is often based simply about the fundamentals. In this case, it is about managers and leaders communicating expectations and providing their employees feedback."

The study includes data from employees in Australia, Brazil, Canada, China, Germany, India, Italy, Japan, Mexico, the Netherlands, Russia, Saudi Arabia, the United Kingdom and the United States.

A Bad Review Is Better Than No Review

"Just receiving a review is great—in and of itself," says Dick Grote, consultant and author of *Forced Ranking: Making Performance Management Work* (Harvard Business School Press, 2005) and other books on performance management. "A performance review is an opportunity— a formal and structured opportunity—for an employee and his or her boss to discuss the individual's performance."

"Even if the boss's review is inaccurate, or biased, or late, or insensitive, it still gives the employee an opportunity to talk with that boss about the review," Grote says, and to learn more about the reasons behind the rating received and what it means for the employee's future with the organization.

Underutilized Tool

KRI reports that just 60 percent of employee respondents from the countries studied report having

received an appraisal within the past 12 months. Those in Spain and Germany, at just 39 and 42 percent of respondents respectively, were the least likely to report having been evaluated, while respondents in the United States and China were most likely to have received an appraisal, at 70 and 66 percent respectively.

"It's amazing that two-fifths of the world's workforce is not receiving any formal feedback on their job performance and how they are contributing to their employer's success," Wiley added.

This is particularly troubling in light of another recent finding.

According to Veritude, a staffing services provider, a majority of companies (63 percent) are actively replacing low-performing employees with high-performing new hires, according to *The New Normal: Recession Response and Workforce Planning*, a report released July 7, 2009.

"This pronounced economic crisis has pushed many companies into analyzing and reshaping their staffing models," said Joe Collins, senior vice president of Veritude, in a statement. "Our study indicated that while layoffs are a knee-jerk first response, to remain competitive it makes far more sense for companies to replace minimal achievers with higher achievers."

Veritude conducted its primary research among HR and procurement professionals from companies with at least 2,000 employees, nationwide and across many industries.

"The number of employees who get a review should be 100 percent," Grote says, adding that those who don't receive reviews "work for companies that are sloppily managed."

"There's not one of the organizations that shows up in the multitudinous number of lists of 'best place to work,' 'most admired,' etc. that would allow managers to get away with not providing their employees with performance reviews," Grote adds. "A robust performance management system is one of the cornerstones of effective management practice."

According to the Veritude report, "Every cog in a company's personnel machine is receiving new, cost-conscious scrutiny. HR is looking across the enterprise in a systematic way and putting the right people in the right places. It is actively moving to redistribute headcount to where it's needed and where it has the greatest business impact."

One effort specifically is the use of new cross-training initiatives which the report says "are designed to maximize the value of every head, and to prepare for the end of the recession by crafting a more flexible and agile workforce." In this way, the report continues, leaders are "creating lean, focused workforces in which every employee is as productive and cost-effective as possible."

"One of the few payoffs provided by this nasty economic storm is that it nudges companies into replacing those marginal performers that they allowed themselves to put up with when the profits were rolling in," Grote says. "Organizations should always be replacing poor performing employees, but in economic downturns, it's mandatory."

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