

# Performance Appraisal

## An Ideal System, A Perfect Form

Published in *Executive Excellence* Newsletter  
December 2002 Issue

---

By Dick Grote

## INTRODUCTION

---

Two years ago I delivered the closing general session presentation at the Conference Board's annual Human Resources Conference at the Waldorf-Astoria in New York City. The audience: 600 VP's of HR from Fortune 500 and similar organizations. My topic: "Performance Management — Best practices, New Directions."

Halfway through my speech I asked the group three questions. I told them to raise their hands high and then look around the Waldorf's ballroom to see how many of their colleagues responded the same way they had.

First question: "How many of your companies have a formal performance appraisal system?" At least 95 per cent of the 600 hands went up.

"Second question," I said. "How many of your companies have a formal, written-down-on-paper, vision and values or mission statement?" All but perhaps a dozen hands rose in the air.

"Final question," I said. "How many of you can take your performance appraisal form your left hand, and your mission statement in your right hand, and walk up to one of your employees and say, 'Harry, look! Do you see where the words in the performance appraisal and the words in the mission statement are the *same words*?' If you can, raise your hand!"

Maybe nine hands went up.

The point is obvious. If employees see no connection between what the organization trumpets as its mission and what they're held accountable for in their performance appraisal, they will become cynical about the importance of the stated mission.

Executives expend enormous intellectual and emotional energy developing a sincere statement of the company's mission or values that fully captures and accurately expresses what these top dogs consider to be truly important. But too often the only result is that these noble words are engraved on a

HERE'S SOME GOOD NEWS:  
THERE IS A PERFECT PERFORMANCE MANAGEMENT SYSTEM;  
THERE IS A PERFECT APPRAISAL FORM

brass plaque that decorates the lobby. Employees then see the mission statement as merely another feel-good corporate exercise with little impact on day-to-day business. But a good performance appraisal system can tightly link corporate strategy — mission and vision and values — with every individual's day-to day performance.

In America's best-run and most-admired organizations, performance appraisal is a vital and vigorous management tool. No other management process has as much influence over individuals' careers and work lives. Used well, performance appraisal is the most powerful instrument that organizations have to mobilize the energy of every employee of the enterprise toward the achievement of strategic goals. Used well, performance appraisal can focus every person's attention on the company's mission, vision and values. Used well, performance appraisal can answer the fundamental questions that every single person in the organization wants the answers to: How am I doing? Am I meeting expectations? Is my future bright?

But too often performance appraisal is done poorly. Forms are slipshod and inadequate; systems are ill designed and toothless. The result? Employees are frustrated, managers see the whole business as just another personnel department drill, and the whole procedure quickly becomes the butt of jokes and the target of Dilbert lampoons.

Abolish performance appraisal? Well, that would be silly. Performance appraisals serve too many crucial functions to merely respond, "Off with their heads!" Performance management systems give us the data we need to provide feedback, to encourage performance improvement, to make valid compensation decisions, to determine bench strength, to justify terminations, to identify training and development needs, and to defend the appropriateness of personnel decisions if we're ever ensnared in a legal challenge.

The appropriate response is to create forms and systems that actually work effectively and produce the results we need. And here's some good news: there is an ideal system, and there is a perfect form.

## HOW A GREAT SYSTEM WORKS

---

In organizations that take performance appraisal seriously and use the process well, it functions as an on-going process and not merely as an annual event. In these companies, performance appraisal follows a four-phase model:

### PHASE 1 — PERFORMANCE PLANNING.

At the beginning of the year, the manager meets with each employee for a performance planning discussion. In this hour-long session they discuss the *how* and the *what* of the job: how the person will do the job (the behaviors and competencies the organization expects of its members), and what results the person will achieve over the next twelve months (the key responsibilities of the person's job and the goals and projects the person will work on). They also discuss the individual's development plans and how performance will be measured.

## PHASE 2 — PERFORMANCE EXECUTION.

Over the course of the year the employee works to achieve the goals and objectives and key responsibilities of the job. The manager provides coaching and feedback to the individual to

THIS FOUR PHASE SYSTEM LINKS THE INDIVIDUAL'S PERFORMANCE WITH THE COMPANY'S MISSION

increase the probability of success. He creates the conditions that motivate and resolves any performance problems that arise. Midway through the year — perhaps even more frequently — they meet to review the individual's performance thus far against the plans and goals that they discussed in the performance-planning meeting.

## PHASE 3 — PERFORMANCE ASSESSMENT.

As the time for the formal performance appraisal nears, the manager reflects on how well the subordinate has performed over the course of the year, assembles the various forms and paperwork that the organization provides to make this assessment, and fills them out. The manager may also recommend a change in the individual's compensation based on the quality of the individual's work. Best practice calls for the completed assessment form to be reviewed and approved by the appraiser's boss before it's discussed with the individual.

## PHASE 4 — PERFORMANCE REVIEW.

The manager and the subordinate meet, usually for about an hour. They review the appraisal form that the manager wrote and the self-appraisal that the individual created assessing her own performance. They talk honestly about how well she performed over the past twelve months: strengths and weaknesses; successes and improvement needs. At the end of the review meeting they set a date to meet again to hold a performance planning discussion for the upcoming twelve months, starting the performance management process anew.

This four-phase performance appraisal process not only transforms performance management from an annual event to an on-going cycle, it tightly links the performance of each organization member with the mission and values of the company as a whole. And that's performance appraisal's real purpose in the organization. The real value of performance appraisal is to focus everyone's attention on what is genuinely important — the achievement of the organization's strategic goals; the demonstration of the company's vision and values in each employee's day to day behavior.

## THE PERFECT APPRAISAL FORM

---

But what about the form? Conventional wisdom says that there's no perfect performance appraisal form. And with so many sorry examples of appraisal forms around, conventional wisdom might almost seem correct.

It's not. There is an ideal model for a perfect appraisal form. And getting the form right is essential, since the appraisal form is the lightning rod that not only attracts everyone's attention; it focuses organizational energy on the issues of highest priority.

An ideal form has five parts. The first two sections identify and assess competencies; the way the person does the job. To start, top management should identify a small number, usually about a half-dozen or so, of the competencies that they expect every member of the organization to demonstrate, regardless of the individual's job or level in the company. Since they apply to all, these universal or organization-wide cultural competencies are likely to include such attributes as *Customer Focus*, *Communication Skills*, *Learning and Continuous Improvement*, and *Ethics and Integrity*.

The other type of competency a perfect form assesses is job-specific. The talents and skills required for success as a professional individual contributor like a programmer or accountant or engineer aren't identical to those needed for success in a leadership job. In professionals' jobs, such skills as *Analytical Thinking* and *Achievement Orientation* might be

GOAL SETTING IS FAR MORE THAN CHEAPER / FASTER / BETTER. REAL GOALS ARE TRANSFORMATIONAL.

indispensable, while in the leadership jobs, greater emphasis might be placed on *Developing and Retraining Talent* and *People Management* and *Command Skills*. Of course there will be overlaps — *Technical Skills* and *Decision Making* are competencies important in both job families. But the ideal form will allow for the identification of those competencies that have a high correlation with job success in the specific position the employee holds. *Safety* is sure to be present on an appraisal form for an operator position; *Relationship Building* better be assessed if the employee works in the sales department.

Organizational competencies and job-specific competencies are the first two elements of an exemplary form. Now let's look at what the person actually accomplishes — the results dimension. Again, there are two major components.

The third element of a great appraisal form focuses on key job responsibilities. Key job responsibilities represent the major components of an individual's job; the big rocks of the position that ideally would ideally be listed in a well written job description.

Got obsolete job descriptions? No problem. Just provide space in this part of the form for the manager and employee to identify in simple verb/noun form the most important responsibilities or accountabilities of the job incumbent: assess patients, assure customer satisfaction, train operators, develop marketing plans, sell shoes, etc.

Few jobs have more than a half-dozen key job responsibilities. If you come up with more, you're probably listing minor tasks and duties that are performed in order to accomplish a key responsibility.

"Goals and major projects" represent the other half of those elements that make up the results aspect of a job. Goals are big deals. They go well beyond the key job responsibilities listed in the position description; well beyond the predictable cheaper/faster/better expectations. In truth, real goals are transformational — visionary and long-term. They transform the nature of the position itself. "Keeping the network up and running," for example, is a well-stated key job responsibility. "Developing a system that eliminates network failures," is a formidable goal that will totally alter the nature of a network administrator's job.

Many people in an organization also take on special projects or assignments over the course of a year in addition to their specific job description duties. Too often their contributions are unheralded in their annual appraisal. This "Goals and Major Projects" part also provides for the assessment and recognition of these contributions.

The final element of an ideal performance appraisal form is the one that research suggests is the most important: a brief enumeration of the individual's most important achievements and accomplishments. Ever since the original GE studies in the early 'fifties, researchers confirm that growth and development result more from building on a person's unique strengths than from attempts to shore up deficiencies.

There's your perfect form: two sections that deal with organizational and job-specific competencies, two more that concentrate on key job responsibilities and goals, and a final summary of the most important things the individual did to further the organization's mission, vision and values.

Performance appraisal serves many vital functions in an organization, but performance appraisal is not an end in itself. Performance appraisal, used to its maximum benefit, is the means by which everyone in the organization understands and is held accountable for meeting truly important objectives.

#### ABOUT DICK GROTE

Dick Grote is Chairman and CEO of Grote Consulting Corporation in Dallas, Texas, and the developer of the GroteApproach<sup>SM</sup> web-based performance management system. He's the author of *The Complete Guide to Performance Appraisal*, *The Performance Appraisal Question and Answer Book* and *Discipline Without Punishment*. Dick's next book, *Forced Ranking: Making Performance Management Work*, will be published in 2005 by the Harvard Business School Press.

#### ABOUT GROTEAPPROACH, LTD.

GroteApproach, Ltd., is dedicated to delivering the technology, services and client care that transform organizations from best-effort climates into results-driven cultures. The GroteApproach web-based performance management system is the culmination of Dick Grote's mission to transform the way organizations manage and develop their most valuable resource - their people. It reflects best practices in strategy-based performance management as identified in Dick's 25 years of research and consulting with hundreds of sophisticated organizations throughout the world. Its combination of unrivaled expertise and superior technology make the GroteApproach system an ideal fit for organizations large and small.

#### ABOUT GROTE CONSULTING CORPORATION

Grote Consulting Corporation is one of America's best-known and most respected specialized management consulting firms. Headquartered in Dallas, Texas, Grote Consulting helps sophisticated organizations, large and small, implement best-practice performance management systems. Its clients include some of the most prestigious organizations, public and private, in North America, Western Europe, and Southeast Asia.

---

Copyright © 2002 Dick Grote. All rights reserved. Reproduction is prohibited.

15303 DALLAS PARKWAY, SUITE 645 ADDISON, TEXAS 75001

800.734.5475      [www.GroteApproach.com](http://www.GroteApproach.com)      [www.GroteConsulting.com](http://www.GroteConsulting.com)