

Performance Appraisal Reappraised

by Dick Grote



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best practice

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Some of the freshest ideas for evaluating employees are coming from an unexpected source: the public sector.

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I used to accept the conventional wisdom: When it comes to innovation, public agencies are also-rans. Best practices always originate in the private sector and then, slowly and against great resistance, filter down to state agencies and local governments.

My view began to change about a year ago when I signed on as a subject-matter expert for the American Productivity and Quality Center's national benchmarking study on best practices in performance appraisal. My first task was to identify companies pioneering new methods of evaluating performance. To my surprise, I found that many of the best ideas weren't coming from companies. They were coming from public-sector organizations.

A case in point is the Air Force Research Laboratory in Dayton, Ohio. A few years back, under pressure from the top brass to cut staff, the lab's managers reviewed the formal performance appraisals of their 3,200 scientists and engineers. They found that nearly all the appraisals were positive – not a single person had been rated “unsatisfactory,” and only one had been rated “marginal.” Clearly, such uniformly glowing appraisals are useless in evaluating the relative merits of staff members. So the managers set their sights on developing a system to produce appraisals that more closely reflected reality.

The lab's scientists were put in charge of creating the new system. They quickly discovered a flaw in conventional performance-measurement thinking. Traditional systems ask supervisors and subordinates to agree on a list of job elements at the start of the year and to base the end-of-year appraisal on how well those elements are performed. But that

approach tends to automatically generate high ratings since, in doling out jobs, supervisors take into account workers' past performance and only assign tasks they are fairly certain the workers can complete successfully.

The scientists proposed a radically different approach. Assume all staff members are performing well and evaluate them on the contribution their particular jobs make to the mission of the organization. The lab now encourages scientists and engineers to take on as much responsibility as they can handle. They naturally gravitate to the toughest jobs they can competently perform, and their pay is based on the value of those jobs to the lab.

The lab's performance-appraisal system is the most advanced I've come across. Well, of course, you say – that's a research laboratory, and they're all knowledge workers. You'd expect them to be state-of-the-art. But what about the guys who fill the potholes on the highway?

In 1998, the Minnesota Department of Transportation developed an innovative appraisal system that links employee evaluations with the agency's mission and strategic plan. Again, the system was homegrown, created by a team of pothole fillers, their bosses, and support staff. The team reviewed the agency's goals and values and identified the skills the staff would need to fulfill them – leadership, organizational knowledge, technical know-how, strategic thinking, and so on. Instead of merely defining what those terms meant, however, the team members wrote concrete descriptions of what an employee would actually need to do to exemplify each one. Those behaviors defined the profile of what the team calls a “true master.”

What behaviors might we see in a master of organizational knowledge? According to the team's descriptions, a true master of organizational knowledge:

- understands the agency's culture;
- can accurately explain the agency's organizational structure, major products and services, and the contributions of different parts of the organization;
- gets work done through formal channels and informal networks;
- understands and can explain the origin and reasoning behind key policies, practices, and procedures;
- understands, accepts, and communicates political realities and implications.

By using the set of master profiles as the yardstick for all of its employee appraisals, the agency was able to remove much of the subjectivity that plagues conventional appraisal methods. Instead of standing in subjective judgment over an individual's performance, supervisors now act more as objective observers, using a standard scale to assess how often each worker behaves like a master – occasionally, sometimes, frequently, or regularly. The result? A far more palatable – and far more useful – way to evaluate performance and give feedback.

The city of Irving, Texas, last year developed a similarly objective appraisal system. For each of the 23 competencies the city identified as critical to success, the system's designers painstakingly wrote dozens of examples of different levels of performance – ranging from totally ineffective to distinguished. All an appraiser need do now is pick the ones that best describe exactly how an employee behaves. Writing the descriptions took time, but it has made the appraisal process much more efficient for the city and much more illuminating for its employees.

More and more companies are recognizing that effective performance appraisal is essential to the execution of their strategies. In finding models to emulate, they would do well to look to the public sector. They'll be surprised at the creativity they find.

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