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Performance Appraisal

A performance appraisal is a regular review of an employee's job performance and overall contribution to a company. Also known as an "annual review," "performance review or evaluation," or "employee appraisal," a performance appraisal evaluates an employee's skills, achievements and growth, or lack thereof. Companies use performance appraisals to give employees big-picture feedback on their work and to justify pay increases and bonuses, as well as termination decisions. They can be conducted at any given time but tend to be annual, semi-annual or quarterly.

Why Companies Give Performance Appraisals

Because companies have a limited pool of funds from which to award raises and bonuses, performance appraisals help determine how to allocate those funds. They provide a way for companies to determine which employees have contributed the most to the company's growth so companies can reward their top-performing employees accordingly.

Performance appraisals also help employees and their managers create a plan for employee development through additional training and increased responsibilities, as well as to identify shortcomings the employee could work to resolve.

Ideally, the performance appraisal is not the only time during the year that managers and employees communicate about the employee's contributions. More frequent conversations help keep everyone on the same page, develop stronger relationships between employees and managers, and make annual reviews less stressful.

Performance Appraisal Types

Most performance appraisals are top-down, meaning supervisors evaluate their staff with no input from the subject. But there are other types:

- Self assessment: Individuals rate their job performance and behaviour.
- Peer assessment: An individual's work group rates his performance.
- 360-degree feedback assessment: Includes input from an individual, her supervisor and her peers.
- Negotiated appraisal: A newer trend, utilises a mediator and attempts to moderate the adversarial nature of performance evaluations by allowing the subject to present first. Also focuses on what the individual is doing right before any criticism is given. This structure tends to be useful during conflicts between subordinates and supervisors.

Performance Appraisal Criticism

An issue with performance appraisals is that differentiating individual and organisational performance can be difficult. And if the evaluation's construction doesn't reflect the culture of a company or organisation, it can be detrimental. Employees report general dissatisfaction with their performance appraisal processes. Other potential issues include:

- Distrust of the appraisal can lead to issues between subordinates and supervisors or a situation in which employees merely tailor their input to please their employer.
- Performance appraisals can lead to the adoption of unreasonable goals that demoralise workers or incentivise them to engage in unethical practices.
- Some labor experts believe that use of performance appraisals has led to lower use of merit- and performance-based compensation.
- Performance appraisals may lead to unfair evaluations in which employees are judged not by their accomplishments but by their likability. They can also lead to managers giving underperforming staff a good evaluation to avoid souring their relationship.
- Unreliable raters can introduce a number of biases that skew appraisal results toward preferred characteristics or ones that reflect the rater's preferences.
- Performance appraisals that work well in one culture or job function may not be useful in another.