

# The Top 50 Problems With Performance Appraisals

by  [Dr. John Sullivan](#) on Jan 31, 2011, 11:27 AM | [6 Comments](#)



*“(Some) 90 percent of performance appraisal processes are inadequate.” – Salary.com survey*

In conversations with HR leaders and employees, the talent management process that suffers from the most disdain around the world is the performance appraisal. It’s one of the few processes that even the owners of the process dread.

If everyone hates it, but it still gets done nearly everywhere, you might assume some asinine government regulation requires it, but in this case there is no such regulation. The only legal justification pertains to showing just cause for termination and other disciplinary action.

While that is the justification used, no matter how strong their design, most performance appraisals are executed so poorly that they may actually harm a legal case. (A major labor law firm found that among a random sample of performance appraisals conducted in a retail environment, a majority would damage the employer’s case versus support it.)

Most ignore the shortcomings of performance appraisals and suffer through it, but that’s hard to do once you realize how incredibly expensive the process is. In 1996, Frederick Nickols estimated the cost at just under \$2,000 per employee. My estimate, which includes a managers preparation time, employee time, HR processing time, opportunity costs, and advances in technology, still puts the process cost at over \$2,500 per employee per year. If you choose to take on the challenge of revising your performance appraisal process, the first step is to fully understand the potential problems associated with it.

Here are the Top 50 problems with performance appraisals (grouped into six categories):

## Most Serious Performance Appraisal Problems

**1. Don’t assess actual performance** — most of the assessment that managers complete focuses on “the person,” including characterizations of their personal “traits” (i.e. commitment), knowledge (i.e. technical knowledge) or behaviors (i.e. attendance). While these factors may contribute to performance, they are not measures of actual output. If you want to assess the person, call it “person appraisal.” Performance is output quality, volume, dollar value, and responsiveness.

**2. Infrequent feedback** – if the primary goal of the process is to identify and resolve performance issues, executing the process annually is silly. A quality assessment/control program anywhere else in the business would operate in real time. At the very minimum, formal feedback needs to be given quarterly, like the GE process.

**3. Non-data-based assessment** — most processes rely 100% on the memory of those completing the assessment because pre-populating the forms with data to inform decisions would be too difficult (cynicism). In addition, most assessment criteria are “fuzzy” and subjective.

**4. Lack of effectiveness metrics** — many accept that the goals of the process are to recognize results, provide feedback to address weaknesses, determine training needs, and to identify poor performers. Unfortunately, rarely do process owners ever measure their processes’ contribution to attaining any of these goals. Instead, the most common measure relating to performance appraisal is the percentage completed.

**5. Lack of accountability** – managers are not measured or held accountable for providing accurate feedback. While they may be chastised for completing them late, there is no penalty for doing a half-assed job or making mistakes on them, which is incredibly common. One firm attempting to remove a troublesome employee found that the manager had rated the individual the highest within the department and awarded them employee of the year.

## Process related problems

**6. Disconnected from rewards** — in too many organizations, getting a merit raise, bonus, or promotion is completely disconnected from an employee’s performance appraisal scores. When there is a weak link, employees and managers are not likely to take the process seriously.

**7. No integration** — the process is not fully integrated with compensation, performance management, development, or staffing (internal movement). A lack of integration and coordination leads to duplication and missed opportunity.

**8. Individual scores exceed team performance** — without controls, quite often the average score of team members exceeds the actual performance of the team (i.e. the team reached 80 percent of its goals but the average performance appraisal for its members was 95 percent).

**9. Each year stands alone** — each performance appraisal by definition covers a finite period of time. However, if the goal is to assess potential and identify patterns, an employee’s performance must be assessed over multiple years.

**10. No comprehensive team assessment** – although individuals on the team are assessed, there is no simultaneous overall assessment of the team. Often contingent workers on the team are not addressed at all.

**11. A focus on the squeaky wheel** — most performance appraisal systems focus on weak performers. There is significantly less focus on top performers and thus there is no system to capture their best practices and then to share them with others.

**12. Little legal support** — performance appraisals may be an executive’s worst enemy in grievances and legal proceedings. Even though the process may be flawless, poor execution by managers often results in performance appraisals that do not aid in a disciplinary action. Errors may include “unfettered discretion,” improper handwritten notes, generalizations about race, gender, or age, and appraisals that do not match the performance data. At my university, a study demonstrated that while Asians got the highest performance score, they somehow managed to get the lowest average pay raise. When the HR director was confronted, he was furious that anyone would calculate and expose the obvious discrimination.

**13. No second review** — even though the process may have impacts on salary, job security, and promotion, in many firms the assessment is done by a single manager. If there is a second review, it may be cursory, and therefore not ensure accuracy or fairness.

**14. Not reliable or valid** — most process managers do not regularly demonstrate with metrics that the process is consistently repeatable (reliable) and that it accurately assesses performance (valid).

**15. Cross-comparisons are not required** — one of the goals of the process is often to compare the performance of employees in the same job. Unfortunately, most appraisal processes (with the exception of forced ranking) do not require managers to do a side-by-side comparison, comparing each member of the team with one another.

**16. Assessments are kept secret** — although a salesperson's performance ranking may be posted on a wall, performance appraisals are often kept secret. An overemphasis on privacy concerns might allow managers to play favorites, to discriminate, and to be extremely subjective. Keeping ratings secret allows managers to avoid open conversations about equity.

**17. Process manager is not powerful** — often the process is managed by lower-level HR administrators without a complete understanding of performance and productivity.

**18. No process goals** — the overall process operates without clear and measurable goals, and as a result there is little focus.

**19. Not global** — most processes and forms are “headquarters centric,” failing to address cultural, language, and legal differences.

**20. Forced ranking issues** — although forced ranking has some advantages, using it may result in significant morale and PR issues.

**21. No ROI calculation** — HR fails to do a periodic business case justifying the value added compared to the time and the cost of the process.

## **Instrument (form) problems**

**22. Doesn't address diversity** — all too often, the same appraisal form is applied to a large but not homogeneous group of employees (i.e. all hourly, all exempts, all managers etc.). As a result, the assessment form does not fit the job. Only management-by-objective-type approaches address individual needs.

**23. The process does not flex with the business** – rarely does any portion of the appraisal process flex to address changing business objectives.

**24. The factors are all equal** — most forms treat all assessment factors as if they are of equal importance. Instead, they should be weighted based on their relative importance in a particular job (i.e. a janitor's customer service rating should be weighted lower than for a salesperson).

**25. Inconsistent ratings on the same form** — it is not uncommon for managers to put one level (high, average or low) of ratings in the Likert scale portion of the form, but another level of rating in the “overall assessment” box. The final narrative portion of the assessment may contain still another completely different level of assessment.

**26. Disconnected from job descriptions** – in many cases, the factors on the form are completely different from the factors on an employee's job description, bonus criteria, or yearly goals. This can confuse employees and cause them to lose focus.

## **Manager/execution problems**

**27. Managers are not trained** — in most organizations, managers are not trained on how to assess and give honest feedback. If the process includes a career development component, it is even more likely that managers will not know how to enhance the career path of their employees.

**28. Managers are “chickens”** — some managers will do almost anything to avoid tough decisions or confrontation. Some provide no differentiation and spread “peanut butter” (an even distribution) to avoid it, while others give everyone “above average” ratings. Some managers will provide feedback that is extremely vague in order not to offend anyone. Rarely if ever is anyone immediately terminated as a result of the process.

**29. Gaming the system** — often managers artificially rate individual employees to save money or to keep employees from becoming visible for promotion. Some selfishly give a score just below that required for a pay increase, while others give scores just above the point where they would be required to take disciplinary action.

**30. Recency errors** — managers, especially those who don’t consult employee files and data, have a tendency to evaluate based primarily on events that occurred during the last few months (rather than over the entire year).

**31. Corporate culture issues** — subjective appraisals can restrict cultural change in organizations. In some organizations, there are cultural norms and values that influence performance appraisals. For example, in one organization new hires were automatically given an average rating for their first year, regardless of their actual performance. One top performing hire I knew abruptly quit after receiving this cultural gift.

**32. Inconsistency across managers** — some managers are naturally “easy raters” while others are not. As a result, employees working under easy managers have a better chance of promotion due to their higher scores. In firms that rely heavily on the narrative portion of the assessment, having a manager with poor writing skills may hamper an employee’s career. Without “benchmark” numbers to set as a standard, inconsistency is guaranteed in large organizations.

**33. Managers don’t know the employee** — managers of large and global organizations, as well as newly hired and “transferred in” managers may be forced to do appraisals on employees they barely know. Recently promoted managers may be forced to assess their former friends and colleagues. Following a merger, managers are likely to be confused about whether to focus on the whole year or just “post-merger” work.

**34. Secret codes** — I did some work with an army unit where by custom literally everyone got a perfect numerical score. So assessments by higher-ups were made as a result of interpreting “code words” in the small written narrative portion of the assessment. Unfortunately, if your commander didn’t know the code words, your army career was limited.

**35. Mirror assessments** — most people, and managers are no exception, have a tendency to rate people like themselves more positively. This can result in discrimination issues.

**36. Managers are not rewarded** — managers that go out of their way to provide honest feedback and actually improve the performance of their workers are not rewarded or recognized.

**37. Managers don’t own it** — managers often feel they don’t own the process, so they invest little in it and proceed to blame HR for everything. Managers would embrace it instead of grumbling if they were presented with a positive correlation proving that managers who did excellent



performance appraisals were among the highest performers with regards to business result and bonus awards.

## Employee/subject problems

**38. High anxiety** — because the process is so subjective and no benchmark performance numbers are set in advance, uncertainty can cause many employees high levels of anxiety weeks before the process. Managers may also be anxious because of the uncertainty related to the an employee's reaction. I know one employee who sincerely thought she was going to be fired prior to her assessment but ended up being the highest rated employee on the team. Employees should have an accurate idea of their assessment long before any meeting is scheduled.

**39. One-way communication** — some managers simply give the employee the form to quickly sign and they don't even solicit feedback. Many employees are intimidated by managers and the process, and as a result, they say nothing during or after the appraisal.

**40. Self-assessment is not possible** — if an ambitious employee wanted to self-assess their performance midstream (in order to improve), most processes do not provide access to the instrument. Providing each employee with a virtual assessment scoreboard and performance management process would be an ideal solution.

**41. No alerts** — most processes do not allow an employee to be notified midstream should their performance change to the point where it was suddenly dramatically below standards.

**42. No choice of reviewers** — although there are a few exceptions (Sun), in most cases, unlike with 360 reviews, employees are not allowed input into who does their assessment.

**43. One-way process** — in most cases, employees also have no input into the factors that they are assessed on, how often they are assessed, and what type of feedback they can receive. It is unfortunately even rare for a process manager to routinely survey their users for suggestions on how to improve it.

**44. No appeal process** — employees who disagree with her appraisal are seldom given the opportunity to challenge the results with a neutral party.

**45. Retention issues** — the ultimate cost of an "unfair" assessment may be that it actually drives your top employees away because, for example, there was no differential in recognition and rewards for their superior performance.

**46. Many possible emotional consequences** — if performance appraisal is blotched, you can expect a decrease in employee engagement, trust, employer brand strength, teamwork, and innovation contribution. Employee referrals from disgruntled employees will probably also drop.

## Timing issues

**47. A time-consuming process** — most of the forms are incredibly long and time-consuming. As a result, some managers routinely recycle "last year's" evaluations. If HR is required to sit in on the sessions, the amount of wasted time increases significantly.

**48. It is historical** — the process is focused on capturing feedback about last year rather than on discussing necessary changes to job and skill requirements that must necessitated by the business strategy.

**49. Not coordinated with business cycles** – some appraisal dates do not coincide with the end of major business periods or seasons when all other business results are tabulated and reported.

**50. Not simultaneous** — if appraisals are done on the employee's anniversary date, the entire team will not be assessed at the same time.

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