

CIPD factsheet on Performance appraisal

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What is performance appraisal?

Performance appraisal (or performance review) is essentially an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about each individual's performance and development, as well as the support required from the manager.

While performance appraisal is an important part of performance management, in itself it is not performance management: rather, it is one of the range of tools that can be used to manage performance.

Because performance appraisal is usually carried out by line managers rather than HR professionals, it is important that they understand their role in managing performance and how performance appraisal contributes to the overall aims of performance management.

Procedures for appraising performance are usually based on an appraisal meeting. This should not be a 'top down' process or merely an opportunity for one person to ask questions and the other to reply, but should take the form of a free-flowing conversation during which a range of views is exchanged.

Performance appraisals usually review past actions and behaviour and so provide an opportunity to reflect on past performance. But to be successful they should also be used as a basis for making development and improvement plans and reaching agreement about what should be done in the future.

Relationship with performance management

The performance appraisal is often the central pillar of performance management. Our 2009 performance management survey found that a large majority of

organisations use individual appraisals as part of performance management programmes.

However, it is a common mistake to assume that if organisations implement performance appraisals, they have performance management. This is not the case.

Performance management is a holistic process bringing together many activities that collectively contribute to the effective management of individuals and teams in order to achieve high levels of organisational performance. The process is strategic, in that it is about broader issues and long-term goals, and integrated in that it links various aspects of the business, people management, individuals and teams.

Performance appraisal on the other hand is operational, short- to medium-term and concerned only with individual employees and their performance and development. While it is one of the tools of performance management, and the data produced can feed into other elements of performance management, appraisal by itself does not constitute performance management.

Who assesses performance?

Role of line managers

CIPD research stresses the importance of a positive relationship between individuals and line managers. Carried out sensitively, the performance appraisal is an important vehicle in developing and maintaining this relationship.

360 degree feedback

An alternative approach involves the use of 360 degree assessment, where feedback is gathered from a wide range of commentators – typically including the individual's direct reports, customers and colleagues – as well as the line manager.

How to conduct a performance appraisal

Elements of appraisal process

The five key elements of the performance appraisal are:

1. **Measurement** – assessing performance against agreed targets and objectives, and behaviour and attitudes against espoused values.

2. **Feedback** – providing information to individuals on their performance and progress and on what is required to continue to perform well in the future, particularly in view of any change programme and evolution of job roles.
3. **Positive reinforcement** – emphasising what has been done well and making only constructive criticism about what might be improved, and drawing out the importance of how things are done, as well as what is done, and ensuring effort is directed at value-adding activities.
4. **Exchange of views** – a frank exchange of views about what has happened, how appraisees can improve their performance, the support they need from their managers to achieve this and their aspirations for their future career.
5. **Agreement** – jointly coming to an understanding by all parties about what needs to be done to improve and sustain performance generally and overcome any issues raised in the course of the discussion.

Collating information

There is no one right way to conduct an appraisal, as the approach will depend on the nature of the business and the people involved. The appraisal meeting might take the form of a free dialogue between appraiser and appraisee, or follow a more formal structure.

As a minimum, however, it is helpful to have a form or questionnaire (paper-based or online) to collect consistent information for each appraisal. Many companies develop a questionnaire with space for appraisers to rate appraisees on specific aspects of their work such as their contribution to the team, role development and effectiveness.

As a general rule, whatever the format followed, it is helpful to gather some information on the following:

- **Objectives** – whether they were achieved and, if not, the reasons why this did not happen.
- **Competence** – whether individuals are performing below, within or above the requirements of the role.
- **Training** – what training the individuals have received and which training and development activities they would like to receive in the future.
- **Actions** – a note of any actions that need to be carried out by the individual or the appraiser.

How objectives are achieved

Increasingly, organisations are emphasising the kind of behaviour they want their employees to exhibit. They are therefore not solely concerned with the achievement of objectives but how these were achieved. Some organisations identify a set of positive management behaviours, for example, and rate against them. Others identify the behaviours associated with excellent service and rate against these in the appraisal process.

Preparing for the appraisal meeting

Both parties should prepare for the review meeting beforehand if a successful outcome is to be achieved.

The appraiser should consider:

- how well the individual has performed since the last meeting
- the extent to which any agreed development plans from the last meeting have been implemented
- the feedback to be given at the meeting and the evidence that will be used to support it
- the factors that have affected performance, both within and outside the individual's control
- the points for discussion on the possible actions that could be taken by both parties to develop or improve performance
- potential directions the individual's career might take
- possible objectives for the next review period.

Appraisees need to consider:

- what they have achieved during the review period, with examples and evidence
- any examples of objectives not achieved, with explanations
- what they most enjoy about the job and how they might want to develop the role
- any aspect of the work in which improvement is required and how this might be achieved
- their learning and development needs, with arguments to support their case for specific training

- what level of support and guidance they require from their manager
- their aspirations for the future both in the current role and in possible future roles
- objectives for the next review period.

Self-assessment

In some instances it may be helpful to guide appraisees through a self-assessment process encouraging them to assess and analyse their own performance as a basis for discussion and action. This can improve the quality of the appraisal discussion because individuals feel actively involved in the process and as this encourages them to work through the points identified above in advance. This approach may be particularly useful with more junior staff or those not used to appraisals.

However, self-assessment can only work if individuals have clear targets and standards against which to assess themselves. It can also only be effective in a climate of trust where individuals believe their appraisers will not take advantage of an open self-assessment.

What a good appraisal looks like

A good and constructive appraisal meeting is one in which:

- appraisees do most of the talking
- appraisers listen actively to what they say
- there is scope for reflection and analysis
- performance is analysed, not personality
- the whole period is reviewed and not just recent or isolated events
- achievement is recognised and reinforced
- the meeting ends positively with agreed action plans to improve and sustain performance in the future.

A bad appraisal meeting:

- focuses on a catalogue of failures and omissions
- is controlled by the appraiser
- ends with disagreement between appraiser and appraisee
- leaves the appraisee feeling disengaged or demotivated by the process.

Appraisal skills

All managers expected to carry out performance appraisal should have some training. Ideally this should not just include the skills of performance appraisal – the ‘how’ to do it – but also encompass the reasons for performance appraisal, or the ‘why’ the organisation does it. Managers should understand how the process fits into the wider strategic process of performance management and how the information and data generated contributes to an understanding of the capacity of the organisation’s human capital to contribute to business strategy and value.

However, a basic requirement is that appraisers have the skills to carry out an effective appraisal. In particular, this means that they need to ask the right questions, listen actively and provide constructive feedback.

Asking the right questions

It is important for appraisers to ask both open and probing questions.

Open questions are general rather than specific; they enable people to decide how they should be answered and encourage them to talk freely. Examples include:

- How do you feel things have been going?
- How do you see the job developing?
- How do you feel about that?
- Tell me, why do you think that happened?

Probing questions dig deeper for more specific information on what happened or why. They should indicate support for the individual’s answer and encourage appraisees to provide more information about their feelings and attitudes, while they can also be used to reflect back to the individual and check information. Examples would be:

- That’s very interesting. Tell me more about ...?
- To what extent do you think that ...?
- Have I got the right impression? Do you mean that?

Listening

To be good listeners during the review meeting, appraisers should:

- Concentrate on the speakers and be aware of behaviour, body language and nuances that supplement what is being said.
- Respond quickly when necessary but not interrupt.
- Ask relevant questions to clarify meaning.
- Comment on points to demonstrate understanding but keep them short and not inhibit the flow of the speaker.

Giving feedback

Feedback should be based on facts, not subjective opinion, and should always be backed up with evidence and examples.

The aim of feedback should be to help employees understand the impact of their actions and behaviour. Corrective action may be required where the feedback indicates that something has gone wrong. However, wherever possible, feedback should be used positively to reinforce the good aspects and identify opportunities for further positive action. Giving feedback is a skill and those without training should be discouraged from doing so.

Feedback will work best when the following conditions are met:

- Individuals are given access to readily-available information on their performance and progress.
- Feedback is related to actual events, observed behaviours or actions.
- Events are described rather than judged.
- Feedback is accompanied by questions soliciting the individual's opinion why certain things happened.
- Individuals are encouraged to come to their own conclusions about what happened and why.
- There is understanding about what went wrong and an emphasis on 'putting things right' rather than censuring past behaviour.

CIPD viewpoint

Performance appraisal is an important part of performance management strategy. However, appraisal is only one aspect of that process. Carried out well, it can significantly enhance relationships between individuals and line managers, as well as providing an effective vehicle for objective setting and review. But its impact as a single tool is limited unless it is delivered within a broader process that also recognises the ongoing importance of the line manager relationship outside the

annual cycle of objective setting and review. It is also important to recognise that performance appraisal is not just about assessing the past but also about driving behaviour that will sustain performance in the future.