

Newsletter

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*Effective Performance Appraisals*

Performance appraisals have been considered one of the most significant and indispensable tools for management. They provide useful information for decision making in areas of promotion and compensation as well as help link the information gathering process and the decision making process, which are the basis for judging employee efficiency. Performance appraisals also help pinpoint areas of concerns in the primary areas of the organization like marketing, finance, and production while also enhancing the understanding for training needs. For these reasons and many more, performance appraisals are extremely valuable for managers when used effectively.

In our June 2007 newsletter we offered suggestions to employees regarding how to make the most of their performance evaluations. We listed some common mistakes that employees make as well as how to avoid those same mistakes throughout in the process. While these pointers were helpful for employees, we wanted to make sure that employers were given some guidance so that they can take advantage of this tool, especially during the current recession.

Due to the current state of the economy, most managers' primary focus has been saving money for their organization. When dealing with human capital, managers find it helpful to categorize each employee based on their individual performance and the value they are bring to their organization. It's as though manager assign a dollar amount to each employee based on their individual worth. Most employees fall under one of the following three categories: the key employees who bring much value to the organization, the top potential employees who have the prospective of developing into a key employee, and finally the rest of the people who fail to fall into either of those categories and are most likely seen as a waste of money for the organization. Managers can use performance appraisals as a way to categorize each employee.

Because of the potential impact of these appraisals, it is crucial that employers ensure they are running their evaluations as effectively and efficiently as possible. To do this, make sure that you include the following actions in each evaluation:

1. Avoid an atmosphere of stress. If the employee has earned a good appraisal, break the ice by saying so up front. If the employee has earned an appraisal that is critical of their performance, make sure that they understand the reason for the rating. Doing this will create more of an open atmosphere and will in turn make the entire evaluation more effective.
2. Translate the goals of the organization into goals that can be added to each individual job objective. This way, employees know to measure their work in terms of the value they bring to their organization instead of solely to their position.
3. Communicate the management's expectations regarding the performance of each individual employee. Avoid grouping employees by their division or department and treat them as an individual through their evaluation.
4. Provide feedback for each employee about their job performance. Make sure to take into consideration management's objectives and be clear to ensure there is no room for misunderstanding.
5. Coach the employee on how to achieve their objectives and its requirements. Offer additional training or brief them on how to guarantee they are meeting their goals.

6. Diagnose each employee's strengths and weaknesses. This will establish a more personal evaluation with each employee because you are focusing specifically on each individual.
7. Determine what kind of development activities might help the employee better utilize his or her skills. This will lead to improving their performance in their current position.
8. End the interview on a positive note. Encourage the individual who has done well and even encourage the employee who, although they have received a less than satisfactory report, has the potential for improvement and is still valued.

By following the tips provided, you will be able to evaluate your employees more effectively. It is then up to you to use this information to help you draw conclusions about the value of each employee. You will find that these evaluations may add worth to those employees you deemed valueless and vice versa. It will also help your company evaluate their human capital and possibly save money by eliminating those lacking the potential to bring value to your organization.