Performance Appraisals - The Event that Managers and Employees Love to Hate

This time of year, companies whose fiscal years are aligned with the calendar year begin to close their books. Armed with new budgets, companies need a way to communicate salary increases. For many companies, this means tying salary increases – and ultimately budgets – to performance appraisals.

The irony is that so much effort is made about so little. Let me take you through the arithmetic. Let's say an employee is making $50,000 a year. Let's assume you want to give them a merit increase of 4 percent. That is an additional $2,000 a year. Let's also assume that a company has 25 pay periods (every two weeks) approximately. That works out to an additional $80 per pay period. This is an additional $40 per week or $8 per day for the employee. So, this means that employees and managers get into a tizzy over the cost of a little more than a cup of coffee and a croissant at Starbucks each day.

Where does the problem begin? It begins with the setting of objectives. The setting of objectives is expected to happen at the beginning of the performance year between a manager and the employee. If done well, the objectives should be SMART. SMART stands for Specific, Measurable, Achievable, Realistic and Time Phased. As a manager, I sometimes have spent up to an hour writing objectives for each of my employees. Sounds like a lot of work, but a small price to pay for getting things right on the front end.

I have spent numerous hours mediating debates between managers and employees where the objectives were unclear. The debate of "Yes, I did" and "No, you did not" could have been avoided with SMART objectives.

The next major pitfall is that there is no interim conversation between objective setting and the formal performance appraisal. It is hard to believe but it is true. When I have taught performance appraisal training sessions for managers, I have suggested a five to ten minute meeting with each employee, once a month, to discuss his or her performance. This translates to one hour to two hours per employee, per year. How many hours does an employee spend completing assignments for his or her boss over a 12-month period? One to two hours per employee per year doesn't seem unreasonable, then. I can't count the times I've sat with an employee who said, "My appraisal was the first time I heard there was a problem."

Just so that we are clear, there is no perfect performance appraisal system. You can save yourself a lot of time and agony on the back end (the appraisal) by setting objectives that are measurable. In the interest of avoiding uncomfortable end-of-the-year conversations, use managerial courage. Have those five to ten-minute monthly conversations when you tell your employees what they are doing right and what they need to improve. At the end of the day, it's all about a cup of coffee and a croissant a day. It doesn't have to be that difficult.

About the Author

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