

Performance appraisal

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What is performance appraisal?

Performance appraisal (or performance review) is a process for individual employees and those concerned with their performance, typically line managers, to discuss their performance and development, as well as the support they need in their role. It's used to both assess recent performance and focus on future objectives, opportunities and resources needed.

Relationship with performance management

While performance appraisal is an important – and often contested – part of performance management, in itself it is not performance management: rather, it's one of a range of tools that can be used to manage performance.

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

- [Go to our Performance management factsheet](#)

Role of line managers

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

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.

- [See more in our factsheet on the role of line managers in HR](#)

Approaches to performance appraisal

Elements of the appraisal process

The five key elements of performance appraisal are:

1. **Measurement** – assessing performance against agreed targets and objectives, as well as behaviours and attitudes against espoused values.
2. **Feedback** – providing information to individuals on their performance and progress and on what's required to continue to perform well in the future, particularly in view of any change programme and evolution of roles.
3. **Positive reinforcement** – emphasising what has been done well, offering constructive criticism about what might be improved, 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. **Open 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

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and sustain performance generally and overcome any issues raised in the course of the discussion.

Appraisal meeting

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.

Traditionally, performance appraisals were conducted annually to review past actions and behaviour, assess the level of an individual's performance, and agree further actions to improve performance and/or address development needs.

Recent debate has highlighted several deficiencies in annual performance reviews. Specifically, the criticisms include:

- frequency of annual appraisals that does not match the speed of change in business priorities
- added value, relative to the amount of effort (for example, time and effort for completing associated paperwork)
- focus on past performance
- reliance on feedback from a single-source (usually the line manager)
- inability of some managers and employees to have frank conversations about performance, where forced ranking systems and performance-related-pay are in place.

Alternative approaches to performance reviews, introduced by firms like Google, Netflix, and Deloitte¹, aim to refocus the conversation on improving the way in which individual performance contributes to business objectives. Rather than discussing and assessing past performance, the conversation aims to continuously analyse and promptly implement changes to the ways of working.

How to review performance

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.

Feedback

Feedback is a critical part of a performance review, acting as a basis for performance improvement and individual development. However, giving and receiving effective feedback is only possible in an environment where individuals trust each other to have open conversations about performance. Many organisations are challenging the extent to which traditional performance appraisals are conducive to effective performance conversations and are changing the way they collect and give feedback on individual performance.

One 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.

- [Go to our factsheet on 360 degree feedback](#)

The type of feedback given is changing too. Where traditional approaches to performance review focused on assessing past performance, an alternative method considers an individual's future capabilities and developmental needs. Similarly, giving negative feedback is being replaced with understanding strengths and successes. Recent evidence suggested effectiveness of a 'feedforward' model², where managers 'actively listen' and ask questions with the employee controlling what performance incidents are discussed. Similar to models used in coaching, employees are then asked to identify gaps between desired and current states of performance.

A final important shift is in the frequency with which feedback is given. Where before reflections on individuals' performance were collected annually, more firms are starting to rely on continuous feedback to ensure the changes to the business process are understood and implemented as quickly as possible.

Collating information

The time and effort required to collate and record information relevant to reviewing performance is commonly criticised by line managers who are responsible for filling out appraisal forms. Ultimately, performance feedback, individual objectives and development plans should be of value to the individual undergoing the review, and organisations should ensure that the process adds genuine value to employees and managers, as well as helping individuals understand the purpose of performance reviews.

Some find it helpful to have an outline structure to the performance conversation such as a form or a questionnaire that prompts in collecting information for each appraisee. 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's 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.
- **Values and behaviours** – how the objectives were achieved.
- **Training** – what training the individuals have received and which training and development activities

they would benefit from in the future.

- **Actions** – a note of any actions that need to be carried out by the individual or the appraiser.

Preparing for the appraisal meeting

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

Depending on the performance review approach taken by the organisation, points for appraisers and appraisees to consider may include::

- how well the individual has performed since the last meeting and what they have achieved, with examples or other evidence
- how successfully objectives and development plans from the last meeting have been implemented
- factors that have helped or hindered performance
- how the appraisee has responded to challenges
- current learning and development and support needed
- potential actions that could be taken by either party to develop or improve performance
- potential directions the individual's career might take
- potential objectives for the next review period.

Appraisees should also consider what they most enjoy about the job and how they might want to develop the role. Appraisers should consider what feedback they would like to give.

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.

What a good appraisal looks like

In a constructive appraisal meeting:

- achievement is recognised and reinforced
- appraisers listen actively to what appraisees say
- there is scope for reflection and analysis
- performance and behaviour analysed, not personality
- the whole period is reviewed, not just recent or isolated events
- future capability and development needs are discussed
- 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 but also the reasons for it, in particular how the process aligns with business strategy and value creation and fits into the wider strategic process of performance management.

Nonetheless, the skills to carry out an effective appraisal are crucial. In particular, this means that appraisers 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 ...?
- Why do you say 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 appraisee 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

The aim of feedback should be to help employees understand the impact of their actions and behaviour. It should be based on facts, not subjective opinion, always focusing on evidence and examples. Corrective action may be required where the feedback indicates that something has gone wrong, but wherever possible, appraisees should be given the opportunity to shape this and it should not be dictated. Feedback should be used positively to reinforce the good aspects and identify opportunities for further positive action, as much as to discuss weaknesses.

Giving feedback is a skill and those without training should be discouraged from doing so. Feedback works best when:

- 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's 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, but is only one aspect of that process. Essentially, it provides employees with an opportunity to reflect on their performance and identify clear plans for improvement and development, but its impact is limited if performance conversations only happen once a year, and are ineffective in identifying and addressing individual performance needs.

Some companies are shifting away from annual performance reviews, but these must be replaced with more dynamic methods of giving feedback, and acting on it. First and foremost, this means establishing a culture of trust that would enable meaningful performance conversations. Secondly, both line managers and individuals should acquire relevant skills, such as asking the right questions and listening, remembering that the purpose of appraisals is to align individual performance with business objectives, and improve organisational capability as a whole rather than to find faults in the way a specific individual works.

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Further reading

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