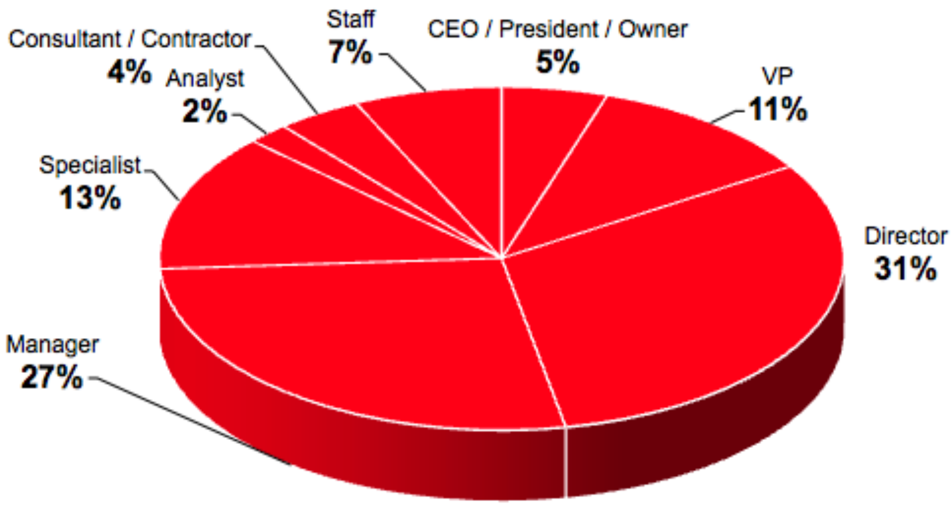
The Performance Review Process:
Facts and Fiction

Background

Impact Achievement Group conducted a survey in Q2 2011 using a 10-point scale designed to measure the effectiveness of managers and supervisors at using their organizations' performance review process/system.

The six survey questions focused on the perceptions of employees at various levels regarding how well their performance review system works—not in theory—but in actual practice.

Those surveyed included human resource and training professionals, managers and chief executive officers. Sixteen percent of respondents held the position of vice president or higher while 58% were managers and directors.



The remainder of this survey report includes an overview of the six survey questions along with commentary on what the results may suggest. We've also included a summary of the comments received from survey respondents for each of the six questions.

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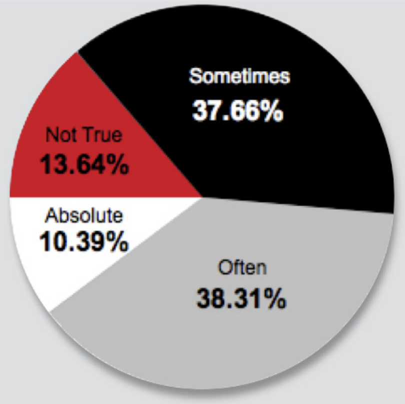


1. Our outstanding performers who make a significant contribution are satisfied with the difference in the performance rating they receive relative to the solid or average performers.

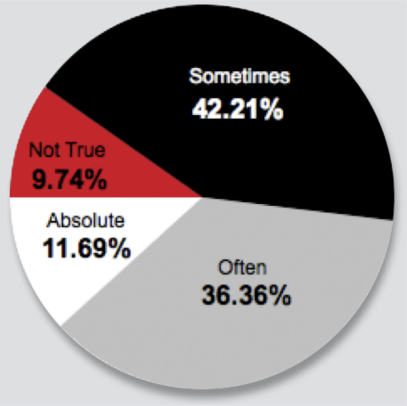
While 38.31% of the responders thought it's often true that outstanding performers are satisfied with their performance ratings compared to the ratings of others, about the same number—37.66%—felt this is only sometimes true. This can have significant ramifications because when the best performers feel undervalued or underappreciated, they look for other opportunities.

Also, when responses from "CEO/VP" are segmented out, significant disparities occur. For instance, 25% of CEOs and VPs answered "often" to this question, while 40.77% of all other respondents responded "often." Almost 17% of CEOs/VPs felt high performers are always satisfied with their performance ratings, while only 9.23% of other respondents agreed. Simply put, more senior leaders believe that the best people are ALWAYS differentiated in the rating while a significantly lesser number of employees believe this to be true.

The opposite perceptions are in play when "OFTEN" is the response to the question. Many more lower-level personnel believe differentiation of the best performers takes place—while the CEOs and VPs see it happening less often. Obviously, this can create difficulties in talent management decisions, when different levels aren't on the same page about the realities of their system.

Comments:

- Everyone is satisfied with our performance management system.
- Our usage of ratings amongst managers is not consistent due to interpretation of ratings or manager appraisal criteria.
- There is a variety of interpretation between the words "Meets expected standards" and "Consistently exceeds expected standards". Some managers are fearful of using the "Exceeds" wording because they think it leaves the door open to the assumption that if someone exceeds the standards they must be promotable.
- Performance evaluations are not done on a consistent basis. They are standard forms, with limited options for rewarding outstanding performers.
- Tendency to be lenient with ratings so results skewed in higher end.

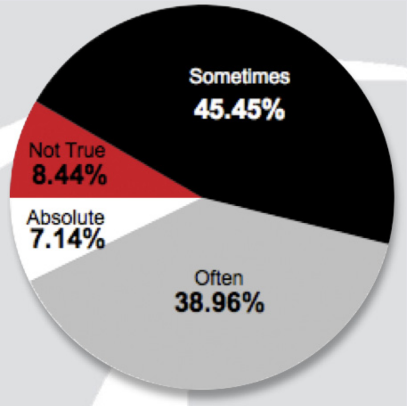


2. The performance marks our poor performers receive make it easy and justifiable to take appropriate action.

Just over 50% of all respondents felt that this statement was sometimes or never true, which speaks to a general dissatisfaction with the way performance results are actually used. The CEO/VP and "others" groups had similar opinions across the spectrum until "Absolute," where there was a disparity of about four percentage points (8.33% vs. 12.31%, respectively). In this case, "Everyone else" was a bit more optimistic. The data surfaced in this question indicates an escalation of performance marks that may not represent the real truth about an individual's performance and thus prevent taking corrective action to improve performance in a valid or timely manner.

Comments:

- A performance improvement plan is required for those who fall below a specific rating.
- Management does not always take action on someone who has a bad evaluation. And when a "work program" is instituted, there is no follow-up to ensure it is completed.
- We do not use 'progressive discipline' so some poor performers continue to be poor performers for years.
- A poor performer may not get a merit increase and can have follow-up performance measures set and reviewed more often.
- There are only 3 levels of measurement for rank and file: Improvement needed, fully meets expected standards, and consistently exceeds expected standards. Not much flexibility there and it leave lots of room for interpretation—perhaps too much.

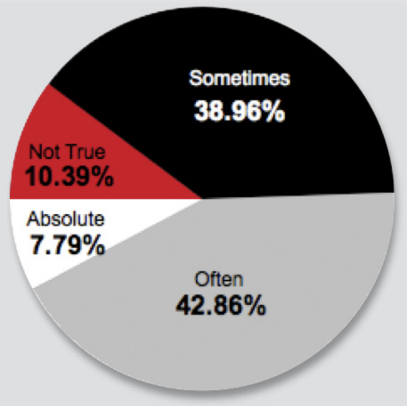


3. Our managers and supervisors ensure performance goals and expectations reflect the delivery of results (output) and not activity, effort, and input.

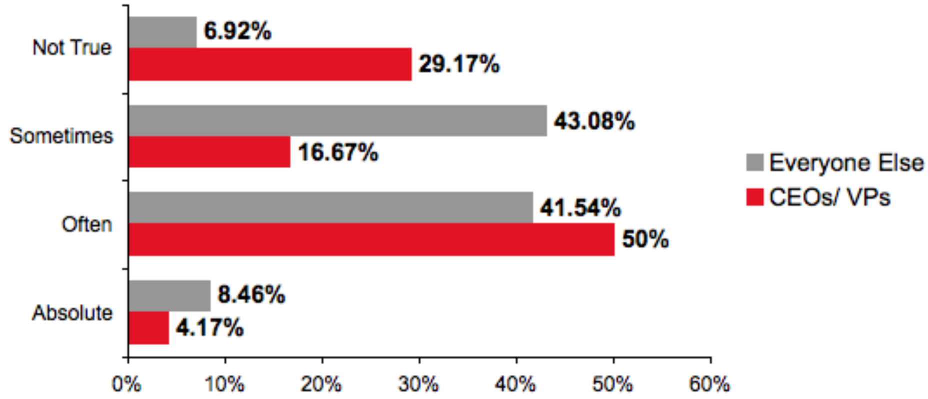
Here is where the data indicates another important level of disparity. 62.5% of CEOs/VPs felt that this is often or always true, while only 43% of the other group felt the same. This difference of almost 20 percentage points suggests a disconnect for upper-level leaders between the theoretical and the real—how the performance review process is set up to work and how it actually operates. What is also telling is that over 50% of all respondents felt this statement was sometimes or never true—indicating that the system does only an average or worse job of evaluating "contribution."

Comments:

- Depends on the manager—some are stronger in this regard than others.
- Many of our managers are not good at setting objectives and measurement criteria.
- There are employees who have the right connections who are not delivering results who continue to be rated highly.
- Very few of our managers have bought into the SMART goal concept and measuring results according to set goals. It is more often an "I think, I feel, I believe" rather than hard results.
- We are currently moving toward a more results-oriented performance review for supervisors, managers, and executives.



4. Our managers and supervisors tend to group performance marks for employees toward the middle of the rating scale.

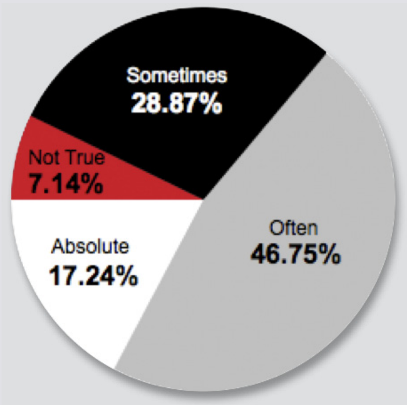


Once again, it is the disparity between the two groups that is of most interest. While 29% of CEOs/VPs thought managers never group performance marks toward the middle, just under 7% of all others thought the same. Only 16.67% of CEOs/VPs thought the statement was sometimes true, compared to 43% of the other group. Only a little over 4% of CEOs/VPs would concede that this statement consistently reflects reality, whereas over 8% of all others—twice as many—were willing to admit this statement is always true. And again, this data points to how the system is functioning in practice versus how it is assumed to be functioning.

Comments:

- With merit increases so low still, I believe many mangers rate average so as to not set higher expectations of pay from individuals.
- Instead of ensuring a fair evaluation, many of our supervisors tend to use the middle so they don't have to make any comments on the evaluation.

- We de-emphasize ratings now, so this is less relevant, but in the past this was the case. We include a stronger emphasis on self-assessment and qualitative feedback now, goal setting and coaching.
- Meets expected standards (the middle of the ranking) doesn't get anyone in trouble—path of least resistance.
- We use the Jack Welch approach so we have a percentage of employees in each of our performance categories we must meet.

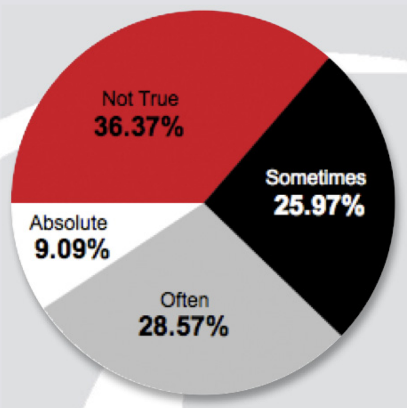


5. Our managers and supervisors rate employee performance against job standards and do not rate employees against each other.

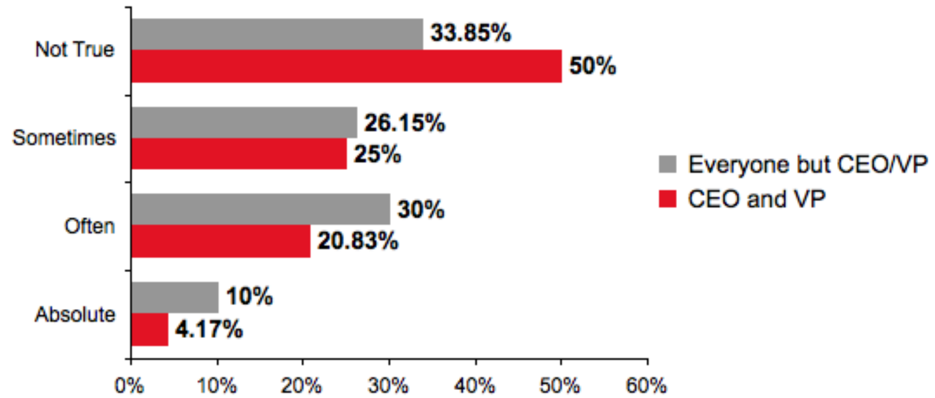
A significant majority of all respondents, 64%, agreed that their managers and supervisors rate performance against job standards often or always. The CEO/VP group was again more optimistic here (25%) than "Everyone else" (14.62%) in the "Always" category. Here again a divide is evident between those who are typically not involved in the performance review process and those who are directly affected by that process.

Comments:

- Our culture is strong on individuality and fairness, so I believe this is true.
- Sadly, performance is not evaluated against performance but against each other, therefore skewing the end result based on popularity.
- We have written standards in place.
- Totally agree. Am never compared to another employee.
- We do both. We appraisal employees performance against job duties and we rank them against each other. We think this gives us the best overall picture.



6. Our performance rating system requires, or creates a perception, that managers and supervisors must use a forced ranking approach when evaluating employee performance.



Overall, respondents agreed that this statement was only sometimes (25.97%) or never (36.36%) true. But significant differences exist between the CEO/VP and "Everyone else" groups. Additionally, it's worthy of note that just over 37% of all respondents said the statement was often or always true. The reality, or even the perception, of forced ranking creates significant dissatisfaction as people perform under the illusion of achieving a standard and then experience their marks being altered to meet a forced ranking approach.

Comments:

- Does not "create a perception"—it is a fact.
- There is only so much money budgeted for annual increases, so managers will force rank when it comes down to dollars.
- Predetermined scales are used, but there is some room to move on them.
- Management provides a recommended model bell curve; however, forced rating is not applied nor encouraged.
- Each employee is evaluated on their own merits.

About Impact Achievement Group

Impact Achievement Group provides assessment, coaching, and leadership development solutions. By integrating and blending the world's best assessment and recruiting processes, workshops and eLearning, coaching and measurement programs, Impact Achievement Group helps organizations improve leadership and management competencies to achieve employee engagement, accelerate innovation, and impact bottom line results.

To find out how Impact Achievement Group can transform your managers into more effective leaders, visit www.impactachievement.com.

Appendix

	Not True	Sometimes	Often	Absolute
Our outstanding performers who make a significant contribution are satisfied with the difference in the performance rating they receive relative to the solid or average performers?	13.64%	37.66%	38.31%	10.39%
CEO and VP	16.67%	41.67%	25%	16.67%
Everyone but CEO/VP	13.08%	36.92%	40.77%	9.23%
The performance marks our poor performers receive make it easy and justifiable to take appropriate action?	9.74%	42.21%	36.36%	11.69%
CEO and VP	8.33%	45.83%	37.50%	8.33%
Everyone but CEO/VP	10%	41.54%	36.15%	12.31%
Our managers and supervisors ensure performance goals and expectations reflect the delivery of results (output) and not activity, effort, and input?	8.44%	45.45%	38.96%	7.14%
CEO and VP	8.33%	29.17%	50%	12.50%
Everyone but CEO/VP	8.46%	48.46%	36.92%	6.15%
Our managers and supervisors tend to group performance marks for employees toward the middle of the rating scale?	10.39%	38.96%	42.86%	7.79%
CEO and VP	29.17%	16.67%	50%	4.17%
Everyone but CEO/VP	6.92%	43.08%	41.54%	8.46%
Our managers and supervisors rate employee performance against job standards and not rate employees against each other?	7.14%	28.87%	46.75%	16.23%
CEO and VP	4.17%	37.50%	33.33%	25%
Everyone but CEO/VP	7.69%	28.46%	49.23%	14.62%
Our performance rating system requires, or creates a perception, that managers and supervisors must use a forced ranking approach when evaluating employee performance?	36.36%	25.97%	28.57%	9.09%
CEO and VP	50%	25%	20.83%	4.17%
Everyone but CEO/VP	33.85%	26.15%	30%	10%