The performance appraisal that's not: Keeping up appearances

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The long-standing division between proponents and opponents of orthodox performance appraisal disguises a practical dilemma for managers who favour its abolition, but are constrained by head office policy and the expectations of entrenched corporate culture. This paper presents a solution to that dilemma, drawing on advice from a seventh century Pope – preserve the outer appearance, revolutionise the inner dynamic. The Business Unit and Individual Development (BuiLd) Plan preserves the superficial structure of the traditional appraisal 'discussion'. But in its internal process it replaces the focus on subordinate blame and training based on weaknesses, with a commitment to management accountability and to development based on strengths.

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Managers who wish to discontinue performance appraisals, but who do not have the authority to overrule the 'corporate' policy or expectation that an appraisal of some sort should be conducted, face a practical challenge that goes beyond the theoretical debate on the merits or evils of appraisal. This paper seeks to provide them with a way forward that enables them to focus 'appraisals' on management accountability, rather than on subordinate blame, without being caught up in sterile debate with head office policy makers.

REFINEMENT VERSUS ABOLITION

For many years the theoretical battle lines have been drawn between the proponents of employee 'performance appraisal' and those who recommend its abolition.[1] The proponents acknowledge that there is always room to refine and improve the design and delivery of the orthodox performance appraisal, but they insist that the accountability for individual performance reflected in the appraisal lies at the heart of a performance-driven culture. The decriers argue that fiddling at the edges of design misses the point – individual performance appraisal is flawed in so many ways and so fundamentally that no amount of refinement or remodelling can render it valid or useful. It must be abolished, not improved.

Despite, or perhaps because of, this gulf, the literature on the design and delivery of performance appraisal flourishes, usually without any attempt to rebut the abolitionists by arguing from first principles. The proponents of appraisal see no need to engage – the battle lines may be drawn, but proponents refuse to be diverted by peripheral skirmishes. As Kohn (1993a, 1993b: 183-186) notes in his work on rewards and incentives, the psychological assumptions that underpin the orthodox model are so deeply imbedded that many commentators find it difficult to take seriously the abolitionist position. Even the advocates of total quality, students of one of the first and severest critics of appraisal, W. Edwards Deming, have often chosen to put Deming's condemnation of appraisals to one side, as a quaint aberration, a misunderstanding (Scholtes 1987:1).

[1] Coens and Jenkins, 2000, provide a comprehensive review of the arguments.

It will be useful for our purposes to review, briefly, the main objections to the orthodox appraisal and the key assumptions that are seen by the objectors to underpin the standard model.

Scholtes lists the objections as follows (Scholtes, 1987: 4-6):

- An employee's work interacts with various systems and processes, but performance appraisal assumes that the performance of individuals can be gauged independently from the systems within which they work.
- Most work is produced by more than one person, but performance appraisals require us to suspend disbelief and pretend that the individual is working alone.
- The appraisal process presumes that whatever influence systems may have on individual work is consistent and predictable, but systems are often subject to changes that are difficult to understand and predict.
- Appraisals must present themselves as objective and consistent if they are to be credible, but the necessary objectivity and consistency just is not possible – we could not even expect an individual to receive the same ratings from different evaluators.

Even if these shortcomings could be addressed, Scholtes argues that there are psychological flaws built in to the appraisal process (Scholtes, 1987: 7-9):

- Appraisals reward 'safe' goals and so encourage mediocrity.
- Appraisals create pressure on employees to achieve objectives *despite* the systems rather than to improve the systems. "Everyone is pressuring the system for individual gain. No one is improving the system for collective gain."
- Appraisals depress morale, undermining self-esteem and/or cultivating cynicism – evaluators "most likely will inform half of the people that their performance is below average and, even worse, two-thirds that they are not in the upper 33%".

Viewed in this way, through the eyes of the abolitionist, it is possible to tease out from this list of shortcomings a number of assumptions that appear to be operating at the heart of the orthodox appraisal:

- Organisational performance is the sum of individual performances (Deming, 1991:100 notes the link between performance evaluation and management by objective, which "leads to the same evil").

- It is possible, therefore, to explain poor organisational performance by reference to poor individual performance – one or more individuals are to blame.
- Poor individual performance can be attributed to lack of application or to personal weaknesses – the former can be addressed by a 'performance management' process (underpinned by the threat of dismissal), the latter by training focused directly on the weaknesses.

It could be argued that there is not really much more to be said on the subject. Proponents continue to remodel and refine. Abolitionists regard with wonder the resilience of the prevailing paradigm, and re-present their arguments in the hope that corporate policy makers will eventually 'get it' and change corporate policy accordingly.

A PRACTICAL DILEMMA FOR THE ABOLITIONIST

But this theoretical divide disguises a very real dilemma for practising managers.

When MBA students, typically middle or senior managers who are not yet shaping policy at the highest corporate levels, grapple with this issue, they divide along predictable lines. The proponents argue that it's not 'if', but 'how' you conduct appraisals that counts; the abolitionists insist that there is no room for compromise. But the abolitionists then invariably ask a question of their own: "Performance appraisals don't make sense to me and, if I had my way, we wouldn't use them at all. But it's not my call. I can only influence policy at a departmental or divisional level and the requirement for appraisals emanates from Head Office. It's part of our corporate culture. I'm expected to go through some kind of appraisal process with my people and if I don't, it's a black mark on my record and an obstacle to more senior appointments. What should I do?"

The solution to that dilemma must meet corporate expectations, manage cultural sensitivities, and still enable our abolitionists to follow Deming's injunction to "substitute leadership" (Deming 1991: 24, 101-120), by turning upside-down the core assumptions outlined above. So what *does* a manager do, who in principle fears the destructive impact of appraisals, but in practice must conform to head office expectations that appraisals will be conducted, as they have been for many years?

A LESSON FROM HISTORY

History provides us with a model – in this case the history of the early Catholic Church, as it worked to extend the influence of Christianity at the borders of the old Roman Empire. Many readers from countries of the British Commonwealth, whose Anglo-centric school education reflected those colonial origins, will be familiar with the story of the man who became Pope Gregory the Great, encountering fair-headed slaves in the marketplace of sixth century Rome, and on hearing that they were Angles (from the island that subsequently became Angle-land, or England), declared that they looked, rather, like angels, and conceived the ambition to convert that people to Christianity.

After his election as Pope, he despatched the monk, Augustine, at the head of a mission to convert the heathen of Britain. It appears that Augustine, while committed and determined, was, in the language of pop psychology, somewhat 'anal' – he was constantly emersed in fine detail, and found it difficult to make decisions 'at the coal face' without reference to Gregory in Rome. As a result, there has survived a number of fascinating letters from Gregory, addressing the day-to-day challenges faced by Augustine and his helpers as they grappled with a deeply entrenched pagan culture.

One of the greatest of those challenges was the resilience of local pagan custom in the face of attempts to establish at least the central elements of the Catholic liturgy. The cycle of pagan feast days was heavily influenced by the cycle of the seasons, which, in turn, were intimately reflected in the day-to-day lives of the people. These entrenched cultural artefacts, and the pagan temples or 'fanes' in which they were enacted, reflected a religious framework more concrete and accessible than the otherworldly message of the Christian liturgy.

Gregory's pragmatic advice on this matter, addressed to Augustine through Mellitus, a Frankish monk whom Augustine made Bishop of London, perhaps reflected Gregory's political awareness and considerable talent for governance, more than his 'saintliness'. Mellitus was to tell Augustine:

> …that the temples of idols among that people ought by no means to be destroyed, though the idols that are in them ought to be destroyed. Let water be blessed and sprinkled in these fanes, and let altars be set up and relics placed in them…. Let them not sacrifice animals to devils, but let them kill animals for their own eating, to the praise of God…so that while certain external joys are preserved for them, they may more easily be led on to the joys that are within. For doubtless it is impossible to cut off everything at once from those who are slow of

> understanding, and such people can only ascend to the highest by footsteps, a little at a time; they cannot, indeed, be raised up by leaps and bounds. (Deansely, 1964: 49)

The idea was to preserve the outer shell of paganism, so as not to unsettle long-standing Anglo-Saxon custom, while introducing some radically different ideas under the cloak of paganism – to destroy the idols, but not the temples; preserve the outer appearance, but revolutionise the inner message. The rest, as they say, is history.

THE APPRAISAL THAT'S NOT

So the challenge, in regard to appraisals, is to preserve the outer appearance and structure of the culturally entrenched version, while revolutionising the internal dynamics. Appraisals need to look and 'feel' like the old way, but progressively to shape and promote a very different set of assumptions and principles.

The following model was developed and implemented 'on the ground', in an organisation with an established cultural and head office expectation of formal, individual performance appraisal. Like all good organisational initiatives, it required a name, and we called it **BuiLd** – **"**Business unit and individual development" planning.

BuiLd has the outward appearance of an orthodox individual performance appraisal – the annual manager/employee discussion about 'performance' – but it is, in fact, a model that focuses on performance in a very different way. Its starting point is a consideration of *organisational* or business unit performance. It recognises that the individual's contribution to business unit performance is subject to many influences for which the manager, not the individual employee, is properly accountable.

BuiLd recognises the impact of the various *systems* within which the individual works, and over which he or she has little or no control. It considers the *capability* of the individual to excel in a particular role – that is, their 'fit' for the job. It understands that very few people set out, or choose, to do a bad job – it's rarely just a matter of indifference or laziness. **BuiLd** consciously plays to individual *strengths,* rather than leveraging weaknesses or 'areas for improvement' – it gives individuals a chance to become everything they already are, in the context of their contribution to business unit performance.

In essence, **BuiLd** <u>is not about</u>:

- a neat MBO model, where business performance is the sum total of all the individual performances;
- managerial resistance to accountability;
- control, or managers having a responsibility to ‘drive’ individual performance;
- assuming that if a task does not get done well, it is because someone has omitted (or chosen not) to do the task well;
- focussing on weaknesses and shortcomings
- the once only opportunity per year for an individual to know if they are doing a good job.

BuiLd <u>is about</u>:

- understanding the drivers of business performance;
- being aware of systems and the many influences on performance that are beyond the control of the individual;
- management accountability and leadership;
- liberating capability, not controlling behaviour;
- assuming that most people would like to feel good about what they do for a living – most people would like to do a good job;
- playing, always, to an individual’s strengths;
- an opportunity for the individual to contribute directly to improvement of business performance, and to help the manager cultivate an environment in which that individual can add maximum value.

The **BuiLd** process can best be seen as a self-audit – an audit of management accountabilities, *conducted by the manager* – rather than a means of apportioning blame for poor performance to individual subordinates. Figure 1 provides an overview of the process logic.

The essential pre-work for the appraiser, before the appraisal discussion, involves a high-level consideration of how things are going in that part of the business where the appraisee works – the purpose is simply to decide whether or not the appraiser has concerns about the work that the

Insert Figure 1 about here

appraisee is involved in. In addition to the critical and ongoing review of data reflecting the performance of systems, the appraiser will also be calling on the same insight that enables a manager to walk into someone else's business and read the little signs that tell them if this is a 'good' business, if it is working properly. The appraiser resists the temptation to define any apparent problem in terms of the perceived solution – "The problem is that he doesn't work hard enough" – but instead poses questions like, "Do I spend an inordinate amount of time worrying about this part of my business? Do I make excuses to myself, or others, when in my heart of hearts I know things aren't right? Are the needs of customers, internal or external, being met? Does the appraisee, in this particular role and environment, seem to be delivering (or on the way to delivering) what's needed? (Note that this is not an assessment of individual performance, but of deliverables). When I think of the appraisee, do I mentally 'tick the box' and say, 'Well, that's one part of the business I don't need to worry about unduly – the appraisee is set up for success'? Have I got this part of the business right?" The answers to these questions do not dictate the appraisal outcome, but merely shape the emphasis of the appraisal discussion.

The discussion itself begins with a report by the appraiser on business unit performance and the strategic priorities that are emerging in order to address shortfalls or maintain success. This reinforces, at the outset, that the central purpose of the appraisal – the only purpose – is not to pass judgement on the individual but, rather, jointly to identify how to create an environment in which the appraisee can best contribute to business unit performance, and so extract most fulfilment from work.

If the appraiser's pre-work has revealed no major concerns, the discussion will focus on the appraisee's suggestions for improvements to systems and processes, and on how the appraiser can best support the appraisee in sustaining added value and the quest for continuous improvement. This leads naturally to a consideration of development opportunities and the appraisee's views on where these lie. It is also the time for the appraiser to gather new insights into what Herzberg (1968) calls job enrichment by "vertical loading" – Herzberg was writing about motivation but, motivation aside, the most powerful development will come on the job, where appraisees are placed in roles which 'stretch' them, but in which they have the capability to excel, with the support of the organisation.

Where the appraiser does have some concerns about the appraisee's work area, the focus of the discussion is, simply, on how to set the appraisee up for success. The first, and critical, consideration is the quality of the work systems and processes – all those components of the work environment that shape 'performance' and over which the appraisee has little or no control (and for which the appraiser is ultimately accountable). The appraisee may well have knowledge and first-hand experience that can cast light on system shortcomings, and suggest how best to pursue improvement.

If the appraiser's concerns cannot be wholly explained away by reference to systems, then the **BuiLd** process directs attention to the 'fit' of the appraisee in their current role. This notion of 'fit' combines a consideration of skills and knowledge with an assessment of what **BuiLd** calls 'behavioural capability' – identified by McClelland and his colleagues at Hay-McBer (Spencer and Spencer, 1993: 3-11) as the most enduring layer of 'competence', reflecting the most fundamental intrinsic motives or needs.

The development plan that emerges from assessment of fit will depend on the type of 'unfitness'. Skills are fairly readily measured and the shortfall supplied. Behavioural capability is another matter. Even if we accept McClelland's proposition that motivational shortfalls can be made good by intensive training (e.g. McClelland and Winter, 1969), a simple cost-benefit analysis militates against it. Spencer and Spencer (1993: 12) endorse the observation that "You can teach a turkey to climb a tree, but it is easier to hire a squirrel". The implication of this *bon mot* for development is simply that the appraiser has a responsibility to identify a role in which the appraisee's behavioural capability will support excellence, and joy in their work. This may require a change of role or refinement of the existing role.

"Round pegs in round holes" is a central **BuiLd** principle. We must certainly ensure that we have provided the appraisee with the skills to do the job asked of them. But even with all the necessary skills, if they lack the behavioural capabilities that support excellence in a particular role, it is self-deluding to expect the skills to underpin real competence, and it is immoral to blame the appraisee for the absence of behaviours that are not supported by the appraisee's fundamental motivational profile.

Because behavioural capability can only be properly assessed by a trained management 'panel' (in the absence of the individual concerned) or by an expert Behavioural Event Interview with the individual, this part of 'fit' is likely to be challenging for many organisations, which are used to skills and knowledge ('experience'), or even 'gut feel', as the measure of suitability. It may often prove wise to introduce this facet of the process by degrees, mindful of Gregory's advice to "ascend to the highest by footsteps, a little at a time". A more informal and less sophisticated notion of capability or 'fitness' for the role can be applied in the early stages of implementation.

If the appraiser's concerns cannot adequately be explained by reference to systems and fit, then, and only then, does the **BuiLd** process bring the appraiser to a consideration of the appraisee's 'attitude'. Even here, because **BuiLd** operates on an the assumption that most people would prefer the joy of a job well done to the mischievous 'satisfaction' of effort withheld, the first explanations explored by the appraiser centre on physical illness, or possible emotional upheaval or dysfunction – problems at home, relationship problems at work, mental illness such as depression. Clearly there is a limit to how much healing the appraiser can supply direct, but much may be done with the support of the organisation, once the problem is known and understood.

Only as a last, and rare, resort will the appraiser consider the possibility that the appraisee is incurably 'lazy' or of a negative bent beyond the reach of the organisation. No doubt, very occasionally, we may reach a conclusion of that kind, and then the euphemistic 'performance management plan', so beloved of those steeped in employment law, will come into play, as a means to chastise or 'manage out' the offending employee, while minimising the legal risks.

In what precedes, we have established the key principles and sketched the core process of **BuiLd**, the "appraisal that's not". There is, of course, a large body of supporting documentation, policy and training material, as behoves any self-respecting performance appraisal system. Together with the external structure of **BuiLd**, these artefacts play an important role in "keeping up appearances". By retaining the outer shell, the 'fane', of the standard appraisal process, based on the discussion between appraiser and appraisee, we have satisfied the cultural and corporate requirement for an annual performance appraisal for all employees. But on the inside, we have destroyed the idols of the old way – individual performance rating, blame, training focused on weaknesses – and replaced them with a revolution in thinking, based on business unit performance and management accountability for systems, for individual 'fit' leading to excellence and fulfilment, and for development focused on strengths.

Pope Gregory the Great would certainly have approved.

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FIGURE 1

Business Unit and Individual Development (BuiLd) Plan – Overview