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Performance reviews

Understand the basics of performance reviews and how to ensure the process adds value to the organisation

Introduction

Performance reviews, also called appraisals, are one of various performance management tools that aim to ensure employees' performance contributes to business objectives. They should be used as part of a holistic approach to managing performance. The value of annual performance reviews has increasingly been challenged in recent years in favour of more regular 'performance conversations'. However, performance feedback remains a crucial aspect of the performance management cycle.

This factsheet outlines the elements of performance reviews, and explores the role of line managers and the skills they require to carry out reviews. It looks at ways of measuring performance and the changing methods of gathering and giving feedback.

What is a performance review?

Performance reviews are one important element in the broader set of processes that make up performance management. It's a means for managers and their employees to review and discuss the latter's performance. Its purpose can be to identify areas for growth and improvement and inform suitable development plans. Alternatively, it can inform administrative decisions on contractual aspects of employment, such as pay, bonuses, promotions or termination. Both are valid uses of performance reviews, but it can help to keep them separate.

There's been much debate in recent years about whether traditional approaches to appraisal are fit for purpose. Some have argued that performance management should be abandoned wholesale, but often the detail of what's proposed does not match the rhetoric of such headline grabbing statements. Typically, the practical changes recommended revise or overhaul performance management rather than scrapping it.

Knowledge and research on goal setting and performance feedback shows that they can be very valuable management processes. Aspects of performance management are

certainly changing, and some techniques, for example, the use of forced rankings, appear to be fashions that are past.. But while some criticism is justified, the main purpose of performance reviews – to assess and give feedback to employees on how they are performing – remains a central function of people management.

How are performance reviews changing?

Criticisms of traditional approaches to performance reviews are:

- They aren't frequent enough.
- They focus on past performance with little attention paid to future performance improvement, learning and development.
- Assessments are too subjective and not a reliable reflection of actual performance.
- Feedback often comes from a single source (the line manager) which many not account for the experiences of peers, customers, and the individuals themselves.
- The amount of effort associated with paperwork and overseeing the process of is excessive.

Our research report [Could do better? What works in performance management reviews](#) reviews the research evidence in more detail and summarises what works in performance reviews as well as goal setting. Some evidence confirms current thinking. For example, there's strong evidence that performance improves when employees regularly monitor their progress towards goals, so more immediate feedback and an ongoing focus on improvement is indeed important.

However, the research also uncovered aspects of performance appraisal that often get overlooked and arguably need more attention. For example, the two uses of performance reviews – for learning and development purposes, and for administrative purposes of informing decisions on pay and promotion – involve different cognitive processes, so it seems best to separate these as far as possible by focusing on them separately.

What's more, there's strong evidence that it's employees' reactions to feedback, rather than the feedback itself, that influences future performance. So it's crucial that employees see performance reviews as fair as well as useful.

Assessing and measuring performance

Performance can be assessed in different ways, including objective metrics and more subjective views of managers and colleagues.

The focus of performance measurements

Some jobs lend themselves much more readily to performance metrics than others. In some contexts, accurate and even real-time performance data are available on teams or individual employees – an example is a customer contact centre, where data on call length and outcomes can be recorded as the calls take place. In other contexts, what constitutes good performance may be defined more broadly and there may be longer timeframes. Examples include: client development roles, in which targets on sales can be set for weeks or months and procedures are less fixed; and project work, in which very broad objectives are agreed for a period of months or longer, and there may not be clarity at the outset how they are to be achieved.

However, not all measures focus on outcomes. Performance objectives can also relate to employees' behaviours and attitudes against the organisation's values, or to their own learning and development. Both these areas can be covered by performance assessments.

Methods of assessing performance

In some jobs, performance metrics can be calculated on an ongoing basis through management information systems. If data can be collected that's relevant to how individuals perform their jobs, it's an extremely valuable basis for performance reviews.

Some employers go further, making this data available through real-time dashboards. An additional benefit of a live dashboard is that people or teams can adjust their effort or the focus of their work in response to changing demands. This can be hugely valuable in time critical environments such as [the UK's National Health Service](#). Read more about people data dashboards in our report [People analytics: driving business performance with people data](#).

Another approach involves the use of [360 degree](#) assessment, where feedback is gathered from a wide range of commentators, typically including an individual's direct reports, customers and colleagues as well as their line manager. These assessments can include both qualitative comments and scores compiled from colleague ratings.

A lighter touch and more subjective approach is for managers or their employees to complete a form or a questionnaire that prompts in collecting information on their performance. This can cover different aspects of their work – such as their contribution to the team, role development and effectiveness – and can prompt the collection of evidence or examples.

Many organisations struggle to measure how employees contribute to the organisation's performance. Where this is the case, improving [workforce reporting](#) should be a priority.

The right measures for the job

A common criticism of performance management is that recording and collating the necessary information can be very time consuming and not always relevant. We advise that assessments and measurements are kept to the minimum that is relevant for short- or long-term performance and useful for employees. It should also help to underline the purpose of the different assessments.

Another key to getting assessment right is to match types of measures to jobs. Specific and stretching objectives increase performance in relatively straightforward jobs, so in this case, prioritising specific metrics is appropriate. But there's good evidence to show that, in complex jobs, less-specific outcome goals, behaviour standards and learning objectives are better drivers of performance. See more on objective setting in our [performance management factsheet](#).

Bias in performance ratings

Performance measures need to be trustworthy as well as relevant if they are to be relied upon. Unfortunately, as our [Could do better?](#) report points out, there's a lot of potential for bias in performance ratings.

Firstly, managers or raters may be biased for various reasons. For example, managers tend to give more favourable ratings if they personally like an employee, hired or recommended them, or if they are particularly caring or considerate. Managers tend to give less favourable ratings if they feel powerful in the organisation, receive negative feedback themselves, or are particularly conscientious.

Secondly, employees can unduly affect their performance ratings by self-promotion and ingratiation, and by showing 'citizenship' behaviour (for example, helping colleagues) in other areas of their work. However, they tend to damage their ratings if they make suggestions or challenge the status quo.

Thirdly, the way ratings are set up also affects judgements. Managers tend to rate workers more generously and less accurately if it's to affect administrative decisions such as pay and promotion, and stricter and more accurately if it's to affect learning and development.

Ratings accuracy can be increased in various ways, including:

- training raters (for example, in techniques for comparing employees with set standards)
- using composite scores instead of a single score (for subjective measures)
- averaging scores from different raters
- using an expert to check scores.

Feedback and performance conversations

Once performance assessments have been made, managers should inform employees of their performance and progress, and what's required to perform well in the future. This can focus on behaviour or how things are done.

Regular feedback

Feedback is a critical element in performance management, not only because it directs the focus on learning and improvement, but also because it allows individuals to monitor their progress towards goals and stay motivated. So it's important that feedback is given regularly. Many organisations are moving towards more continuous feedback, rather than relying on annual or six-monthly reviews, which is very positive change.

Topics to cover

Examples of areas that managers and their employees may cover in performance conversations include:

- How well the employee has performed and what they have achieved since the last meeting.
- Factors that have helped or hindered performance and how employees can become more effective now and in the future.
- What practical support and learning or development will help the employee.
- How the employees' current role and longer term career may be developed.
- Objectives for the next review period and a plan for how they can be met.

Open exchange of views

Giving effective feedback and taking it on board is much easier when there's a trusting relationship. Performance conversations should not be one-way, but rather open exchanges in which the employee is fully involved, and both people share their hopes and concerns. A high level of involvement is important to make sure employees actively engage with the feedback and reflect on how they can develop and improve. It also ensures they feel supported and fairly treated, which helps them respond well to the review and perform better as a result.

Strengths-based approach

A common tendency when considering how we can improve is to focus on our weaknesses, or what's not going well, and try to 'fix' these. However, there's growing

research including our report Strengths-based performance conversations to show that reviews are more likely to improve performance if they focus on building strengths and replicating successful actions or behaviour in other areas of one's work. Approaches to performance reviews that are strengths-based in this way tend to take a coaching style and be more future-focused, which may be part of the reason for their effectiveness. A strengths-based approach doesn't mean ignoring underperformance, but focuses on what's already working well when looking for improvement.

A good outline of a strengths-based approach to performance conversations is the FeedForward Interview described by Kluger and Nir:

- **Step 1 – 'Eliciting a success story'**: Focus the employee's attention on what's been working well for them. Get them to identify a specific instance (for example, where 'you were content even before the results of your actions became known'). Explore what happened, what the high-point was, and what they thought and felt at the time.
- **Step 2 – 'Discovering your personal success code'**: What did the employee do to make this success happen? What did others do and what were the organisational conditions that enabled it?
- **Step 3 – 'The feedforward question'**: Get the employee to reflect on their 'current actions, priorities and plans for the near future...', and consider to what extent they incorporate all of these conditions.'

Skills for reviewing performance

Performance reviews are usually carried out by line managers rather than HR professionals, so it's important that they understand their role and develop appropriate skills. Particular skills sets to develop include:

- **Asking good questions** – when to use open or closed questions, and how to probe in a way that encourages people to expand on their experiences, views or feelings.
- **Active listening** – to take in what is being said, notice body language, help people clarify and respond in a way that helps the conversation.
- **Giving constructive feedback** – focusing on evidence and actual examples, not subjective opinion, reinforcing positives and strengths (see above), and knowing when to be directive and when to take a coaching approach.

Appraisals will be more effective when managers have a healthy relationship with their staff in general. Read more in our factsheet on line managers' role in supporting people professionals.

Further reading

Books and reports

ARMSTRONG, M. (2017) *Armstrong's handbook of performance management: an evidence-based guide to delivering high performance*. 6th ed. London: Kogan Page.

ASHDOWN, L. (2018) *Performance management: a practical introduction*. 2nd ed. HR Fundamentals. London: CIPD and Kogan Page.

Visit the [CIPD and Kogan Page Bookshop](#) to see all our priced publications currently in print.

Journal articles

CAPPELLI, P. and TAVIS, A. (2016) The performance management revolution. *Harvard Business Review*. Vol 94, No 10, October. pp58-67. Reviewed in [In a Nutshell](#), issue 62.

DENISI, A.S. and PRITCHARD, R.D. (2006) Performance appraisal, performance management and improving individual performance: a motivational framework. *Management and Organization Review*. Vol 2, No 2. pp253-77.

HARARI, M.B. and RUDOLPH, C.W. (2017) The effect of rater accountability on performance ratings: a meta-analytic review. *Human Resource Management Review*. Vol 27, No 1, March. pp121-133.

IQBAL, M.Z., AKBAR, S. and BUDHWAR, P. (2015) Effectiveness of performance appraisal: an integrated framework. *International Journal of Management Reviews*. Vol 17, No 4, October. pp510-533.

KLUGER, A.N. and DENISI, A. (1996) The effects of feedback interventions on performance: a historical review, a meta-analysis, and a preliminary feedback intervention theory. *Psychological Bulletin*. Vol 119, No 2. pp254-284.

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This factsheet was last updated by Jonny Gifford.