

A Quick Guide to Building a Customized Performance Appraisal for a Small Organization

There is a great deal of fine research on performance appraisals, and the guidelines for building a good one are relatively clear. If you have more than 1000 employees in your company, it is best to let someone with training in psychometrics design the assessment; smaller organizations can usually manage on their own, in part because people in small companies know each other well enough to avoid the pitfalls that complicate assessments elsewhere. In this paper we assume you have less than 1000 employees.

You will want to build a tool that is reliable (i.e., capable of generating measurements that can be replicated), that is valid (i.e., that measures what it claims to measure, and does so with provable accuracy) and — the hallmark of a really good assessment — that has strong business utility. An assessment that lacks any one of these three qualities will be counterproductive: it will waste time; it will lead to promotions for the wrong people; it will induce you to pass over people who should have been promoted, and it will lead to the loss of key employees in your workforce. Moreover, it will almost certainly lead to legal and/or political battles that can significantly drain your company's resources and morale. It pays to do this well. Here are a few guidelines that will help:

- 1) Build a model of your company's corporate culture within the employee group that you seek to assess. This should have from 7 to 14 topic areas (ideally not less & not more, for reasons that are probably self-evident) such as Communication, Innovation, Strategic Planning, HR Management, Revenue Generation, and the like. Each company has their own set of expectations for their employees that are a direct outgrowth of the corporate culture and the job-group being assessed. For example, Disney places their stress on Continuity of Customer Experience; EMPA places primary stress on Using Research to Maximize Business Utility. Pick your own sections, but pick wisely. As that old saying goes, what you measure is what you (eventually) get. Or, in the vernacular, be careful what you wish for.
- 2) Most assessments end up addressing three domains: Leadership Skill, Managerial Skill, and Interpersonal Skill. The distinctions are important, because being skilled in one domain does not by any stretch of the imagination mean anything else in the other two domains. For example, Gandhi was a wonderful leader and a dreadful manager. The converse skill asymmetry — great managers who are dreadful leaders — is unfortunately quite common. In most such cases a person's skill asymmetry is an outgrowth of their job description. Your performance appraisal will need to take job responsibilities into account: If something is not part of an employee's job description, it doesn't belong on his or her performance appraisal.
- 3) It is best to make your assessment very brief — one or two pages tops. For a small company (where legally binding cross validation of the assessment is not an issue) it's wise to have 3 or 4 questions in each section, each question with the same 1-to-7 rating scale going from Unacceptable to Exemplary (place no labels anywhere except on the two poles of the scale), and have both the employee and the employee's boss fill it out. For example, the Communication Section can ask about the employee's skill communicating information — down — to his or her direct reports, communicating — up — to his or her boss, and communicating — across — to peers. The section of Revenue Generation could ask about preserving profit margin, maintaining current sources of revenue, and contributing to revenue growth. Keep all items in the same grammatical voice, with the same length and the same sentence structure — it's important.
- 4) Make the report a simple bargraph affair where the employee's own self-ratings can be seen side-by-side next to his boss's rating for each item in the assessment. That way, disparities are both a conversational spark for the differences in perception, AND a basis for constructive discussions about remedial steps to enhance the employee's skill set. A good report enhances utility; a poor report fosters conflict.
- 5) Last point, and the most crucial: Don't waste your time asking about traits, or attitudes, or opinions, or character. A performance appraisal (a good one at least) asks only about directly observable behavior. Please remember that performance assessments can and do become the topic of contentious, costly litigation. Keep it straightforward; keep it connected to your company's business needs, and make sure every single item on the assessment asks respondents to evaluate observable behavioral events in the workplace, and only observable behavioral events in the workplace.

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