How do you design an Appraisal process?

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Introduction

This topic is one we have seen requested several times on HR forums, it seems that designing an appraisal process is one area that people can really struggle with. Obviously, it is something that we support businesses with daily, here at Actus. Therefore, we have pulled together a simple step-by-step guide that can help you through the steps involved when considering what the right appraisal should look like in your organisation and secondly what aspects you should consider within it as you design it. Finally, you can also download some sample templates that you can use for appraisals or check-ins within your organisation.

Consider the organisational context

It's important to think first about the context before you think about the actual process or documentation. Start by considering the following questions:

1. **What is the current situation within your organisation and why do you want to change it?**
2. **Do you already have an appraisal process or system in place of some description (whether on paper or online)?**
3. **If so, what is it you are trying to change about it?**
4. **What problem are you trying to fix?**

Typical examples of problems heard:
- **It isn't worth the paper it is written on**
- **No one completes it properly**
- **Everyone hates it**
- **It is considered a paperwork exercise**
- **It is too long**
- **It is backward-focused**

So, what is the actual problem here?

What we have is a mix of cultural issues here – the fact that one values it is about endemic leadership and management behaviours, these can't be fixed by a form or process change! If everyone hates it, why is that? Because it is too long and backward looking or is it because managers are simply going through the motions?

Typical issues that relate to the actual form are that the appraisal is far too long. We've come across 10 pages before… who wouldn't lose the will to live there? It has got to equate to a 3-hour appraisal. The form may be full of great questions, but these are not all for one conversation.

Unless people are clearly only complaining about the form design, there are almost certainly underpinning behavioural issues where managers are going through the motions. Therefore, changing the form or process alone without some level of cultural exercise to gain buy-in will most likely end in the same result with your new form.
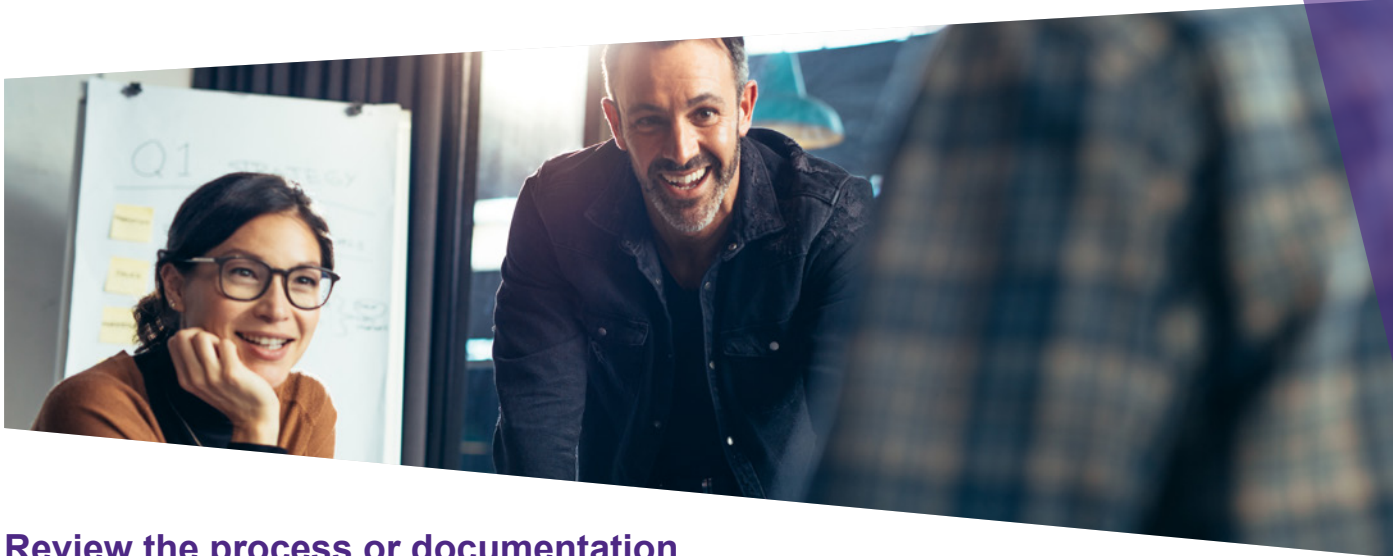
Review the process or documentation

The second situation is that no process or system exists and you're trying to introduce something new, in which case what is the problem here? Is it something you think you should do or is it something that has been requested by individuals within the organisation or from leadership?

Even though it is fairly standard for people to expect some sort of performance management process to be in place, do you know what the actual issue is? There is a bigger behavioural change needed here and you need to be clear of the relevant benefits for this audience. Typical examples might be that people want greater clarity of what is expected, or you want to encourage consistency from managers, or they want visibility of performance from the top.

The key with this sort of situation is to start really simple with the process and avoid the temptation of designing an all singing, all dancing form that people find painful. Instead encourage goal setting, regular 121's or check-ins to provide feedback and light-touch appraisal forms.

If you want to introduce some sort of rating that will ultimately link to reward, be aware that you will need to train your managers, put in place some sort of moderation process and ideally do a first year with a dry run.

Why not also take a look at these related resources:

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What is the environment or culture?

The next thing to consider is what is the environment or culture that you're working in? This will affect how open and responsive they are to complexity and processes. There are many options to consider here such as:

- *How mature is your business in terms of people processes already?*
- *Are there a number of established processes in place such as absence management, 121's and regular team meetings happening?*
- *Perhaps it is a little more entrepreneurial and chaotic?*

Mature vs less mature organisation

The point here is that you need to be realistic about what is achievable in terms of change in one year and be prepared to go at a far slower pace with a less mature organisation than a more mature one. The more mature organisation is likely to be more responsive and compliant with a new process than the less mature organisation. Both types will need the support of sponsors and to be convinced of the benefits. The more mature organisation will want to know evidence of why this is the right way forward and examples of similar businesses who have done the same. Case studies and examples are great for the more entrepreneurial organisation, but they are likely to want you to excite them or sell the benefits.

What is the purpose of the new appraisal form/process?

Common reasons that we have heard:

- **Encourage more meaningful conversations**
- **Make it more engaging, forward facing**
- **Encourage more regular feedback**
- **Refresh it, increase engagement**
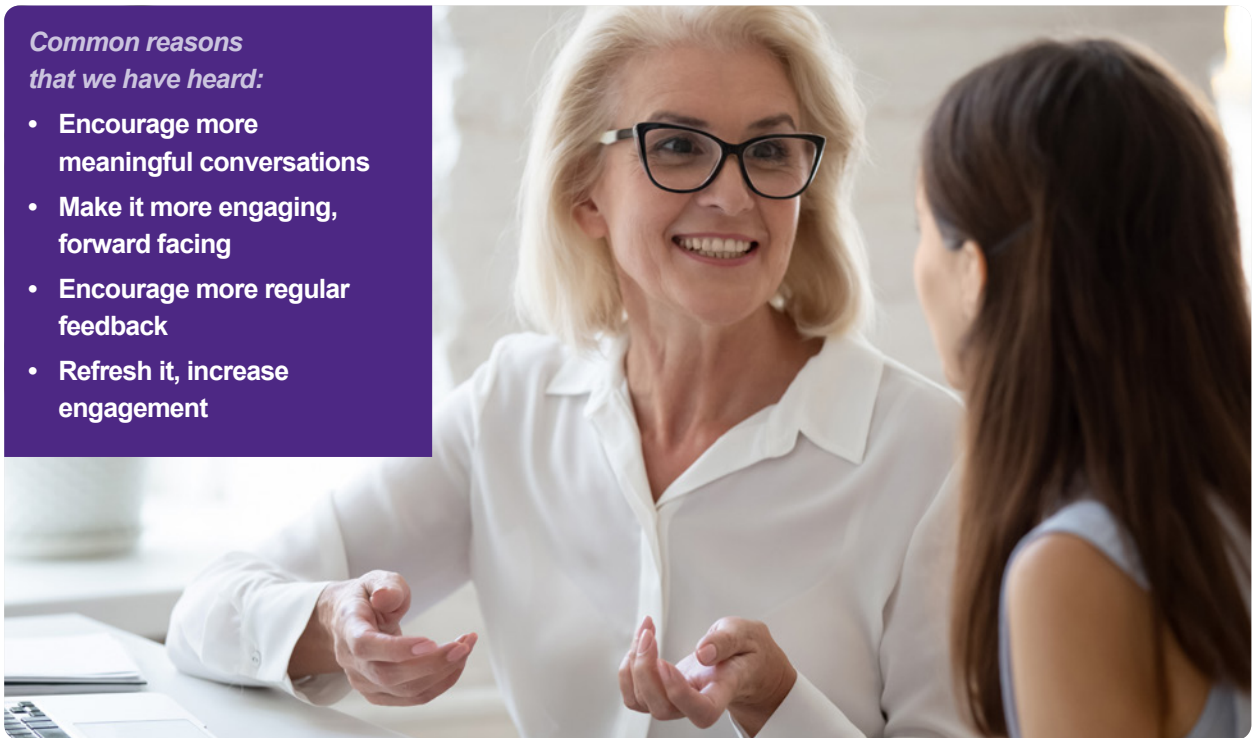
Note that all these reasons are about management behaviours, not forms. Our form or process is simply the tool to hang great performance management behaviours off! It's important not to forget how crucial leadership behaviours and culture change will be in making this change successful.

The other pretty common reason we hear for appraisal form or process change is when a business wants to introduce behavioural indicators or competencies, or ratings of some description. Just be careful not to let this overcomplicate things or turn your form into a tick-box.

5 principles when designing your appraisal form

❶ **Keep it as simple as possible** – maximum 3 pages ideally no more than two (tips on this later). The worst thing that any organisation does is to overcomplicate the form. We have seen some beautifully engineered appraisal forms that would just be exhausting to fill out. Unless it is asking regulatory questions (which is the case in some circumstances) then try to keep it simple and the tick-boxes to a minimum.

❷ **Enable both parties to prepare aspects of in advance** – to aid the discussion when together, this could be through an individual preparation section or access to the form online in advance.

❸ **Rule of 3-7, no more** - If discussing competencies/behaviours the ideal number is between three and seven. If you have more than this, then think about how people can prioritise which ones to discuss based on relevance to their role or organisational need.

❹ **Consider the language** - Is it backward looking or forward, or could it be more positive e.g. Achievement discussion rather than performance review or appraisal.

❺ **Four-point ratings** - If you are using ratings consider a four-point rating rather than a five, with the view that number 3 is fully achieved. Psychologically people prefer to be rated in the top half of a scale than in the middle of a five-point scale where 1 and 5 are never used. Again, make the language positive – avoid the word average.

How the form fits into the process

Let's re-connect with the reason why most people want to refresh their appraisal form or process and they were almost always to do with better quality conversations. The reality is that it doesn't matter how beautiful your new form is if it is only used once a year. There is a limit to how meaningful you can make the conversation. This is why it's more helpful to think of it in the context of a full year-round cycle. The beauty of this is that you can split certain aspects of an appraisal form such as development discussions and career aspirations into conversations that take place at different parts of the year.
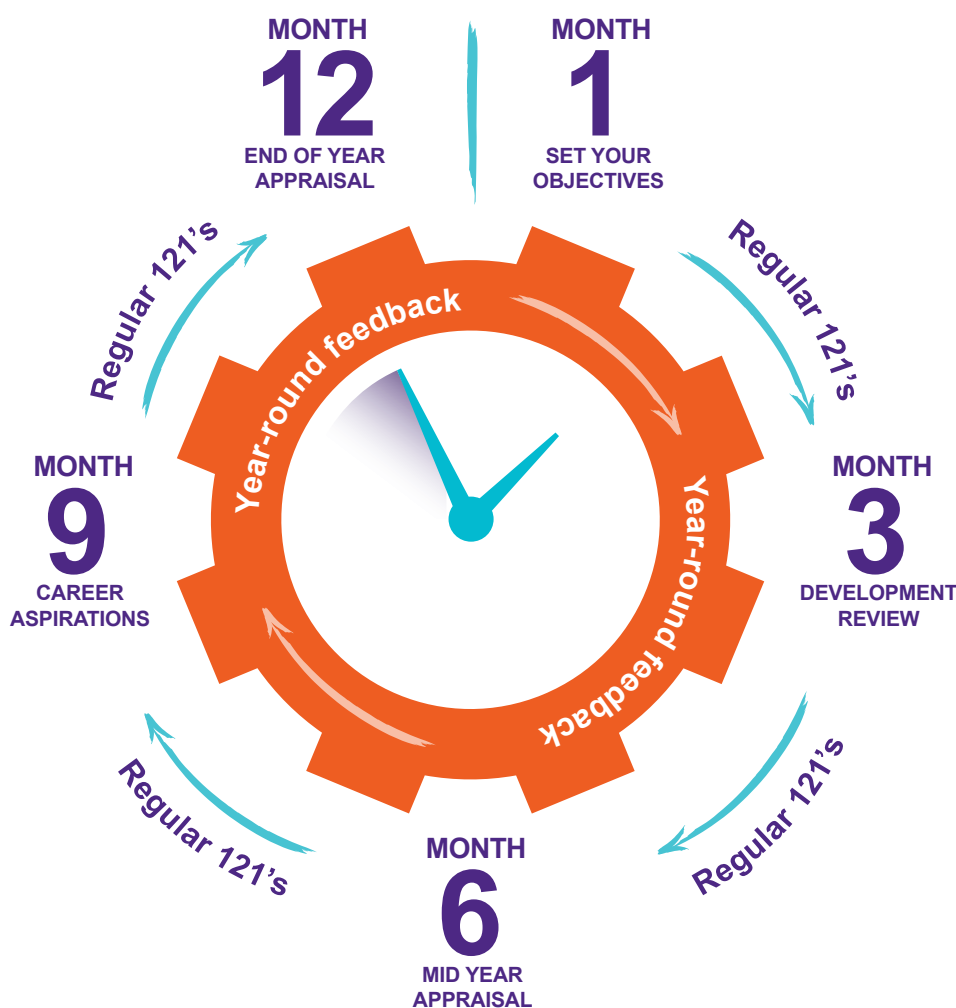
There are many benefits to this:

- It shortens the appraisal form
- The quality of the conversations increases
- You can adapt the frequency to your organisation e.g. most organisations can manage quarterly touchpoints, but some may even be able to do monthly 121's
- Increasing the frequency but shortening the content and conversations will increase the quality
- This creates a cadence of performance conversations that you can monitor as well as encouraging embedding new habits
- Separating out conversations about development needs or career aspirations create a timetable to your performance management year which you can respond to in a more timely fashion e.g. reviewing development needs at the end of quarter 1 gives you time to provide development support within the same business year, hopefully increasing performance
- If there are certain regulatory aspects that you must include as part of an appraisal that you cannot avoid but they make it super long. You can split those out to sit in the mid-year appraisal or its own meeting to ensure it doesn't detract from the other conversations.

An example of a year-round performance process

This is an example of a year-round performance process that has worked for many clients that we have been involved with. Clearly, you can adjust it to make it your own by putting in more or fewer 'formal' check-ins. However, we have found from experience that just two meetings a year is too few to make it a habit and more than four is too many to prescribe or expect to be formally documented.

We find it easiest to think of your business year rather like a clock face and at the start of the year: 12 o'clock, the priority is to set objectives to give people clarity and focus. Therefore, there should be a meeting or 121 that is focused on this happening. In an ideal world we would expect people to have monthly 121's or check-ins to pick up any issues and keep things on track, that will vary according to business and culture. One observation that we would make is that with increasing amounts of virtual working, more frequent, supportive 121's or check-ins need to take place to make up for the lack of informal face-to-face interaction.

The second 'formal' check-in takes place at 3 o'clock on our metaphorical clock face and this is a light touch update on objectives to check progress and the main focus should be around development needs. The benefit of discussing development needs at this point rather than during the traditional end of year appraisal means that they can be addressed during the same year. After, all the whole point of development is to help people to perform or grow in their role so there is little point using it as a reward or afterthought at the end of the year.

MONTH **12** END OF YEAR APPRAISAL

MONTH **1** SET YOUR OBJECTIVES

MONTH **3** DEVELOPMENT REVIEW

MONTH **6** MID YEAR APPRAISAL

MONTH **9** CAREER ASPIRATIONS

Year-round feedback

Regular 121's

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Again, we would hope that regular 121's continue and the next formal punctuation point is the mid-year appraisal or as we call it the mid-year achievement review. As mentioned earlier this could include more detailed regulatory or behavioural assessments if you need to do these and just a brief conversation about objectives. The one caveat regarding performance discussion here is if you are planning to apply performance related pay based on end of year performance ratings. If that is the case then the mid-year meeting needs to include an honest or even slightly 'low-balled' mid-year rating to manage expectations or create some impetus, if needed.

The end of the third quarter or 9 o'clock is a great time to talk about career aspirations. This is a particularly good time because at this point, we will have a good idea about who our high performers are, and it splits the conversation out from performance. Therefore, it is a genuinely engaging and people-centric conversation that will be engaging. This data can also be used to support talent management and succession planning processes before the flurry of activity at year-end. In a small organisation with limited HR resource this can help you manage priorities throughout the year.

Finally, we get to year-end, 12 o'clock and we reach the end of year review. Because we have been discussing (and documenting) performance all year this should be plain sailing, we can simply wrap up last year's performance and focus on setting great objectives for next year. Voila!
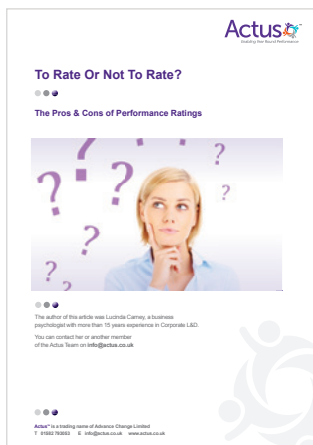
Conclusion

So, we have considered the importance of having a form or process that is appropriate for our environment, we have also emphasised the reality that forms don't drive performance, management behaviours and culture does. Therefore, it is important to consider culture, process and forms together.

Many readers may wonder why we don't just tell people to have more meaningful conversations and ditch the appraisal/review altogether like the big consultancy firms (allegedly) have. Well, it is my experience and belief that what we measure is what gets focused on. In a world full of complexity and conflicting priorities, people need structure and clarity of what's expected within their roles. It's like the concept of group think – telling a group of people generally to behave in a certain way results in no one taking responsibility. People management expectations need to be specific and measurable if we want them to happen. It is easy to be convinced that the big professional services firms have ditched their appraisal process and people are just self-managing but that is just not a reality of human nature.

It's our role as people professionals to be the custodians of the culture and process, our appraisal process represents both of these and it's important to factor all these aspects into whatever we design. Think about your appraisal process and forms as encouraging and enabling the right behaviours, ensure you have sponsorship support in terms of words and behaviours from your leadership team and follow up or 'nicely nag' until the behaviours become habit. Of course, if you would like to automate this process with ready-to-go templates, gaining visibility of activity and real-time reporting then you might like to book a demo of our Actus performance management software here: **https://www.actus.co.uk**

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