

## Guenter Lueger and Carey Glass: Performance Appraisal – The Next Generation

The following is an extract from a book to be published “Performance Appraisal – The Next Generation” that will shift the way performance appraisal system are used to dramatically change measurement, conversations and outcomes.

### *The Trap of Performance Appraisal*

Have you ever had a difficult discussion in a performance appraisal? As a manager have you gone in with the best of intentions to find yourself ending up in a debate? As an employee have you felt that the ratings have been unfair and the discussion demoralising?

Most performance appraisal systems have one thing in common; you are asked to place your employee or yourself in a category on a scale. You might have a range of words like poor, average, good and excellent or numbers from 1 for the worst performance, through to 5 for the best. Whatever the system, you need to choose a specific point for every skill or competence that your system measures.

Competence: Customer Service

Very Poor	Poor	Average	Good	Very Good
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Competence: Business Development

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

We’ve all been trained to work this way. But it is actually this very familiar act of choosing a point on a scale that traps you into many of the sticky problems you get caught with during performance appraisals.

This trap is based on a fallacy that is built into the system; the assumption that the level of our performance is always the same, when in fact our performance varies.

Looking at the examples above, we all have experiences of being more successful at business development with some customers than with others; times when we are very good and times when we are just average.

When we think about customer service, sometimes we are more successful at pinpointing exactly what the customer needs than at other times. We also encounter situations that are beyond our control; our customer service falters when the IT system or the production system is down. In reality, our performance varies, but we get shoe-horned into one box that doesn't reflect that reality.

So why does that create a trap? Take a typical performance appraisal discussion. As a manager you are asked to come to a reasoned decision about a member of staff's performance. After some thought you choose your category and come to the performance appraisal discussion ready to explain your reasoning.

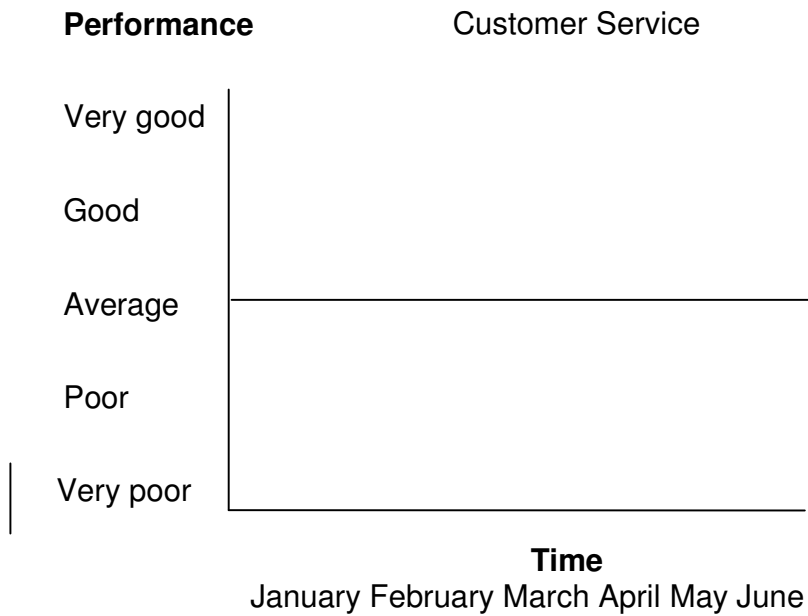
Let's say you have chosen "good". Entirely because performance is not consistent, when you tell the staff member that you see their performance as "good", they will reasonably and legitimately be able to find examples of when their performance was "very good".

You then have to justify your choice. You might argue that usually their performance is just "good", discounting the excellent example they gave as an aberration. Worse, you may find you have to give counter-examples describing times when their performance was poor or average in order to justify your choice. The conversation then degenerates into a conflict that becomes uncomfortable and difficult to handle. Alternatively, one of you just gives in and accepts the other's assessment, souring your relationship somewhat and confirming your view that performance appraisal is a sham.

Your goal was to help your employee, work with them and move them forward. But despite your best efforts, your good intentions are lost as the tension in the room increases. In the end, you both leave feeling like you have more problems than you came in with.

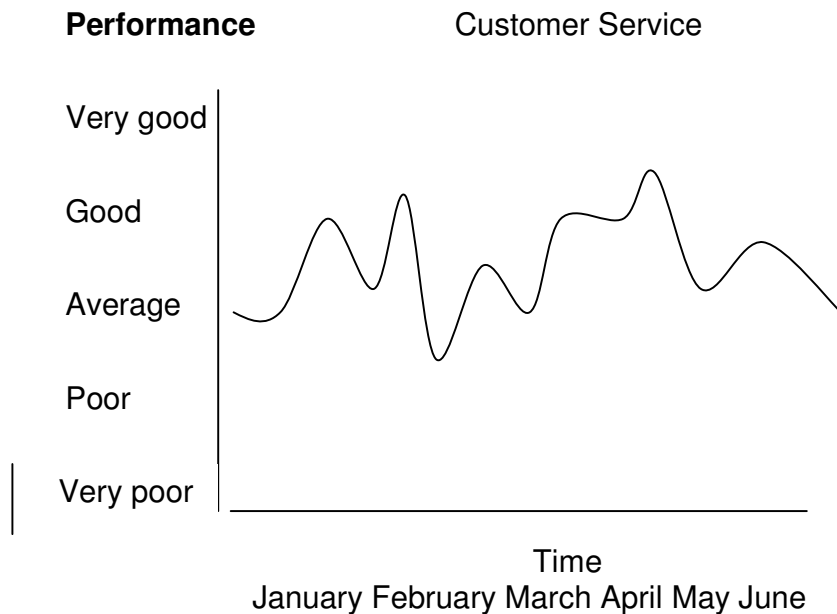
This trap is not of your own making, but is an outcome of the fallacious reasoning that is built into the system. Choosing one category assumes that someone's performance is static when in fact it is variable. Many of the difficulties we experience during performance appraisals are based on this fallacy. It is the system that is pitting you against the colleague that you are supposed to be helping.

The problem is easily seen on a graph.



Let's say you are asked to rate someone's customer service for the last six or twelve months and you choose a point on the scale. When displayed this way you can see that you are being forced to describe their performance as consistent on that particular point throughout the time period.

Now look at the graph below.



This graph represents the variation in performance that happens in the real world. For example at points in February and April customer service peaked because your employee may have pinpointed exactly what the customer needed and delivered it on time. At another point in February customer service faltered because the employee may have forgotten to arrange a critical delivery. In reality our performance constantly changes and is never frozen solid to one point as our systems would make us believe.

It is no wonder therefore when you are in a performance appraisal conversation that things go awry despite the best intentions of both parties. The system does not allow you to track reality. If you have described an individual's performance as average, they are justifiably going to describe examples of their best performance and you are either going to give in or remind them of that delivery they forgot to arrange. The system can only serve to sour the outcome.

This book isn't going to ask you to change or throw away your expensively developed performance appraisal system. What we are going to show you is how you can use that same system differently so that you can easily have conversations that move your staff's performance forward, even when their performance is poor. As a result we will offer you new thinking and new training to produce positive results in ways that do not exist in traditional performance appraisal approaches.

### *Doing It Differently*

Now have your first go at doing an appraisal differently.

A good place to start may be appraising your own performance. Choose a particular competence or skill that is an important part of your role. (For example: results focus, negotiation skills, planning, managing change). Now bring to mind examples of your performance on that competence and record the variation in your performance by distributing 100 percentage points along the scale below. Or you might like to use the scale in your own organisation.

For example, using the competence of negotiation skills, your examples might suggest that 20% of the time your negotiation skills are very good, 70% of the time they are good and 10% of the time they are average, and your distribution will look like this.

Very Poor	Poor	Average	Good	Very Good
<input type="text"/>	<input type="text"/>	<input type="text" value="10"/>	<input type="text" value="70"/>	<input type="text" value="20"/>

The distribution of points does not have to be next to each other. You might for example only wish to use the poor, good and very good categories. The spread does not matter as long as your assessment accurately reflects your performance over the time period you have chosen. Take some thinking time to do this exercise on the competence you have chosen now.

Very Poor	Poor	Average	Good	Very Good
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

When you have completed that, take the traditional approach and choose just one category to represent your performance on the same competence and tick the appropriate box.

Very Poor	Poor	Average	Good	Very Good
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Having rated your performance both ways, how do they compare? If you were being appraised how would you prefer to be represented on the system? And if you were appraising others, which approach do you think will make it easier for you to do an accurate, fair and future-focused appraisal?

We call this new system Solution-Focused Ratings (SFR) because, as you will learn these ratings enable you to focus on solutions that quickly improve performance, leaving the problems of the past for you and your staff behind you.

The implications of SFR to radically reform performance appraisals in a positive direction are manifold. Let us give you an example of why this is so. In the second graph above you can now see the variation in performance. There are points in February and April where the person's customer service was at its best and points at which it was lower. With SFR we can use those differences to quickly move performance forward by focusing on these distinctions which we call Positive Differences. In the traditional performance appraisal we tend to look at where the person has gone wrong and analyse that in order to improve performance. However in the second graph, you can already see pockets of good performance in February and April. Consequently you can focus your discussion on what the person was doing during those pockets of good performance so that they can repeat them more consistently over time. As a result performance on that competence will be soon raised. It is important to clarify that when working with Positive Differences we are not searching for an average, we are searching for the high points on the graph, examples of when performance is at its best in order to quickly move forward.

As is now apparent, SFR provides a radical shift in thinking regarding performance appraisal. The traditional performance appraisal system blinds you to these Positive Differences, making improvements much harder to achieve. SFR highlights these Positive Differences creating a dramatic shift in the way you can conduct appraisals and the resultant outcomes that can be achieved by staff. To achieve the best from this approach the rating system is accompanied by future-focused conversations that discuss what your employees do when they are at their best, leading them to do more of it with the knowledge and motivation that they have done so before. This provides a stark contrast to the traditional approach in which we analyse problems in order to find the changes we need to make. The book includes chapters on how to transform your conversations in this way.

In short the dramatic changes that come from SFR are based on recognizing the simple fact that performance is variable and using that exact variability to move performance forward. Let's outline some of the advantages of this approach.

### *SFR: The Advantages Of Doing It Differently*

#### *SFR Reduces Conflict*

Firstly the potential for conflict about ratings disappears. By recognising the range of performance and including examples of best performance, your assessment is seen by your staff as more realistic, accurate and fair. You do not

spend valuable time together debating the past, which does little to hit targets in the future. Research into performance appraisal has consistently shown that feedback that is considered unfair or inaccurate by employees is not only not accepted, but that following it staff do not set goals to improve performance. They also feel less motivated and less satisfied in their job. By recognizing the range of performance you are more likely to maintain your staff's motivation and encourage open discussion.

### *SFR Transforms Conversations and Creates a Positive Mindset*

Secondly, the power of SFR is not only that it can reduce conflict, but that it can transform the performance appraisal process into a positive, energising discussion that delivers performance targets.

As soon as you have just one example of better performance for that person, the quality and usefulness of your performance appraisal conversations can be immediately transformed. The conversation moves from being negatively focused on why they have not reached the next level, to a discussion of what they are already doing at that next level and how they can use their skills to maximise it. The conversation becomes positive. The goal that the staff member needs to reach is clear to them in their own examples. Moving forward becomes very doable.

In the traditional appraisal moving up the scale is much harder when there is no suggestion built into the system that the individual has any of the competencies required of the next level.

### *SFR Recognises That People Have The Answers Within Them*

Another huge advantage of SFR for the staff member is that they do not feel that they have to fundamentally change in order to improve. We have spent many a coaching hour with dispirited employees who feel like they need to change fundamental aspects of themselves in order to achieve. Yet ultimately when people have problems don't they use their strengths to resolve them? After all, how can I resolve my problems from my weaknesses? A paradox is unintentionally built into many performance appraisal conversations. Even though we do not solve our problems through our weaknesses, many of our conversations focus on them on the misplaced assumption that if they are explored and explained this will miraculously leave the staff member knowing what to do. In contrast Solution-Focused conversations don't waste time doing this. They give you the evidence of the strengths that you have already used to improve your performance, making improvement much more attainable. Even if some adjustments or new skills need to be added, you know that you are part of the way there. How much more motivating is that.

### *With SFR Development Objectives Become Clear*

When you have an example of better performance it is much easier to set development objectives that are meaningful for the participants and the business.

Often in appraisal forms we see examples of development objectives that are unrelated or at best loosely related to the individual's and the organisation's needs. Even when individuals go on courses that are relevant to their development goals, translating them into the workplace is not always easy. We have all had an experience of coming back energised from a course only to have our bubble burst when we try to implement our new found skills or knowledge.

There are a couple of reasons why people don't know what to do about development objectives and why they don't always hit the target.

Firstly, as a manager we can know how we would go about improving because we have already been there, but it's legitimately hard to know the answer for someone else.

Secondly, whatever we do to improve needs to work in the particular context and culture of our organisation. So if we receive training, we need to go through the step of seeing whether these skills will translate successfully into our own context and culture as well as into our own personal style.

Solution-Focused Ratings overcome these difficulties by having an example of what better looks like built into the system and this example is already perfectly suited to the context and culture of the organisation. A conversation about development then becomes much easier as the manager can help the employee explore how they previously performed better in order to take their development further.

### *With SFR Steps To Goal Achievement Are Easily Mapped Out.*

We mentioned before that we solve our problems through our strengths not through our weaknesses. It's very hard to map out steps to improve if we haven't used our performance appraisal discussion to focus on the strengths, resources and abilities that we can use to improve. If we are going to improve we need to know how to use our abilities to get us there. So working with our staff to really tease out how they went about the best examples of performance, what skills and strengths they used on those occasions, will provide us with the series of steps that lead to further goal achievement. What better way to fast-track development and maximise the probability of hitting targets, than applying, playing with and developing the sparks of what's already worked.

### *With SFR Context Is Taken Into Account*

One of the things that SFR is doing is taking account of the fact that our performance varies because of the context we find ourselves in. A common grumble that you hear in appraisals is that context isn't taken into account. This is a fair gripe. But when you can only choose one point on a scale, situations in which the context has affected performance just get averaged into the score.

SFR gives you the opportunity to take context into account and provides a more balanced approach. Rather than feeling defensive when things go wrong, or allocating blame, you can both take a more realistic look at the various factors that influenced the range of outcomes in the appraisal. If you can analyse what was about certain contexts and interactions that were helpful in achieving goals, that provides really useful information about other factors in the environment that can be used to move performance forwards effectively.

### *SFR Decrease The Blame Cycle*

As you can imagine noticing what is working over time in order to create change, rather than what is not working, has quite a profound impact on morale. It sends a strong message to your staff that you have observed and value their contribution. Managing performance this way decreases the blame cycle in your organisation. When we recognise that performance is actually variable, it is simply much harder to justify labelling someone as a problem or that their performance is the consistent reason for the problem, because you have recognised their potential to improve. It is also easier for the employee to separate themselves from the problem and start thinking about the skills they are using when they are performing better. Separating the person from the problem tends to liberate your relationship and the potential for change.

### *With SFR You Can Be An Appreciative Rather Than A "Neutral" Manager*

In the movie "You've Got Mail" when Tom Hanks, the predatory bookstore giant, is killing off Meg Ryan's neighbourhood store, he tells her that "it's just business and that it's not personal", to which she eventually retorts that "of course business is personal and that so it should be".

True. If you are sacking me, giving the promotion to someone else, or outstripping my company's success, business is personal, to at least one of us anyway! And why would I get back in the game without some passion, which is a personal attribute.

In reality, we all want appreciative managers. When we use SFR and help our employees hit business targets by discussing the examples that are taking them there, you are being an appreciative manager. You may even become an appreciated manager!

We are so well trained into being “objective” when we are doing performance appraisals. Unfortunately this often gets translated into changing our approach in our interviews, becoming more distant and detached, less personal than we are normally. That shift in our behaviour alone cannot be conducive to a good discussion.

When you discuss the best examples of someone’s performance, you are automatically appreciating the best of them and they feel it. By observing the range of a person’s behaviour, you have shown that you care enough about their appraisal to observe it. Far from decreasing your “objectivity”, it can easily be argued that you are enhancing it by having observed and recorded a wider range of behaviour than you might in a traditional appraisal and that you are being appreciative at the same time.

### *With SFR Performance Appraisal Finally Matches A Changing World.*

Essentially having a performance appraisal system that focuses on dynamism rather than creating static pictures of people is essential for a fast changing business world. We need to know what our people are capable of and harness it. Observing and noting our staff’s most adaptive responses to their business context which are found in the best examples of their performance offers the fastest way to harness and keep up with change. A range of scores has development built in. One score creates a static view and built-in lethargy. By using SFR we can focus on what is wanted rather than what isn’t wanted, the solution rather than the problem.

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