

A case study of performance appraisal in a SME: moving on from the tick-box generation

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Focus of study

This research studied performance appraisal in a small and medium enterprise (SME) operating in the building and manufacturing sector. The SME consists of a parent company and three subsidiary companies. The research was conducted across all four companies by using questionnaires and interviews. The overall aim of the research was to discover the impact of the SMEs performance appraisal system on employees' work motivation. This research set out to help the SME identify any issues it has with its existing appraisal system, and to help managers understand any post-appraisal consequences affecting employees. The research looked at how managers are using appraisal to motivate their staff. This investigation aimed to help the SME to move on from the 'tick-box generation' when carrying out employee performance appraisals.

Feedback and Performance appraisals

'If individuals are to maintain effective performance in an organisation, or more particularly if they are actually to improve their performance, it is essential that they receive adequate and unbiased feedback on how well they are doing.' (Jones & Page, 1983: 319).

Theory and research suggests that providing employees with feedback on their performance is a key component to improving the performance of individuals and the organisation (Brown, Hyatt & Benson, 2009). Companies have the opportunity to provide employee feedback on performance and provide objectives through the performance appraisal (PA) process. It is also suggested that PAs are a key HR function. However, research suggests that most organisations, especially SMEs, are dissatisfied with their appraisal system. Moreover, manager's attitudes towards PAs is that it is a formal process and is merely a paper filling tick-box exercise, suggesting that there could be a negative attitude towards performance appraisals in some companies by managers and employees.

An ineffective process system in which employees and managers disagree about the former's contribution can create conflict and lead to negative consequences, such as theft, vandalism, intentional idleness, absenteeism and intention to resign by employees. Poor appraisal processes tend to avoid differentiation between good and unsatisfactory performance, giving rise to employees being incorrectly ranked in terms of their performance, to avoid disappointment, dissatisfaction, inter-employee jealousy, hostility and

discomfort felt by some managers in providing negative feedback. A poor appraisal system also restricts opportunities to add value through effective employee development, when most employees are appraised as being inaccurately assessed as being 'excellent' in terms of their performance. At an organisational level, performance management should ensure that employees' performances and skills are aligned with the strategic goals of the company. An effective and comprehensive appraisal process assists in assessing if an organisation has the necessary human resource capacity and competences in house. Such a process also supports the implementation of strategic change and can foster good workplace harmony.

Although there is a body of literature suggesting that feedback improves employee performance (Lorenzet, Cook & Ozeki, 2006), there is little to suggest that organisations are providing good quality and effective feedback to encourage and support motivation of the workforce. Effective PAs are more likely to enhance the opinions and experiences of employees involved in appraisal processes, and help foster a positive attitude in employees about their role and contribution. Brown et al. (2009) concur by suggesting that a high quality PA leads to greater job satisfaction and an increase in motivation in employees. Similarly, Kuvaas (2011) argues that for feedback to be effective, regular informal feedback by managers to employees is required. However, it is not apparent whether organisations are doing this other than providing feedback in an annual performance review. This research carried out in an SME was based on two key questions:

1. What are the implications for employees post-performance appraisal?
2. How do managers use the performance appraisal process to help motivate employees to increase their effectiveness and efficiency?

Findings

PA Methods

The response rate for the questionnaires was 54% (97 returns from a total of 180). In addition, this research included carrying out six interviews with managers. The data from the questionnaires showed it was clear that managers across the company are using appropriate methods during the PA process to motivate their staff towards their work performance. These methods included giving constructive feedback, setting goals, giving informal feedback and supplying 360° feedback, where possible. The findings suggested that managers are setting goals for employee's performance and this helped motivate their staff. This supports the argument that setting goals during the PA can increase employees' performance by allowing them to have something they believe in and are committed to working towards. In addition, managers said that without setting targets as part of the

appraisal process, there is no point in the PA as they, i.e. manager and employees, need to work towards achieving specified goals to be able to have meaningful discussions at the next appraisal discussion.

Findings also suggested that there is no formal process of 360° feedback system within the company but managers do provide employees with feedback from colleagues and customers which can be motivating for employees. It was suggested that this company should not necessarily focus on implementing a 360° system yet but focus on providing good quality feedback as part of the PA process, to help encourage employees and managers to see the process as an effective performance improvement tool.

A further component of appraisal discussed was informal feedback, and although it was evident that managers are giving employees informal feedback on an ad hoc basis, not all managers appeared to have a well defined or understood process for doing so. It was evident that some employees desire more informal feedback than their managers are providing.

The findings of this research suggested that the majority of employees are motivated post-PA as a result of the PA process, but some participants overall opinion of the process was largely negative. The main theme from the respondents' comments was that the employees believed the PA process is a 'tick box' exercise, illustrated by the following comment from an employee:

"...the PA system does little, it appears to be more of a tick-box exercise any real purpose' and "It has its uses but it seems like a tick-box exercise".

Themes from the findings

The qualitative data from the interview and questionnaires identified clear themes, and identified why there was negativity from some employees and offered insight into the different opinions of the PA process. Although it is suggested that performance appraisals are one of the most important HR exercises, this proposition is debateable in an organisation where many employees view the PA process merely as a 'tick box exercise'. This opinion was evident across all four companies, where, although it was discovered that PA helps motivate employees in their work performance, that some participants believed the process was no more than a tick box exercise. This research has provided some insight into why some employees and managers believe the PA process is being operated as a tick-box exercise.

It was clear from the interviews that this view of a 'tick box' exercise was widely held across the organisation, with some of the interviewees suggesting the managers' role was paramount in the PA process, i.e. to motivate staff to help improve their performance. The interviewees suggested that if the employees' perception was that managers believe the PA process to be a tick-box exercise, then this will reflect on the employees and in return, they will tend to also regard the process as a tick-box exercise. It was suggested that managers who are unable to carry out effective appraisals need training to apply this performance method effectively as a motivational tool.

In summary, this research found that managers partly viewed the PA process as a tick-box exercise. There was no evidence to suggest if the company used training to support and encourage managers to use the method effectively as a motivational intervention. Another finding from the interviews was that the more mature employees and managers did not see the point in the PA system, and that they were more likely to view the process as a tick-box exercise. However, it was discovered that the younger generation of employees, sometimes described in the literature as 'Generation Y', viewed the PA process as a development tool and this generation aspired to be motivated by the process, which is supported by the view of Earle (2009) who proposes that 'Generation Y' desire more learning and development opportunities from their employees.

Summary and Insights

This research found that employees agreed that the PA process is a good motivational tool, and managers believed that the tool was an effective way to increase productivity. However, even though there was evidence that the PA process helps motivate staff, themes from the data highlighted some issues surrounding the process. It is concluded that employees seek more informal feedback, in addition to receiving it 'now and then' from managers. It was identified that employees regarded the PA process as a tick-box exercise due to a lack of informal feedback in addition to feedback provided by the formal the PA process. It was also discovered that employees felt that the outcome of the PA depended on the managers' opinion of the PA process, i.e. if managers believed it to be a tick-box exercise this was reflected in their employees' opinion. Finally, the perceived outcome of the PA depended on the age of the employee. It was suggested by managers that more mature workers did not see the point in the PA process, whereas the younger generation of employees benefited more from the process. This article has highlighted that although the PA is still widely used as a performance tool which is effective, companies should be more conscious of different opinions surrounding the process and implement strategies that produce a more beneficial

PA process, particularly in the area of providing more informal feedback and a process that meets the needs of all generations of employees.

In conclusion, a recommendation from this research is that SME organisations should implement a PA processes that encourage and provide more informal feedback. Employers need to recognise that the new generation of workers desire learning and development opportunities and, finally, companies should train and develop managers up to carry out effective PAs and how to apply it as a performance tool that helps to motivate their staff.

References

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