

Finding the Right Performance Review Tools

As part of our ongoing discussion of mapping business objectives to employee evaluations, we have already blogged how to [map employee objectives](#) to corporate objectives, and the [difference between a performance review and a salary review](#). Now we want to turn our attention to ways to conduct a performance review.

As part of their job, managers have to perform a formal review of employees, which means they need tools to standardize the process. Performance reviews can be invaluable for setting criteria for advancement, aiding in salary reviews, assessing capabilities for promotion or transfer, identifying gaps in training or a job description, and identifying where additional resources might be needed. You can create your own tools, or you can use software tools such as [Success Factors](#) (one of the tools we use), but whatever you adopt, you need to use the tools properly and consistently. Here are a few of the performance measurement tools that are most commonly used:

Rating scales: A simple approach is to assign an attribute to each performance metric and rank them using a three- or [five-point scale](#), such as “excellent,” “exceeds expectations,” “meets expectation,” “improvement needed,” and “unsatisfactory.” This scale can be applied to any job description, with ratings for each attribute. Although such ratings scales are easy to complete, they also can be too subjective, and the more vague the attribute or scale, the more room for bias. To promote more reliable, quantifiable results, create a competency profile for each job title that clearly defines poor, average, and outstanding performance. Also be sure to provide space for comments from the employee being evaluated.

Open-ended questions: In this case, the manager is asked to write a narrative on performance by the manager, with responses by the employee. The disadvantage to this approach is that it is time-consuming and often intimidating for the evaluators. Many managers have trouble completing these kinds of forms objectively, and open-ended answers are virtually impossible to quantify, which makes it difficult to track performance over time. However, using open-ended questions can provide better qualitative data that can lead to greater insight into how the employees view their own performance and their role in the company.

MBOs or management-by-objectives: MBOs are well-suited for sales teams and others that monitor performance by numbers, although it can be adapted to any role that has performance metrics associated with it (which should be just about any job in the organization). With MBOs, the goals are established in advance by both the manager and staff members so they can make a joint commitment to each objective. The challenge with MBOs is you have to have clearly stated written goals that are specific and measurable; ambiguity leads to miscommunication about expectations. MBOs also can skew the outcome toward quantity rather than quality. However, MBOs do allow the staff members to become more engaged in the evaluation process which tends to promote greater performance improvement. Plus the use of easily understood metrics can be valuable in tracking performance as a continuum, and identifying areas where coaching might be needed. To use

MBOs effectively, make sure that supervisors and managers are clear about goal-setting and apply consistent metrics that promote both quality as well as quantity.

360-degree performance review: This performance review approach uses feedback from all parties – managers, superiors, peers, and the employee. The objective is to gain a holistic view of performance. This approach is time-consuming and requires more resources and a larger commitment from the HR team, which is why it is ideally suited for an [outsourced firm](#) or software approach. This approach lends itself to comparative study, such as performance graphs, which is why it is ideal for software solutions. It's also a good approach for flat hierarchies that are lean in senior management, since each employee has more contact and more impact on others in the organization.

Whatever approach you choose to assess performance, be sure that the metrics are well-defined. It's important that employees and managers are clear about the preset goals and have an objective way to assess performance against those goals. Although it can be difficult to take all the objectivity out of performance reviews, try to apply metrics that are quantifiable and can be applied in a consistent fashion to track improvement over time.