

Performance without appraisal

John Seddon, first published in [The Observer](#), Sunday 11 March 2001

Performance appraisal is on the up and up. It used to represent the one time of the year when getting on with the work was put on hold while enormous quantities of management-hours were spent in the earnest ritual of rating and ranking individual performance.

Now the practice is even more frequent. It is not unusual to find appraisals being conducted twice a year, monthly or in some cases even weekly. In the incessant drive to re-invent the appraisal it is now known in many organisations as the 'one-to-one'.

But perhaps persistent re-invention is nature's way of indicating that we ought to should cause us to question whether appraisals work? Is this time and effort well spent or is it undermining performance in the name of good human relations?

The notion behind performance appraisal - that workers should be held accountable for their performance - is plausible. However, the evidence suggests that the premise is wrong. Individual behaviour in organisations and thus their achievements are governed more by the system they work in than anything they are able to do.

To take a simple modern example: in a call centre workers are appraised on the amount of work they do, how many calls they take and how long they spend on each call. In fact, their performance is governed by many things beyond their control - the nature of calls, the availability of information, the behaviour of other parts of the organisation and so on. To hold the worker accountable in such circumstances causes stress.

It is not just workers who suffer from stress. 'Norma' was a customer services manager for a high-street bank who had to leave the organisation because of stress. In her last year she had been given five targets of which she succeeded on three and failed on two. Her appraisal meeting focused on the two she had failed. Norma was perplexed for, as well as being unable to say why she had failed on two targets, she was also unable to account for the three 'successes'.

All performance is subject to variation. A study of measures used to judge Norma's performance revealed that all had been subject to normal variation. A 'pass' or 'fail' had been just as probable on all five measures. She had, effectively, 'lost the lottery' on two measures. Yet Norma had believed, as her manager did, that she was responsible.

Like Norma and her manager, most people have come to accept accountability for their performance. When, as is inevitable, they risk losing the lottery, people 'cheat because they will do anything to keep the boss happy'. Their ingenuity is engaged in surviving rather than improving performance -an unnecessary waste of human talent.

Contrary to assumptions, appraisal is not an effective means of performance improvement - it is judgement rather than feedback; a judgement imposed by the hierarchy. Useful feedback, on the other hand, would be information that told both the manager and worker how well the work system functioned, and suggested how to improve it.

To get an idea of what this means we have to turn to world-class organisations. In the Toyota production system there is nothing that is recognisable as performance appraisal. Every operation in the system has an associated measure. The measure has been worked out between the operators

and their manager. In every case the measure is related to the purpose of the work. That measure is the basis of feedback to the manager and worker alike.

Decision-making is integrated with work. If there is a problem with performance, it immediately is reflected in the measure. The manager and operator seek the causes and turn them seeds for improvement of the method.

Toyota's basic idea is expressed by the axiom 'bad news first'. Both managers and workers are psychologically safe in the knowledge that it is the system - not the worker - that is the primary influence on performance. It is management's responsibility to ensure that the workers operate in a system that enables them to perform.

Performance appraisal, on the other hand, sprang from a different managerial assumption. To judge achievement, managers use data about an individual's activity, not the process or system's achievement of purpose. The result is that performance appraisal is judgement of one over another, ignoring the true influences on performance. Thus the appraisal experience becomes one of pleasing the boss, psychologically unsafe and socially driven, determining who is 'in' and who is 'out'.

Human resources professionals claim that the managers should strive for objectivity and thus feedback rather than judgement. But the simple fact of the matter is that the nature of hierarchy distorts the concept of feedback into judgement because performance measures are conceived hierarchically.

When judgement is replaced by feedback in the true sense, organisations will have a lot more time to devote to their customers and their business. No time will be wasted in appraisal. This first requires a fundamental shift in the way we think about the organisation of performance appraisals, which almost certainly will not be forthcoming from the human resources profession.