

11.4: Why It Matters- Performance Management and Appraisal

Why learn about performance management and employee appraisal?



Performance appraisals have the power to change career trajectories and motivate a level of engagement and discretionary effort that transcends job expectations. So why is it that, as one manager phrased it, “performance reviews typically suck?”

The unfortunate fact is the perception of performance reviews as ineffective is shared by organizations, management and employees. Consulting firm Deloitte found that 82% of companies responding to their 2015 Global Human Capital Trends survey stated that “performance evaluations were not worth the time.”^[1] Deloitte also cited a study published in *Personnel Psychology* that reported that 41% of companies found evidence of extensive manager bias and 45% percent didn’t believe performance evaluations motivated employees. Statistics not only support that opinion, they indicate that ineffective performance appraisal processes are a critical business and human resource management issue.

? Key Statistics

Consider the following statistics:^[2]

- 45% of HR leaders do not think annual performance reviews are an accurate appraisal for employee’s work.
- 69% of employees say they would work harder if they felt their efforts were better recognized.
- Recognition is the number one thing employees say their manager could give them to inspire them to produce great work.
- 22% of employees that don’t feel recognized when they do great work have interviewed for a job in the last three months, compared to just 12% that do feel recognized.
- Only 8% of companies believe their performance management process is highly effective in driving business value, while 58% say it’s not an effective use of time.

Gallup’s State of the Global Workplace research demonstrates that “engaged employees produce better business outcomes than do other employees across industry, across company size and nationality, and in good economic times and bad.”^[3] For perspective, refer to the following list, which indicates business improvements realized by business units in the top quartile of engagement:^[4]

- 10% higher customer metrics
- 17% higher productivity
- 20% higher sales
- 21% higher profitability
- 41% lower absenteeism
- 24% lower turnover (in high-turnover organizations)
- 59% lower turnover (in low-turnover organizations)
- 28% less shrinkage
- 70% fewer employee safety incidents
- 58% fewer patient safety incidents
- 40% fewer quality incidents (defects)

The challenge: Gallup’s global employee surveys find that just 15% of employees are engaged—“psychologically invested in their job and motivated to be highly productive”—at work. The majority of employees (67%) are not engaged—effectively “at risk.” The final 18% are actively disengaged. Key opportunity: Gallup reports that “managers are responsible for at least 70% of the variance in their employees’ engagement.”^[5] Given the business and human resource management implications, the ability to

provide effective feedback—recognition and developmental—is an essential management competence and responsibility. In this module, we'll discuss the concept and process of performance management and how to improve appraisal effectiveness.

1. Sloan, Nathan, Dimple Agarwal, Stacia Garr, and Karen Pastkia. "[Performance Management: Playing a Winning Hand.](#)" Deloitte Insights: 2017 Global Human Capital Trends. Accessed August 15, 2019. ↵
2. Wholley, Meredith. "[17 Mind-blowing Statistics on Performance Reviews and Employee Engagement.](#)" ClearCompany. March 25, 2019. Accessed August 15, 2019. ↵
3. "[State of the Global Workplace.](#)" Gallup. Accessed August 15, 2019. ↵
4. Ibid. ↵
5. Ibid. ↵

Contributors and Attributions

CC licensed content, Shared previously

- wocintech stock - 119. **Authored by:** WOCinTech Chat. **Provided by:** Flickr. **Located at:** <https://flic.kr/p/ER8z5A>. **License:** [CC BY: Attribution](#)

This page titled [11.4: Why It Matters- Performance Management and Appraisal](#) is shared under a [CC BY 4.0](#) license and was authored, remixed, and/or curated by [Nina Burokas](#) via [source content](#) that was edited to the style and standards of the LibreTexts platform.