

Appraisals Revisited

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Most professional-services firms claim to have appraisal systems, but the trouble is that very few of them are effective, particularly at partner level. Implementation is the main headache; "It's a nightmare getting the partners to do it," is a comment I have frequently heard. However, despite the patchy history of limping and ineffective appraisals, I believe that a well-designed process, methodically applied, and rigorously enforced, can add a lot of value. Apart from all other considerations, the young professional is increasingly demanding some form of regular career development consultation. Further, many young professionals are increasingly taking jobs not just for what the job pays but also for how it will help them develop their skills. It is therefore time for firms to take a fresh look at appraisals and reinvigorate their approach.

Reinvigorating Appraisal Systems

For an appraisal system to be successful, it has to be consistently focused on two main aims – helping the individual to make the best of his/her abilities and helping the firm to make the most effective use of its people.

The guiding principles are well known but worth repeating as they are often forgotten. The same principles apply to partner and staff appraisals. First, there should be constructive feedback on performance. Second, the discussion should be future looking and contain some clear attainable objectives. Third, there must be a high level of appraisee involvement in the setting of those objectives. In order to sustain an effective appraisal system based on the aims outlined above, there are some essential elements. The appraisals should be:

- Carried out annually as a minimum and formally followed up at least once during the year, preferably more often;
- Conducted by the partner immediately supervising the person being appraised; Conducted in accordance with the 'Ten point plan' (see below);
- Informally followed up by regular meetings linked with continuous informal feedback; Carried out in a safe or non-threatening environment – a neutral office (or even somewhere outside the firm's offices) works well;
- Recorded and agreed – with particular attention to SMART objectives (see below) and training needs.

Using a Balanced Scorecard

The balanced scorecard is a methodology to align a firm's everyday operations to its long-term strategy. Its purpose is to translate vision and strategy into all the actions that the firm undertakes. This is achieved by looking at desired results from certain perspectives. For professional service firms, we suggest changing the basic model (suggested by Balanced Scorecard authors Robert Kaplan and David Norton) in two ways. First, we have aligned the model to reflect the concept that the main constituent assets of professional-services firms are elements of intellectual capital, rather than tangible assets. Second, we have developed the balanced scorecard methodology to fit the environment in which professionals develop their careers by serving their clients, processing their work and making profits. Hence the perspectives are:

- Relational capital (clients): How well we develop our relationships with the outside world;
- Human capital (people): How well we develop the capabilities of our professionals;
- Structural capital (the firm as an ongoing institution): How well we develop the 'way things are done round here' – workflows, processes and knowledge management (KM);
- Economic capital (financial contribution): How well we combine our intellectual capital to achieve financial and commercial success.

Grading and Rating

Most appraisers have proved reluctant to score, grade or rate their people. The perceived problem is that if you score low, it

can result in an argument; if you mark high, it can make the appraisee complacent or arrogant.

Most appraisers tend to play it safe and mark somewhere in the middle, thus making the entire scoring process rather pointless. It is worth remembering again that we are seeking an appraisal system that concentrates on getting the best out of the individual in the future rather than scoring the past. But for any firm looking at promotion or the issue of merit-based pay, some method of performance assessment is vital. There are many models for an overall rating. Andrew Mayo, in his book *The Human Value of the Enterprise*, suggests a five-point judgment scale on people:

- A = Aware – can speak the language; knows what is involved;
- B = Basic – Has a rudimentary knowledge of the field;
- C = Competent – Is able to discuss and work competently;
- D = Distinguished – Is one to whom work colleagues turn to for advice;
- E = Expert – Is known within and beyond the organisation for his/her expertise.

Any scoring system has to be not only fair, but also perceived and trusted to be fair, which is no easy feat. In part, this is down to the credibility of the firm, its values and the credibility of the management team. It is also down to the assessment itself being properly and professionally conducted. Some firms insist, for instance, that any person who has the responsibility for completing a review, and for making remuneration recommendations, must explain how and how much he has mentored the individual in question over the period between appraisals.

Reliance on anecdote and tittle-tattle must be avoided at all costs. At the other extreme, an over-legalistic approach should also be avoided. Additionally, the individual must have their say – there must be some element of self assessment in the system. Whether or not each professional is required to produce a self-assessment memorandum or to address his/her performance in other ways will vary from firm to firm, but it is vital that everyone should be required to deal with the specifics of, amongst other things, performance against objectives. It's important to note that we are talking about more than billing performance here – we need to look across a broader spectrum. And for that, I recommend the balanced scorecard approach mentioned earlier.

Managing Expectations

As mentioned earlier, appraisals are two-way. The objective is not just for the firm to be able to carry out reviews on its staff and partners – they also form an important part of the younger professional's career requirements. Every professional wants:

- To have the opportunity to state his/her views on how well he/she is doing;
- To voice his/her concerns about issues or factors which may have impeded his/her progress and performance;
- To be praised for work well done and obtain guidance on how to improve in areas that are less well performed;
- To discuss training/development needs and future progression.

As the time for the appraisal approaches, it is good to appreciate some of the fears and obstacles that professionals (and those who appraise them) might have about the process. Some of these fears and worries are set out below. It is important for partners to recognise and understand these feelings, both in themselves and also in the professionals they are appraising. The aim should be to develop an approach that will make what is a positive process in theory equally effective in practice. This means that the approach to effective appraisal interviewing is based on the practice of some core skills:

- Asking the right questions and listening effectively. Here, the old adage comes into its own – that you have two ears and one mouth and that you should use them in those proportions;
- Giving feedback, both constructive and formative;
- Planning and preparation – which should involve seeking formal or informal feedback from anybody else in the firm who has worked with the person to be appraised;
- Setting objectives along with performance and quality standards;
- Being utterly clear as to the individual's prospects and managing expectations as to future career progress.

Giving Feedback

The basic rules for giving feedback are invariably not observed, resulting in dire consequences.

In appraisals, great care has to be taken to give feedback both constructively and specifically. There should be a distinction between giving positive or motivational feedback on the one hand and giving constructive or coaching feedback on the other. It is always good to start by giving positive feedback where possible. Here it is best to focus on what you specifically liked about the appraisee's work. Don't just say, "You did a great job on that report", but follow it up with specific comments, such as, "I

particularly like the way you set out the facts and highlighted the key issues". Having stated what you liked you can then move onto what could have been done differently or better. The second element is where constructive criticism has to be given. Here, there are some simple steps to follow:

1. Give the headline or context – "I would like to talk to you about the work you did on the 'Adams' matter";
2. Replay and go through the things that have been done in order;
3. Make some recommendations as to how those things could have been done differently;
4. Give your reasons;
5. End on a high note with some more positive feedback.

Gaining Feedback from Others

Before the appraisal, the appraiser should obtain informal feedback about the appraisee from other partners and from appropriate senior members of the management team. The obtaining of this feedback should follow all the themes already outlined:

- Start by asking for positive feedback before moving on to areas for improvement;
- Ask for feedback across the whole of the balanced scorecard;
- Take great care with negative or destructive feedback – disregard such comments as "that assistant is completely useless" unless full and constructive details are given;
- Find out whether any of this feedback has been already communicated to the appraisee;
- Find out if the partner giving the feedback is prepared to be quoted or wishes to remain anonymous (and be suspicious if it is the latter).

Some firms now also formally seek upward and 360-degree feedback. Upward feedback occurs when employees give information on their superior's performance (and is usually therefore feedback from fee-earners about the partners for whom they directly work). 360-degree appraisal is a variant of upward appraisal, and extends the feedback to the whole of the firm. 360 is often used as a shorthand for any combination of upward, downward, peer, colleague, client or supplier appraisal of an employee. Upward and 360-degree feedback processes have to be introduced with very great care. They have two key features:

- They are usually based on a questionnaire, paper-based or web-based, or facilitated by e-mail.
- Feedback is usually anonymous, sometimes through a facilitator who can have a key role in helping the individual interpret results and feedback.

Setting Objectives

In many years of appraising (and moderating appraisals), I have found that the most difficult and badly facilitated section of annual appraisals is the setting of objectives. One problem is that this is an area that is normally left until last on the appraisal form and is dealt with when both parties have become tired or when time has run out. There are six typical objective setting problems that need to be avoided:

1. The objectives are hurriedly drafted and skimped – they do not adequately reflect appropriate career development;
2. The objectives are too vague and aspirational – they cannot be interpreted, acted on as a series of tasks, or measured;
3. The targets are unrealistically high or too low – either will demotivate;
4. The process has become bureaucratic – it is seen as a paper-chasing exercise;
5. The objectives have no meaning and are left to gather dust – all parties will wonder if the review process has been worthwhile;
6. The objectives are simply imposed by the partner and not 'owned' by the appraisee – the appraisee will view their involvement as insignificant.

To counter such problems in setting objectives, some simple principles should be followed:

1. The most important rule is to ensure that the objectives are linked to the overall twin aims referred to earlier, and in particular are focused on career development;
2. Try to focus on outcomes rather than activities. For example, instead of “Work to improve cash collection”, one might say, “By the end of the next quarter negotiate interim billing arrangements with the following clients”. Instead of “Assist with knowledge management”, one might say, “Review and redraft the firm’s standard template for Due Diligence by October 31st”;
3. Make sure the wording is SMART (Specific, Measurable, Agreed, Realistic and Time Constrained) and carefully worded;
4. Check that the objectives are prioritised (use words like ‘must’, ‘should’ and ‘could’ to give a sense of this);
5. Ensure that it is clear how the objectives are going to be measured. Some metrics are elusive, particularly when they are less specific and more aspirational. The key to this is to keep asking the question, ‘How will we know when we have achieved success?’ The aim is to be able to set some measures based on one of four yardsticks – time/speed, cost, expected quality level, or positive results;
6. Make sure that you agree some mechanism or timetable for regular monitoring;
7. Clarify training and development needs. Here, it is vital to have a range of possible activities in mind to discuss with the individual – there may also be a need to raise the awareness of the appraisee that training involves much more than just attending a training course;
8. Finally, make sure that the objectives are mutually agreed.

Professional Firms Are People Businesses

These precious people assets – our human capital – walk in through the door in the morning and leave every evening. As someone once said to me, “If, instead of people, we had a moneymaking machine in the corner of the office turning out twenty-pound notes, we would nurture that machine, oil and feed it regularly, develop it and attend to its every need.” In the same way, a well run appraisal system can be a powerful addition to our people-management and development toolkit. It is also instructive to think about some of the issues raised and questions asked in this article and to relate them to the whole firm – questions such as:

- Have we developed a clear vision of what has to change in our firm and why?
- Are our decisions, processes and business recipe linked with and grounded in our strategy?
- What SMART, outcome-based goals would indicate success for the firm?
- What are the skills and competencies that are most critical to our success?
- What feedback are we getting from our clients that will help us to improve and develop?
- What are the behaviours and working relationships that must be mastered in order to drive performance?
- What plans does the firm have to gain commitment from its people?
- Who are the people most critical to success?
- Who are the people who are material to our succession planning?

Performance appraisals are essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance and feed into business planning. As the next generation of lawyers look to jobs not just for what the job pays but for how it will help them develop their skills, the time to reinvigorate appraisal systems has never been more apt.