

# A Guide to Conducting Staff Appraisals

Business Information Factsheet  
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## Introduction

A staff appraisal system is a key performance management tool that allows employers to conduct and record a regular assessment of their employees' performance, capability and training needs.

If appraisals are carried out regularly - at least once or even twice a year - and in the right way, they can benefit the employer and the employee, by increasing employee job satisfaction and performance and by maximising employees' contribution to the business. The appraisal process can be carried out in a variety of ways, but it needs to be objective and fair, especially if bonuses or salary increases are linked to performance.

This factsheet describes some of the different staff appraisal methods commonly used by employers and outlines how to plan and conduct appraisals. It also provides guidance on how employers can use the outcomes of an appraisal to improve their employees' future performance.

## Purpose of appraisals

Although the objectives of an appraisal system will vary according to the specific needs of the employer, the main purposes of staff appraisals are:

- To establish whether employees are doing their jobs correctly and their working practices are effective.
- To ensure a shared understanding between the employer and employee of the job role and its objectives, and to review these objectives, adjusting them where necessary in response to business needs.
- To offer constructive feedback that will help employees improve their future performance.
- To recognise achievements, especially where an employee has performed above expectations.
- To give an employee the opportunity to discuss their own performance, strengths and weaknesses and progress against objectives.
- To identify any training and development requirements to enable an employee to carry out their role effectively.
- To determine how to improve performance by agreeing an action plan or a set of goals with an agreed time frame for achieving them.

## Informal appraisals

Employers should continually appraise their staff on an informal basis. If an employee is performing well, this should be acknowledged immediately. Similarly, poor performance should be discussed as quickly as possible in order to help the employee improve their performance.

Informal appraisals should complement, rather than replace, a formal appraisal system. If an employer has informally appraised their employees on a regular basis, nothing that is discussed during a formal appraisal meeting should come as a surprise to either the employer or the employee.

## Formal appraisals

A formal appraisal takes the form of a face-to-face meeting with an employee, conducted by their employer or manager. As well as receiving feedback on their performance, the employee should be encouraged to give feedback on how they see their role developing in the business and to put forward ideas about better working practices. The person conducting the appraisal should take notes of what is discussed, create a written record of the meeting and provide the employee with a signed copy of the appraisal notes.

A formal appraisal should not be seen as a substitute for informal day-to-day communication, coaching and constructive feedback.

Before introducing a formal appraisal system, employers should inform employees and discuss it with them, or their union representatives if appropriate, explaining its aims and what it will mean for them. It is also important to include information about the appraisal system in any new starters' induction programmes and to provide adequate training for the individuals who will be carrying out the appraisals.

## How to prepare for an appraisal

An appraisal system will only work if it is planned and implemented properly. The following are some of the issues to consider when preparing for an appraisal meeting with an employee:

- Employees should have at least two to three days' notice of their appraisal so that they have time to consider any points they wish to raise.
- The employee who is being appraised should be encouraged to think about their performance against any performance objectives they have been set, and to consider their strengths and weaknesses. Some employers provide a self-assessment form to help employees review how they have performed since their last appraisal, and to consider how they may change or improve their performance in the future.
- It is important to have written evidence of an employee's performance over the period that is being reviewed. This may be in the form of notes taken following informal appraisals or more formal evidence such as a line manager's report. Some employers use '360-degree' appraisals, where a range of people are asked to give feedback about an employee and their performance, including team members, colleagues and managers. An employee's performance cannot be reviewed effectively unless the appraiser and the employee have a clear shared understanding of what the employee's job involves. A written job description that clearly states the role and objectives that an employee is expected to fulfil should be used as a benchmark when evaluating performance.

# How to conduct an appraisal

## The appraisal meeting

This should be a two-way discussion that gives the employer and the employee the opportunity to review the following:

- Current performance and objectives achieved.
- Areas for development and objectives not achieved.
- Training requirements.
- Career planning and future objectives.
- Any other issues.

It is best practice to start an appraisal meeting by reviewing the positive aspects of an employee's performance. It is important to concentrate on the person who is being appraised and avoid comparing their work with that of their colleagues, or discussing the performance of other members of the team.

Some skills and abilities to consider when reviewing an employee's performance include:

- Job understanding and application of knowledge.
- Planning, organisation and administration skills.
- Negotiation, cost control and quality control.
- Innovation, creativity and problem-solving.
- Leadership skills.
- Ability as a member of a team and relationships with others.
- Effective communication and presentation.
- Acceptance of responsibility and accountability, and ability to cope under pressure.
- Relationships with customers and others outside the immediate team.

## Use of appraisal forms

An appraisal form should include sections covering:

- **Current performance and objectives achieved.** This should record how well the employee has performed in their job and include a summary of their achievements against any previously agreed objectives.
- **Areas for development and objectives not achieved.** If objectives have not been achieved, it is important to understand, and record, why not. Specific areas where performance is poor and needs further development or training should be noted. It is important to highlight any situations when objectives could not be achieved for reasons beyond the employee's control.
- **Training requirements.** This section should record any training or personal development needs that have been identified. This is not restricted to formal training courses and may

include involvement in projects, coaching or any other suitable activity that will aid the employee's development and enhance their skills, knowledge and expertise.

- **Future targets and objectives.** It is important to record any discussions about future targets and objectives that are set during the appraisal so that these can be referred to, and reviewed, on an ongoing basis.

## Performance-related pay

Performance-related pay (PRP), sometimes referred to as appraisal-related pay (ARP), links pay rises to the performance of an employee, which is usually measured against specific performance targets.

For such a scheme to be effective, employees need to be able to see a clear connection between the effort they put in to their job and the reward they receive. It is also important, in order to avoid discrimination, to ensure objectivity in relation to any pay awards that are made. This means that PRP awards must be made on the basis of a fair and objective appraisal system.

The Chartered Institute of Personnel and Development (CIPD) publishes a guide on performance-related pay. Go to [www.cipd.co.uk/knowledge/fundamentals/people/pay/performance-factsheet](http://www.cipd.co.uk/knowledge/fundamentals/people/pay/performance-factsheet) for more information. Acas publishes guidance on appraisal-related pay at [www.acas.org.uk/media/pdf/7/j/B10\\_1.pdf](http://www.acas.org.uk/media/pdf/7/j/B10_1.pdf).

## Hints and tips

- Give staff several days' notice prior to the appraisal meeting, and ask them to consider any points they wish to raise.
- Decide on objectives before the appraisal meeting and back up any statements with specific examples of good and poor performance.
- Allow sufficient time for an effective discussion.
- Remember that an appraisal should be a two-way discussion - encourage staff to discuss how they see their role in the business developing in the future and give feedback on the points raised.
- Address poor performance by discussing why things went wrong and establishing how improvements can be made in the future, such as through additional training.
- Start and end the appraisal meeting on a positive note relating to the employee's past and future performance.

## Further information

### Useful publications

'Employee Appraisal'

Acas

Website: [www.acas.org.uk/media/pdf/s/b/B07\\_1.pdf](http://www.acas.org.uk/media/pdf/s/b/B07_1.pdf)

'Appraisal Related Pay'

Acas

Website: [www.acas.org.uk/media/pdf/7/j/B10\\_1.pdf](http://www.acas.org.uk/media/pdf/7/j/B10_1.pdf)

'How to Manage Performance'

Acas

Website: [www.acas.org.uk/CHttpHandler.ashx?id=2714&p=0](http://www.acas.org.uk/CHttpHandler.ashx?id=2714&p=0)

'Managing Performance for Small Firms'

Acas

Website: [www.acas.org.uk/media/pdf/c/5/Managing-performance-for-small-firms-accessible-version.pdf](http://www.acas.org.uk/media/pdf/c/5/Managing-performance-for-small-firms-accessible-version.pdf)

## Useful contacts

Acas (Advisory, Conciliation and Arbitration Service) provides information, advice, training and conciliation services to help prevent or resolve workplace disputes.

Website: [www.acas.org.uk](http://www.acas.org.uk)

The Chartered Institute of Personnel and Development (CIPD) is a professional body in the field of personnel and development. It provides information, advice and training.

Tel: (020) 8612 6200

Website: [www.cipd.co.uk](http://www.cipd.co.uk)

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