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What's new in employee performance evaluations?

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Managers hate them. Employees hate them. Annual performance reviews “just take up time,” “distract from mission,” and force employees to wait far too long for feedback that could be useful for their professional development. So why do we continue to think that annual performance reviews are a “best practice” for developing talent? Why not, as some suggest, scrap the formal annual review process and replace it with continuous feedback throughout the year?

First, let's dig a bit deeper into the argument against annual reviews. Deloitte reported that in 2015 88% of the U.S. companies it surveyed were planning to rethink their annual performance review system. *“It's no surprise that by the end of 2015, at least 30 of the Fortune 500 companies had ditched performance evaluations altogether.”* ([Let's not kill performance evaluations yet](#), Harvard Business Review.) The rationale for these for-profit businesses ditching annual reviews included many reasons that can equally fit the nonprofit workplace:

1. Businesses don't have traditional “annual cycles” any longer (neither do nonprofits), so tying a performance review to an annual calendar is artificial and doesn't reflect the need for real-time adjustments;

2. The competitive environment requires agility (as is the case for nonprofits responding to community needs), which can be inconsistent with annual goal-setting and holding a performance review at the same time every year;
3. Managers report they hate conducting reviews and don't see the value for the person being reviewed either, so who has the time? (a common refrain in nonprofits also);
4. Increasingly, workplaces are "team" oriented, so a focus on individual performance may be inadequate;
5. With "flat" teams (which describes many small staffed nonprofits), there are fewer clear lines between supervisor/supervisee, so an approach based on feedback from a single supervisor no longer seems to fit; and
6. The output of annual reviews, often a numeric or single word rating, simply feels wrong if the goal of the whole process is to motivate change in an employee's future performance.

In contrast, the advantages of a more fluid and continuous process of assessing performance include acknowledging that many staff members, and especially millennials, desire to be in charge of their own professional growth, which lends itself to informal and more frequent check-ins than more formal annual conversations.

So, is the annual performance review "dead"?

Don't jump to that conclusion too fast. The same [HBR article](#) shares the experience at Facebook, where 87% of the employees expressed their preference for performance ratings. The surprising results illustrate that many employees may prefer annual reviews, despite how uncomfortable they are, because of the sense that the known is better than the unknown: *"People want to know where they stand, and performance evaluations offer transparency. They help employees understand how their contributions are seen in the organization, and they make it easier for the organization to effectively recognize and reward top performance."* Plus, when there is a self-appraisal component and the evaluators are seen as motivated to "coach" and help, employees have a voice. The values reflected in the process (accountability, transparency, fairness, clear goals and measurement of outcomes) feel familiar to nonprofit employees.

One significant weakness of the formal appraisal system is that while it may be effective for pointing out and documenting sub-standard performance, it is rarely effective as a learning process that can turn-around sub-standard performance. Why

wait until the appointed time for the annual review? So perhaps the problem is in the execution of an annual appraisal, not the concept.

Instead of choosing between either (a) throwing out the annual review and replacing it with continuous feedback and coaching (that requires highly trained colleagues to do a good job with feedback) or (b) sticking with a formal review process that is typically top-down and so infrequent that it may not inspire employees to change behaviors...why not do both?

In the nonprofit context, the performance appraisal can be used effectively to align individual employees' goals with the organization's goals, and to monitor the extent to which an individual's performance (or that of his/her team) is moving the organization closer to desired outcomes. The annual review can also be used as a reminder that while sometimes compensation is tied to performance, it may just as often be dependent on the nonprofit's budget that may (or may not) have room for merit pay adjustments. Also, nonprofit employers (and their lawyers) may argue that having an annual record of an assessment of each worker's performance makes sense from a risk management perspective since it requires there to be AT LEAST an annual conversation, and written documentation that can both protect the employer, as well as force the employer to be accountable and incorporate employee feedback in the process.

Conducting performance reviews without interim coaching is akin to grading a year-long academic course with a single exam at the end. First, there is no way for the student to adjust if off course, or for the professor to alter instruction style or adjust the volume of homework. Similarly, there is no way for the employee to adjust their actions to improve over the course of the year or for the supervisor to adjust his or her expectations. Second, this can create anxiety for the student and pressure on the professor grading the exam, just as an annual performance review can feel highly charged for both the supervisor, who may be too nervous to communicate effectively, and the employee, who may be too nervous to hear anything helpful.

So why not adjust the process to incorporate more frequent feedback that can diffuse everyone's nerves and actually offer productive feedback? Workplace coaching reflects what neuroscience tells us is a powerful motivator for adult learning: advice from peers. When managers are constantly thinking about how to incorporate "teaching moments" into day-to-day activities, developing talent comes more naturally, helping the workplace be a more desirable place to work, making

onboarding new staff less of a lift. And finally, incorporating more frequent feedback shouldn't be perceived as a time burden. In fact, it can often save time in the long run, as employees incorporate feedback into their daily tasks so their performance improves. A well-respected coach, Marshall Goldsmith, points out that "feedback" should actually be called "feed forward" and that the purpose should be to help the employee focus on positive behavior changes and set goals. Conversely, if an employee is incapable of improvement, knowing that sooner rather than later should result in time and costs-savings, even given the resources required to recruit, and onboard new talent.

As you consider what performance management system makes sense for your nonprofit, we hope you will consider incorporating lots of "feedforward" and that you'll find these resources useful to develop a culture of candor and continuous learning, where striving to be a more effective colleague, and leader/coach, is supported and celebrated, and also where developing outstanding talent is an important metric the nonprofit uses to define its own success

Resources

- [Conducting performance reviews](#) (Minnesota Council of Nonprofits)
- [Why the annual performance appraisal has no place in the nonprofit sector](#) (Nonprofit AF)
- [Giving the tough talk with candor, compassion and courage](#) (Susan Cain)
- [Executive Director Evaluation Survey Review Form](#) (Download a sample) (Jan Masaoka)
- [Fixing performance appraisals is more than ditching the annual review](#) (Harvard Business Review)
- [Managing nonprofit employees](#) (National Council of Nonprofits)
- [Compensation for nonprofit employees](#) (National Council of Nonprofits)
- [Anytime coaching, unleashing employee performance](#) (Wendy Swire)
- [The Good, the bad, and the ugly of 360 performance reviews](#) (Nonprofit Quarterly)
- [How to write an employee handbook that employees will actually read](#) (Fast Company)