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# What Are the Benefits of Performance Appraisals to the Organization?

3-4 minutes

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The performance appraisal is an essential part of the human resources department's contribution to an organization. An effective appraisal may not only eliminate behavior and work-quality problems, it can motivate an employee to contribute more. Often, a company will ask its employees to perform "360-degree feedback" that assesses peers and subordinates as well as supervisors and management. Regardless, the opportunity to give and receive constructive criticism shouldn't be ignored.

## Improving Communication

All too often, employees and managers don't get along and can't understand why. Problems that stem from a lack of communication can sometimes be resolved with a performance appraisal. If the appraisal is used as an opportunity to describe the criteria on which performance is judged –using meaningful and relevant examples – then the employee will walk away from the meeting with a better understanding of how to best perform his job. For example, "John, when I say you need to be more customer-focused, what I really want is to see you greet the customers with a smile when they enter the store, and ask how you can help."

## **Providing a Career Path**

The performance appraisal is the perfect opportunity to address long-term goals that may not be on the everyday to-do list. Not only does this provide the employee with an opportunity to be of greater use to an organization, the employee feels pleased and valued. Lighting the way toward a successful career path inspires loyalty and stability and can improve the bottom line, especially when the employee's first concern is the health of the business, and subsequently, her career.

## **Encouraging Good Work and Improvement**

Celebrating a job well-done is the easy part of the performance appraisal. Noting areas of improvement is not so easy. Nevertheless, no one is perfect, and the performance appraisal is an ideal time to diplomatically highlight areas that need improvement. Even the most valuable employee could benefit from additional training, while those who are on the cusp of dismissal need the heads-up. Be specific by providing examples and clearly explain what needs to occur to turn things around. Showing an employee that you care enough about them by taking the time to work with them may make even the most hardened employee feel better.

## **Improving Decision-Making Ability**

When a company has detailed information on employee performance, business decisions become easier. Filling open positions with existing staff strengthens the organization and promotes loyalty. Knowing which employees display what strengths

improves the speed with which projects can be assigned.

Appraisals also provide a framework when making decisions about compensation – and layoffs. If the organization becomes the unfortunate party to a lawsuit, the performance appraisal can refute or support claims. As a result, the effective use of performance appraisals helps an organization operate efficiently and with focus.