Performance appraisals

You don’t legally have to do performance reviews, but they can help you get the best out of your staff and keep your business running smoothly.

They’re also an important part of identifying and managing poor performance, which, if not addressed, could lead to dismissal.

Setting up performance reviews

Appraisals are usually done once or twice a year, though you might want to schedule a check-in with new employees earlier, to make sure they’re settling in well.

Setting up an appraisal

You should:

- give your employee time to prepare by scheduling the meeting at least a couple of weeks in advance
- book a private meeting place where you won’t be interrupted
- ask your employee to prepare responses to questions like:
  - how well they think they’re doing in their job
  - which parts of their job they’re doing well and where they think they could improve
  - whether they need any equipment or training to help in their role
  - how they feel about their job and the company
  - what they would change if they could?
- do your own preparation — review:
  - your employee’s job description
  - your notes from previous reviews
  - performance indicators (sales or production figures, letters from satisfied customers, or other metrics).
- get feedback from other employees, stakeholders or key customers
- prepare your employee for tough questions — if they’re not performing, warn them that you’ll need to discuss why certain goals or targets weren’t met and invite them to come to the meeting with possible solutions.

What a performance appraisal should cover

Job reviews don’t have to have a formal structure, but there are a few things you should try to cover.

Set goals and objectives

At an employee’s first performance review, set achievable goals and objectives that are relevant to their job. Give your employee a say in what their goals should be, and discuss what they’ll need to be able to achieve them.

At each appraisal, review and update the goals and objectives.

Evaluate their performance

Have an open discussion about how they’re finding the role. Encourage a two-way conversation with ideas and input from your employee.

You could discuss:

- whether they’ve achieved the goals set at the last appraisal — if not, what needs to change so that they can start achieving them?
- how satisfied they are with the job — do they want more responsibility, tougher challenges, better work/life balance?
- any wider issues that are affecting their performance, or positive influences that are helping
- whether or not you’ll be increasing their pay and/or giving them a bonus — discuss why, or why not.

Document the meeting
Take good notes of each appraisal you do, and share a written summary with your employee afterwards to make sure you agree on what was discussed.

This is especially important if an employee is not performing — if you end up having to dismiss them or there’s a relationship breakdown, it’s important you have proof that you gave them warnings and took steps to try to help them improve their performance.

Case study

More money, or more for your money?

Tim has been working for Charlie’s car yard for six years, where he’s paid a guaranteed base salary and commission on each car he sells. Tim, who always meets his sales quotas, decides to ask for a higher salary.

Charlie is caught off guard – the only performance indicators he has in place are sales targets. He asks another dealer for advice, who expresses surprise at how high Tim’s base salary already is. The two owners then call other car yards to check the industry standard.

Charlie apologises to Tim for the lack of performance indicators and explains his base salary is already higher than average. If Tim wants a raise, Charlie can find him extra responsibilities, such as managing junior sales staff or sourcing new product lines. Tim agrees, and together they create benchmarks to justify a future pay rise.

Give regular feedback

Don’t wait for a full performance review to give your employees feedback or get feedback from them.

Setting up informal chats for once or twice a month with each employee will:

- help make sure you’re on top of things before there’s a problem, and
- help employees to feel like you’re engaged and know what’s going on.

Employee performance [external link] — Employment New Zealand

Rating form

How helpful was this information?

Rate this

- ○ 1 Star
- ○ 2 Star
- ○ 3 Star
- ○ 4 Star
- ○ 5 Star

"Rate this" is required

Additional comments

Submit

Loading...

Related content

Quiz: Employment 101

[external link] — (hiring-and-managing/deciding-to-hire/becoming-an-employer/#e2665)
Test yourself on hiring and managing employees. Then follow links from the answers to find out more.

(hiring-and-managing/deciding-to-hire/becoming-an-employer/#e2665)
Get started
(hiring-and-managing/deciding-to-hire/becoming-an-employer/#e2665)

Hiring the right staff types

(hiring-and-managing/deciding-to-hire/hiring-the-right-staff-types/#e1312)
(hiring-and-managing/deciding-to-hire/hiring-the-right-staff-types/#e1312)
See the difference
(hiring-and-managing/deciding-to-hire/hiring-the-right-staff-types/#e1312)

Get your training sorted

(hiring-and-managing/getting-the-best-from-people/training-and-development/)
Getting your staff up to speed is key to business growth. Weigh up the training options available for your team.

(hiring-and-managing/getting-the-best-from-people/training-and-development/)
Learn more
(hiring-and-managing/getting-the-best-from-people/training-and-development/)
(https://wpb.business.govt.nz/workplacepolicybuilder/learningAndSkillsDevelopment/whyWeHaveThisPolicyLearning)
Workers of all ages benefit from learning and updating their skills and knowledge. It's good for your business too.

(https://wpb.business.govt.nz/workplacepolicybuilder/learningAndSkillsDevelopment/whyWeHaveThisPolicyLearning)
Create your own training policy
(https://wpb.business.govt.nz/workplacepolicybuilder/learningAndSkillsDevelopment/whyWeHaveThisPolicyLearning)

Test yourself on flexible work

(hiring-and-managing/managing-people-day-to-day/flexible-working-arrangements/#e-22721)
Who's eligible? When must you respond to requests? Plus how your business benefits and how to make it run smoothly.

(hiring-and-managing/managing-people-day-to-day/flexible-working-arrangements/#e-22721)
Start the quiz
(hiring-and-managing/managing-people-day-to-day/flexible-working-arrangements/#e-22721)