Improving Performance Evaluations in Public Accounting

By Suzanne M. Seymoure and Mollie T. Adams

The U.S. Bureau of Labor Statistics predicted 16% job growth in the accounting and auditing field over the period 2010–2020 (http://www.bls.gov/ooh/Business-and-Financial/Accountants-and-auditors.htm); this makes the retention of quality employees a crucial issue for CPA firms. The lack of a clear promotion process at public accounting organizations is one factor that has influenced individuals to leave the field (Derrick Lilly, *Insight Magazine*, Illinois CPA Society, Spring 2011).

In light of these developments, this article's authors conducted a survey of individuals employed by local and regional public accounting firms in order to better understand the current performance evaluation processes in public accounting firms. The survey explored the performance evaluation process, its perceived strengths and weaknesses, and recommendations for improvements provided by respondents. It was fully completed by 45 individuals, primarily from firms located in Midwest urban centers; selected responses to the survey can be found in *Exhibit 1* and *Exhibit 2*.

Although performance evaluations are not the only factor affecting job promotion and advancement, 60.5% of survey respondents believed that performance evaluations represented the most important part of the promotion process at their firms. This response indicates that a quality performance evaluation process is key to employee satisfaction and retention.

The Performance Evaluation Process

Performance evaluations were required at the end of every engagement for 62.2% of survey respondents; of the remaining individuals, 58.8% were required to be evaluated on an engagement only if it consisted of a minimum number of hours, and only 5.9% were able to decide which engagements their performance would be evaluated on. For evaluations that required a minimum number of hours during an engagement, the minimum time ranged from 20 to 80 hours; however, the most frequent response indicated that only 30 to 40 hours on an engagement was necessary to require an evaluation. In the case of respondents who chose which engagements they would be evaluated on, the two most frequently selected criteria were the time spent at the client (46.2% of total responses) and the individual's perceived performance (38.5%).

Another common aspect of performance evaluations is a self-assessment, although there seemed to be some divergence in whether respondents' firms included a self-assessment as part of its individual engagement evaluation. Nearly half (48.9%) of respondents stated that they never completed a self-assessment for individual engagements. Of all respondents, 15.6% completed a self-assessment for every engagement, and 35.6% completed a self-assessment for some engagements. While just over half of all respondents completed a self-assessment as part of their performance evaluation, 81.6% stated that they thought a self-assessment was useful in identifying areas that need improvement.

Strengths of Performance Evaluation Systems

The overall feedback from survey respondents indicates that individuals in public

accounting perceive performance evaluations as an important facet of the promotion process. The following sections discuss several of the strengths of performance evaluation systems highlighted by respondents, such as open-ended questions and increased communication with management.

Open-ended responses. Nearly one-fifth of the individuals providing written responses about the best features of the performance evaluation process at their organizations indicated that they received the most benefit from the open-ended questions on the evaluation rather than from a rating scale. One respondent stated, "The best feature is the short answers, if [management] uses details and specific examples."

Fosters discussion and communication. The performance evaluation process opens communication between management and staff, according to some survey respondents. This communication allows staff members to recognize issues that arose during previous engagements and helps them see how their performance on future engagements could be improved. One respondent even mentioned that a meeting was required for every evaluation, suggesting that face-to-face feedback provided more insight than an e-mail would provide.

In addition to an open discussion, the inclusion of different perspectives in an evaluation is appreciated; respondents indicated that they prefer receiving feedback from multiple individuals involved in the process rather than from only one person, which results in a more balanced evaluation.

Timeliness. One of the strengths mentioned several times by survey respondents was evaluations provided on a timely basis. This allows respondents to adapt more quickly than if evaluators waited until the end of the year to provide all evaluations. One individual stated, "Evaluations are also required to be submitted within 30 days of the completion of the engagement, which helps to ensure that the evaluator has review items fresh in their mind." Another respondent echoed this sentiment: "When [evaluations] are timely, it allows for continuous improvement at a rapid pace. As the [evaluations] are due at the end of the engagement rather than the year end, you can apply specific review notes to subsequent engagements."

Recommendations for Improvement

While 62.2% of respondents were either "satisfied" or "very satisfied" with the current performance evaluation process in place

at their firm, 71.1% thought there were changes that could be made to improve the process. The following sections represent the dominant themes of the improvements suggested by survey respondents.

Increased consistency in the evaluation process. Respondents indicated that they desired more consistency in how employees were rated during the performance evaluation process. One respondent stated, "I think there should be more standardization with regards to grading staff on the engagement level. Inherent in this type of evaluation process is the different ways that each [member of management] or supervisor evaluates staff." Another respondent requested a "level playing ground with known qualifications for each rating based on level within the firm" to improve the performance evaluation process.

Consistency in the rating process could be improved through better training of the evaluators, as well as the inclusion of questions within the evaluation form itself that could help evaluators identify whether an individual has achieved a specific rating level. Rubrics could be used to help determine where individuals should fit into each rating category, based upon their engagement performance and overall expe-

	Completely Agree	Mostly Agree	Somewhat Agree	Neither Agree nor Disagree	Somewhat Disagree	Mostly Disagree	Completely Disagree
I believe the performance evaluation process affects my career advancement at my firm.	35.6%	26.7%	24.4%	8.9%	—	4.4%	—
I believe the performance evaluation process at my firm improves my job satisfaction.	4.4%	22.2%	26.7%	26.7%	8.9%	6.7%	4.4%
I believe that performance evaluations are an important part of the promotion process.	27.4%	34.2%	29.5%	4.5%	4.5%	—	—

EXHIBIT 1
Sample Survey Question: Performance Evaluation Beliefs

rience level. If all evaluators have explicit knowledge of what an employee must do to achieve each level, ratings can be standardized across evaluators. If this information is also communicated to those individuals receiving the evaluations, it can help them identify strategies for improving their performance in areas where they have received lower ratings than desired.

Improving the consistency in the assignment of ratings can also contribute to the usefulness of the rating scale for both evaluators and those evaluated. When asked about the best features of the performance evaluation system, one respondent said, "I do not get much out of the 1–5 ratings, as everyone pretty much gives 3s to everyone in most areas, with a few 4s scattered throughout." Evaluators might be hesitant to give ratings beyond the midpoint of the scale because it's unclear what is expected of individuals in order for them to receive each rating. Clarifying the neces-

sary requirements for each rating level could provide evaluators with the comfort level they need to give ratings beyond the midpoint of the scale; this, in turn, could provide more useful feedback to those receiving the ratings.

Include more open-ended questions in the performance evaluation process. When asked what the best features of the current performance evaluation process were, approximately 13% of respondents said that open-ended comments were one of the strengths of their firm's process. As previously discussed, individuals thought that they gained less knowledge about their performance from questions with a rating scale. Some firms are including more open-ended questions in the performance evaluation process, but the completion of the open-ended questions isn't always required, and forms sometimes allow evaluators to skip over these questions. Respondents stated that reviewers

often relied heavily on the scaled questions and provided limited feedback in open-ended comments.

Although actions can be taken to improve rating scale systems, such systems provide individuals with little direction about how they can correct or change their previous actions. One respondent commented, "It seems as though negative aspects of each employee are listed in the evaluation, but little assistance is offered in the way of remedying the flaws in order to stay on track for the path that the employee is interested in." The inclusion of open-ended questions can provide a forum for evaluators to provide constructive feedback, especially in cases where the rating system indicates a deficiency. These types of open-ended questions can be particularly important in performance evaluation systems that do not require evaluations to be communicated or discussed in a face-to-face meeting between the evaluator and the individual receiving the evaluation. In such a situation, open-ended questions in an evaluation can allow an evaluator to provide at least some information about why an individual was rated highly or poorly in a specific area and what that individual can do to improve.

Improved Timeliness. While approximately 18% of respondents indicated that timeliness was one of the strengths of the process in place at their firm, other respondents expressed that increased timeliness could be improved at their firms. Lack of timely feedback could result from a delay between the time that an engagement is completed and the time that the corresponding evaluation is completed; on the other hand, it could result from an individual completing multiple engagements that do not require an evaluation in a row. Several respondents implied that while there is an evaluation process in place at their firm, the responses from their evaluators are not always completed on a timely basis, making it difficult to adapt for future jobs. Some firms instituted a requirement that evaluations be completed within 30 days of the conclusion of the engagement, while others did not provide them in such a timely manner, according to the survey results. One respondent's thoughts for improving the system were that staff members should "actually receive [the evaluations] after the engagements.

EXHIBIT 2
Additional Sample Survey Questions

Typically, the individuals that provide my individual engagement performance evaluations are:	
Senior/In-charge	34.9%
Manager	25.6%
Senior Manager	7.0%
Partner/Principal	23.3%
Other (including supervisors and no one)	9.3%
Are your performance evaluations for each individual engagement incorporated into your annual performance review?	
Yes	75.6%
No	4.4%
Unsure	20.0%
How satisfied are you with the performance evaluation process at your firm?	
Very dissatisfied	4.4%
Dissatisfied	8.9%
Neutral	24.4%
Satisfied	57.8%
Very satisfied	4.4%
Do you believe that formal self-evaluations are useful in your own identification of areas that need improvement?	
Yes	81.6%
No	18.4%

Sometimes it takes months, or we never receive them."

One way to reduce the time between when an engagement is completed and when the evaluation for that engagement is completed is to streamline the evaluation process. Survey results indicated that the level of sophistication of the evaluation processes in place at different firms varied significantly; for example, some organizations relied on documentation housed in Excel, whereas other firms had an automated online process that evaluators could easily complete. There are several survey websites available (e.g., Survey-Monkey, Zoomerang) that could help streamline the performance evaluation process.

In performance evaluation systems that require evaluations only for engagements that meet a minimum time period, some individuals might consistently work on shorter engagements, resulting in fewer mandatory performance evaluations. Firms should consider allowing individuals to request a performance evaluation for a shorter engagement if a specified period of time has passed since they last received an evaluation.

Tailor the performance evaluation to the individual. Approximately 18% of the individuals responding to whether there should be changes to the performance evaluation process thought that the process needed to be more directed toward the experience level of the individual receiving the evaluation, indicating that there were different expectations and goals for individuals at different experience levels or on different career paths within the firm. Survey respondents noted that they would prefer performance evaluations and feedback tailored to their specific situation. One individual stated, "I would like to see a more plan-oriented evaluation, detailing goals that must be attained in order to qualify for advancement."

Respondents provided several suggestions for how to achieve a more tailored performance evaluation process, such as implementing an adaptable evaluation tool, consistent with the experience level of the individual being evaluated. Some of the survey sites discussed above could be used to allow evaluators to customize the survey for the individual being evaluated; for example, the evaluator could answer some simple demographic questions at the onset of the evaluation in order to more appropriately direct the evaluator to a more individualized evaluation. A more individualized evaluation process would provide better feedback to the individuals receiving the evaluation.

Another suggestion was to require a meeting between the evaluator and the individual being evaluated to discuss the results of the evaluation and provide feedback about what actions might be necessary to reach the individual's specific career goals. Although it might be too time-consuming to require a face-to-face meeting after every performance evaluation in the case of firms that conduct one after every

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engagement, a mentor could be a valuable asset for employees. Mentors can include a discussion of the performance evaluation in their annual meetings with staff members about their career path, or they can communicate via e-mail between annual meetings. Mentoring meetings can also occur periodically throughout the year, but less frequently than individual engagement performance evaluations. A mentor would be able to provide mentees with individualized feedback, based on the performance evaluations, about actions that they can take to achieve specific career goals.

Institute a performance evaluation process if one isn't in place. While there are always improvements that can be made to a process, individuals who received regular feedback through performance evaluations thought that the process was beneficial. Survey respondents consistently recommended more feedback, both formal and informal. The responses to open-ended questions in the survey indicated that there was a clear value in the information individuals received from the performance evaluation system, and they appeared to want more feedback from individuals higher in the organization or in the same industry.

Instituting a performance evaluation process can increase employees' understanding of the firm's expectations and how their performance measures up to those expectations. In addition, a performance evaluation system provides employees with the opportunity to correct or change their behavior in order to meet or exceed expectations in later engagements. It also provides firms with information that can help them better understand where employees are excelling and where they might need additional training. Improving communication between the employees and the firm through a performance evaluation system can help increase employee job satisfaction and improve employee performance.

Implications

The survey results provided evidence that performance evaluations are a beneficial part of the promotion process at CPA firms. Employees valued feedback that was timely, that allowed them to correct deficiencies quickly, and that was constructive and goal oriented. Currently implemented performance evaluation systems can be improved by streamlining the process, which can allow evaluators to provide feedback in an efficient manner. Moreover, the inclusion of open-ended questions and face-to-face meetings can provide more directed feedback to employees. Evaluator training and the use of rubrics could help improve the quality of this information. A high-quality performance evaluation system could improve satisfaction with the promotion process and, consequently, employee retention. ❑

Suzanne M. Seymoure, PhD, CPA, is an associate professor at Saint Leo University, Saint Leo, Fla. **Mollie T. Adams, PhD, CPA,** *is an assistant professor at Bradley University, Peoria, Ill.*