Constructive performance evaluations are essential for successor development. Unfortunately, traditional performance appraisals tend to be just the CEO telling the successor what he thinks the successor did well or needs to improve on. This approach is often ineffective if the CEO avoids issues that may be taken as criticism, if it results in a confrontation or the successor becoming defensive, or if it leaves the successor feeling they have no input. Stated another way, performance appraisals can take on a parent:child tenor rather than being a business opportunity the helps the successor grow.

An alternative approach is known as the negotiated performance appraisal. This approach is not about pay, it is a coaching tool, it is about performance improvement, promotes two-way communication, provides feedback to both the CEO and the successor, puts on burden of analysis on both parties, and clarifies what needs to be done.

Feedback is a critical and necessary part of successor development. The successor, as do all employees, needs to know how well they are performing, needs positive feedback and validation on a regular basis, and needs input on how to improve.

The negotiated performance appraisal approach begins with both the CEO and the successor preparing separate lists prior to the actual performance review. The CEO’s list addresses where the successor is performing well, where they have shown improvement and areas where the CEO would like to see improvement. The successor’s list addresses areas where they believe they have performed well, areas where they think they have improved, areas where they think the CEO would like to see improvement, and what they would like to see the CEO do to help them be more effective. These lists are then exchanged prior to the review discussion.

The focus of the review session is then on recognizing the successor’s strong points, reaching agreement on areas where improvement is needed, laying out the specific steps that are needed for improvement to occur, setting realistic goals, and solving the problems that are identified.

This approach addresses two basic problems that are often stumbling blocks to effective appraisals. The first is that if the person being reviewed knows of their weaknesses, they prefer to point it out themselves. The second is that it helps the CEO identify ways they can be more effective in helping the successor develop their fullest potential.