CHAPTER 1

DEFINING THE PERFORMANCE APPRAISAL PROCESS

By the end of this chapter, the student will be able to:

1. Explain the purposes of the performance appraisal.
2. Define the roles of the organization and the employee in the performance appraisal process.
3. Determine who is most likely to administer the performance appraisal.
4. Determine how often the performance appraisal should be administered.
5. Describe some of the major problems that exist with performance appraisals.

PURPOSES OF CONDUCTING PERFORMANCE APPRAISALS

A performance appraisal is the process by which a manager evaluates an employee's work performance by measurement and comparison with previously established standards. This evaluation is communicated to the employee, and she then has the opportunity to contribute her own assessment of her work performance. The results of the performance appraisal and discussion are recorded in the employee's personnel file.

There are two major purposes of conducting performance appraisals. One purpose is to provide information about work performance that is used for administrative decision making. Decisions about salary increases (if the organization functions with a merit raise system), bonuses, training, discipline, promotions, and other administrative actions generally are based on information brought out in a performance appraisal. An organization's management team cannot, and should not, make administrative decisions without the input provided from performance appraisals. As with other human resources policies, performance appraisals must be structured to comply with legal standards preventing discrimination against any group.

The other major purpose for conducting performance appraisals is to provide employees with feedback about their work performance based on the
standards established in the job description and analysis. This feedback can be very helpful when given positively and with support for professional training. Most individuals like to receive feedback that is constructive and that allows for the maintenance of their self-esteem. Feedback also gives employees the opportunity to define the career path they will take with the organization. For example, feedback from a performance evaluation may indicate that an employee is ready to move on to increased responsibility. Or feedback may indicate that further training is necessary for an employee to continue in her current position. Whatever the outcome of the feedback, employees are more in touch with where they stand within the organization.

> WHO DOES WHAT IN PREPARING PERFORMANCE APPRAISALS?

The human resources department generally develops the format of performance appraisals that are administered to employees throughout the organization. Most large organizations also place the responsibility for designing and maintaining the appraisal system with the human resources department. In smaller organizations, appraisals are developed and conducted by individual departments or by the general manager. The actual performance appraisal interviews, however, are best administered by the immediate supervisors in the departments in which the employees work. Immediate supervisors have firsthand knowledge of the performance being evaluated.

Complementing the overall organizational process of performance appraisals is the addition of each employee’s self-appraisal. The self-appraisal can be used as a vehicle for gaining valuable insight into the motives, needs, desires, and directions held by employees. This information, added to the appraisal administered by the organization, can create a unified and updated evaluation. In addition, a self-appraisal can provide a focal point around which a manager and her employee can begin a meaningful discussion.

When employees participate in setting performance goals, determining evaluation criteria, rating themselves, and discussing their performance with supervisors, they tend to be more interested in working as a team toward organizational goals. The encouragement of self-appraisals sends a strong message to employees that their input is vital and important to the overall evaluation process.

Organizationally, the centralization of the performance appraisal system is done to create uniformity in design and implementation. In addition, it is generally within the human resources department that information elicited from performance appraisals is recorded.

> DIVIDING RESPONSIBILITIES OF PERFORMANCE APPRAISAL

Development of an effective performance appraisal system depends upon the collaborative efforts of both the human resources department and the managers who administer the appraisals to the employees. Some of the issues to be covered must be addressed by both parties; some of the issues need to be addressed by one or the other party. The human resources

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department is, in most cases, responsible for developing the appraisal form and for establishing the most appropriate method of evaluating employee performance. The manager’s responsibilities include setting goals for the appraisal and preparing the employee for the interview. After the interview, the results of the appraisal are reported to human resources to be filed in the employee’s personnel file. The information is used to make salary adjustments, to promote individuals to new positions, and to achieve numerous other organizational goals. Exhibit 1-1 defines whose responsibility it is to administer which component of the performance appraisal.

Performance appraisals have long been considered the responsibility of the human resources department, causing many employers to view the performance appraisal as merely another tool for keeping data current on all employees. Within the last decade, however, the tide has changed in favor of tools that can help to retain and value current employees. The performance appraisal is one way managers can get to know their employees well, counsel and coach them, and work together toward greater organizational efficiency.

As the labor market shifts, leaving employers struggling to find qualified entry-level workers, the role of such human resources tools as the performance appraisal will become more integral to the organization’s ability to retain its work force. Subsequently, nurturing the organizational processes that address employee needs will directly impact the long-term success of the organization.
Performance appraisals are intended to create an accurate image of the employee's job performance. To do this, they must be directly job-related and objective. Job-related means that the system evaluates critical performance elements. Other elements of an employee's performance such as behavior, personality, or attitude are appropriately discussed only if they directly affect the employee's work performance.

A standardized performance appraisal system within an organization allows uniform practices so that all employees are evaluated on the same basis with adjustments for the different jobs. The appraisal of each employee's performance must be based upon the employee's actual performance on the critical elements established in the job analysis.

Just as the organization must prepare and conduct performance appraisals in order to make administrative decisions and to offer helpful feedback to employees about their performances, each employee has the responsibility of participating openly and of contributing to the effective evolution of her job within the organization.

The performance appraisal system is designed to help all members of a work organization identify what needs to be done and to help them find ways to do it as well as it can be done. It is a continuous process, and it requires the equal efforts of employees and managers to effect a system that:

- Enhances manager/worker relationships through meaningful communication.
- Gives employees the opportunity to discuss their objectives/standards in the planning stage and to contribute new ideas so that agreements can be reached.
- Gives everyone an opportunity to reevaluate objectives/standards throughout the year.
- Reduces confrontation.
- Increases participation in organizational decision making.

To ensure employee participation in the appraisal process, the organization must involve the employee in the process from the beginning to the end. Performance appraisals that are handed down from supervisors without input or even anticipation of the review set the stage for negative receptions by employees. Discussion about the process and participation in setting the work goals should be ongoing between the manager and the employee. When employees are participants in the organizational processes, they feel ownership in the appraisal itself, most likely considering it fair and appropriate. Actually, employees tend to feel like contributors to team planning when they are involved in their own assessment processes. This involvement also provides an opportunity for employees to reject inappropriate types of appraisal methods, such as rankings or rating forms.

In a performance appraisal that begins with planning and involves the employee, there is, generally, an accurate picture of the job to be evaluated. In addition, the outcome of a participative performance appraisal is likely to be a positive adjustment in the job description. Organizational
growth and development can occur most effectively when employees doing
the jobs contribute to creative change.

HOW OFTEN SHOULD PERFORMANCE APPRAISALS BE GIVEN?

Any manager who sets objectives with her staff needs to evaluate them.
Evaluations of this type should be an ongoing process and not relegated
to a specific time and place. Basically, there are three types of performance reviews:

1. Feedback--formal (such as weekly tally sheets of sales) and informal
   (such as brief discussions between a manager and an employee) ways
   for a manager to stay in touch with staff members. This generally
   occurs as a manager sees and talks with individuals as they do their
   work or over coffee. Because of the informality of this type of evaluation,
   there is ample opportunity for information exchange between the
   employee and the supervisor. Effective feedback should be ongoing
   and not scheduled.

2. Coaching--a continual troubleshooting process in which the manager acts as a coach or facilitator, encouraging the practice of positive
   and productive activities. Coaching takes place between formal performance review interviews. While this can occur on an informal day-
   to-day basis, it also can be more formalized, occurring only when a performance problem surfaces. At this point, it is the responsibility of
   the manager to call a meeting with the employee to discuss the problem and to analyze solutions to it. A record of the coaching meeting
   can be submitted to the employee's personnel file for reference during the regular performance appraisal. In this way, it can be added to performance objectives to be met by the employee.

3. Performance interviews--formal evaluations of employees, that are
   scheduled quarterly, at six-month intervals, or annually, depending on
   the nature of the organization. This is a formal activity designed to
   review the employee's progress toward the goals and objectives estab-
   lished in the previous performance appraisal.

Each of these elements has very specific functions. The functions are
determined by the employee's needs, the manager who is evaluating, and
the various organizational settings in which the performance appraisal
occurs. Coaching, for example, can be a separate and distinct step in the termination process (part of a formal process). For another employee, it can be a way to research new career opportunities (part of the informal appraisal process).

How often the planning, appraisal, and follow-up occur depends on the
nature of the work and the structure of the organization. If a person works
on projects of relatively short duration, or works in an industry where the
pace of work is fast, appraisals will be most effective if given often. In addition, the organization can determine the schedule of formal appraisals based on its cultural characteristics. For example, in the computer industry, employees must work efficiently and quickly. They must also be adapt-
able to change, since it occurs with such great frequency. In this case, a computer organization may want to conduct performance appraisals every few months as compared to every year. In the academic world, however, performance appraisals are best conducted annually, since the academic year is shorter than a normal fiscal year.

Regardless of what the organizational policy stipulates for frequency of performance appraisals, a manager has the responsibility for determining the needs of her particular staff. There may be temporary conditions that influence how your employees feel about working. Under these conditions, more frequent and perhaps less formal performance appraisals are in order to help alleviate employee stress. For example, if a work situation is pressured because of some problem outside the employee's control--increased volume of business or new computer systems--the extra support gained from frequent planning and review will be very helpful. Employees often benefit from the opportunity to receive immediate feedback about their performance when changes occur, when new technology is introduced, or when the work being done is stressful. Shorter and less formally conducted feedback sessions are very important to the employees in these situations. The manager can make brief comments about each session for review during the more formal performance appraisal, which is held semi-annually or annually.

**PROBLEMS WITH PERFORMANCE APPRAISALS**

No human resources practice is expected to be perfect. When dealing with human beings, a full range of emotions, needs, values, and attitudes come into play. The performance appraisal that is handled incorrectly tends to entangle personal issues with performance issues. Many problems stem from the fact that supervisors and managers are largely untrained in how to appraise employee performance. Even when managers are trained in planning and administering performance appraisals, they often find it difficult to objectively and effectively assess the accomplishments of their employees.

It is therefore essential to use a performance appraisal system that is fair, objective, and job-related to the individual being appraised. Still, some problem areas are common and should be considered when planning and administering performance appraisals.

Typically, a person's job is made up of a number of tasks, as listed in the job description. A problem in the administration of performance appraisals occurs when a manager focuses on the assessment of a single criterion as the basis for the total evaluation. While all of the tasks are required for the job to be completed with accuracy, one particular criterion stands out as the major task. If a performance appraisal occurs in this manner, the employee then receives the message that this is the only important part of the job. The other relevant factors of the job lose importance. Subsequently, the connection between the one favored criterion and all of the other functions becomes unclear.
CASE 1. THE SINGLE-CRITERION EVALUATION
Sara could hardly find the time to sit down with her boss to be evaluated, since the sales conference that she was coordinating was scheduled for next week. There was so much she still had to do. Sara did, however, find 45 minutes on Friday for Harvey to administer her performance appraisal.

"Sara, your work on this sales conference demonstrates your enormous capabilities as Director of Programming. Your strengths are clearly centered on coordinating the efforts of many people and working very efficiently under pressure." After about 20 minutes of Harvey's praising Sara's work on the conference, he asked her if she wanted to contribute to her evaluation. Sara, of course, was interested in getting the appraisal over with and getting back to her sales conference.

Certainly, Sara has more components in her job description than just coordinating this sales conference. Harvey, for whatever reason, is guilty of appraising Sara's performance on a single criterion.

Leniency, or "evaluation inflation," is the rating received from a manager who rates someone higher than actual performance warrants. Managers often give employees the benefit of the doubt and rate them higher on certain criteria. Or, in hopes of stimulating employees to better performance, managers may rate their employees at the level where they would like them to perform. Leniency avoids the need to discuss unpleasant aspects of work performance. Leniency also avoids reality and ignores the importance of feedback to growth.

In contrast, there is negative leniency, or strictness. This is the tendency to rate employees lower than they deserve to be rated. It underestimates performance and tends to focus on an employee's deficiencies, weaknesses, and developmental needs. If an appraisal is used in this way, it will elicit very little productivity. Instead, it demeans the employee and offers little or no stimulation for growth and development.

CASE 2. THE LENIENT EVALUATOR
Duane is a nice manager. He is easygoing, and yet he gets his work done. People seem to want to work for him. There is never any pressure from Duane. The harshest words he has ever been heard to use are: "Please try to get to it immediately. This is important."

So when performance appraisal time comes, employees welcome the chance to sit down with him and to hear his feedback about their performance. Marie, Duane's assistant, who knows that she has not been performing as well as she could be because of personal problems, is waiting to discuss this with him. Marie is hoping to get some pointers about how to handle her problems and her work at the same time. Instead, Duane never approaches the issue of her current work problem. He gives her an excellent review, stating that he has great confidence in her abilities and he looks forward to her continuing excellence in her work. After such a good evaluation, Marie thinks to herself, "I guess I won't bring up my problems here. If Duane doesn't think there is a problem, maybe things aren't as bad as they seem."
Marie has received a performance appraisal based on historical data or hopeful thinking. She recognized her problems, but Duane did not include discussion of them in the appraisal. The feedback Marie received will not help her in any way. Duane was too lenient with her, most likely in order to avoid an unpleasant performance appraisal.

The halo effect refers to the tendency many managers have of rating an employee high on all aspects of her performance because of excellence in one particular job area. For example, if an employee is extremely competent at gathering data for research projects, it would be easy to appraise this individual as equally competent in all other areas of the job. This may not be the case.

However, the halo effect can work negatively. If an employee is competent in all aspects of her work, but falls down in one particular aspect, capitalizing on the negative point creates what is called "the horns effect." This can lead to lower-than-deserved ratings on other aspects of one's work. Neither the halo nor the horns effect produces constructive criticism from which employees can grow.

CASE 3. THE HALO EFFECT

Michael is one of the university's major researchers. His work is well known in most of the important professional journals in his discipline. His time at work, therefore, is mainly taken up with researching and publishing, two activities the university supports and values greatly.

Because of Michael's devotion to research, his teaching skills receive little attention. His teaching evaluations from the students are consistently poor. But as a full professor, Michael is given a great deal of freedom to "do his own thing."

During his last performance appraisal, the Dean cited Michael's excellence in research as his strongest point. When it came to evaluating his ability to teach, the Dean blanketed Michael's performance with an excellent rating. "Anyone as skillful as you, Michael, will always have the ability to teach students the most important aspects of your field. Good job!"

The Dean suffers from the halo effect when appraising Michael. Certainly, Michael's excellence as a researcher is important; however, teaching is another aspect of Michael's work that needs assessment in order for him to grow and develop. The Dean should not have rated all of Michael's work similarly.

One major flaw with any performance appraisal is the difficulty in maintaining objectivity. Performance appraisals are intended to evaluate work performance based on agreed-upon goals and objectives. However, it is often the case that there is a discussion of personality, behavior, and other personal aspects integrated with the discussion of work. Whenever personality traits or characteristics such as attitudes, resourcefulness, and professional behavior are rated, the manager is making subjective evaluations. Subjectivity requires personal opinion; the possibility of an objective assessment based on work performance, then, is diminished. Therefore, a definite and deliberate attempt
must be made to focus on objective factors in the performance appraisal—factors that are measurable and job-related.

CASE 4. LACK OF OBJECTIVITY

Barbara had been spending a lot of her work time talking with co-workers and letting her work slide. Her performance appraisal was due in one month, so her boss, Pam, decided to hold her comments about Barbara's behavior until that time. In the meantime, Barbara was telling everyone in the office that her boyfriend had broken up with her, causing her much anguish and emotional trauma. Though she had not shared this with Pam, the word did reach her boss before the performance appraisal.

Pam began Barbara's performance appraisal with a seemingly sensitive comment relating her breakup with her boyfriend to her poor work performance. Even after Barbara insisted that her emotions were not impacting her work, Pam believed that they were. Pam's ability to deliver a fair, objective performance appraisal ended with her assumptions about Barbara.

One of the most common problems with performance appraisals is the CENTRAL TENDENCY tendency of the rater to evaluate everyone as "average." In this way, the rater completely avoids any real evaluations. Although no one receives outstanding evaluations, no one is rated poorly either. The manager or rater escapes the task of having to counsel or coach employees, or to deliver negative evaluations. This type of appraisal also produces no benefit for the organization or the employee. The employee receives no valid feedback about performance and, therefore, has no basis upon which to build and develop. The organization has no valid indication of who is promotable, who is transferable, and who is in need of training.

CASE 5. THE MIDDLE-OF-THE-ROAD EVALUATION

Everyone in Harold's department knew that performance appraisal time meant sitting in a half-hour meeting just to hear that you have done fairly well, but require improvement. The story was about the same for each employee.

Harold found it easier to give each employee a similar appraisal and then add or delete specifics during the performance appraisal interview. Harold believed that performance appraisals were merely a human resources tool for keeping administration happy. He therefore gave them little attention and time. By doing this, Harold also escaped the task he disliked the most as a manager—counseling employees in trouble. Harold's attitude was that employees should work on their problems by themselves and, preferably, outside of work.

Harold's approach to appraising his employees benefits no one. The employees get no valuable feedback about their work and the organization gets no information about which employees are ready for promotion or transfer. In every case, Harold is wasting the time of all organizational members involved.

One of the most difficult problems to pinpoint and rectify is the inclusion of biases in performance appraisals. Much like the problem of lack of
objectivity, any biases held by the rater can affect the direction of the appraisal, and certainly impact the results of the meeting. To be effective, biases must be excluded from the appraisal process. Personal feelings, stereotypes, prejudices, and any other type of bias must be recognized and not applied to the employee's work performance evaluation. These biases can include such things as differences in abilities based on sex, age, or race; categorization of people based on their educational or economic status; judgments of groups of people based on the behavior of a few. Identifying individual biases may require self-awareness training for the raters. Active removal of those biases from the appraisal process will contribute to the mutual benefit of the process for the organization and the employee.

CASE 6. THE BIASED APPRAISER

Mary has been in the position of Director of Finance for three months when her probationary performance appraisal is due. Fred, her supervisor, is an old-time banker who feels that women are appropriately placed in support positions. He still struggles with women in administrative positions—ones in which authority and power are common. Fred has tried, however, in Mary's case to dispel his old stereotypes and to confront Mary's real capabilities on the job.

Mary's performance appraisal interview was short. Fred got right to the point about her current work performance, giving her helpful feedback about some specific activities. Throughout the conversation, however, Mary could hear indications of Fred's struggle with women in high positions in the bank—such comments as "the old boys in the bank have always worked late if the need arose" and "women can't always give 100 percent to their work because of their emotional ties to their children at home."

Mary has no way of knowing what impact Fred's value system has on her evaluation, or on honest feedback about her work performance. Mary must learn to deal with that or confront Fred, hoping to elicit what she needs from him. But it is clear that Fred is still allowing his feelings and biases to fog the picture about a person's work performance.

Traditionally, the major reason for the administration of a performance appraisal system was to make compensation decisions. The concept of paying for performance was a universally shared notion. However, as workplace policies change, as specialization increases, as more dependence is placed on individual and group efforts to achieve productivity, valid measurement of an employee's work performance becomes very difficult. As a result, most U.S. organizations have modified and focused their performance appraisal systems to address the professional growth and development of their employees. In this way, organizations hope to retain a qualified work force that will, in turn, provide greater growth opportunities for the organizations themselves.
1. A performance appraisal is the process by which a manager:
   (a) evaluates an employee’s work behavior.
   (b) appraises an employee’s attitude about work.
   (c) evaluates an employee’s performance on the job.
   (d) all of the above.

2. The process of planning for and conducting performance appraisals includes:
   (a) the employee’s being made aware of what the appraisal will include before the interview.
   (b) the employee’s being involved only during the appraisal interview.
   (c) the manager or rater’s assessing the employee, then informing the employee of her rating.
   (d) all of the above.

3. The two major purposes of performance appraisals are:
   3. to provide information about work performance for administrative decision making...
   3. to provide information about work performance for employee feedback.
4. The group who prepares the performance appraisal form in order to ensure a standard format is:
   (a) the human resources staff.
   (b) the managers.
   (c) the executive staff.
   (d) outside consultants.

5. The most logical and appropriate group to administer performance appraisals is:
   (a) the human resources staff.
   (b) the managers.
   (c) the executive staff.
   (d) oneself.

6. Performance appraisals are intended to create:
   (a) a vehicle for evaluating good performance.
   (b) an accurate image of the employee's job performance.
   (c) a forum for the development of job descriptions.
   (d) all of the above.

7. To ensure employee participation in the appraisal process:
   (a) the employee must learn to be assertive, insisting on involvement in the process.
   (b) the organization must involve the employee from the beginning to the end.
   (c) human resources should communicate to managers when the appraisals will take place so that employees have ample time to prepare.
   (d) the organization must make sure that appraisals are done on a continuing basis.

8. How often should performance appraisals be given?
   (a) Once a year
   (b) Every quarter
   (c) Every six months
   (d) As often as the employee and the organization would benefit

9. Which of the following is a formal process?
   (a) Coaching
   (b) Counseling
   (c) Performance interview
   (d) Feedback

10. If a person works on projects of relatively short duration, or works in an industry where the pace of work is fast, appraisals will be most effective if:
    (a) given often.
    (b) given during slow times.
    (c) eliminated until work cycles slow down.
    (d) given at points between projects.
11. When a manager focuses on the assessment of a single criterion as the basis for a total evaluation:
   (a) the other relevant factors of the job lose importance.
   (b) the employee is judged on a portion of her overall performance.
   (c) the connection between the one favored criterion and all of the other functions becomes unclear.
   (d) all of the above.

12. The tendency for managers to rate an employee high on all aspects of her work performance based on excellence in one area is called:
   (a) leniency.
   (b) lack of objectivity.
   (c) central tendency.
   (d) the halo effect.

13. Performance appraisals are most effective when they include:
   (a) subjective evaluations of work behavior.
   (b) judgment of abilities based on individual differences.
   (c) objective assessments of work goals.
   (d) all of the above.

14. The underpinning of an effective performance appraisal process is:
   (a) systematic use of the appraisal process.
   (b) open, honest communication.
   (c) employee involvement.
   (d) all of the above.