Chapter 9

Appraising and Managing Performance

After studying this chapter, you should be able to:

- Describe the appraisal process.
- Develop, evaluate, and administer at least four performance appraisal tools.
- List and discuss the pros and cons of six appraisal methods.
- Explain and illustrate the problems to avoid in appraising performance.
- Discuss the pros and cons of using different raters to appraise a person’s performance.
- Perform an effective appraisal interview.

STRATEGIC OVERVIEW

When Jacques Nasser took over as CEO of Ford Motor Company a few years ago, he didn’t want to just make Ford the world’s best car company, he wanted it to be one of the world’s best companies of any kind. He pursued that strategy with enormous intensity: He reorganized the firm, eliminated layers of bureaucracy, promoted non-Americans to prominent positions, brought in new executives from outside the industry, and initiated dozens of quality improvement and similar programs throughout the firm. However, he knew that to make the firm world-class he also needed a new, more intense way of evaluating the firm’s 18,000 managers. What method should he use?

The last three chapters addressed selecting, training, and developing employees. Once employees have been on the job for some time, you have to evaluate their performance. The purpose of this chapter is to show you how to appraise employees’ performance. The main topics we cover include the appraisal process, appraisal methods, appraisal performance problems and solutions, and the appraisal interview. Developing a career plan for the employee is an important part of any appraisal process: We’ll turn to career planning in the following chapter.
THE APPRAISAL PROCESS

Performance appraisal means evaluating an employee’s current or past performance relative to the person’s performance standards. Appraisal involves: (1) setting work standards; (2) assessing the employee’s actual performance relative to these standards; and (3) providing feedback to the employee with the aim of motivating that person to eliminate deficiencies or to continue to perform above par.

You’ve probably had experience with performance appraisals. For example, some colleges ask students to rank instructors on scales like the one in Figure 9-1. Do you think this is an effective scale? Do you see any way to improve it? You’ll be able to answer these questions by the end of this chapter.

Why appraise performance? There are four reasons. First, appraisals provide information upon which you make promotion and salary decisions. Second, they provide an opportunity for you and your subordinate to review his or her work-related behavior. This in turn lets both of you develop a plan for correcting any deficiencies the appraisal might have unearthed, and for reinforcing things done right. Third, the appraisal is part of the firm’s career-planning process, because it provides an opportunity to review the person’s career plans in light of his or her strengths and weaknesses. Finally, appraisals help you better manage and improve your firm’s performance.

In reviewing the appraisal tools we discuss below, don’t miss the forest for the trees. It doesn’t matter which tool you use if you’re inclined to be less than candid when your subordinate is not doing well. Not all managers are devotees of such candor, but some firms, like GE, are famous for hardhearted appraisals. GE’s former CEO Jack Welch has said, for instance, that there’s nothing crueler than telling someone who’s doing a mediocre job that he or she is doing well. Someone who might have had the chance to correct bad behavior or find a more appropriate vocation may instead end up spending years in a dead-end situation, only to have to leave when a tough boss comes along.

There are many practical motivations for giving soft appraisals: the fear of having to hire and train someone new; the unpleasant reaction of the appraisee; or a company appraisal process that’s not conducive to candor, for instance. Ultimately, though, it’s the person doing the appraising who must decide if the potential negative effects of less-than-candid appraisals—on the appraisee’s long-term peace of mind, and on the performance of the appraiser and his or her firm—outweigh the assumed benefits.

The Supervisor’s Role

Appraising performance is both a difficult and an essential supervisory skill. The supervisor—not HR—usually does the actual appraising, and a supervisor who rates his or her employees too high or too low is doing a disservice to them, to the company, and to him- or herself. Supervisors must be familiar with basic appraisal techniques, understand and avoid problems that can cripple appraisals, and know how to conduct appraisals fairly.

The HR department serves a policy-making and advisory role. In one survey, about 80% of the firms responding said the HR department provides advice and assistance regarding the appraisal tool to use, but leaves final decisions on procedures to operating division heads. In the rest of the firms, HR prepares detailed forms and procedures and insists that all departments use them. HR is also responsible for training supervisors to improve their appraisal skills. Finally, HR is responsible for monitoring the appraisal system and, particularly, for ensuring that the format and criteria being measured comply with EEO laws and aren’t
outdated. In one survey, half the employers were in the process of revising their appraisal programs, while others were conducting reviews to see how well their programs were working.  

### Steps in Appraising Performance

The performance appraisal process contains three steps: define the job, appraise performance, and provide feedback. **Defining the job** means making sure that you and your subordinate agree on his or her duties and job standards. **Appraising performance** means comparing your subordinate’s actual performance to the standards that have been set; this usually involves some type of rating form. Third,
performance appraisal usually requires one or more feedback sessions. Here the two of you discuss the subordinate's performance and progress, and make plans for any development required.

When appraisals fail, they do so for reasons that parallel these three steps—defining the job, appraising performance, and providing feedback. Some fail because subordinates don’t know ahead of time exactly what you expect in terms of good performance. Others fail because of problems with the forms or procedures used to actually appraise the performance: a lenient supervisor might rate as “high,” for instance, subordinates who are actually substandard. Other problems, like arguing and poor communication, undermine the interview-feedback session. Let’s look first at defining your expectations. We’ll discuss the other problems toward the end of the chapter.

How to Clarify Your Expectations

Clarifying what you expect is trickier than it may appear. Employers usually write job descriptions not for specific jobs, but for groups of jobs, and the descriptions rarely include specific goals. All sales managers in the firm might have the same job description, for instance. Your sales manager’s job description may list duties such as “supervise sales force” and “be responsible for all phases of marketing the division’s products.” However, you may expect your sales manager to personally sell at least $600,000 worth of products per year by handling the division’s two largest accounts; to keep the sales force happy; and to keep customers away from the executives (including you). Unfortunately, some supervisors tend to be lax when it comes to setting specific goals for their employees.

You therefore have to quantify your expectations. The most straightforward way to do this (for the sales manager job above, for example) is to set measurable standards for each expectation. You might measure the “personal selling” activity in terms of how many dollars of sales the manager is to generate personally. Perhaps measure “Keeping the sales force happy” in terms of turnover (on the assumption that less than 10% of the sales force will quit in any given year if morale is high). Measure “Keeping customers away from executives” with “no more than 10 customer complaints per year.” The point is this: Employees should always know ahead of time how and on what basis you’re going to appraise them.

Now let’s look at some appraisal methods.

APPRAISAL METHODS

Managers usually conduct the appraisal using a predetermined and formal method like one or more of those described next. It is “predetermined” insofar as most firms do (or should) decide ahead of time what tools and processes they’re going to use. (The process would include specific decisions like what time of year appraisals are done, and who will review the completed appraisals.) Some firms create their own appraisal forms and tools; others—especially smaller ones—use off-the-shelf methods from HR suppliers like G. Neil.

Graphic Rating Scale Method

The graphic rating scale is the simplest and most popular technique for appraising performance. Figure 9-2 shows part of a typical rating scale. A graphic rating scale lists traits (such as quality and reliability) and a range of performance
Performance Appraisal

Employee Name ____________________________________________ Title ________________________________
Department _______________________________________________ Employee Payroll Number ____________
Reason for Review:  □ Annual □ Promotion □ Unsatisfactory Performance □ Merit □ End Probation Period □ Other ________________________________
Date employee began present position / _______ / _______
Date of last appraisal / _______ / _______ Scheduled appraisal date / _______ / _______
Instructions: Carefully evaluate employee’s work performance in relation to current job requirements. Check rating box to indicate the employee’s performance. Indicate N/A if not applicable. Assign points for each rating within the scale and indicate in the corresponding points box. Points will be totaled and averaged for an overall performance score.

RATING IDENTIFICATION

O—Outstanding—Performance is exceptional in all areas and is recognizable as being far superior to others.
V—Very Good—Results clearly exceed most position requirements. Performance is of high quality and is achieved on a consistent basis.
G—Good—Competent and dependable level of performance. Meets performance standards of the job.
I—Improvement Needed—Performance is deficient in certain areas. Improvement is necessary.
U—Unsatisfactory—Results are generally unacceptable and require immediate improvement. No merit increase should be granted to individuals with this rating.
N—Not Rated—Not applicable or too soon to rate.

<table>
<thead>
<tr>
<th>GENERAL FACTORS</th>
<th>RATING SCALE</th>
<th>SUPPORTIVE DETAILS OR COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Quality—The accuracy, thoroughness, and acceptability of work performed.</td>
<td>O 100–90</td>
<td>Points __________________________</td>
</tr>
<tr>
<td></td>
<td>V 90–80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>G 80–70</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I 70–60</td>
<td></td>
</tr>
<tr>
<td></td>
<td>U below 60</td>
<td></td>
</tr>
</tbody>
</table>

| 2. Productivity—The quantity and efficiency of work produced in a specified period of time. | O 100–90 | Points __________________________ |
|                                                                                           | V 90–80 |                                |
|                                                                                           | G 80–70 |                                |
|                                                                                           | I 70–60 |                                |
|                                                                                           | U below 60 |                                |

| 3. Job Knowledge—The practical/technical skills and information used on the job. | O 100–90 | Points __________________________ |
|                                                                               | V 90–80 |                                |
|                                                                               | G 80–70 |                                |
|                                                                               | I 70–60 |                                |
|                                                                               | U below 60 |                                |

| 4. Reliability—The extent to which an employee can be relied upon regarding task completion and follow-up. | O 100–90 | Points __________________________ |
|                                                                                           | V 90–80 |                                |
|                                                                                           | G 80–70 |                                |
|                                                                                           | I 70–60 |                                |
|                                                                                           | U below 60 |                                |

| 5. Availability—The extent to which an employee is punctual, observes prescribed work break/meal periods, and the overall attendance record. | O 100–90 | Points __________________________ |
|                                                                                           | V 90–80 |                                |
|                                                                                           | G 80–70 |                                |
|                                                                                           | I 70–60 |                                |
|                                                                                           | U below 60 |                                |

| 6. Independence—The extent of work performed with little or no supervision. | O 100–90 | Points __________________________ |
|                                                                                           | V 90–80 |                                |
|                                                                                           | G 80–70 |                                |
|                                                                                           | I 70–60 |                                |
|                                                                                           | U below 60 |                                |
values (from unsatisfactory to outstanding) for each trait. You rate each subordinate by circling or checking the score that best describes his or her performance for each trait. You then total the assigned values for the traits.

Instead of appraising generic factors (such as quality and quantity) that apply to all or most jobs, you may focus on the job’s actual duties. For example, Figure 9-3 shows part of an appraisal form for an administrative secretary.6 The form uses the job’s five main sets of duties, one of which is “Reception.” HR took the five duties from the job description and prioritized them. It then assigned an importance rating to each duty, shown as a percentage at the top of each of the five duties (reception is 30%). There is also space on the form for comments and for evaluation of general performance attributes like reporting for work on time and observing work rules. The supervisor rates the person on each job duty. Combining the rating for each duty with the duty’s importance weighting produces an overall rating for the job.

**Alternation Ranking Method**

Ranking employees from best to worst on a trait or traits is another option. Since it is usually easier to distinguish between the worst and best employees, an **alternation ranking method** is most popular. First, list all subordinates to be rated, and then cross out the names of any not known well enough to rank. Then, on a form like that in Figure 9-4, indicate the employee who is the highest on the characteristic being measured and also the one who is the lowest. Then choose the next highest and the next lowest, alternating between highest and lowest until all employees have been ranked.

**Paired Comparison Method**

The **paired comparison method** helps make the ranking method more precise. For every trait (quantity of work, quality of work, and so on), you pair and compare every subordinate with every other subordinate.
For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee’s name on line 1. Put the lowest-ranking employee’s name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on. Continue until all names are on the scale.

Highest-ranking employee
1. ________________ 11. ________________
2. ________________ 12. ________________
3. ________________ 13. ________________
4. ________________ 14. ________________
5. ________________ 15. ________________
6. ________________ 16. ________________
7. ________________ 17. ________________
8. ________________ 18. ________________
9. ________________ 19. ________________
10. ________________ 20. ________________

Lowest-ranking employee

Suppose you have five employees to rate. In the paired comparison method, you make a chart, as in Figure 9-5, of all possible pairs of employees for each trait. Then, for each trait, indicate (with a + or –) who is the better employee of the pair. Next add up the number of +s for each employee. In Figure 9-5, Maria ranked highest (has the most + marks) for quality of work, whereas Art was ranked highest for creativity.

### FIGURE 9-5
Ranking Employees by the Paired Comparison Method

#### FOR THE TRAIT “QUALITY OF WORK”

<table>
<thead>
<tr>
<th>Employee Rated:</th>
<th>A</th>
<th>B Maria</th>
<th>C Chuck</th>
<th>D Diane</th>
<th>E José</th>
</tr>
</thead>
<tbody>
<tr>
<td>As Compared to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Art</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B Maria</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>C Chuck</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>D Diane</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>E José</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** + means “better than.” – means “worse than.” For each chart, add up the number of +’s in each column to get the highest-ranked employee.

#### FOR THE TRAIT “CREATIVITY”

<table>
<thead>
<tr>
<th>Employee Rated:</th>
<th>A</th>
<th>B Maria</th>
<th>C Chuck</th>
<th>D Diane</th>
<th>E José</th>
</tr>
</thead>
<tbody>
<tr>
<td>As Compared to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A Art</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B Maria</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>C Chuck</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>D Diane</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>E José</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
</tbody>
</table>

**Note:** + means “better than.” – means “worse than.” For each chart, add up the number of +’s in each column to get the highest-ranked employee.
Forced Distribution Method

The **forced distribution method** is similar to grading on a curve. With this method, you place predetermined percentages of ratees into performance categories. For example, you may decide to distribute employees as follows:

- 15% high performers
- 20% high-average performers
- 30% average performers
- 20% low-average performers
- 15% low performers

(The proportions in each category need not be symmetrical; GE uses top 20%, middle 70%, and bottom 10% for managers.)

As for students at school, forced distribution means two things for employees: Not everyone can get an A; and one’s performance is always rated relative to one’s peers. One practical, if low-tech, way to do this is to write each employee’s name on a separate index card. Then, for each trait (quality of work, creativity, and so on), place the employee’s card in the appropriate performance category.

More firms are adopting this practice. Sun Microsystems recently began forced ranking of all its 43,000 employees. Managers appraise employees in groups of about 30, and 10% of each group gets 90 days to improve. If they’re still in the bottom 10% in 90 days, they get a chance to resign and take severance pay. Some decide to stay, but “If it doesn’t work out,” the firm fires them without severance. At (now bankrupt) Texas energy company Enron Corp., managers appraise employees twice a year; those in the bottom 15% have 6 months to improve or leave.7

**HIGH-PERFORMANCE INSIGHT** Merck and Company has used this approach for all exempt employees who receive merit pay raises based on their performance ratings.9 It began doing so when Merck discovered that 80% of its exempt employees were receiving ratings of 4 and above on the 5-point scale.

At Merck, exempt employees receive annual performance appraisals in December. They meet with their supervisors to review their annual accomplishments (relative to their goals) and receive one of five ratings: EX (exceptional), WD (with distinction), HS (high Merck standard), RI (room for improvement), and NA (not acceptable). Five percent of the department’s employees can receive EX ratings, 15% WD ratings, and the vast majority—70%—should fall in the “high Merck standard” middle range.

It’s not realistic to force managers with only four or five employees to assign them to five classes. Merck therefore uses a roll-up system: The managers of several departments in the same division review their own exempt employees, and then negotiate a divisionwide allocation. The biggest problem was getting employees who viewed themselves as EX to understand that getting an HS (high Merck standard) isn’t the equivalent of getting a C. But things are not as easy in a small business; let’s look.

Appraising employees is different when you’re running your own business. For one thing, “quartiling” your employees—putting the worst 10% or 20% in the bottom group, and threatening them with dismissal—is certainly possible, and many small firms do this. Yet doing so is easier when you’re running a 1,000-employee division than when you’re running an 8-person store. Managers in large firms can call on their HR support staff for help in conducting the appraisals and handling any repercussions—such as employees threatening to leave.
or to sue. And of course, they have HR to replace those who leave, and a large staff to pick up the extra work while HR finds the replacements.

This kind of support is rarely available to small firms, and particularly to small retail stores. Staffing the business with world-class employees is no less important here. Yet in practice, the owner-manager is under pressure to keep the business staffed, and to manage varied tasks, from sales to banking, for which larger firms have specialists. Some therefore turn to much more informal appraisal processes. For example, Glenroy, Inc., of Menomonee Falls, Wisconsin, manufactures packaging materials for food and personal care items. It stopped doing formal appraisals years ago. “We are more involved in [constant communication] instead of saving things up once a year and then springing it on them,” says the firm’s head of finance and administration.10

### Critical Incident Method

With the critical incident method, the supervisor keeps a log of positive and negative examples (critical incidents) of a subordinate’s work-related behavior. Every six months or so, supervisor and subordinate meet to discuss the latter’s performance, using the incidents as examples.

This method has several advantages. It provides actual examples of good and poor performance the supervisor can use to explain the person’s rating. It ensures that the manager or supervisor thinks about the subordinate’s appraisal all during the year. The rating does not just reflect the employee’s most recent performance. The list hopefully provides examples of what specifically the subordinate can do to eliminate any deficiencies. However, without some numerical rating, this method is not too useful for comparing employees or making salary decisions.

It’s useful to accumulate incidents that are tied to the employee’s goals. In Table 9-1, one of the assistant plant manager’s continuing duties was to supervise procurement and to minimize inventory costs. The critical incident log shows that the assistant plant manager let inventory storage costs rise 15%; this provides a specific example of what performance must be improved in the future.

### Narrative Forms

The final written appraisal is often in narrative form. For example, Figure 9-6 presents part of a Performance Improvement Plan; managers use it to evaluate the progress and development of employees. As you can see, the person’s supervisor is

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**TABLE 9-1**

<table>
<thead>
<tr>
<th>Continuing Duties</th>
<th>Targets</th>
<th>Critical Incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule production for plant</td>
<td>Full utilization of personnel and machinery in plant; orders delivered on time</td>
<td>Instituted new production scheduling system; decreased late orders by 10% last month; increased machine utilization in plant by 20% last month</td>
</tr>
<tr>
<td>Supervise procurement of raw materials and inventory control</td>
<td>Minimize inventory costs while keeping adequate supplies on hand</td>
<td>Let inventory storage costs rise 15% last month; overordered parts “A” and “B” by 20%; underordered part “C” by 30%</td>
</tr>
<tr>
<td>Supervise machinery maintenance</td>
<td>No shutdowns due to faulty machinery</td>
<td>Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part</td>
</tr>
</tbody>
</table>
PERFORMANCE IMPROVEMENT PLAN

Name _____________________________________  Date _________________________
Position Title _______________________________  Dept./Div. _____________________

I. Purpose and Objective
This form and process is designed to assist the supervisor in analyzing how an employee is performing his or her work, that is, the individual skills and knowledge they use in performing their job responsibilities. The primary objective for you in completing this Performance Analysis and subsequent discussions with the employee is to help the person improve.

II. Steps in the Process
A. Performance Factors and Skills—The individual skills and performance factors represent the major abilities that are required of most employees to perform their jobs. After reading the description of each factor, assign a rating of the employee’s skill proficiency using the following guide:

- S—Strength
- SA—Satisfactory
- N—Needs Improvement
- NA—Not Applicable

Space is provided at the end of this form to write out performance factors/skills which you may consider to be important and are not found on this form. We suggest, however, that you avoid adding personality traits that do not influence performance.

B. Performance Analysis and Examples—This section is provided for you to support your judgment with specific performance related examples of observed behavior. These examples should be stated in terms of what the employee did or said (in completing a task or project) as it relates to the performance factor.

C. Improvement Plan—Specific actions should be listed in this section that will be taken to assist the employee in those areas that require performance improvement. It is suggested that supervisor and subordinate develop this plan jointly in a discussion session. These actions should focus on activities, tasks, training, expanded job duties, etc., that will afford the employee an opportunity to develop the needed skill. The written Improvement Plan should also state who is responsible for completing each step, a timetable for completion and a feedback/followup process that will monitor the progress.

D. Discussion with the Employee—The performance rating and analysis of each factor or skill must be discussed with the employee. The principal focus of this meeting should be on problem solving, i.e., to stimulate the employee to think about the probable causes of the skill or knowledge deficiency and to generate ideas on how to bring about performance improvement in these areas. Working together, supervisor and employee should examine the cause of each deficiency and then jointly develop and agree upon a logical course of action for improvement. The Improvement Plan should be realistic, written down, and followed up in future sessions.

<table>
<thead>
<tr>
<th>Performance Factors/Skills</th>
<th>Performance Analysis &amp; Examples</th>
<th>Improvement Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLANNING</td>
<td>Forecasting, setting objectives, establishing strategies and courses of action, budgeting, scheduling, programming, and outlining procedures.</td>
<td></td>
</tr>
<tr>
<td>ORGANIZING</td>
<td>Grouping of activities to achieve results, delegating, staffing, and using available resources.</td>
<td></td>
</tr>
</tbody>
</table>

asked (1) to rate the employee’s performance for each performance factor or skill, and (2) to write down examples, and (3) an improvement plan. This aids the employee in understanding where his or her performance was good or bad, and how to improve that performance.

**Behaviorally Anchored Rating Scales**

A *behaviorally anchored rating scale (BARS)* combines the benefits of narratives, critical incidents, and quantified (graphic rating type) scales, by anchoring a rating scale with specific behavioral examples of good or poor performance. Its proponents say it provides better, more equitable appraisals than do the other tools we discussed.\(^{11}\)

Developing a BARS typically requires five steps:

1. **Generate critical incidents.** Ask persons who know the job (job holders and/or supervisors) to describe specific illustrations (critical incidents) of effective and ineffective performance.

2. **Develop performance dimensions.** Have these people cluster the incidents into a smaller set of (5 or 10) performance dimensions, and define each dimension, such as “conscientiousness.”

3. **Reallocate incidents.** Another group of people who also know the job then reallocate the original critical incidents. They get the cluster definitions and the critical incidents, and must reassign each incident to the cluster they think it fits best. Retain a critical incident if some percentage (usually 50% to 80%) of this second group assigns it to the same cluster as did the first group.

4. **Scale the incidents.** This second group then rates the behavior described by the incident as to how effectively or ineffectively it represents performance on the dimension (7- to 9-point scales are typical).

5. **Develop a final instrument.** Choose about six or seven of the incidents as the dimension’s behavioral anchors.\(^{12}\)

**RESEARCH INSIGHT** Three researchers developed a BARS for grocery checkout clerks.\(^{13}\) They collected critical incidents, and then clustered these into eight performance dimensions:

- Knowledge and Judgment
- Conscientiousness
- Skill in Human Relations
- Skill in Operation of Register
- Skill in Bagging
- Organizational Ability of Checkstand Work
- Skill in Monetary Transactions
- Observational Ability

They then developed a behaviorally anchored rating scale for one of these dimensions, “knowledge and judgment.” It contained a scale (ranging from 1 to 9) for rating performance from “extremely poor” to “extremely good.” Then a specific critical incident (“by knowing the price of items, this checker would be expected to look for mismarked and unmarked items”) helped anchor or specify what was meant by “extremely good” (9) performance. Similarly, they used several other critical incident anchors along the performance scale from (8) down to (1).
Advantages While more time consuming than other appraisal tools, BARS may also have advantages:\(^{14}\)

1. **A more accurate gauge.** People who know the job and its requirements better than anyone develop the BARS. This should produce a good gauge of job performance.

2. **Clearer standards.** The critical incidents along the scale make clear what to look for in terms of superior performance, average performance, and so forth.

3. **Feedback.** The critical incidents make it easier to explain the ratings to appraisees.

4. **Independent dimensions.** Systematically clustering the critical incidents into five or six performance dimensions (such as “knowledge and judgment”) should help to make the dimensions more independent of one another. For example, a rater should be less likely to rate an employee high on all dimensions simply because he or she was rated high in “conscientiousness.”

5. **Consistency.**\(^{15}\) BARS evaluations also seem to be relatively consistent and reliable, in that different raters’ appraisals of the same person tend to be similar.

Management by Objectives (MBO)

Stripped to its basics, **management by objectives (MBO)** requires the manager to set specific measurable goals with each employee and then periodically discuss the latter’s progress toward these goals. You could engage in a modest MBO program with subordinates by jointly setting goals and periodically providing feedback. However, the term MBO generally refers to a comprehensive, organizationwide goal-setting and appraisal program consisting of six steps:

1. **Set the organization’s goals.** Establish an organizationwide plan for next year and set company goals.

2. **Set departmental goals.** Next, department heads take these company goals (like “boost profits by 20%”) and, with their superiors, jointly set goals for their departments.

3. **Discuss departmental goals.** Department heads discuss the department’s goals with all subordinates, often at a departmentwide meeting. They ask employees to set their own preliminary individual goals; in other words, how can each employee contribute to the department’s goals?

4. **Define expected results (set individual goals).** Department heads and their subordinates set short-term individual performance targets.

5. **Performance reviews.** Department heads compare each employee’s actual and targeted performance.

6. **Provide feedback.** Department heads and employees discuss and evaluate the latters’ progress.

There are three problems in using MBO. Setting unclear, unmeasurable objectives is the main one. An objective such as “will do a better job of training” is useless. On the other hand, “will have four subordinates promoted during the year” is a measurable objective.

Second, MBO is time consuming. Setting objectives, measuring progress, and giving
feedback can take several hours per employee per year, over and above the time
you already spend doing each person’s appraisal.

Third, setting objectives with the subordinate sometimes turns into a tug-of-war,
with you pushing for higher quotas and the subordinate pushing for lower ones.
Knowing the job and the person’s ability is important. To motivate performance, the
objectives must be fair and attainable. The more you know about the job and the
person’s ability, the more confident you can be about the standards you set.

**Computerized and Web-Based Performance Appraisal**

Several relatively inexpensive performance appraisal software programs are on
the market. These generally enable managers to keep notes on subordinates
during the year, and then to electronically rate employees on a series of performance
traits. The programs then generate written text to support each part of the
appraisal.

Employee Appraiser (developed by the Austin-Hayne Corporation, San Mateo,
California) presents a menu of more than a dozen evaluation dimensions, in-
cluding dependability, initiative, communication, decision making, leadership,
judgment, and planning and productivity. Within each dimension are various
performance factors, again presented in menu form. For example, under “com-
munication” are separate factors for writing, verbal communication, receptivity to
feedback and criticism, listening skills, ability to focus on the desired results, keep-
ning others informed, and openness. When the user clicks on a performance factor,
the person sees a relatively sophisticated version of a graphic rating scale. Instead
of a scale with numbers, however, Employee Appraiser uses behaviorally anchored
examples. For example, for verbal communication, there are six choices, ranging
from “presents ideas clearly” to “lacks structure.” After the manager picks the
phrase that most accurately describes the worker, Employee Appraiser generates
sample text.

PerformanceReview.com, from KnowledgePoint of Petaluma, California, lets
managers evaluate employees online based on their competencies, goals, and
development plans. Managers can choose from standard competencies such as
“communications,” or create their own.

PerformancePro.net from the Exxceed Company of Chicago, Illinois, is another Internet-based performance
review system. It helps the manager and his or her sub-
ordinates develop performance objectives for the
employee and conduct the annual review. The Web site improvenow.com lets employees fill
out a 60-question assessment online with or without
their supervisor’s approval, and then gives the supervi-
sor the team’s feedback with an overall score.

Evaluators recently rated two appraisal packages out-
standing: PeopleSoft HR management (version 7.5), and
SAP r/3 hr (version 7.5). Electronic performance monitoring (EPM) is in
some respects the ultimate in computerized appraising.
EPM means having supervisors electronically monitor
the amount of computerized data an employee is pro-
cessing per day, and thereby his or her performance.

As two researchers note, “organizations now use com-
puter networks, sophisticated telephone systems, and
both wireless audio and video links to monitor and
record the work activities of employees.” It’s estimated

![WEBNOTE](https://www.exxceed.com) Exceed provides a number of HR services that utilize the Internet, including PerformancePro.net, as its home page shows.

www.exxceed.com
that as many as 26 million U.S. workers have their performance monitored electronically. This fact has already triggered congressional legislation aimed at requiring that employees receive precise notification of when they will be monitored.

How do employees react to EPM? Studies suggest two things. First, “participants [employees] with the ability to delay or prevent electronic performance monitoring indicated higher feelings of personal control and demonstrated superior task performance.” In other words, let employees have some control over how and when they’re monitored.21 If you can’t, then the findings suggest this: Don’t let them know when you’re actually monitoring them. Participants who knew exactly when the monitoring was taking place actually expressed lower feelings of personal control than did those who did not know when the monitoring was on.

Mixing the Methods

Most firms combine several methods. Figure 9-2 (page 244) presents an example. Basically, this is a graphic rating scale, with descriptive phrases included to define each trait. However, it also has a section for comments below each trait. This lets the rater provide several critical incidents. The quantifiable rating facilitates comparing employees, and is useful for salary, transfer, and promotion decisions. The critical incidents provide specific examples for developmental discussions.22

APPRAISING PERFORMANCE: PROBLEMS AND SOLUTIONS

Few of the things a manager does are fraught with more peril than appraising subordinates’ performance. Employees in general tend to be overly optimistic about what their ratings will be. You and they know their raises, career progress, and peace of mind may well hinge on how you rate them. This alone should make it difficult to rate performance; even more of a problem, however, are the numerous technical problems that can cast doubt on just how fair the whole process is. Let’s turn to some of these more technical appraisal problems and how to solve them, and to several other pertinent appraisal issues.

Dealing with Rating Scale Appraisal Problems

Most employers still depend on graphic-type rating scales to appraise performance, but these scales are especially susceptible to several problems: unclear standards, halo effect, central tendency, leniency or strictness, and bias.

Unclear Standards

Table 9-2 illustrates the unclear standards problem. This graphic rating scale seems objective, but would probably result in unfair appraisals because the traits and degrees of merit are ambiguous. For example, different supervisors would probably define “good” performance, “fair” performance, and so on differently. The same is true of traits such as “quality of work” or “creativity.”

There are several ways to fix this problem. The best way is to develop and include descriptive phrases that define each trait, as in Figure 9-2. There the form specified what was meant by “outstanding,” “superior,” and “good” quality of
TABLE 9-2
A Graphic Rating Scale with Unclear Standards

<table>
<thead>
<tr>
<th>Trait</th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creativity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: For example, what exactly is meant by “good,” “quantity of work,” and so forth?

work. This specificity results in appraisals that are more consistent and more easily explained.

**Halo Effect**  Experts define **halo effect** as “the influence of a rater’s general impression on ratings of specific ratee qualities.” For example, supervisors often rate unfriendly employees lower on all traits, rather than just for the trait “gets along well with others.” Being aware of this problem is a major step toward avoiding it. Supervisory training can also alleviate the problem.

**Central Tendency**  Some supervisors stick to the middle when filling in rating scales. For example, if the rating scale ranges from 1 to 7, they tend to avoid the highs (6 and 7) and lows (1 and 2) and rate most of their people between 3 and 5. If you use a graphic rating scale, this **central tendency** could mean that you rate all employees “average.” That may distort the evaluations, making them less useful for promotion, salary, or counseling purposes. Ranking employees instead of using graphic rating scales can reduce this problem, since ranking means you can’t rate them all average.

**Leniency or Strictness**  Other supervisors tend to rate all their subordinates consistently high (or low), just as some instructors are notoriously high or low graders. This **strictness/leniency** problem is especially severe with graphic rating scales, when firms don’t tell their supervisors to avoid giving all their employees high (or low) ratings. On the other hand, ranking forces them to distinguish between high and low performers.

Therefore, if a graphic rating scale must be used, it may be a good idea to impose a distribution—that, say, about 10% of the people should be rated “excellent,” 20% “good,” and so forth. In other words, try to get a spread (unless, of course, you’re sure all your people really do fall into just one or two categories).

The appraisal you do may be less objective than you think. One study focused on how personality influenced the evaluations students gave their peers. Raters who scored higher on “conscientiousness” tended to give their peers lower ratings—they were more strict, in other words; those scoring higher on “agreeableness” gave higher ratings—they were more lenient.

It’s not just the appraiser’s tendencies but the purpose of the appraisal that causes strictness/leniency. Two researchers reviewed 22 studies of performance appraisal leniency. They concluded that “performance appraisal ratings obtained for administrative purposes [such as pay raises or promotions] were nearly one-third of a standard deviation larger than those obtained for research or employee development purposes.”

**Bias**  Appraisees’ personal characteristics (such as age, race, and sex) can affect their ratings, often quite apart from each ratee’s actual performance. In one study researchers found a systematic tendency to evaluate older ratees (over 60 years of age) lower on “performance capacity” and “potential for development” than younger employees.
A study of registered nurses shows how age distorts ratings. For nurses 30 to 39 years old, they and their supervisors each rated the nurses’ performance virtually the same. In the 21-to-29 category, supervisors actually rated nurses higher than the nurses rated themselves. However, for the 40-to-61 nurse age category, the supervisors rated nurses’ performance lower than the nurses rated their own performance. One interpretation is that supervisors are tougher in appraising older subordinates. They don’t give them as much credit for their successes, while attributing any low performance to lack of ability.

Race can also affect the rating a person receives. One study reviewed performance ratings from over 20,000 bosses, 50,000 peers, and 40,000 subordinates. Researchers concluded that black raters rated black ratees higher than white ratees; that white bosses (but not white subordinates) assigned more favorable ratings to white ratees than to black ratees; and that black raters assigned higher ratings than did whites, regardless of the ratee’s race. Such results sound a cautionary signal for employers: Since most bosses are white, “black managers who are rated by white bosses may advance at a lower rate than black managers who are rated by black bosses.”

However, the bias is not necessarily always against the minorities or women. In one study, supervisors rated low-performing blacks higher than low-performing whites, and high-performing females higher than high-performing males. Even how the employee performed in the past can bias his or her current appraisal. The actual error can take several forms: Some raters overestimate improvements by poor workers or declines by good ones. Sometimes—especially when the behavior change is more gradual—raters are simply insensitive to improvement or decline. In any case, the bottom line is to rate performance as objectively as possible. Try to block out the influence of factors such as previous performance, gender, age, or race.

◆ RESEARCH INSIGHT One study illustrates how bias can influence the way one person appraises another. In this study, researchers sought to determine the extent to which pregnancy is a source of bias in performance appraisals. The subjects were 220 undergraduate students between the ages of 17 and 43 attending a midwestern university.

Two videotapes were prepared of a female “employee.” Each video showed three 5-minute scenarios in which this “employee” interacted with another woman. For example, she acted as a customer representative to deal with an irate customer, tried to sell a computer system to a potential customer, and dealt with a problem subordinate. In each case, the performance level of the “employee” was designed to be average or slightly above average. The “employee” was the same in both videotapes, and the videotapes were identical—except for one difference. Researchers shot the first videotape in the “employee’s” ninth month of pregnancy, the second about 5 months later. The aim of the study was to investigate whether the “employee’s” pregnancy influenced the performance appraisal ratings she received in the various situations.

Several groups of student raters watched either the “pregnant” or “not pregnant” tape. They rated the “employee” on a 5-point graphic rating scale for individual characteristics such as “ability to do the job,” “dependability,” and “physical mannerisms.” The results suggest that pregnant women may face more workplace discrimination than do women in general. Despite seeing otherwise identical behavior by the same woman, the student raters “with a remarkably high degree of consistency” assigned lower performance ratings to a pregnant woman as opposed to a nonpregnant one. And men raters seemed more susceptible to negative influence than did women. Given the fact that most employees still report to male supervisors and that supervisory ratings often determine advancement, the researchers concluded that any bias could make it even harder for women to have both children and careers.
How to Avoid Appraisal Problems

It’s probably safe to say that problems like these can make an appraisal worse than no appraisal at all. Would an employee not be better off with no appraisal than with a seemingly objective but actually biased one? Problems like these aren’t inevitable, though, and you can minimize them.

First, learn and understand the potential problems, and the solutions (like clarifying standards) for each. Understanding the problem can help you avoid it. Second, use the right appraisal tool. Each tool has its own pros and cons. For example, the ranking method avoids central tendency but can cause bad feelings when employees’ performances are in fact all “high”; and the ranking and forced distribution methods both provide relative—not absolute—ratings.

Third, train supervisors to reduce rating errors such as halo, leniency, and central tendency. In one training program, raters watched a videotape of people at work, and then rated the workers. The trainers then placed the supervisors’ ratings of these workers on a flip chart, and explained and illustrated the various errors (such as leniency and halo). Packaged training programs are available. For example, Harvard Business School Publishing offers Assessing Performance, for about $150. It lists the steps and things to consider in preparing for and conducting the appraisal interview.

Training isn’t always the solution, however. In practice, several factors—including the extent to which employees’ pay is tied to performance ratings, union pressure, employee turnover, time constraints, and the need to justify ratings—may be more important than training. This means that improving appraisal accuracy calls not just for training, but also for reducing the effect of outside factors such as union pressure and time constraints.

A fourth solution—diary keeping—is worth the effort. One study involved 112 first-line supervisors from a large electronics firm. Some attended a special training program on diary keeping. The program explained the role of critical incidents, and how the supervisors could compile these incidents into a diary or incident file to use later as a reference for a subordinate’s appraisal. Then came a practice session, followed by a feedback and group discussion session aimed at reinforcing the importance of recording both positive and negative incidents.

The conclusion of this and similar studies is that you can reduce the adverse effects of appraisal problems by having raters compile positive and negative critical incidents as they occur during the appraisal period. Maintaining such records instead of relying on memories is definitely the preferred approach.

Diary keeping is preferred but not foolproof. In one study, raters were required to keep a diary, but the diary keeping actually undermined the performance appraisal’s objectiveness. What could account for such apparently bizarre findings? One possibility is that managers may develop positive or negative feelings toward ratees. The managers may then seek out and record incidents that are consistent with how they feel about the ratees. In any case, it’s apparent that even diary keeping is no guarantee of objectivity, and that as a rater you must always keep the cognitive nature of the appraisal process in mind. Raters bring to the task a bundle of biases, inclinations, and decision-making shortcuts, so that, potentially at least, the appraisal is bound to be a product (or victim, some might argue) of the rater’s biases and inclinations.

Legal and Ethical Issues in Performance Appraisal

Appraisals affect promotions, raises, and dismissals. Since passage of Title VII in 1964, courts have therefore addressed the link between appraisals and personnel actions. They have often found that the inadequacies of an employer’s appraisal.
system lay at the root of illegal discriminatory actions, particularly in cases concerning layoffs, promotions, discharges, merit pay, or combinations of these.

An illustrative case involved layoff decisions. The court held that the firm had violated Title VII when it laid off several Hispanic-surnamed employees on the basis of poor performance ratings. The court concluded that the practice was illegal because:

1. They based the appraisals on subjective supervisory observations.
2. They didn’t administer and score the appraisals in a standardized fashion.
3. Two of the three supervisory evaluators did not have daily contact with the employees they appraised.

Personal bias, unreasonably rating everyone high (or low), and relying just on recent events are some other reasons courts gave for deciding firms’ appraisal processes and subsequent personnel actions were unfair. Furthermore, legal doesn’t always mean ethical, but ethics should be the bedrock of an appraisal. Most managers (and college students) understand that appraisers or professors can “stick to the rules” and do lawful performance reviews but still fail to provide honest assessments. As one commentator puts it:

*The overall objective of high-ethics performance reviews should be to provide an honest assessment of performance and to mutually develop a plan to improve the individual’s effectiveness. That requires that we tell people where they stand and that we be straight with them.*

Here are some guidelines for developing a legally defensible appraisal process:

1. Make sure you know what you mean by “successful performance.” Conduct a job analysis to establish the criteria and standards (such as “timely project completion”).
2. Incorporate these criteria and standards into a rating instrument (BARS, graphic rating scale, and so on).
3. Use clearly defined job performance dimensions (like “quantity” or “quality”) rather than undefined, global measures of job performance (like “overall performance”).
4. Communicate performance standards to employees and to those rating them, in writing.
5. When using graphic rating scales, avoid abstract trait names (such as “loyalty” or “honesty”), unless you can define them in terms of observable behaviors.
6. Use subjective supervisory ratings (essays, for instance) as only one component of the overall appraisal process.
7. Train supervisors to use the rating instrument properly. Give instructions on how to apply performance appraisal standards (“outstanding,” and so on) when making judgments. (In 6 of 10 cases decided against the employer, the plaintiffs were able to show that supervisors applied subjective standards unevenly to minority and majority employees.) If formal rater training is not possible, at least provide raters with written instructions for using the rating scale.
8. Allow appraisers substantial daily contact with the employees they’re evaluating.
9. Base your appraisals on separate ratings for each of the job’s performance dimensions. Using a single overall rating of performance, or ranking of employees on some global standard, is not acceptable to the courts, which often characterize such systems as vague. Courts generally require combining separate ratings for each performance dimension with some formal weighting system to yield a summary score.
10. Whenever possible, have more than one appraiser conduct the appraisal, and conduct all such appraisals independently. This can help to cancel out individual errors and biases.
11. One appraiser should never have absolute authority to determine a personnel action. This is one reason why a multiple-rater procedure is becoming more popular.

12. Include an employee appeal process. Employees should have the opportunity to review and make comments, written or verbal, about their appraisals before they become final, and should have a formal appeals process through which to appeal their ratings.

13. Document all information and reasons bearing on any personnel decision: “Without exception, courts condemn informal performance evaluation practices that eschew documentation.”

14. Where appropriate, provide corrective guidance to assist poor performers in improving their performance.

If your case gets to court, which of these 14 guidelines will be most important in influencing the judge’s decision? A review of almost 300 U.S. court decisions is informative: Actions reflecting fairness and due process were most important. In particular, performing a job analysis, providing raters with written instructions, permitting employee review of results, and obtaining agreement among raters were the four practices that seemed to have the most consistent impact in most of the judicial decisions. The courts placed little emphasis on whether or not the employers formally validated their performance appraisal tools or processes.

Who Should Do the Appraising?

Traditionally, the person’s direct supervisor appraises his or her performance. However, other options are certainly available and are increasingly used. We’ll look at the main ones.

The Immediate Supervisor Supervisors’ ratings are the heart of most appraisals. This makes sense: The supervisor should be—and usually is—in the best position to observe and evaluate the subordinate’s performance, and is responsible for that person’s performance.

Peer Appraisals With more firms using self-managing teams, peer or team appraisals—the appraisal of an employee by his or her peers—are becoming more popular. For example, an employee chooses an appraisal chairperson each year. That person then selects one supervisor and three other peers to evaluate the employee’s work.

Peer appraisals can predict future management success. In one study of military officers, peer ratings were accurate in predicting which officers would be promoted and which would not. In another study of more than 200 industrial managers, peer ratings were accurate in predicting who the firm would promote. However, logrolling—when several peers collude to rate each other highly—can be a problem. Peer ratings have other benefits. One study involved placing undergraduates into self-managing work groups. The researchers found that peer appraisals had “an immediate positive impact on [improving] perception of open communication, task motivation, social loafing, group viability, cohesion, and satisfaction.”

Rating Committees Many employers use rating committees. These committees usually contain the employee’s immediate supervisor and three or four other supervisors.

Using multiple raters can be beneficial. While there may be a discrepancy in ratings by individual supervisors, the composite ratings tend to be more reliable, fair, and valid. Such ratings have higher inter-rater reliability or consistency than do ratings obtained from several peers. Several raters can also help cancel out problems like bias and halo effects. Furthermore, when there are differences in
ratings, they usually stem from the fact that raters at different levels observe different facets of an employee’s performance, and the appraisal ought to reflect these differences.\textsuperscript{66} Even when a committee is not used, it is customary to have the appraisal reviewed by the manager immediately above the one who makes the appraisal. This was standard practice in 16 of the 18 companies surveyed in one study.\textsuperscript{67}

**Self-Ratings** Should employees appraise themselves? The basic problem, of course, is that employees usually rate themselves higher than they are rated by supervisors or peers. In one study, for instance, it was found that when asked to rate their own job performances, 40\% of the employees in jobs of all types placed themselves in the top 10\% (“one of the best”), while virtually all remaining employees rated themselves either in the top 25\% (“well above average”), or at least in the top 50\% (“above average”).\textsuperscript{68} Usually no more than 1\% or 2\% will place themselves in a below-average category, and then almost invariably in the top below-average category. One study concludes that individuals do not necessarily always have such positive illusions about their own performances, although in rating the performance of their group, group members did consistently give the group unrealistically high performance ratings.\textsuperscript{69}

Supervisors requesting self-appraisals to accompany their own should therefore know that doing so may accentuate differences and rigidify positions, rather than aid the process.\textsuperscript{70} Furthermore, even if you don’t ask for a self-appraisal, your employee will almost certainly enter the performance review with his or her own self-appraisal in mind, and this will usually be higher than your rating. Therefore, come prepared for a dialogue, with specific critical incidents to make your point.

**Appraisal by Subordinates** More firms today let subordinates anonymously rate their supervisor’s performance, a process some call *upward feedback*.\textsuperscript{71} The process helps top managers diagnose management styles, identify potential “people” problems, and take corrective action with individual managers as required. Subordinate ratings are especially valuable when used for developmental rather than evaluative purposes.\textsuperscript{72} Managers who receive feedback from subordinates who identify themselves view the upward appraisal process more positively than do managers who receive anonymous feedback; however, subordinates (not surprisingly) are more comfortable giving anonymous responses, and those who have to identify themselves tend to provide inflated ratings.\textsuperscript{73}

**An Example** FedEx uses a three-phase upward feedback system called Survey Feedback Action (SFA). First, HR gives a standard, anonymous survey each year to every employee. It contains items designed to gather information about those things that help and hinder employees in their work environment. Sample items include: I can tell my manager what I think; my manager tells me what is expected; my manager listens to my concerns; upper management listens to ideas from my level; FedEx does a good job for our customers; and I am paid fairly for this kind of work. HR then compiles the results for a work group, and sends them to the manager. (To ensure anonymity, smaller units don’t receive their own results; their results are folded in with those of several other similar units until a department of 20 or 25 people obtains the overall group’s results.)

Phase 2 is a feedback session between the manager and his or her work group. The goal here is to identify specific concerns or problems, examine specific causes for these problems, and devise action plans to correct them. FedEx trains its managers to ask probing questions. For example, suppose a low-scoring survey item was, “I feel able to tell my manager what I think.” Managers ask their groups questions such as, “What do I do that makes you feel I’m not interested?”
The feedback meeting should lead to a third, “action plan” phase. The action plan itself is a list of actions the manager will take to address employees’ concerns and boost results. Managers use an action-planning worksheet with four columns:

1. What is the concern?
2. What is your analysis?
3. What is the cause?
4. What should be done?

**RESEARCH INSIGHT** How effective is upward feedback in improving supervisors’ behavior? Very, to judge from the evidence. One study involved 92 managers who were rated by one or more subordinates in each of four administrations of an upward feedback survey over two years. The subordinates rated themselves and their managers on 33 behavioral statements. The feedback managers received included results from previous administrations of the survey, so they could track their performance over time.

The results were impressive. According to the researchers, “managers whose initial level of performance (defined as the average rating from subordinates) was ‘low’ improved between administrations one and two, and sustained this improvement two years later.” Interestingly, the results also suggest that it’s not necessarily the specific feedback that caused the performance improvement (since low-performing managers seemed to improve over time even if they didn’t receive any feedback). Instead, learning what the critical supervisory behaviors were (as a result of themselves filling out the appraisal surveys), plus knowing their subordinates would be appraising them, may have been enough to cause the improved behavior.

**360-Degree Feedback** Many firms have expanded the idea of upward feedback into “360-degree feedback.” Ratings are collected “all around” an employee, from supervisors, subordinates, peers, and internal or external customers. According to one study, 29% of the responding employers already use 360-degree feedback (also called “multi-source assessment”), and another 11% had plans to implement it. The feedback is generally used for development, rather than for pay increases.

Most 360-degree feedback systems contain several common features. Appropriate parties—peers, supervisors, subordinates, and customers, for instance—complete surveys on an individual. The surveys take many forms but often include supervisory skill items such as “returns phone calls promptly,” “listens well,” or “[my manager] keeps me informed.” Computerized systems then compile all this feedback into individualized reports that HR presents to the ratees. The ratees are often the only ones who get these completed reports. They then meet with their own supervisors and sometimes with their subordinates and share the information they feel is pertinent for the purpose of developing a self-improvement plan.

**HR.NET**

With multiple employees to appraise and multiple raters for each employee, 360-degree assessments can be paperwork nightmares. One chemical company president received a book-length 360-degree review, in which reviewers numerically rated the president on 96 categories. Several net-based programs are now available. For example, Visual 360 from MindSolve Technologies of Gainsville, Florida (see Webnote), lets the rater log in, open a screen with a rating scale, and then rate the person along a series of competencies with ratings such as “top five percent.”
Another way to avoid 360-degree paperwork problems is to put the whole process on the Net. For example, the Internet-based system used at Farmington, Connecticut based Otis Elevator Company allows peers, customers, teammates, supervisors, direct subordinates, and suppliers to appraise managers. All information is encrypted; passwords ensure that only authorized persons access the actual evaluations.

Otis’s worldwide engineering group implemented this system for several reasons. Earlier (non-Internet and non-360) systems consumed too much time and required too much paperwork. Employees viewed evaluations as an unavoidable hassle and, worse, most felt they weren’t helpful for either the employees or the company. The parent firm had also just implemented a new competency-based approach to evaluating project teams, so for the first time the firm wanted its engineering managers’ leadership skills evaluated.

After reviewing several 360-degree feedback tools, the division decided to go with a system designed by the firm’s consultants. The Internet-based system gives managers feedback on team leadership skills, and particularly on behaviors required to manage project teams. A total of 75 items measure desirable behaviors such as “employee uses humor to diffuse tension and create harmony,” and undesirable ones like “employee tends to blame people when performance is poor.” Appraisers choose those that apply.

The system is now working effectively, but there were several people-related start-up glitches. Appraisers were less computer savvy than they thought they were; they forgot passwords; questions were raised about confidentiality; and some had problems giving, receiving, and reacting to feedback. However, the bottom line seems to be that “an Internet-based 360-degree feedback system can produce the information needed for coaching and individual developmental plans much faster than the typical paper and pencil evaluation.”

Some doubt 360-degree’s practicality. Employees usually do these reviews anonymously, so those with an ax to grind can misuse the system. A Dilbert cartoon strip, announcing that evaluations by co-workers will help decide raises, has one character asking, “If my co-workers got small raises, won’t there be more available in the budget for me?”

Today the procedure’s use is diminishing. After much initial fanfare, some firms, like GE, backed off from this approach. Some found the paperwork overwhelming; others found that some employees colluded with peers to give each other high ratings. But others still argue that progressive executives welcome 360-degree feedback, since “by laying themselves open to praise and criticism from all directions and inviting others to do the same, they guide their organizations to new capacities for continuous improvement.”

THE APPRAISAL INTERVIEW

An appraisal typically culminates in an appraisal interview. Here, supervisor and subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths. Interviews like these are potentially uncomfortable, since few people like to receive—or give—negative feedback. Adequate preparation and effective implementation are therefore essential.
Types of Interviews

There are three basic types of appraisal interviews, each with its own objectives:

<table>
<thead>
<tr>
<th>Appraisal Interview Type</th>
<th>Appraisal Interview Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Performance is satisfactory—Employee is promotable</td>
<td>1. Make development plans</td>
</tr>
<tr>
<td>3. Unsatisfactory—Correctable</td>
<td>3. Plan correction</td>
</tr>
</tbody>
</table>

If the employee is unsatisfactory and the situation is uncorrectable, you can usually skip the interview. You either tolerate the person’s poor performance for now, or dismiss the person.

*Satisfactory—Promotable* is the easiest of the three appraisal interviews: The person’s performance is satisfactory and there is a promotion ahead. Your objective is to discuss the person’s career plans and to develop a specific action plan for the educational and professional development the person needs to move to the next job.

*Satisfactory—Not promotable* is for employees whose performance is satisfactory but for whom promotion is not possible. Perhaps there is no more room in the company. Some employees are also happy where they are and don’t want a promotion. Your objective here is to maintain satisfactory performance. This is not easy. The best option is usually to find incentives that are important to the person and enough to maintain satisfactory performance. These might include extra time off, a small bonus, additional authority to handle a slightly enlarged job, and reinforcement, perhaps in the form of an occasional “well done!”

When the person’s performance is unsatisfactory but correctable, the interview objective is to lay out an action plan (as explained below) for correcting the unsatisfactory performance.

How to Conduct the Appraisal Interview

First, prepare for the interview. Assemble the data. Study the person’s job description, compare performance to the standards, and review the employee’s previous appraisals. Next, prepare the employee. Give the employee at least a week’s notice to review his or her work, read over the job description, analyze problems, and gather questions and comments. Finally, choose the time and place.

Find a mutually agreeable time for the interview and allow enough time for the entire interview. Interviews with lower-level personnel like clerical workers and maintenance staff should take no more than an hour. Appraising management employees often takes two or three hours. Be sure the interview is done in a private place where you won’t be interrupted by phone calls or visitors.

There are four things to keep in mind in actually conducting the interview:

1. **Be direct and specific.** Talk in terms of objective work data. Use examples such as absences, tardiness, quality records, inspection reports, scrap or waste, orders processed, productivity records, material used or consumed, timeliness of tasks or projects, control or reduction of costs, numbers of errors, costs compared to budgets, customers’ comments, product returns, order processing time, inventory level and accuracy, accident reports, and so on.

2. **Don’t get personal.** Don’t say, “You’re too slow in producing those reports.” Instead, try to compare the person’s performance to a standard (“These reports should normally be done within 10 days”). Similarly, don’t compare the person’s performance to that of other people (“He’s quicker than you are”).

3. **Encourage the person to talk.** Stop and listen to what the person is saying; ask open-ended questions such as, “What do you think we can do to improve the situation?” Use a command such as “Go on,” or “Tell me more.” Restate the person’s last point as a question, such as, “You don’t think you can get the job done?”
4. Don’t tiptoe around. Don’t get personal, but do make sure the person leaves knowing specifically what he or she is doing right and doing wrong. Give specific examples; make sure the person understands; and get agreement before he or she leaves on how things will be improved, and by when. Develop an action plan showing steps and expected results, as in Figure 9-7.90

How to Handle a Defensive Subordinate  Defenses are an important and familiar aspect of our lives. When a supervisor tells someone his or her performance is poor, the first reaction is often denial. By denying the fault, the person avoids having to question his or her own competence. Others react to criticism with anger and aggression. This helps them let off steam and postpones confronting the immediate problem until they are able to cope with it. Still others react to criticism by retreating into a shell.

In any event, understanding and dealing with defensiveness is an important appraisal skill. In his book Effective Psychology for Managers, psychologist Mortimer Feinberg suggests the following:

1. Recognize that defensive behavior is normal.
2. Never attack a person’s defenses. Don’t try to “explain someone to themselves” by saying things like, “You know the real reason you’re using that excuse is that you can’t bear to be blamed for anything.” Instead, try to concentrate on the act itself (“sales are down”) rather than on the person (“you’re not selling enough”).
3. Postpone action. Sometimes it is best to do nothing at all. People frequently react to sudden threats by instinctively hiding behind their “masks.” But given sufficient time, a more rational reaction takes over.
4. Recognize your own limitations. Don’t expect to be able to solve every problem that comes up, especially the human ones. More important, remember that a supervisor should not try to be a psychologist. Offering your people understanding is one thing; trying to deal with deep psychological problems is another matter entirely.

How to Criticize a Subordinate  When criticism is required, do it in a manner that lets the person maintain his or her dignity and sense of worth. Criticize in private, and do it constructively. Provide examples of critical incidents and specific suggestions of what could be done and why. Avoid once-a-year “critical broadsides” by giving

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**ACTION PLAN**

Date: May 18, 2002

**For:** John, Assistant Plant Manager  
**Problem:** Parts inventory too high  
**Objective:** Reduce plant parts inventory by 10% in June

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>When</th>
<th>Expected Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determine average monthly parts inventory</td>
<td>6/2</td>
<td>Establish a base from which to measure progress</td>
</tr>
<tr>
<td>Review ordering quantities and parts usage</td>
<td>6/15</td>
<td>Identify overstock items</td>
</tr>
<tr>
<td>Ship excess parts to regional warehouse and scrap obsolete parts</td>
<td>6/20</td>
<td>Clear stock space</td>
</tr>
<tr>
<td>Set new ordering quantities for all parts</td>
<td>6/25</td>
<td>Avoid future overstocking</td>
</tr>
<tr>
<td>Check records to measure where we are now</td>
<td>7/1</td>
<td>See how close we are to objective</td>
</tr>
</tbody>
</table>

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**FIGURE 9-7**  
Example of an Action Plan
feedback on a daily basis, so that at the formal review there are no surprises. Never say the person is “always” wrong (since no one is ever “always” wrong or right). Finally, criticism should be objective and free of any personal biases on your part.

**How to Ensure the Interview Leads to Improved Performance** You should clear up job-related problems and set improvement goals and a schedule for achieving them. In one study, the researchers found that whether or not subordinates expressed satisfaction with their appraisal interview depended mostly on three factors: (1) not feeling threatened during the interview; (2) having an opportunity to present their ideas and feelings and to influence the course of the interview; and (3) having a helpful and constructive supervisor conduct the interview.91

However, you don’t just want subordinates to be satisfied with their appraisal interviews. Your main aim is to get them to improve their subsequent performance. Here, researchers found that clearing up job-related problems with the employee and setting measurable performance targets and a schedule for achieving them—an action plan—were the actions that consistently led to improved performance.

**How to Handle a Formal Written Warning** There will be times when an employee’s performance is so poor that a formal written warning is required. Such written warnings serve two purposes: (1) They may serve to shake your employee out of his or her bad habits, and (2) they can help you defend your rating, both to your own boss and (if needed) to the courts. Written warnings should identify the standards by which the employee is judged, make it clear that the employee was aware of the standard, specify any violation of the standard, and show the employee had an opportunity to correct the behavior.

**Current Practice**

A study sheds light on current practice in regard to how companies appraise employees.92 The sample consisted of 250 managers in the midwestern United States, all of whom were members of the Society for Human Resource Management. About 89% reported that performance appraisal was required of all their employees. Many reported using more than one appraisal format. About 32% said they used MBO, 24% used the graphic rating scale, 10% used “other,” and, interestingly, about 34% used a narrative essay format; here raters take an open-ended approach to describing their employees’ behaviors. None of those responding used behaviorally anchored rating scales. Eighty percent conduct annual evaluations; most of the rest do semiannual appraisals, and 92% require a review and feedback session as part of the appraisal process.

**STRATEGIC HR**

Ford CEO Jacques Nasser wanted Ford to be one of the world’s top companies, and he knew that to do this, Ford needed a new way to evaluate its 18,000 managers. He wanted the new appraisal process to send the message that performance was paramount, and that those who didn’t perform had no place at the new world-class Ford.

He modeled the new management appraisal process on one long used by firms like IBM and GE. Under the program, managers receive grades of A, B, or C. Nasser reportedly initially wanted 10% of managers to be graded C, but quickly reduced that to 5%. Executives rated C risked losing their bonuses or raises. And C grades two years in a row means that Ford may demote or fire the executive.

The new appraisal process immediately kicked up a storm. Executives claimed it was unfair, and several filed lawsuits. Some claimed Ford was trying to target middle-aged male executives as a way of clearing them out. Ford’s initial response to the suits was that “the program is going
to continue,” but that “there is always review going on of all of our processes.” One outside expert pointed out that there is always initial resistance to change, and that what Nasser was trying to do “... is a no-brainer. No company can be world-class without world-class people.”

That may be true, but Ford soon discontinued the program. Some say that what works at a firm like GE may not work at one where one family controls 40% of the votes: They may not like how the program reflects on the family. At the same time, Nick Scheele, chairman of Ford of Europe, was brought in to help Nasser run the firm and execute its strategy. Nasser left the firm within a year.

THE ROLE OF APPRAISALS IN MANAGING PERFORMANCE

Do Appraisals Really Help to Improve Performance?

Many experts feel that traditional appraisals don’t improve performance and may actually backfire. They argue that most performance appraisal systems neither motivate employees nor guide their development. Furthermore, “they cause conflict between supervisors and subordinates and lead to dysfunctional behaviors.” The traits measured are often personal in nature, and “Who likes the idea of being evaluated on his or her: honesty, integrity, teamwork, compassion, cooperation [objectivity]...?”

In fact, traditional appraisals can be useless or counterproductive. Researchers in Korea recently found that, even when employees were allowed to participate in the review discussion and goals were clearly set and career issues discussed, few of the reviews had a positive impact on the employee’s subsequent job performance. In a study of almost 300 managers from midwestern U.S. companies, 32% rated their performance appraisals as “very ineffective,” while only 4% rated them “effective to a large extent.” Another survey of 181 manufacturing and service organizations concluded that 11% had stopped using annual appraisals, while 25% more planned to discontinue them within two years.

Some argue for dumping appraisals entirely. For example, quality management experts like W. Edwards Deming basically argue as follows: They say the organization is a system of interrelated parts, and that an employee’s performance is more a function of factors like training, communication, tools, and supervision than of his or her own motivation. Furthermore, performance appraisals can have unanticipated consequences. (For example, employees might make themselves look better in terms of customer service by continually badgering customers to send in letters of support.) Forced distribution appraisal in particular can undermine teamwork. These experts were therefore very skeptical about traditional appraisal methods.

Criticisms like these have merit, but managers still need some way to review subordinates’ work-related behavior. And, although Deming reportedly hated performance reviews, “he really didn’t offer any concrete solution to the problem or an alternative, other than to just pay everybody the same salary.” What are the alternatives?

The Performance Management Approach

Today, there are two philosophies regarding how to appraise employee performance. One is the “get tough” approach pursued by firms like IBM, GE, and (initially, at least) Ford under Jacques Nasser. Employers here view appraisal as an integral part of the firm’s performance management efforts: They use the appraisal process as one way to improve the firm’s performance. This approach is typified by Andrarll Pearson, CEO of Tricon Global Restaurants, who “[... recommends sorting your population into four groups, ranging from poor to superior, and then asking for a specific plan for the people in each group. Always focus first on the bottom group; rooting out the
poorest performers will foster a climate of continual improvement. If everyone in
the bottom quartile is replaced, the third quartile becomes the new bottom group
and the focus of subsequent improvement efforts."104

Performance management refers to managing all elements of the organi-
zational process that affect how well employees perform.105 The performance
management process may thus encompass goal setting, worker selection and placement,
performance appraisal, compensation, training and development, and career man-
agement—in other words, all those parts of the HR process that affect how an
employee performs.106 One firm renamed the function responsible for appraisal,
compensation, training, and management development to “Performance Man-
agement and Rewards.” It did so to reflect the firm’s new focus on performance
management. “We were too nice in our desire not to hurt people’s feelings . . . . Our
forced turnover was less than 1.5%, and we had too few occurrences of people get-
ing an MP—a marginal performer rating. We were terrific at managing mediocrity.
We needed to learn how to manage and reward excellence.”107

Performance management thinking should produce an integrated performance-
management-oriented system. With this system, management designs all the firm’s
HR functions—from job design to recruiting, selecting, training, compensating, and
then appraising employees—with the specific aim of improving employee perfor-
mance relative to the company’s overall goals. Performance management starts, in
sense, at the end and works back to the beginning: Top management says, “What
is our strategy and what are our performance goals?” and then, “What does this
mean for how we recruit and select and compensate employees, and for the stan-
dards and tools and processes we use to appraise them?” Performance management
can be especially valuable when the employees are far away, since the company’s
goals can serve as the glue that keeps far-flung units working in unison.

Qualcomm uses the performance management approach with its 400 employees outside
the United States. The vice president of international administration and a staff corporate
HR person communicate Qualcomm’s overall performance goals to the units abroad. The
local HR unit ensures that the employee’s personal performance standards reflect those of
the particular region, which in turn reflect Qualcomm’s overall corporate goals. Each
Qualcomm employee then has an annual performance review with his or her manager. In this
way, little is left to chance: Activities like recruiting, training, and appraising aren’t performed
in an informal or unfocused way. Instead, local managers design and assess each activity
based on the extent to which it contributes to the goals the company is trying to achieve.108

TQM-Based Appraisals

Some believe performance-management-type forced distribution methods are
inherently unfair. For example, the newly hired HR vice president at Electronic
Data Systems abruptly left when the CEO instituted a quartiling plan despite
employee resistance. These people recommend a more developmental approach
to the appraisal process.

Some advocate a total quality management (TQM) approach, one fash-
oned on the principles of W. E. Deming. TQM is an organizationwide program
that integrates all functions and processes of the business so that design, plan-
ning, production, distribution, and field service are focused on maximizing cus-
tomer satisfaction through continuous improvement.109 The idea here is to get
employees to want to improve operations. Deming, an early proponent, said such

programs are built on 14 principles such as “cease dependence on inspection to achieve quality,” “drive out fear so that everyone may work effectively for the company,” and “eliminate work standards (quotas) on the factory floor.”

Some argue that applying principles like these can foster employee support of quality efforts, by producing more developmental, less adversarial appraisals. The characteristics of such “TQM-oriented appraisals” include:

- An appraisal scale with few performance-level categories that avoids a forced distribution.
- Ways to objectively measure results, avoiding subjective criteria such as teamwork and integrity.
- A way to ascertain whether a performance deficiency is a result of (1) employee motivation, (2) inadequate training, or (3) factors (like poor supervision) that are outside the employee’s control.
- 360-degree feedback from several sources, not just supervisors but internal and possibly external “customers” of the employee as well.
- Adequate samples of work behavior—“regular observations of staff members’ work behaviors and performance.”
- An atmosphere of partnership and constructive advice.
- Basing performance appraisal standards on a thorough analysis of key external and internal customers’ needs and expectations. (For example, if “accurately completing the sales receipt” is important for the accounting department, then appraise the retail sales clerk in part on this dimension.)

Figure 9-8 shows a form for implementing a TQM-oriented performance management appraisal. It consists of a performance contract specifying customer expectations and performance goals, as well as an internal customer feedback form.
Whether the firm pursues a “get tough” GE-type performance management approach or the more congenial TQM-type approach, one thing seems sure: Firms are well advised not to leave their appraisals to chance. “Where in the past the system may have been used merely to tell old Joe how he was doing and justify his annual increase, organizations now see [such] systems as having tremendous power to transform the culture of the Corporation.”

We invite you to visit [www.prenhall.com/dessler](http://www.prenhall.com/dessler) on the Prentice Hall Web site for our online study guide, Internet exercises, current events, links to related Web sites, and more.
1. People want and need feedback regarding how they are doing, and appraisal provides an opportunity to give them that feedback.

2. Before the appraisal, make sure to clarify the performance you expect so that the employee knows what he or she should be shooting for. Ask, “What do I really expect this person to do?”

3. Performance appraisal tools include the graphic rating scale, alternation ranking method, forced distribution method, BARS, MBO, critical incident method, and computer and Web-based methods.

4. Appraisal problems to beware of include unclear standards, halo effect, central tendency, leniency or strictness problems, and bias.

5. Most subordinates probably want a specific explanation or examples regarding why they were appraised high or low, and for this, compiling a record of positive and negative critical incidents can be useful. Even if your firm requires that you summarize the appraisal in a form like a graphic rating scale, a list of critical incidents can be useful when the time comes to discuss the appraisal with your subordinate.

6. The subordinate should view the appraisal as a fair one, and in this regard there are four things to do: Evaluate performance frequently; make sure you are familiar with the person’s performance; make sure there is an agreement between you and your subordinate concerning job duties; and finally, solicit the person’s help when you formulate plans for eliminating performance weaknesses.

7. There are three types of appraisal interviews: unsatisfactory but correctable performance; satisfactory but not promotable; and satisfactory—promotable.

8. To bring about constructive change in a subordinate’s behavior, get the person to talk in the interview. Use open-ended questions, state questions in terms of a problem, use a command question, use questions to try to understand the feelings underlying what the person is saying, and restate the person’s last point as a question. On the other hand, don’t do all the talking, don’t use restrictive questions, don’t be judgmental, don’t give free advice, and don’t get involved with name calling, ridicule, or sarcasm.

9. Appraisals should ideally serve a role in managing performance by providing a concrete and nonthreatening basis for an analysis of an employee’s work-related performance. Creating more effective appraisals is one way to accomplish this.

Once employees have been hired and trained and on the job for some time, you have to appraise their performance. Firms use various methods to accomplish this, ranging from graphic rating scales to ranking methods, to behaviorally anchored rating scales and computer-based methods. However, in some respects, the important thing about appraisal is not so much the method, but the philosophy that underlies the process. Some take a more congenial approach, and emphasize avoiding the sort of “Darwinism” that ranking and forced distribution systems reflect. Others emphasize appraisal’s central role in managing employee performance, and the need to do so in order to make the firm truly world-class. Whichever approach you use, the appraisal should contribute in a meaningful way to helping the employee plan his or her career, a topic we turn to in the following chapter.

1. What is the purpose of a performance appraisal?

2. Discuss the pros and cons of at least four performance appraisal tools.

3. Explain how you would use the alternation ranking method, the paired comparison method, and the forced distribution method.

4. Explain in your own words how you would go about developing a behaviorally anchored rating scale.

5. Explain the problems to be avoided in appraising performance.

6. Discuss the pros and cons of using different potential raters to appraise a person’s performance.
7. Explain the four types of appraisal interview objectives and how they affect the way you manage the interview.
8. Answer the question, “How would you get the interviewee to talk during an appraisal interview?”

1. Working individually or in groups, develop a graphic rating scale for the following jobs: secretary, engineer, directory assistance operator.
2. Working individually or in groups, describe the advantages and disadvantages of using the forced distribution appraisal method for college professors.
3. Working individually or in groups, develop, over the period of a week, a set of critical incidents covering the classroom performance of one of your instructors.

**EXPERIENTIAL EXERCISE**

**Purpose:** The purpose of this exercise is to give you practice in developing and using a performance appraisal form.

**Required Understanding:** You are going to develop a performance appraisal form for an instructor and should therefore be thoroughly familiar with the discussion of performance appraisals in this chapter.

**How to Set Up the Exercise/Instructions:** Divide the class into groups of four or five students.

**Instructions**

1. First, based on what you now know about performance appraisal, do you think Figure 9-1 (see page 242) is an effective scale for appraising instructors? Why? Why not?

2. Next, your group should develop its own tool for appraising the performance of an instructor. Decide which of the appraisal tools (graphic rating scales, alternation ranking, and so on) you are going to use, and then design the instrument itself.

3. Next, have a spokesperson from each group put his or her group’s appraisal tool on the board. How similar are the tools? Do they all measure about the same factors? Which factor appears most often? Which do you think is the most effective tool on the board?

4. The class should select the top 10 factors from all of the appraisal tools presented to create what the class perceives to be the most effective tool for appraising the performance of the instructor.

**APPLICATION CASE Appraising the Secretaries at Sweetwater U**

Rob Winchester, newly appointed vice president for administrative affairs at Sweetwater State University, faced a tough problem shortly after his university career began. Three weeks after he came on board in September, Sweetwater’s president, Rob’s boss, told Rob that one of his first tasks was to improve the appraisal system used to evaluate secretarial and clerical performance at Sweetwater U. Apparently, the main difficulty was that the performance appraisal was traditionally tied directly to salary increases given at the end of the year. So most administrators were less than accurate when they used the graphic rating forms that were the basis of the clerical staff evaluation. In fact, what usually happened was that each administrator simply rated his or her clerk or secretary as “excellent.” This cleared the way for all support staff to receive a maximum pay increase every year.

But the current university budget simply did not include enough money to fund another “maximum” annual increase for every staffer. Furthermore, Sweetwater’s president felt that the custom of providing invalid feedback to each secretary on his or her year’s performance was not productive, so he had asked the new vice president to revise the system. In October, Rob sent a memo to all administrators telling them that in the future no more than half the secretaries reporting to any particular administrator could be appraised as “excellent.” This move, in effect, forced each supervisor to begin ranking his or her secretaries for quality of performance. The vice president’s memo met widespread resistance immediately—from administrators, who were afraid that many of their secretaries would begin leaving for more lucrative jobs in private industry, and from secretaries, who felt that the new system was unfair and reduced each secretary’s chance of receiving a maximum salary increase. A handful of secretaries had begun quietly picketing outside the president’s home on the university campus. The picketing, caustic
Web designer is designing, if the Web surfer is surfing, and if the salespeople are selling, if the particular LearnInMotion employee is doing his or her job. It’s obvious, for instance, if the salespeople are selling, if the part performance appraisals. Mel says it’s quite clear whether any particular salesperson is performing well or not.

Jennifer and Mel disagree over the importance of having performance appraisals. Mel says it’s quite clear whether any particular LearnInMotion employee is performing well or not. But Jennifer argues that performance appraisals are too subjective and can lead to unfair evaluations.

CONTINUING CASE: LearnInMotion.com The Performance Appraisal

Jennifer and Mel disagree over the importance of having performance appraisals. Mel says it’s quite clear whether any particular LearnInMotion employee is doing his or her job. It’s obvious, for instance, if the salespeople are selling, if the Web designer is designing, if the Web surfer is surfing, and if the content management people are managing to get the customers’ content up on the Web site in a timely fashion. Mel’s position, like that of many small-business managers, is that “we have 1,000 higher-priority things to attend to” such as boosting sales and creating the calendar. And in any case, it’s clear to Mel that the salespeople are doing a good job.

Rob thanked the two experts and went back to his office to ponder their recommendations. Some of the recommendations (such as substituting the new rating form for the old) seemed to make sense. Nevertheless, he still had serious doubts as to the efficacy of any graphic rating form, particularly if he were to decide in favor of his original forced ranking approach. The experts’ second recommendation—to stop tying the appraisals to automatic salary increases—made sense but raised at least one very practical problem: If salary increases were not to be based on performance appraisals, on what were they to be based? He began wondering whether the experts’ recommendations weren’t simply based on ivory tower theorizing.

Questions

1. Do you think that the experts’ recommendations will be sufficient to get most of the administrators to fill out the rating forms properly? Why? Why not? What additional actions (if any) do you think will be necessary?

2. Do you think that Vice President Winchester would be better off dropping graphic rating forms, substituting instead one of the other techniques we discussed in this chapter, such as a ranking method? Why?

3. What performance appraisal system would you develop for the secretaries if you were Rob Winchester? Defend your answer.
case, he says, the employees already get plenty of day-to-day feedback from him or Jennifer regarding what they’re doing right and what they’re doing wrong.

This informal feedback notwithstanding, Jennifer believes that a more formal appraisal approach is required. For one thing, they’re approaching the end of the 90-day “introduc-tory” period for many of these employees, and the owners need to make decisions about whether they should go or stay. And from a practical point of view, Jennifer just believes that sitting down and providing formal, written feedback is more likely to reinforce what employees are doing right, and to get them to modify what they may be doing wrong. “Maybe this is one reason we’re not getting enough sales,” she says. They’ve been debating this for about an hour. Now, they want you, their management consultants, to advise them on what to do. Here’s what they want you to do for them.

Questions and Assignments

1. Is Jennifer right about the need to evaluate the workers formally? Why or why not? If you think she’s right, how do you explain away Mel’s arguments?

2. Develop a performance appraisal method for the salespeople, or Web designer, or Web surfer. Please make sure to include any form you want the owners to use.