

Learning Module B

Performance Appraisal

Performance appraisal, when done properly and fairly, is supposed to be an energizing growth experience for everyone involved. Unfortunately, the area of employee performance appraisal tends to be short on results and long on controversy these days. For instance, consider this scathing assessment in *The Wall Street Journal*:

... a one-side-accountable, boss-administered review is little more than a dysfunctional pretense. It's a negative to corporate performance, an obstacle to straight-talk relationships, and a prime cause of low morale at work. Even the mere *knowledge* that such an event will take place damages daily communications and teamwork.¹

In fact, 75% of the managers responding to one survey expressed significant dissatisfaction with their company's performance appraisal system.² A 2007 survey of 2,200 employees uncovered this equally disturbing news: "more than 60 percent of workers say reviews don't do anything to help their future performance."³ Clearly, great improvement is needed when it comes to performance appraisal.

The purpose of this module is to explore the foundation concepts of fair and effective performance appraisals. Complete books are devoted to performance appraisal theory, research, and practice.⁴ Our more restricted goal in this module is to give you a basic set of tools for understanding and evaluating the diverse array of appraisal techniques you will encounter in the years ahead. Those techniques, some of which do not even exist today, no doubt will range from excellent to bizarre.

Definition and Components

In everyday life, it is hard to escape being on the receiving end of some sort of performance appraisal. There are report cards all through school, win-loss records in organized sports, and periodic meetings with one's boss. For managers, who are in the position of both giving and receiving them, performance appraisals are an especially important consideration. As used here, **performance appraisal** involves the judgmental evaluation of a jobholder's traits, behavior, or accomplishments as a basis for making important personnel decisions and development plans. A survey of 106 industrial psychologists identified the top 10 uses for performance appraisal data. In diminishing order of importance, they are used for

1. Salary administration.
2. Performance feedback.
3. Identifying individual strengths and weaknesses.
4. Documenting personnel decisions.
5. Recognition of individual performance.
6. Identifying poor performance.
7. Assisting in goal identification.
8. Promotion decisions.

Performance appraisal

Judgmental evaluation of one's traits, behavior, or accomplishments as a basis for personnel decisions and development plans.

9. Retention or termination of personnel.
10. Evaluating goal achievement.

Also, performance appraisal information was typically used for *multiple* purposes rather than for a single purpose.⁵ Economic efficiency, the principle of fairness, and applicable laws dictate that these decisions be made on the basis of valid and reliable evidence, rather than as the result of prejudice, favoritism, or guesswork.

Components of the Performance Appraisal Process

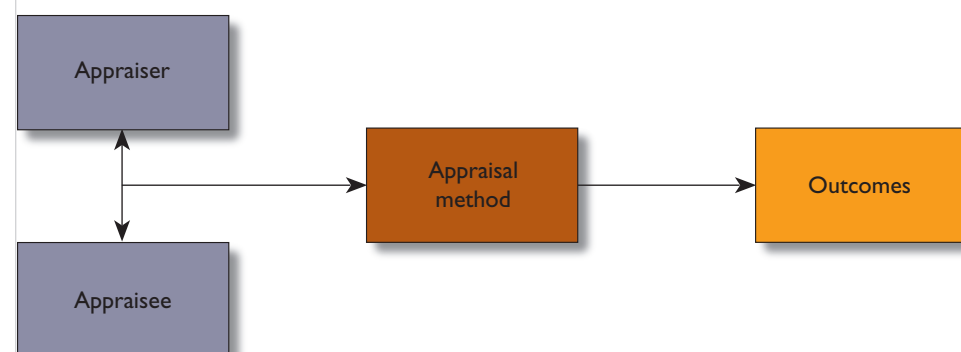
Although formal performance appraisals are practically universal in the managerial ranks, few express satisfaction with them, as mentioned above. Appraisers and appraisees alike are unhappy with the process. Much of the problem stems from the complexity of the appraisal process. One writer has captured this issue with the following example:

If you wonder why evaluating an employee's performance can be so difficult, consider a simpler appraisal: one made by the barroom fan who concludes that his team's quarterback is a bum because several of his passes have been intercepted. An objective appraisal would raise the following questions: Were the passes really that bad, or did the receivers run the wrong patterns? Did the offensive line give the quarterback adequate protection? Did he call those plays himself, or were they sent in by the coach? Was the quarterback recovering from an injury?

And what about the fan? Has he ever played football himself? How good is his vision? Did he have a good view of the TV set through the barroom's smoky haze? Was he talking to his friends at the bar during the game? How many beers did he down during the game?⁶

Further complicating things are Equal Employment Opportunity laws and guidelines that constrain managers' actions during the appraisal process.⁷ Let us begin to sort out the complex appraisal process by examining its key components. Four key components, as shown in Figure B-1, are the appraiser, the appraisee, the appraisal method, and the outcomes.

Figure B-1 *Components of the Performance Appraisal Process*



The Appraiser

Managers generally express discomfort with playing the role of performance appraiser. Human resource (HR) experts tell us why:

Busy managers have little incentive to devote precious time and energy to a process they consider difficult and filled with paperwork, says David Dell, research director of The Conference Board, a business research organization in New York.

“A lot of people find that the methodology itself is cumbersome,” Dell says. The Conference Board surveyed HR directors and executives and found that 90% of respondents felt that their performance measures and management approaches needed reform. And if HR and executives—who do fewer reviews than many managers—don’t like their performance systems, they can’t convey a positive message about performance appraisal to the managers.

Managers also may feel that they lack control over the process because higher-ups dictate the results the system should give, says Lynda Ford, SPHR, president of The Ford Group, an HR consulting firm in Lee Center, NY. When that happens, managers get jaded.⁸

Charges of racism, sexism, and perceptual distortion also have been leveled at appraisers. In a survey of 267 corporations, 62% of the respondents reported that leniency was their number one appraisal problem.⁹ Everyday experience and research evidence show how stereotyping and bias can contaminate the appraisal process. For example, combined evidence from a laboratory study and a field study documented how women professors tended to get lower ratings from students with traditional stereotypes of women.¹⁰ Another study monitored the fates of 173 unionized employees who had filed grievances against their supervisors over an eight-year period. Those who had filed grievances tended to receive lower performance ratings from their supervisors than did their coworkers who had not filed grievances. This was especially true when the grievances had been settled in favor of the employee.¹¹ Thus, in this study at least, supervisors were shown to use performance appraisals as a weapon to get even with disliked subordinates. The ethical implications of this practice are obvious. Moreover, because performance appraisers engage in social perception (see Chapter 7), problems can occur in comprehending, encoding, retaining, or retrieving performance-related information.¹²

Finally, managers typically lack the necessary performance appraisal skills. In fact, according to one study, only 25% of the managers doing performance appraisals had actually been trained for the task. The researchers added: “When there is training it often goes little further than to explain how to use the form, administrative procedures, and deadlines for submitting and getting the forms approved.”¹³ Experts on the subject have specified four criteria for a willing and able performance appraiser:

The person doing the assessment must: (1) be in a position to observe the behavior and performance of the individual of interest; (2) be knowledgeable about the dimensions or features of performance; (3) have an understanding of the scale format and the instrument itself; and (4) must be motivated to do a conscientious job of rating.¹⁴

Managers need to ensure that all four criteria are satisfied if performance appraisals are to be conducted properly.

The Appraisee

Employees play a characteristically passive listening and watching role when their own performance is being appraised. This experience can be demeaning and often threatening. According to a pair of human resource consultants,

Whatever method is used, performance appraisals are always manager-driven. Managers are in charge of the schedule, the agenda, and the results, and managers are the

Table B-1 *Proactive Appraisee Roles during Performance Appraisal*

ROLE	DESCRIPTION
Analyzer	Performs self-assessment of goal achievement. Identifies performance strengths and weaknesses. Makes suggestions for performance improvement. Takes personal responsibility for solving performance problems.
Influencer	Improves communication skills (e.g., negotiations, advocating, providing information, advising, soliciting feedback, listening). Questions old assumptions and organizational roadblocks. Strives for collaborative relationship with boss.
Planner	Develops a clear vision of why his or her job exists. Identifies quality-of-service goals relative to “customers” or “clients.” Understands what his or her job contributes (or does not contribute) to the organization.
Protégé	Learns from high-performing role models without compromising personal uniqueness. Learns through personal initiative rather than by waiting for instructions from others.

SOURCE: Adapted from B Jacobson and B L Kaye, “Career Development and Performance Appraisal: It Takes Two to Tango,” *Personnel*, January 1986, pp 26–32.

ones that receive any training and/or rewards concerning performance appraisals. Subordinates generally are given no responsibility or particular preparation for their roles in the process beyond attending the appraisal meetings.¹⁵

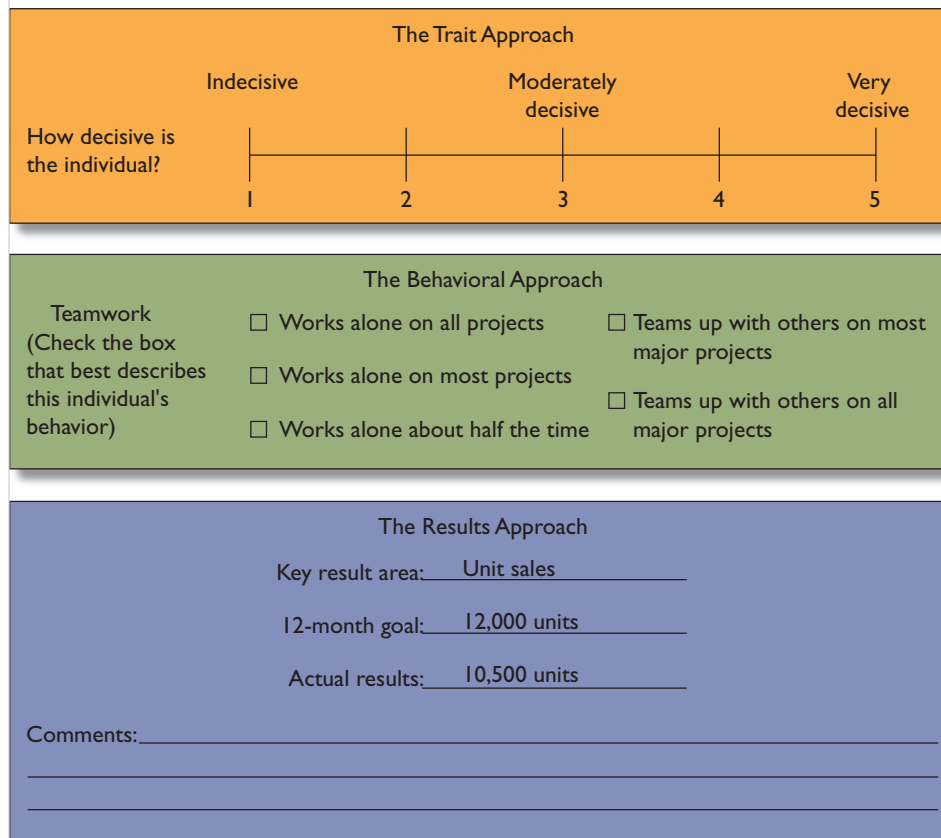
Consequently, these consultants recommend four *proactive* roles (see Table B-1) for appraisees. They suggest formal *appraisee* training so analyzer, influencer, planner, and protégé roles can be performed skillfully. This represents a marked departure from the usual practice of training appraisers only. The goal of this promising approach is to marry performance appraisal and career development through enhanced communication and greater personal commitment.¹⁶

The Appraisal Method

Three distinct approaches to appraising job performance have emerged over the years—the trait approach, the behavioral approach, and the results approach. Figure B-2 displays examples of these three approaches. Controversy surrounds the question of which of these three approaches (and a suggested contingency approach) is best.

- *Trait approach.* This approach involves rating an individual’s personal traits or characteristics. Commonly assessed traits are initiative, decisiveness, and dependability. Although the trait approach is widely used by managers, it is generally considered by experts to be the weakest. Trait ratings are

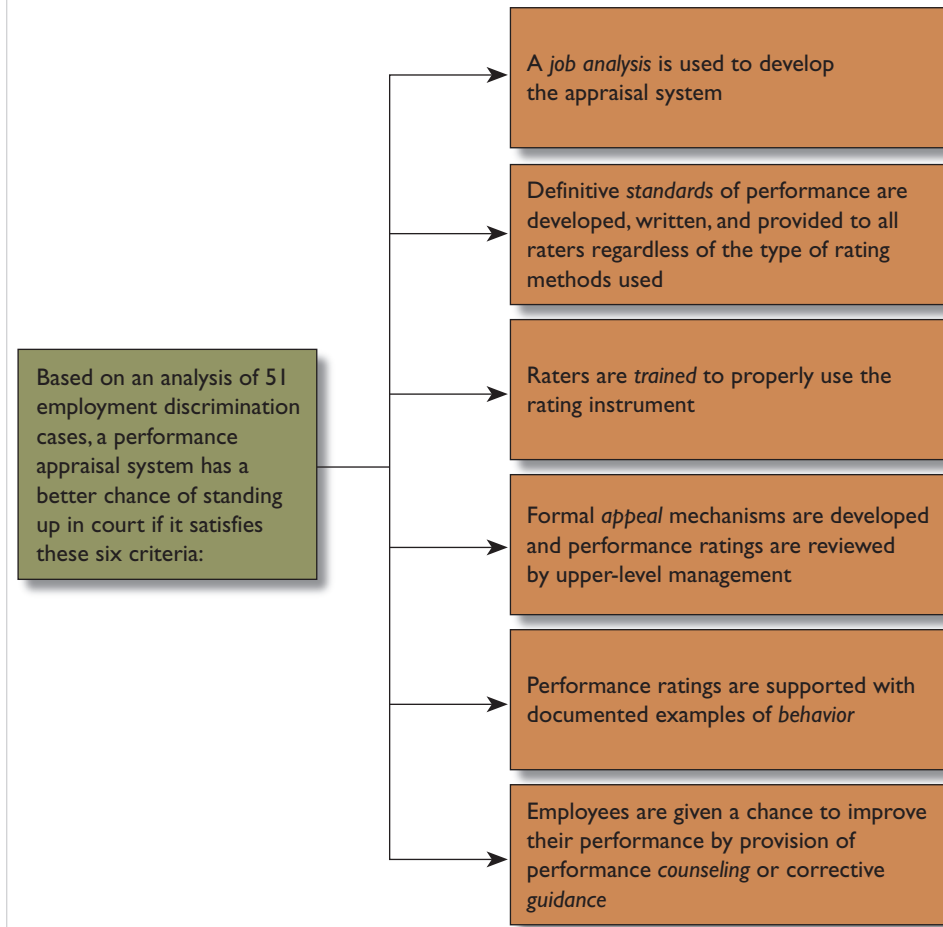
Figure B-2 *Three Basic Approaches to Appraising Job Performance*



deficient because they are ambiguous relative to actual performance. For instance, rating someone low on initiative tells him or her nothing about how to improve job performance. Also, employees tend to react defensively to feedback about their personality (who or what they are).¹⁷

- **Behavioral approach.** How the person actually behaves, rather than his or her personality, matters in the behavioral approach.¹⁸ As indicated in Figure B-3, the legal defensibility (in the United States) of performance appraisals is enhanced when performance ratings are supported with behavioral examples of performance.¹⁹
- **Results approach.** Whereas the trait approach focuses on the “person” and the behavioral approach focuses on the “process,” the results approach focuses on the “product” of one’s efforts. In other words, what has the individual accomplished? *Management by objectives* (MBO) is the most common format for the results approach.²⁰
- **Contingency approach.** A pair of performance appraisal experts has called the trait-behavioral-results controversy a “pseudo issue.”²¹ They contend that each approach has its appropriate use, depending on the demands

Figure B-3 *Six Criteria of Legally Defensible Performance Appraisal Systems*



SOURCE: Adapted from GV Barret and M C Kernan, "Performance Appraisal and Terminations: A Review of Court Decisions since *Brito v. Zia* with Implications for Personnel Practice," *Personnel Psychology*, Autumn 1987, pp 489-503.

of the situation. Thus, they recommend a contingency approach (see Table B-2). Note how the poorly regarded trait approach is appropriate when a promotion decision needs to be made for candidates with dissimilar jobs. Although it has widespread applicability, the results approach is limited by its failure to specify why the appraisee's objectives have not been met. Overall, the behavioral approach emerges as the strongest. But it too is subject to situational limitations, such as when employees with dissimilar jobs are being evaluated for a promotion.²²

Outcomes of the Appraisal

According to a researcher from the Center for Creative Leadership, there are three indicators of a useful performance appraisal:

- Timely feedback on performance.²³

Table B-2 *A Contingency Approach to Performance Appraisals*

FUNCTION OF APPRAISAL	APPRAISAL METHOD	COMMENTS
Promotion decisions	Trait	Appropriate when competing appraisees have <i>dissimilar</i> jobs.
	Behavioral	Appropriate when competing appraisees have <i>similar</i> jobs.
	Results	Same as above.
Development decisions	Trait	Tends to cause defensiveness among low self-esteem employees.
	Behavioral	Pinpoints specific performance improvement needs.
	Results	Identifies deficient results, but does not tell why.
Pay decisions	Trait	Weak performance–reward linkage.
	Behavioral	Enhances performance–reward linkage.
	Results	Same as above.
Layoff decisions	Trait	Inappropriate, potentially discriminatory.
	Behavioral	Weighted combination of behaviors, results, and seniority is recommended.
	Results	Same as above.

SOURCE: Adapted from K N Wexley and R Klimoski, "Performance Appraisal: An Update," in *Research in Personnel and Human Resources Management*, vol. 2, eds K M Rowland and G R Ferris (Greenwich, CT: JAI Press, 1984), pp 35–79. Used by permission of the author.

- Input for key personnel decisions.
- Individual and organizational planning tool.²⁴

To this list, we would add "human resource development tool." These four appraisal outcomes cannot be left to chance. They need to be forethoughts rather than afterthoughts.

Performance Appraisal Research Insights and Practical Implications

Researchers have probed many facets of the appraisal process. Resulting insights include the following:

- Appraisers typically rate same-race appraisees higher. A meta-analysis of 74 studies and 17,159 individuals revealed that white superiors tended to favor white subordinates. Similarly, African-American superiors tended to favor African-American subordinates in a meta-analysis of 14 studies and 2,248 people.²⁵
- A field study found a higher degree of trust for management when employees approved of the performance appraisal system.²⁶
- In a meta-analysis of 32 field samples, researchers discovered the more employees participated in the design and implementation of the appraisal process, the more satisfied they were.²⁷
- In two studies involving university administrators and state government managers, managers who saw themselves as victims of unfair discrimination during performance appraisal tended to react favorably to a "procedurally just

Table B-3 *The Essential Elements of a Good Performance Appraisal*

Elements to consider include

1. Objectives set by the employee and manager at the last appraisal.
2. List of specific competencies or skills being measured, with examples of successful behaviors.
3. Ratings scale appropriate to the organization.
4. Space for employee's self-appraisal.
5. Space for supervisor's appraisal.
6. Space for specific comments from the supervisor about the employee's performance.
7. Suggestions for employee development.
8. Objectives to meet by the next appraisal date.

SOURCE: C Joinson, "Making Sure Employees Measure Up," *HR Magazine*, March 2001, p 39.

system." The researchers concluded, "Organizations may gain a great deal by providing vivid examples of system unfairness and its results both during training and afterward."²⁸

- Although a great deal of effort has been devoted to creating more precise rating formats, formats account for very little difference (4 to 8%) in ratings.
- Performance appraisers tend to give poor performers significantly higher ratings when they have to give the appraisees face-to-face feedback as opposed to anonymous written feedback or no feedback.
- More experienced appraisers tend to render higher-quality appraisals. This finding suggests that comprehensive appraiser training and practice can reduce rater errors.²⁹

These research insights, along with evidence of rater bias discussed earlier, constitute a bad news–good news situation for management. The *bad* news: Performance appraisals can be contaminated by racism, sexism, personal bias, and fear of conflict. The *good* news: Managers can be sensitized to discrimination and trained to improve their performance appraisal skills. Progress can be made if managers embrace the basic elements of a good performance appraisal listed in Table B-3.³⁰

LEARNING MODULE B Endnotes

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³ A Fox, "Curing What Ails Performance Reviews," *HR Magazine*, January 2009, pp 52–56. Also see K J Sulkowicz, "Analyze This," *BusinessWeek*, March 10, 2008, p 19.

⁴ For example, see W S Swan and L E Wilson, *Ready-To-Use Performance Appraisals: Downloadable, Customizable Tools for Better, Faster Reviews* (Hoboken, NJ: Wiley, 2006); and D Robb, "Appraising Appraisal Software," *HR Magazine*, October 2008, pp 65–70.

⁵ See J N Cleveland, K R Murphy, and R E Williams, "Multiple Uses of Performance Appraisal: Prevalence and Correlates," *Journal of Applied Psychology*, February 1989, pp 130–35.

⁶ B Rice, "Performance Review: The Job Nobody Likes," *Psychology Today*, September 1986, p 32.

⁷ See G E Calvasina, R V Calvasina, and E J Calvasina, "Management and the EEOC," *Business Horizons*, July–August 2000, pp 3–7; N H Woodward, "Help from the EEOC?" *HR Magazine*, September 2001, pp 123–28; and M Orey, "Fear of Firing," *BusinessWeek*, April 23, 2007, pp 52–62.

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¹⁰ For details, see G H Dobbins, R L Cardy, and D M Truxillo, "The Effects of Purpose of Appraisal and Individual Differences in Stereotypes of Women on Sex Differences in Performance Ratings: A Laboratory and Field Study," *Journal of Applied Psychology*, August 1988, pp 551–58. A similar finding is reported in P R Sackett, C L Z DuBois, and A Wiggins Noe, "Tokenism in Performance Evaluation: The Effects of Work Group Representation on Male–Female and White–Black Differences in Performance Ratings," *Journal of Applied Psychology*, April 1991, pp 263–67.

¹¹ Data from B Klaas and A S DeNisi, "Managerial Reactions to Employee Dissent: The Impact of Grievance Activity on Performance Ratings," *Academy of Management Journal*, December 1989, pp 705–17.

¹² See K R Murphy, J N Cleveland, A L Skattebo, and T B Kinney, "Raters Who Pursue Different Goals Give Different Ratings," *Journal of Applied Psychology*, February 2004, pp 158–64; P E Levy and J R Williams, "The Social Context of Performance Appraisal: A Review and Framework for the Future," *Journal of Management*, no. 6, 2004, pp 881–906; I M Jawahar, "Do Raters Consider the Influence of Situational Factors on Observed Performance When Evaluating Performance? Evidence from Three Experiments," *Group & Organization Management*, February 2005, pp 6–41; A B Curtis, R D Harvey, and D Ravden, "Sources of Political Distortion in Performance Appraisals," *Group & Organization Management*, February 2005, pp 42–60; A Tziner, K R Murphy, and J N Cleveland, "Contextual and Rater Factors Affecting Rating Behavior," *Group & Organization Management*, February 2005, pp 89–98; and P A Heslin, G P Latham, and D Van de Walle, "The Effect of Implicit Person Theory on Performance Appraisals," *Journal of Applied Psychology*, September 2005, pp 842–56.

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¹⁴ K N Wexley and R Klimoski, "Performance Appraisal: An Update," in *Research in Personnel and Human Resources Management*, vol. 2, eds K M Rowland and G R Ferris (Greenwich, CT: JAI Press, 1984), pp 55–56.

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¹⁶ Advice on preparing for a performance review with your boss can be found in D Domeyer, "Planning for Performance Reviews," *Women in Business*, January–February 2005, p 34; and D Domeyer, "Planning for Performance Reviews Part II," *Women in Business*, March–April 2005, p 24. Also see D Potosky, "A Conceptual Framework for the Role of the Administration Medium in the Personnel Assessment Process," *Academy of Management Review*, July 2008, pp 629–48.

¹⁷ Supporting discussion is provided by K N Wexley, "Appraisal Interview," in *Performance Assessment*, ed R A Berk (Baltimore: Johns Hopkins Press Ltd., 1986).

¹⁸ See D Grote, "Painless Performance Appraisals Focus on Results, Behaviors," *HR Magazine*, October 1998, pp 52–58.

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¹⁹ See G P Latham, J Almost, S Mann, and C Moore, "New Developments in Performance Management," *Organizational Dynamics*, no. 1, 2005, pp 77–87; and S Boehle, "Keeping Forced Ranking Out of Court," *Training*, June 2008, pp 40–46.

²⁰ See, for example, R Rodgers and J E Hunter, "Impact of Management by Objectives on Organizational Productivity," *Journal of Applied Psychology*, April 1991, pp 322–36; and R Rodgers, J E Hunter, and D L Rogers, "Influence of Top Management Commitment on Management Program Success," *Journal of Applied Psychology*, February 1993, pp 151–55.

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²⁵ Results are presented in K Kraiger and J K Ford, "A Meta-Analysis of Ratee Race Effects in Performance Ratings," *Journal of Applied Psychology*, February 1985, pp 56–65.

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³⁰ See the second Q&A in J Welch and S Welch, "When Growth Is the Only Solution," *BusinessWeek*, March 31, 2008, p 110; C Bille, "What's Your Assessment Strategy?" *Training*, September 2008, p 14; and "How to Conduct Annual Employee Reviews," in *Inc. Guidebook*, vol. 1, no. 9, *Inc.*, December 2008, pp 1–4.