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**AN APPRAISAL OF
PERFORMANCE APPRAISAL:
SUMMARY RESULTS OF A
LARGE SCALE STUDY**

**CEO PUBLICATION
T 81-5 (11)**

**SUSAN RESNICK
ALLAN M. MOHRMAN, JR.**
University of Southern California

MARCH 1994

Partial financial support for the development of this paper was provided by the Organizational Effective Research Programs, Office of Naval Research (Code 452) contract N0014-81-K0048; NR 170-923.

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APPRAISAL: SUMMARY RESULTS
OF A LARGE SCALE STUDY

BY

Susan Resnick
Allan Mohrman

G 81-5 (11)

ABSTRACT

Based on a survey of managers and subordinates' beliefs and assumptions about performance appraisal, on-site interviews and personnel records, this paper assesses performance appraisal practices in a large multinational corporation.

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PREFACE AND ACKNOWLEDGEMENT

The following report is a summary of the results of a research study on Performance Appraisal commissioned by General Electric and carried out by the Center For Effective Organizations. It is a companion to a literature search on Performance Appraisal carried out simultaneously by the Center For Creative Leadership. The data reported herein were collected in a representative sample of G.E. organizations. The range of practices, position levels, functions, and technologies represented by this sample make this report useful to anyone interested in Performance Appraisal. There is very little unique to General Electric. What may be unique to G.E. is the spirit with which they undertook this research. From our initial contact with the originator of the research idea, Selig Danzig, through our continuing contact with Tom Hollmann, our contact with G.E. has been of the highest professional caliber. We especially thank the 2000 some individuals who in one form or the other contributed directly to the content of this report.

This report only summarizes the basic data patterns. Several follow-up reports focusing on particular issues and exploring the data in more depth are forthcoming.

AN APPRAISAL OF PERFORMANCE APPRAISAL: SUMMARY RESULTS OF A LARGE SCALE STUDY

In 1979 CEO conducted a Performance Appraisal Study in a single large multinational corporation. The study documented performance appraisal (PA) objectives, beliefs and assumptions; described and evaluated the company's PA system and made recommendations regarding PA practice. Some of the study findings are specific to the company. Most are not. This report summarizes the generalizable study results.

The report contains six sections. Section 1 describes the study design, sites, and participants. Section 2 discusses purposes, assumptions, and beliefs about PA. Section 3 describes the actual practice of PA. Section 4 evaluates PA practices. Section 5 discusses PA outcomes. Finally, Section 6 makes recommendations for PA system design.

SECTION 1 STUDY DESCRIPTION

Method

On-site interviews, questionnaires, and personnel records served as data sources. We interviewed personnel administrators, high level managers and questionnaire respondents. In addition, we surveyed superior/subordinate pairs. Each member of the pair received a questionnaire. Approximately half the pairs completed questionnaires both before and after the PA. The other pairs received questionnaires only after the PA.

Sites

Researchers often question the generalizability of single organization findings. Nevertheless, in this instance, we worry less because the study included many organizational designs, sites, and

functions. Nine sites representing functions from engineering to manufacturing participated.

In all, over 2,000 completed questionnaires were returned. This is one of the largest studies of PA. It certainly is the largest study with matched superior/subordinate pairs, and in this respect alone, it is a unique contribution to the research literature.

The process and content of PA at these sites varied. PA was done regularly at eight sites, sometimes at one site. At all sites, written PA was done by an immediate superior. At eight of the nine sites "one-over-one" approval always takes place; at the other site it often takes place. Performance appraisal is done once per year at six sites and once per salary action at three sites. At five sites the subordinate is asked to sign the completed appraisal.

Only one of the nine sites directly tied PA to salary; however, at all sites users link PA and salary indirectly.

At six sites salary action and PA occur at the same time. Two of the sites report that PA ratings lead to frequent changes in salary plans. In none of the sites is PA a required input to promotion decisions.

Training programs are available for managers at two sites while five other sites have PA related components in their general management training.

As with any nine organizations, the content of the PA forms differ across sites. Each of the following are used within one or more sites:

- Unstructured essay formats
- Trends in performance and behavior
- Discussion of goals and responsibilities
- General management skills
- Career development
- Strength and weaknesses
- Accomplishments
- Corrective action plans
- Work planning potential for advancement

Discussion of career interests
Development need
Performance relative to position guide
Group appraisals
Meeting input

SECTION 2 PA BELIEFS AND ASSUMPTIONS

PA can have many purposes, processes, and results. We wanted to know what the sample believed these should be. In other words, we wanted to know what an ideal PA system should look like. This section explores the managers' and subordinates' beliefs and assumptions about performance appraisal in general and its appropriate purposes and elements in specific.

General Beliefs

We asked the managers and subordinates about their general beliefs regarding PA. Table 2.1 contains their responses. In general, both managers and subordinates believe that PA makes a difference because it motivates employees, changes behavior and increases understanding about the subordinates' role. In addition, they both (managers and subordinates) feel managers can objectively and unemotionally carry out performance appraisal. They also believe managers and subordinates agree on what constitutes good or poor performance.

Juxtaposed against these favorable beliefs about PA are moderate beliefs that (1) PA is only done because the organization requires it, and (2) supervisors are not rewarded for doing PA well. Unfortunately, because ownership and rewards motivate behavior, these beliefs may interfere with motivation to perform PA.

TABLE 2.1

General Beliefs About Performance Appraisals

		Disagree	Neutral	Agree
PA makes a difference. It motivates employees, changes behavior and increases understanding about the subordinates' role.	M	10	16	75
	S	15	21	64
Supervisors and subordinates pretty much agree on what constitutes good or poor performance	M	16	6	79
	S	25	4	71
PA can be objectively and unemotionally carried out	M	20	2	79
	S	26	3	71
PA is only done because the organization requires it.	M	35	18	47
	S	28	29	53
Most supervisors are not rewarded for doing performance appraisal well.	M	16	15	69
	S	18	16	66

M = Manager responses in percentages
 S = Subordinate responses in percentages

PA's Purpose

PA can have many purposes. We wanted to know what the employees felt they should be. As a result, the "after" questionnaire asked what the purposes of the appraisal event should have been. Table 2.2 contains the results. The responses indicate there was little that should not be considered a reasonable purpose of PA.

Nearly all managers and subordinates agreed that PA should document a subordinate's performance and recognize subordinates for things done well.

The managers and subordinates also agreed PA should provide the subordinate with developmental information and support. In other words, both managers and subordinates felt this was a time to inform the subordinate of job requirements and skill and ability deficiencies; lay out specific ways the subordinate could improve performance; plan developmental training and advise the subordinate on how to achieve career goals.

According to these employees, the PA process should also motivate the subordinate to put in more effort and provide a time for mutual planning of work goals.

The above indicate several areas where managers and subordinates agree about the ideal purposes of PA. In a few areas, however, agreement was less clear. Not unexpectedly, one area focuses on the use of PA as a vehicle for determining pay and communicating pay decisions. Although over half of the managers and subordinates felt these should be accomplished "to a great extent;" many more managers than subordinates felt they should not at all be accomplished. The differences occurred largely as a result of attitudes toward using PA to communicate pay decisions. A full thirty percent of managers excluded this as a purpose of PA, while only forty-nine percent agreed it should be a major purpose. By contrast, few subordinates ruled out this purpose in fact, 68 percent felt PA should be used "to a great extent" for communicating pay decisions.

These manager perceptions reflect site personnel procedures requiring separation of pay and performance discussions. The subordinates may be less aware of, and thus less influenced by these

written procedures. For planning purposes, it is interesting to note eighty-seven percent of subordinates desired at least some discussion of pay decisions during performance appraisal.

Some divergence between manager and subordinate perceptions existed in one other area. Managers, more than subordinates, wanted PA sessions to be a time for employee input into the management process. In other words, managers wanted subordinates to express their feelings, give feedback about the managers performance and suggest changes regarding work.

The differences become particularly evident when the components of this issue are examined. Although managers and subordinates were equally favorable towards allowing subordinates an opportunity to express their feelings they are in less agreement about what these feelings should address. Managers desired more feedback about their performance than subordinates were willing to give. In addition, managers were more favorable towards using the PA session as a time for the subordinate to suggest changes regarding work than subordinates were.

The above may reflect the subordinates' fear of reprisal for their feedback or their defensiveness about giving feedback. The managers, on the other hand, feeling burdened with the responsibilities of managing seem to be more open to a sharing of control than their subordinates suspect.

Perhaps the most remarkable trend in these beliefs is neither managers nor subordinates are willing to rule out any reasonable interactions as legitimate purposes of performance appraisal.

TABLE 2.2

Possible Purposes of Performance Appraisal:
the extent to which they should have been
accomplished
(reported in percentages)

		Not at all	Moderate	Great
Document and recognize subordinates' performance	M	0	9	91
	S	2	16	83
Allow subordinate input to the management process	M	1	46	53
	S	4	60	36
Provide subordinate developmental information and support	M	6	44	51
	S	6	40	54
Determine pay and explain and communicate pay decisions	M	16	37	46
	S	6	29	65
Motivate the subordinate to put in more effort	M	6	28	66
	S	9	28	62
Mutual planning of future work goals	M	22	22	58
	S	9	29	62

M = Percentage of manager responses

S = Percentage of subordinate responses

System Elements

Table 2.3 presents managers' and subordinates' opinions about possible elements of PA systems. Clearly, managers and subordinates believe PA should be tied to salary and promotion decisions, should be goal related and provide for subordinate input. It is notable that there is no real difference between managers and their subordinates about these fundamental issues in structuring performance appraisal programs.

TABLE 2.3

Possible Elements of Performance Appraisal

		Disagree	Neutral	Agree
Salary and promotion decisions should be based on performance results	M	3	3	94
	S	10	4	86
A subordinate's self-appraisal should be an important part of the performance appraisal process	M	6	5	89
	S	5	5	89
Performance appraisal should be based on goals previously agreed to by the supervisor and subordinates.	M	4	2	95
	S	4	4	91

M = Percentage of manager responses

S = Percentage of subordinate responses

SECTION 3

THE PRACTICE OF PA

In the last section we discussed beliefs and assumptions about what PA "should" look like. In this section, those beliefs become a backdrop for the subordinates' and managers' actual PA. experiences. This section describes fulfillment of expectations, scheduling and timing, importance of the material discussed, and the process, content and bases of PA.

Met Expectations About Process

The managers and subordinates were asked if the appraisal interview occurred as expected with regard to forms, purposes, format and criteria. Table 3.1 presents the results. In general, the managers and subordinates agree that the interview went as expected with regard to the forms used, the purposes of the appraisal and the format of the interview. Less agreement occurred regarding the criteria used. Whereas ninety-eight percent of the managers felt the criteria used met their expectations, only eighty percent of the subordinates felt the same.

TABLE 3.1

The Extent to Which Manager and Subordinate Expectations Were Met*

Did the performance appraisal interview occur as you expected with regard to

	Manager		Subordinate	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
a. the forms used?	99	1	92	8
b. the purpose(s) of the appraisal?	99	1	95	5
c. the format of the interview (i.e., who attended, what was discussed, etc.)?	98	2	90	10
d. the criteria that were used?	98	2	80	20

*All entries are percentages.

Scheduling and Timing

Table 3.2 contains information about the scheduling and timing of the appraisal interview. In general, the interview was conducted in an uninterrupted block of time, called on short notice, and took less than an hour. Although these factors indicate a rather casual approach to PA and thus are of some significance in and of themselves, they become more interesting when viewed in the context of the participants' agreement and reactions to them.

Although managers tend to know about the appraisal in advance, subordinates are more surprised. This reaction may be a result of the managers' actual knowledge of the situation or the managers' and subordinates' different perceptions of time surrounding the PA event.

The duration of the meetings varied greatly. Managers tend to remember them as lasting longer than subordinates do. In addition, the managers, who probably have more control of the time, are satisfied with the duration. Subordinates generally agree, although a sizable percentage (28%) would have liked more time. Subordinates are also more sensitive to interruptions during the appraisal. Subordinates perceive more interruptions and find them more distracting.

TABLE 3.2

Scheduling and Timing*

Was the performance appraisal interview:

	Manager	Subordinate
Scheduled well in advance?	43	25
Called on short notice?	52	53
Unplanned, held when we happened to get together?	6	22

Length of time	Manager	Subordinate
Mean	55 minutes	36 minutes
Range	2 min-5 hrs	1 min-5 hrs

Reaction to time spent

The amount of time spent was:

	Manager	Subordinate
More than I liked	2	2
About right	90	70
Less than I liked	8	28

Were you able to conduct the interview in an uninterrupted block of time?

	Manager	Subordinate
Yes, there were no interruptions	81	68
No, there were some interruptions	18	30
No, there were frequent interruptions	0	3

If there were interruptions, how distracting were they?

	Manager	Subordinate
Not at all distracting	41	26
Moderately distracting	56	63
Very distracting	4	12

*All entries are percents.

Importance of material discussed

The emerging discrepancies between manager and subordinate responses show a not-too-surprising pattern. In general, when disagreements occur they indicate that managers are in control and are able to use the PA interview to serve their purposes. Although the majority of subordinates agree with managers, it appears that a sizable group may not. Table 3.3 is yet another indication that those things discussed were less important to the subordinate than the manager. When this is the case, it brings into question whether or not PA is really having an impact on the subordinate's subsequent performance.

TABLE 3.3

Importance of Material Discussed

To what extent were		To a Small Extent	To a Moderate Extent	To a Great Extent
Things really important to the evaluation discussed during the performance appraisal interview	M	9	7	82
	S	42	12	46
		Lower in Importance	As Important	More Important
Compared to other ways subordinates receive feedback about their performance how important is the performance appraisal	M	11	30	67
	S	22	30	48

M = Manager responses in percentages.

S = Subordinate responses in percentages

PA Process

Subordinate participation. Table 3.4 presents data on two mechanisms which might help ensure that subordinates find importance in the things discussed. Over half of the subordinates reported that they had been asked to compile information or input into the PA. A much smaller percentage (about 10%) of the respondents reported that final completion of the PA form did not take place until during or subsequent to the PA interview. Both tactics, prior input and delayed completion of the forms, allow the manager and subordinate to share control of the PA event. In Section 4, we will look at the effects these two practices had.

TABLE 3.4

Subordinate Participation in the PA Process Responses in Percentages

Were you asked to prepare or compile any information to be used in the appraisal interview?

	Yes	No
Subordinate only	52	48

Was the final written evaluation completed?

	Manager	Subordinate
Before the appraisal interview	91	83
During the appraisal interview	2	2
Subsequent to the appraisal interview	5	7
Before, but was changed due to the interview	3	3
Don't know	0	6

Appeal Process. Knowledge about appeal processes also contributes to a picture of PA as manager-controlled. Table 3.5 presents information about appeal processes. Most managers perceived there to be formal appeal processes available, while almost half of the subordinates did not. It is interesting to conjecture if the channels of appeal actually exist and the subordinates are just unaware of them or if the channels actually do not exist. Nevertheless, since most employees feel they have more to lose than gain by appealing a performance, it is unlikely that the channels, if present, would be used.

TABLE 3.5

Manager and Subordinate Perceptions of Appeal Process

		Yes	No	
Is there any formal process by which a subordinate can appeal a performance appraisal?	M	71	29	
	S	55	45	
		Disagree	Neutral	Agree
An employee has more to lose than to gain by appealing a performance appraisal	M	40	22	39
	S	25	14	61

M = Manager responses in percentages.

S = Subordinate responses in percentages.

Decision Making and Communication. Managers' dominance of the PA interviews is reflected again in Table 3.6. Both managers and subordinates agree that managers make most of the decisions and initiate most of the communication. Subordinates are particularly convinced this is the case.

TABLE 3.6

Decision Making and Communication in the PA Session*

Decision Making

The most important decisions made in the PA were made

	totally by supervisor		equally			totally by subordinate	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Manager	8	27	31	30	4	1	0
Subordinate	37	22	16	20	3	1	1

Communication

The direction of communication during the PA session

	supervisor to subordinate		about equal			subordinate to supervisor	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Manager	3	13	36	45	2	1	0
Subordinate	15	20	24	38	2	2	1

*Numbers not in parentheses are percents.

PA Content

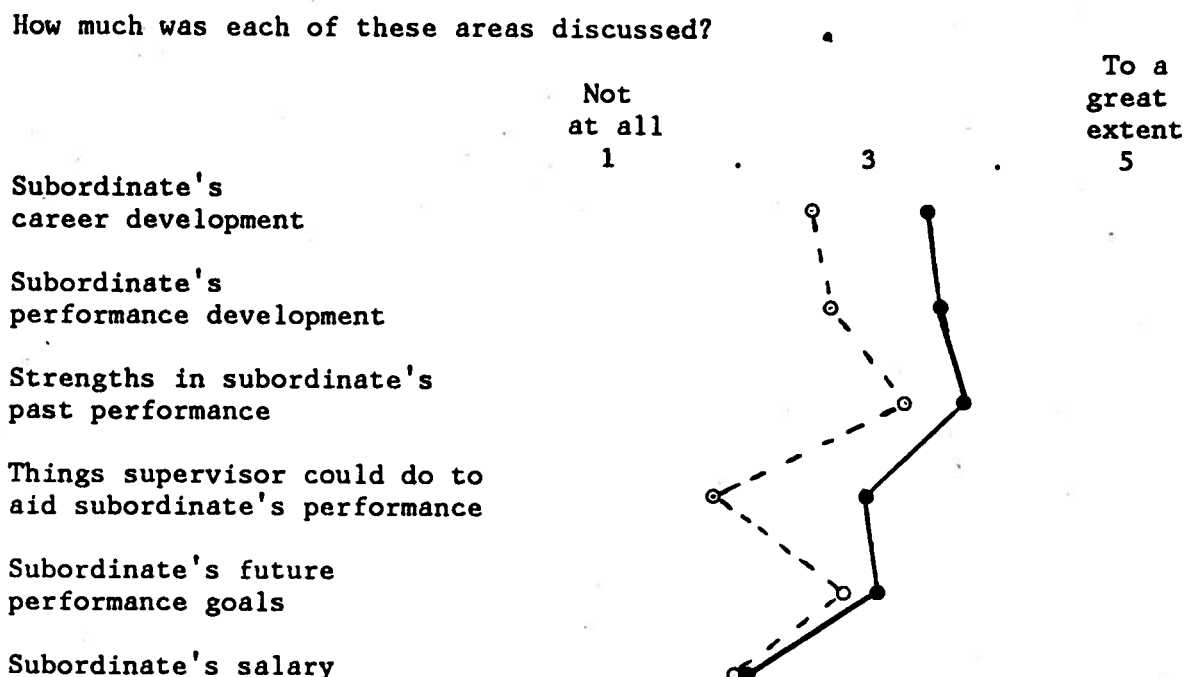
Table 3.7 reports the content of the PA interview as it is seen by the subordinate and manager.

In general, managers reported more attention given each topic than did the subordinates. Nevertheless, subordinates and managers tended to agree with the relative attention given the six content areas. Both parties agreed that "strengths in past performance" tended to receive the most attention and that "salary" received the least attention. Among the more prominently mentioned content areas were "career development" and "performance development." Among the areas mentioned less frequently were "things the supervisor could do to aid the subordinate in performing better," "setting future performance goals," and (especially) "salary."

It is interesting to note for the content area given least attention, "salary," managers and subordinates agree quite closely in the absolute degree of attention reported. This degree of agreement is not achieved in the other categories. Nevertheless, when the ratings given the six content areas are ranked from most attention to least attention, the results are similar for both subordinates and managers.

FIGURE 3.1

Content of Appraisal Interview
Average Scores for Managers (●) and Subordinates (○)



Bases for PA

When performance is appraised it, of necessity, needs to be based on something. The manager, of course, feels he or she knows the bases of the evaluation. Likewise, the subordinate has some idea of the bases for evaluation, either from the PA discussion itself or from other means. In addition, the formal PA system itself will dictate certain bases for evaluation. Table 3.8 reports the degree to which the PA. is perceived by the subordinates and managers to have been based on a number of dimensions.

When these bases for evaluation are ranked from least to most used (1 to 5) for manager and subordinate responses separately, there is some agreement between the two parties. That is, the two tend to assign the

dimensions similar ranks. On only two categories do the relative rankings by subordinates and managers disagree significantly. These are "Predetermined Goals" and "Salary Decision Already Made."

Although managers felt performance attributes formed a larger basis of the evaluation than did subordinates, both managers' and subordinates' believed performance attributes (i.e., the results they achieved, job related behavior, and skills and abilities) were the primary bases of PA

Both Managers and Subordinates felt the evaluations were "somewhat" based on personality. This item reflects nonperformance based criteria. Although it is not surprising to see that subordinates perceived (or "suspicioned") such nonperformance bases, it is worth noting that significant percentages of managers also reported PA. to be based on this dimension.

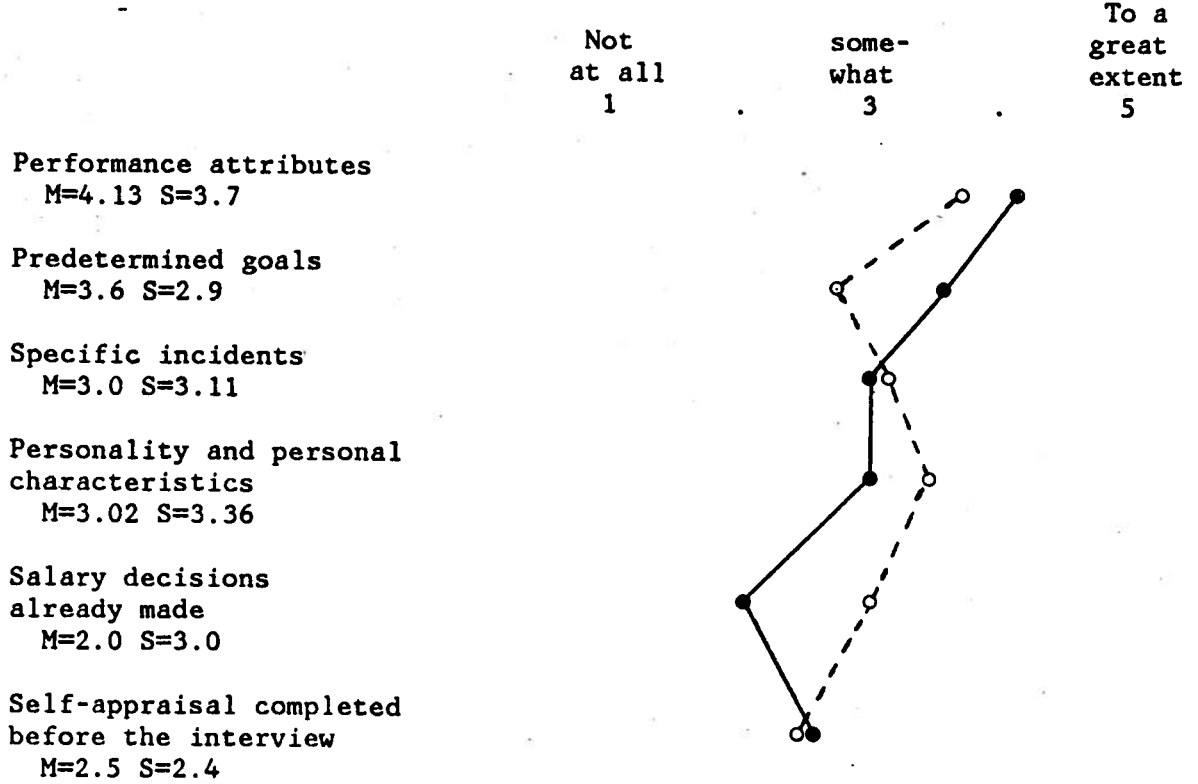
Another nonperformance based dimension is "salary decisions already made." While managers do not feel this formed a large basis of the evaluation (it did form some), subordinates believe it forms a larger basis.

Both managers and subordinates agree that self-appraisal is not a frequently used basis of evaluation. Section 4 discusses the impact of this type of participation.

FIGURE 3.2

Basis of Evaluation
Average Scores for Managers (●) and Subordinates (○)

To what extent was the actual evaluation based on the following:



SECTION 4

EVALUATING PERFORMANCE APPRAISAL PRACTICES

Previous sections of this report have highlighted the diversity of individual beliefs about performance appraisal, and the variety of goals, objectives, and purposes which are assigned to performance appraisal systems within the individual "businesses" we surveyed. The purpose of this section is to summarize some of the study results which may provide the basis for managers to evaluate the effectiveness of both existing performance appraisal systems and the potential effectiveness of alternative designs and practices.

This section is organized around the following questions:

1. Are existing PA programs well understood by those that use them?
2. Is PA seen as important?
3. Are the employee's objectives met by existing PA systems?
4. Is PA compatible with other personnel programs?

We believe these questions and the answers to them form a basis for evaluating PA systems.

The key research questions, and the answers to them suggested by the data follow.

1. Are existing performance appraisal programs well understood by those that use them?

The data provide a mixed response. As reported in Section 3, the vast majority of respondents are well informed about the conduct of the performance appraisal interview including: the format to be followed, the rating instrument, the criteria used, and the purposes of the appraisal. However, substantial numbers of employees reported the belief that many

people in their organizations lack a clear understanding of how the data generated through the performance appraisal process are actually used: about a third of the supervisors (raters) responded this way, as did a majority (56 percent) of those employees being rated. In short, participants in the performance appraisal process have a good understanding of what occurs during the appraisal itself, but a less fully developed understanding of the consequences of the appraisal event. This finding is consistent with others reported below.

2. Is performance appraisal seen as important?

One of the strongest findings to emerge from the study is the employee belief that performance appraisal should be an important activity in organizational life. There is almost universal support, for example, for the proposition that performance evaluation should be an important determinant of rewards (including compensation and career advancement). A majority of respondents also believe that in general, performance appraisal motivates employees, leads to productive changes in work behavior, and provides clarification on performance expectations.

Evaluation systems meeting these objectives would be expected to have high regard among employees. But performance appraisal, as experienced by our respondents, does not unequivocally meet these objectives. Although the majority of employees appear to regard present systems favorably, they sometimes question their importance.

Fully one quarter of subordinate respondents, for example, indicated that "it wouldn't make much difference to our business if performance appraisal were not done." And 42 percent of subordinates felt that the subjects discussed during the performance evaluation were of only limited importance. (Managers gave the importance questions much higher marks.)

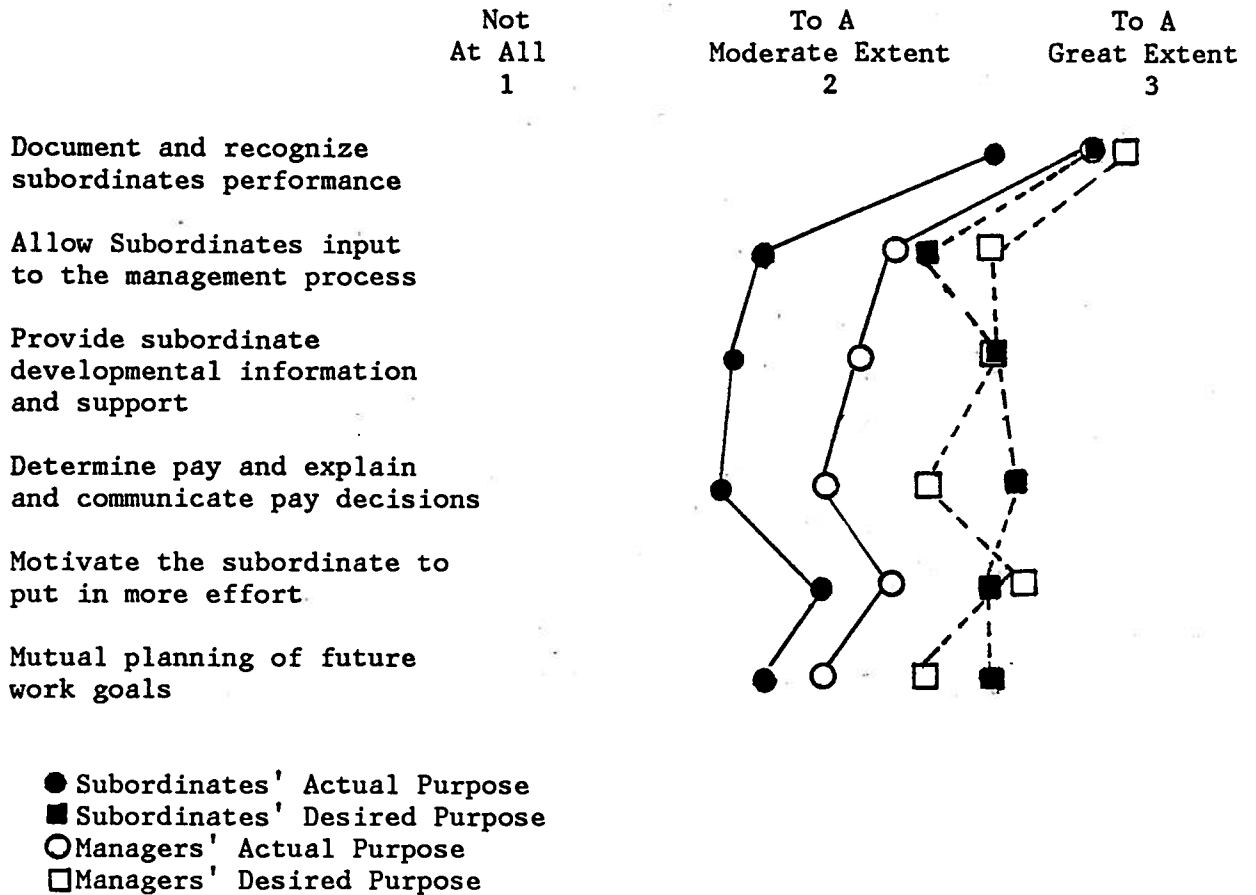
3. Are the employee's objectives met by existing performance appraisal systems?

There is no unanimity, either in organizational policy or in the preferences of the survey respondents, as to the specific objectives that performance appraisal programs should meet. But as individuals do not see their preferred objectives for the evaluation process being met, they are likely to regard it as unimportant, or to feel frustration and dissatisfaction with it.

To examine this question we asked respondents to judge the extent to which various possible purposes of performance appraisal should be met by their particular performance appraisal episode and the extent to which they are met. By comparing these two scores we can estimate the degree to which the preferred objectives of the organization members are being met by the existing system. The mean responses for managers and subordinates are graphed in Figure 4.1.

FIGURE 4.1

DESIRED PURPOSES vs. ACTUAL PURPOSES OF PERFORMANCE APPRAISAL
Average Scores for Managers and Subordinates



The overall pattern of responses suggests that existing performance appraisal processes are most effective in documenting employees performance and recognizing them for their performance. Existing systems are less effective in allowing subordinates input to the management process, in providing subordinate developmental information and support, in motivating employees to increase work effort, in providing an opportunity for mutual planning of work goals, or in linking performance evaluations with organizational rewards. In a number of instances within each of these categories, there were important differences in the perceptions of raters (managers) and those being evaluated (subordinates).

With respect to documentation and recognition, most managers and subordinates view present practices as effective (in the sense that these purposes are perceived to be most often accomplished). But, as is consistently true in these evaluative data, those performing the evaluations regard the current processes as more effective than rates.

By analyzing the difference between desired and actual purposes we can estimate the manager and subordinate's satisfaction with the elements. This analysis indicates that subordinates are least satisfied with the present system's ability to determine and explain pay decisions. They also would like more developmental information and support. The managers, on the other hand, are most dissatisfied with the present system's ability to motivate subordinates and provide a time for mutual planning of work goals.

The same general pattern emerged from an analysis of responses to the open-ended questions appearing on the survey questionnaires. A surprisingly large proportion of the employees surveyed responded to the open-ended questions asking what they liked most and least about current performance appraisal practices. This high response rate (well over 50 percent) to the open-ended questions suggests that the topic of the study was of high interest to those surveyed, and prompted the research team to undertake a systematic qualitative analysis of the results.

As can be seen from the summaries presented in Table 4.1 both subordinates and managers are most favorably disposed toward the documentation and feedback functions of the current appraisal processes. Some did mention the value of the appraisal for motivation and goal setting, but such responses were in a distinct minority.

When asked what they liked least about present appraisals, respondents most frequently mentioned the lack of a linkage between performance appraisal and career planning, the lack of a performance-salary action link, and problems related to the subjectivity of the appraisal process. The evaluation-pay issue was of greater importance to subordinates, while supervisors were most troubled by questions of subjectivity and bias.

TABLE 4.1
 OPEN ENDED EVALUATIONS OF PA
 (Open-Ended Questions)
 (Average Percentages For All Sites)

"WHAT ARE THE THINGS YOU LIKE MOST ABOUT PA?"

<u>TOPIC CATEGORY</u>	<u>WHO MENTIONED</u>	<u>AVERAGE %</u>
Feedback and Communication	Subordinates	51%
	Managers	52%
Documentation of Performance	Subordinates	19%
	Managers	14%
"Forces" Interaction & Evaluation	Subordinates	6%
	Managers	13%
Goal Setting Device/Guide To Job Improvement	Subordinates	6%
	Managers	4%
Provides Incentive & Motivation	Subordinates	1%
	Managers	1%
Structured, Regular & Consistent	Subordinates	8%
	Managers	13%

"WHAT ARE THE THINGS YOU LIKE LEAST ABOUT PA?"

<u>TOPIC CATEGORY</u>	<u>WHO MENTIONED</u>	<u>AVERAGE %</u>
Appraisal Not Tied To Salary	Subordinates Managers	52% 26%
Subjectivity	Subordinate Managers	6% 30%
Bias	Subordinates Managers	19% 6%
Inconsistency	Subordinates Managers	5% 3%
Considered Low Priority by Supervisor	Subordinates Only	4%
No Appeal For Unjust Process	Subordinates Only	4%
Perfunctory Appraisals	Subordinates Only	2%
"After the Fact"	Subordinates Only	3%
Time Constraints	Managers Only	3%
Lack of Training	Managers Only	6%
Inadequate Job Description	Managers Only	6%
Not Taken Seriously Enough	Managers Only	4%
Other	Subordinates Managers	6% 6%

"WITH WHAT THINGS IN YOUR MOST RECENT PA WERE YOU PARTICULARLY SATISFIED?"

<u>TOPIC CATEGORY</u>	<u>WHO MENTIONED</u>	<u>AVERAGE %</u>
Communication/ Feedback Instrument	Subordinates Managers	46% 45%
Recognition and Documentation Instrument	Subordinates Managers	40% 38%
Honest & Fair Evaluation of Performance	Subordinates Managers	7% 3%
Annual Requirement	Subordinates Managers	2% 0%

"WITH WHAT THINGS IN YOUR MOST RECENT PA WERE YOU LEAST SATISFIED?"

<u>TOPIC CATEGORY</u>	<u>WHO MENTIONED</u>	<u>AVERAGE %</u>
Lack of Future Career Planning	Subordinates Managers	37% 36%
No Link Between PA & Salary Action	Subordinates Managers	36% 18%
No Self-Evaluation	Subordinates Managers	9% 3%
Biased, Subjective, Invalid Ratings	Subordinates Managers	13% 28%
Too General/ Superficial	Subordinates Managers	4% 11%

4. Is PA compatible with other personnel programs?

Performance appraisals represent only one tool for human-resource management, and in all of the organizations studied performance evaluation programs co-existed with systems pertaining to compensation administration and manpower development and planning. In some businesses, these various programs are seen as discrete--each with its own purposes and procedures. In other businesses, the "boundaries" among them are less well articulated either in policy or in practice. In all the sites it was recognized that systems of performance evaluation, salary planning, and manpower development are to some extent interrelated. But while the realities of these various functions overlay, whether and to what degree the formal administrative systems which regulate them exist "separately" is a matter of policy.

However, several pertinent findings from our study can be examined as a part of the effort to develop some general guidelines as to the "best" fit between existing human resource management systems.

First, it is clear from our data that employees do not perceive the performance evaluation process to be as closely linked to decisions concerning salary change and career development as they would like.

Second, a small scale effort to investigate the "actual" relationships between performance appraisal, compensation, and career advancement, seems to be consistent with perceptions of our survey respondents--the linkages between performance appraisal, salary increase, and advancement are, at least in the short run, weak at best.

Third, it seems quite apparent that not all the possible or even desirable outcomes of performance appraisal can be simultaneously maxi-

mized. There are trade-offs; and systems of appraisal which are effective in strengthening performance reward links may be less effective in providing useful feedback, motivating employees, or strengthening supervisory-subordinate relationships. We wish to return to the first two points made above.

Evidence that both managers and subordinates desire stronger, more visible links between the performance appraisal process and both salary and career decisions was found consistently in the written questionnaire responses, the voluntary responses to open-ended questions, and in on-site interviews with employees. Data have previously been presented which document this point. We may summarize several different expressions on this issue in this way:

- Managers, subordinates, and performance appraisal system administrators all agree that salary and promotion decisions should be based on the results of performance evaluations, but significantly smaller numbers of each employee group believe that these relationships actually exist.
- When asked to comment on the kind of issues discussed in the actual appraisal interview, salary issues are rarely (16 percent) given "considerable" attention. Career issues are discussed more frequently, reflecting employee preferences. It is interesting to note that salary issues are given somewhat less attention, and career issues somewhat more attention than appraisal administrators believe to be appropriate under current policies.
- Data collected from the field site interviews suggested that many employees underestimate the influence that performance appraisal data has on subsequent salary and promotion decisions. This observation is based on a small number of interviews, and is subject to cautious interpretation, but it does appear to be consistent with questionnaire responses indicating that many employees (and more subordinates than supervisors) are uncertain as to how performance evaluation data is used. That is, even where some desirable linkages do exist between appraisal systems and salary and career reviews, employees may be unaware of them.

It is important to note that the lack of either perceived or actual linkages between performance appraisal and other personnel systems or decisions is not intended, here, as criticism. For some businesses, such a situation would be consistent with established policy. It does seem clear, however, that performance appraisal systems should operate in a way consistent with the preferences of managers and subordinates.

SECTION 5

OUTCOMES OF PERFORMANCE APPRAISAL

This research afforded us an opportunity to investigate many potential outcomes of performance appraisal practices. In general, the outcomes we looked at fell into three categories. The first outcome involved cognitive changes or increases in one's level of understanding. These involved changes in either the manager's or subordinate's understanding, or the manager's perception of the subordinate's learning. Rating of such statements as "I learned a lot from the appraisal." and "I more clearly understand my duties and responsibilities" fit this category of outcomes. The second category had an affective quality. Ratings of manager-subordinate changes (more tense vs. more relaxed, worse vs. better, etc.) that resulted from the PA and satisfaction with the way the appraisal was conducted are illustrative of this category. The final category of outcomes we measured involved perceptions of actual performance change since PA. This outcome was behavioral, rather than cognitive or affective.

Our interest in the outcomes of PA were two-fold. Of first concern was the contrasting perceptions of the outcomes of the appraisal process. Our analysis evidenced that managers and subordinates systematically differ in the way they evaluate the cognitive, affective and behavioral outcomes of PA. A second area of interest involved the impact of contextual factors on the manner which the appraisal interview was conducted and the eventual outcomes of that process. Such factors, as work climate and characteristics of the subordinate's job were systematically related to aspects of the PA interview and its outcomes.

PA Outcomes--Contrasting Viewpoints

Cognitive Outcomes. Cognitive outcomes involve some change in the understanding by one or both of the parties. These involved a clarification of expectations, or duties and responsibilities, or the perception that new information had been received in the appraisal process. Supervisors felt subordinates changed as a result of the PA. Subordinates did not. The responses to "subordinate obtained information to enable specific changes to better performance" exemplify this. Seventy-six percent of the managers agree with this statement as compared to only forty percent of the subordinates. Table 5.1 presents the results. The patterns of managers and subordinates responses were quite consistent and straight forward.

TABLE 5.1

Cognitive Outcomes of Performance Appraisal
Manager (M) and Subordinates (S) Scores Reported in Percentages

		Disagree	Neutral	Agree
Subordinate more clearly understands duties and responsibilities	M	7	29	64
	S	31	32	37
Subordinate has clearer idea of what is expected	M	5	14	81
	S	33	17	50
Subordinate obtained information to enable specific changes to better performance	M	6	18	76
	S	38	23	40
I learned alot from the appraisal	M	31	23	46
	S	48	25	27

Affective Outcomes. The second type of outcome involved a change in either the supervisor or subordinate's emotional or affective state as a result of the performance appraisal experience. Items that tracked this outcome included: "I was satisfied with the review," "I feel good about the way the appraisal was conducted," "There are many ways in which I would have liked the appraisal to be different" and "The subordinate was satisfied with the review" (see Table 5.2).

The pattern evident in the analysis of cognitive outcomes was also reflected in these affective outcomes. Managers tend to rate their own or their subordinate's affective outcomes higher than their subordinates rate themselves.

TABLE 5.2

Affective Outcomes of PA
 Manager (M) and Subordinate (S) scores reported in percentages

		Disagree	Neutral	Agree
I was satisfied with the review	M	7	7	86
	S	32	10	57
I feel good about the way the appraisal was conducted	M	8	9	83
	S	33	14	53
There are many ways in which I would have liked the appraisal to be different	M	48	18	35
	S	33	14	53
Subordinate was satisfied with the review	M	10	10	80
	S	32	10	57

Performance Outcome. The third type of outcome used in this study was measured by one item that asked both the manager and the subordinate of a pair to rate the subordinate's performance since PA (see Table 5.3). The manager's rating departed from the subordinate's in the usual manner; that is, his rating of the subordinate's performance change was higher than the subordinate's self-rating.

TABLE 5.3

Performance Outcomes
 Manager (M) and Subordinates (S) scores reported in percentages

		Fallen Off		Improved
Subordinate's performance since appraisal	M	22	32	46
	S	39	54	7

Contextual Factors That Affect PA Outcomes

Some factors we investigated seemed to provide a context that affected the way the PA interview was conducted and its subsequent outcome. These contextual factors included procedures involved in the appraisal, work climate, and job content.

Procedures

Subordinate information preparation. Fifty percent of subordinates prepared or compiled information to be used in the PA. This preparation was associated with:

- more discussion of future performance goals
- more discussion of things supervisors could do to aid subordinates
- subordinate's perception of more career and personal development discussions
- subordinate's perception of a high degree of participation, ownership and contribution
- manager's satisfaction
- subordinates high affective and motivational reactions to PA

Timing of evaluation completion. Not completing the final written evaluation prior to the interview was a second procedural factor that seemed to have a positive effect. When the final written evaluation was

not completed until the performance appraisal interview or subsequent to it:

- The PA discussion included more talk about the subordinate's career and personal development goals
- Managers and subordinates agreed that subordinates learned significantly more about their job
- Subordinates participated more in the discussion
- Subordinates perceived discussion to contain more discussion of future performance goals and performance weaknesses

Discussion of Pay. Bruce Prince and Ed Lawler are researching the effect of salary discussion on the PA event. Below are conclusions they tentatively draw from their research:

- Discussion of salary change can force the manager to provide more detailed and specific information. This, in turn, facilitates improved role understanding and determination of specific work plans and goals.
- The higher information content associated with discussing salary change gives the subordinate something in which to respond. This can facilitate a mutual exchange of information and the joint determination of work plans.
- The specific amount of salary change can be informative in and of itself. It communicates what aspects of performance really are valued.
- Discussion of salary issue can energize the discussion and enhances the likelihood of subordinate participation.

Management Training. The amount of management training supervisors had was an additional contextual factor that had an effect on the performance appraisal event. In general, the managers who had received PA training reported

- more satisfaction with the interview
- greater focus on the subordinate's career and personal goals
- subordinates had learned more and had participated to a greater extent.

Nevertheless, these differences were not substantiated by the subordinates of trained managers. Such subordinates did not view the PA discussion or its outcomes differently than the subordinates of managers that did have PA-related training. We caution the reader about jumping to any conclusion regarding these particular findings, however. Our data do not allow us to prove conclusively that training has no effect on anyone but the person trained. There are many other possible interpretations, one being that we are not measuring training effects but effects of the choice of who is to receive training. Our present analyses do not distinguish among types of training. Some may work while others don't.

Work Climate. The amount of trust, support, and openness experienced in the general work climate also had an impact on PA. When subordinates saw the work climate as high in these dimensions they reported significantly higher:

- affective and motivational reactions to performance appraisal
- degree of learning, information
- discussion focused on future performance goals
- discussion focused on how manager can aid performance

Both subordinate and manager saw:

- significantly greater focus on career and personal development
- significantly more participation, ownership, and contribution by subordinate
- significantly higher degree of trust, openness, constructiveness, etc. in the performance appraisal itself

Job Content. The content of the subordinate's job was the final contextual factor that affected the PA. When the subordinates reported their jobs as being well-specified in terms of duties, responsibilities, and goals, they also reported:

- a higher affective or motivational reaction to the PA
- more learning and understanding
- a greater focus on career and personal development
- more discussion of performance weakness and ways to improve
- more future goal setting focus
- a greater focus on things the supervisor could do to aid the subordinate's performance
- higher participation in and contribution to the PA review
- greater trust, friendliness, and openness during the PA

Subordinates whose jobs are more autonomous and who are allowed to complete the "whole task" report

- greater trust , openness and participation during the PA
- greater motivation at the conclusion of the PA

Subordinates whose jobs provided a high amount of feedback reported

- greater participation in the PA process
- more goal setting focus during the interview
- greater motivation as a result of the PA
- greater learning as a result of the PA

In summary, jobs that were perceived to have characteristics of "enriched jobs"--autonomy, wholeness, and feedback--provide a context in which positive aspects of the PA process were likely to be achieved.

SECTION 6

SOME RECOMMENDATIONS FOR PA SYSTEM DESIGN

In this section we offer some recommendations. Each recommendation is in response to a specific question. It should be kept in mind that these recommendations are in some ways specific to the organization. An organization that did not have a formal manpower review or that did not have a pay for performance policy, may well be given different recommendations.

- A. Are there areas of agreement in the findings which provide basis for recommendations which transcend the diversity of the results?

We definitely feel that there are some recommendations that come out of the findings. These recommendations are applicable to two different levels of management structure. Some suggest corporate guidelines and others suggest how individual sites might respond to the unique conditions which exist there. Overall, our feeling is that there should be a minimum number of corporate guidelines in the area of performance appraisal and that what isn't covered by these guidelines should be decided on a site-by-site basis. In the recommendations we make here, we intend to emphasize those things which should constitute corporate policy in the area of performance appraisal. We focus on the minimum guidelines which corporate should have.

- B. Should performance appraisal be done? Why?

We feel that everyone should receive a formal performance appraisal on at least an annual basis. In some cases, such as with new and problem employees, it needs to be done more often. There is also a possibility that in some lower level jobs, it should be done more than once a year. We

make the recommendation that there should be a formal performance appraisal because on balance both parties to the performance appraisal (subordinate and manager) seem to believe it should be done and that it produces positive results. Included in these perceived positive results are things ranging from better performance to clearer understanding and better communication between the superior and the subordinate. Our data indicate that people not only perceive these outcomes but that they probably actually occur. In addition, it is clear that the results of performance appraisal are potentially useful in manpower planning, career development, selection validation and for a host of other administrative purposes. While costs and dysfunctions are also indicated by these data, they do not seem great enough to offset the benefits accruing for PA.

C. What should performance appraisal try to do?

1. Separation of salary, career planning, appraisal, feedback
2. Motivate, learn, develop, input into decisions

Our feeling is that the performance appraisal, in combination with some other events, should accomplish a number of objectives. It should have an impact on salary administration; it should aid in career planning; it should provide feedback to the individual and it should facilitate a clear job definition and performance objectives for the subordinate. The key to accomplishing all of these (at time, competing) objectives is in the timing and the relationship of the performance appraisal meeting to other activities. We spell out these relationships in the next recommendation.

D. When should performance appraisal be done?

1. proximity to salary review
2. proximity to annual manpower review
3. frequency

The data suggest that formal performance appraisal should be done at least once a year and that it should carefully be positioned with respect to salary review and annual manpower review. The data suggests that discussion of salary review, performance appraisal and the annual manpower review should take place on separate events but that the relationships among these events need to be made clear and often these relationships need to be discussed during PA. Although a number of sequences are possible, the following sounds best to us based on our data and our experience based in other organizations.

At the beginning of the performance period there should be a discussion between a superior and a subordinate in which agreement is reached on how performance is going to be measured during the coming period. This could involve goals or other approaches to performance appraisal.

During the performance period one or more semi-formal discussions could be held to make needed adjustments more timely and constructive.

At the end of the performance period the performance appraisal session itself should take place. As we will stress later, prior to the formal appraisal meeting or during it the subordinate should be given substantial chance of input into the results of the appraisal. Pay should be mentioned but not be a major discussion issue during this appraisal. It should focus on evaluating the subordinate's performance against whatever agreed to criteria were established.

When the actual pay decisions are implemented, a salary review meeting should be held. This meeting should tie the results of the appraisal to the salary action and be used to explain the other determinants of the salary decision. Such disclosure helps to put performance appraisal results into a realistic salary context and to avoid unrealistic expectations that performance appraisal results will be converted directly into dollars.

The annual manpower or career review should be conducted at a meeting separate from the appraisal and salary. The key is that this be a visible event in the organization and that people see the manpower planning form and the process of completing it as a legitimate opportunity to participate in influencing their own career path in the organization. It is also important to help people (both managers and subordinates) realize that performance on their present job (as discussed in PA) is not necessarily a useful indicator of promotability.

E. How should performance appraisal be done?

1. With goals?
2. Subordinate input?

The data strongly suggests that regardless of how appraisal is done it should include significant subordinate input. This suggests that the prevalent system of one-over-one approval is not functional. Specifically, needing one-over-one approval prior to meeting with the subordinate locks the manager into a stance. One-over-one approval could be postponed until after the interview.

Data also suggest that in many cases predetermined goals are a good way to do performance appraisal, but they do not suggest that they are

always the best way. The key seems to be getting superior-subordinate agreement before the performance appraisal period on how performance is going to be appraised.

F. In what ways should performance appraisal be contingent upon:

1. Where it happens? The situational context
2. Who is involved?

There are a number of possible situational attributes that performance appraisal should be contingent upon. Specifically, the type of jobs that people hold, the length of service of the person being appraised and, finally, the performance of the person being appraised. All things being equal, the data suggest newer employees should be appraised more often and that in certain jobs the goal setting approach may not be as desirable as it is with other employees.

G. How do you support good performance appraisal?

1. Training?
2. Due Process?
3. Tie pay to performance?
4. Increase saliency of annual manpower review?

The data are not convincing one way or the other about the potential usefulness of training for supporting good performance appraisal. In our minds it is still an open question as to whether people can be trained to do performance appraisal better unless the training is specifically tied to PA. It is clear that shotgun approaches to training (in which PA is one of many content areas) do not have a positive impact. One suggestion for focusing training on the issues raised by the data (especially discrepancies between manager and subordinate perceptions) is to use the

data themselves as the basis for the training. We think this has much merit.

We would also like to stress the desirability of regular audits of the effectiveness of the performance appraisal system in an organization. One way you get good performance is to show that you are seriously interested in how effectively it is being done. We don't think that at this time it's appropriate for corporate level to do these audits, but we do think there should be corporate policy favoring audits. Audits should not only look at how people feel about the results of the appraisal, but at potential biases and invalidities in the data itself. Tied in with this is the importance of rewarding managers who do performance appraisals well.

It is an old axiom but a true one, that people perform according to how they are rewarded. One way to get good performance appraisal practice is to reward it. Tied in with this is the importance of providing managers with feedback on how well they do their performance appraisal.

Increasing the importance and visibility of manpower review can, we feel, make the appraisal meeting itself go better. The manpower review meeting can take some of the pressure off the appraisal meeting to deal with issues distracting from the performance focus and it can assure people that their concerns about career development will be taken care of elsewhere.

Finally, we think it is critical that pay be tied to performance during the PA sessions. That pay is not connected with performance is a commonly stated criticism of the present system and it also has potential important motivating impacts on people. Failure to do this will continue

to interfere with an effective appraisal event taking place since the lack of discussions of pay issues can contaminate the discussion of performance.

H. What are important issues not answered by the data?

1. Formalization of multiple data sources
2. "Macro" indicators of effectiveness

There are a number of important issues not answered by the data. We would recommend that many of them be pursued in further research studies. First, the study did not get into how one might formalize the input of performance appraisal data from multiple individuals and sources. This is a particularly interesting area and one that should be pursued in matrix organizations. No organizations seem to have much knowledge about how to handle performance appraisal in a matrix system and thus this area is ripe for useful research.

The study did not deal with a relationship between performance appraisal effectiveness and macro indicators of organizational effectiveness. This topic could be pursued in further research, but it is a difficult one.

The study also did not provide the final answer on training. Our feeling is that more research is needed and it is important that this research be done. Different training methods should be studied in order to determine which training programs make a difference.

The research in this project says nothing directly about what would happen if changes were made in the present system(s). The only way to say something about the effects of changing a system is to actually make the changes and study them. We feel that this is an important next step in the

research since the leads which have been suggested need to be tested out and improved.

Finally, although we report a great deal of data about the disagreements between superiors and subordinates on what occurs in a session, we know very little about the causes of the disagreements. We strongly recommend pursuing this since we feel it can provide some good understanding as to why appraisals are not as effective as they might be. Specifically, we think some observations and/or tape recordings of actual appraisal sessions can help here. It is important to get to the source of manager-subordinate discrepancies before definitive suggestions to reduce them can be made. Can discrepancies be reduced by a more contractually based appraisal, for instance? At this point we just don't know.