

## **So What Would An Ideal Performance Appraisal Look Like?**

**Jack N. Kondrasuk**  
**University of Portland**

*Organizations use many performance appraisal formats, but an ideal form still eludes us. This article moves closer to an ideal performance appraisal system. Research assessing all problems occurring with present performance appraisal systems produced 76 performance appraisal problems (reduced to 4 general categories). Performance appraisal systems are improved by rectifying common shortcomings (e.g. reducing biases, training those involved, using formats with research substantiation). However, the most important changes require 1) clarifying the goals of performance appraisal, 2) focusing on both results and behavior appraisals, 3) adding an appraisal category, 4) better timing, and 5) better involving constituencies.*

### **INTRODUCTION**

The most difficult and most distasteful human resource management task for line managers to perform is the process that appraises employee performance and acts on that appraisal—termed “Performance Appraisal.” Performance appraisal (PA) has been and still is the most problematic HR area and the most avoided/detested HR area for line managers and HR departments alike (Dessler, 2011). Thomas and Bretz (1994, p. 28) stated that PA, as typically conducted, “has remained a largely unsatisfactory endeavor” for years even though it is a very important HRM area; “both managers and employees tend to approach appraisal feedback sessions with fear and loathing.” Thomas and Bretz (1994) state that managers and employees dislike the PA process because neither was involved in developing the forms nor processes, neither’s suggestions for changes are solicited nor acted upon, managers don’t like to give nor do subordinates like to receive negative messages, negative PA ratings have negative effects on employee careers and perceptions of their managers, and there are no rewards for taking the manager’s valuable time to appropriately conduct the PA. Performance appraisal has been said to be “one of six deadly diseases” that keep organizations from performing at their peak (Staff of Employee Recruitment & Retention, 2010). Performance appraisal is fraught with problems and conflicts in what it was designed to accomplish, how it is conducted and how the results are used.

However, Grote (2010) points out that PA has more influence on individual careers and work lives than any other management process. Performance appraisal can both make a business more efficient and help keep employees motivated. By evaluating people at regular intervals, appraisals help firms show where their employees excel, where they can improve, and how well they have followed the goals set by the firm.

What would be an ideal performance appraisal (PA)? From the supervisor’s perspective, it would probably be an appraisal that would be accurate and helpful in 1) improving the employee’s job performance and 2) making administrative decisions (e. g. pay raises) about the employee. From the

employee's perspective it would probably be an appraisal that would fully capture all that the employee has contributed in the job to the employer. From society's view it would probably be an appraisal that fairly assesses the employee's performance and is used justly in the employment situation to make the organization more useful to society. It seems to be a rather simple and straight-forward activity. However, it is one of, if not the, most problematic areas in human resource management (Bernardin, 2003).

The purpose of this paper is to develop an ideal PA—or come as close as possible to a panacea in this area. To accomplish this we need to consider the goal(s) of PA, what are the components of an ideal PA, what does the research show is most effective in these areas, what are the best organizations doing now regarding PA, list the problem areas encountered in typical performance appraisals, and propose an ideal PA to meet the concerns. The ideal PA system proposed to remedy those problems is to be grounded in empirical data and theoretical postulations and designed more for focus rather than as a complete, ready-to-apply panacea.

## **BACKGROUND OF PA**

The use of performance appraisals became institutionalized as a way of monitoring and improving organizational output during the Industrial Revolution when bureaucratic organizations proliferated (Fandray, 2001). Incipient use of performance appraisals during this epoch was usually linked to reactivity and punishment for poor performance (Kennedy & Dresser, 2001). In other words, the PA mechanism focused on punishing employees for poor performance as a means for motivating them to achieve higher performance standards. As industrialization continued and bureaucratic organizations proliferated, however, the PA system similarly began to evolve. Kennedy and Dresser (2001) told how "organizations gradually adopted more refined methods for seeking improvement in workplace performance...eventually championing rewards over punishment, forsaking the stick for the carrot, arguing that performance should not only be appraised but also managed, and devising new and sometimes complex methods to improve performance" (Kennedy and Dresser, 2001, p. 8). Within the last thirty years scholars and professionals alike have vigorously analyzed and critically examined the use and effectiveness of performance appraisals within the organizational context. Unfortunately, however, no consensus exists as to what type of system best meets the desired objectives.

### **Defining PA**

"Performance Appraisal" (PA) has been synonymous with performance review, performance evaluation, and other terms and combinations of terms. PA has, over time, referred to 1) an instrument or form to assess an employee's job performance, 2) an interview where an employee's job performance is assessed and feedback is given to the employee, 3) a system of setting employee job expectations/employee actual job performance/assessing that performance/feedback to the employee on the performance assessment and how to improve it in the future/setting new goals and expectations for another period, or 4) performance management with job performance appraisal a part of it (Dessler, 2011). More recently a fifth entry has been Integrated Organizational Performance Management with vertical and horizontal loadings and strategic/operating plans and individual goals and metrics as described by McGrath (2010). At the present time, PA typically refers to more of a systems approach as stated in #3 in the preceding. That is the definition of PA that we will use in this study.

### **How is PA Typically Conducted?**

The best organizations tend to use a typical literature-recommended PA approach. Here are two examples. General Mills, a large cereal manufacturer ranked 90<sup>th</sup> by *Forbes* magazine as a best company to work for, tends to use the typically proposed approach for PA. They set job objectives in June, set individual development plans in August/September, get feedback throughout the year, do a mid-year PA in the fall, and hold the annual performance review interviews in June/July (Gold, 2010). Umpqua Bank, a regional financial institution ranked 23 by *Forbes* for the best companies to work for, revamped

their performance appraisal system a year ago. Their new system has changed to an online appraisal of nine core competencies (four universally applied to all bank employees). The manager analyzes the individual employees' self evaluations and writes the final appraisal before a personal interview with each employee about the manager's evaluation of that employee. They also set future goals and discuss career development then or in later sessions (Rupp, 2010). However, they, as well as most other PA plans, tend to face a number of typical complaints.

### WHAT ARE THE PROBLEMS IN DOING PA?

It is much easier to find problems in doing PA than to find solutions or suggestions for improvement. PA systems have been criticized in many areas. It would seem that the present problems could be ascertained by surveying the research and practitioner literature about PA. Such a survey was completed which led to 76 different problems with PA as it is typically conducted. The list of problems seeks to be a representative, comprehensive list of PA problems, not an exhaustive list of all references to those problems. Table 1 summarizes the PA problem areas.

**TABLE 1**  
**COMMON PROBLEMS IN THE TYPICAL PERFORMANCE APPRAISAL**

Conflict between administrative & developmental goals	Kondrasuk, Crowell, Dillon, Kilzer, & Teeley
Performance appraisal used as a mechanism for power, domination, and control rather than for fostering individual growth and organizational betterment.	Neck, Stewart, & Manz; Roberts.
Evaluation process not taken seriously by evaluators	Eichel & Bender; Grote; Kondrasuk, Riley & Hua; Roberts .
Evaluation process not taken seriously by performers	Roberts ; Gray; Vinson; Kondrasuk, Riley & Hua; Fletcher.
Evaluators are placed in conflicting roles (coach vs. judge)	Eichel & Bender; Grote.
PA Process places inordinate stress upon evaluators who serve as evaluators	Roberts.
Process lacks support from upper-management and subordinates (organizational commitment)	Eichel & Bender; Grote; Roberts; Wilson.
Performers have little or no opportunity to influence in performance appraisal process	Fletcher.
Credibility is difficult to establish for both parties	Kane & Kane.
Situational environment is not conducive to a constructive meetings due to competing stimuli	Eichel & Bender; Grote; Wilson.
Conflict and competition arises from PA process	Roberts .
Surfacing of disruptive personal conflicts (e.g. politics)	Fletcher; Roberts; Wilson.
Insufficient amount of time allotted for performance appraisal meeting	Kondrasuk, Riley & Hua.
Lack of mutual goal setting between evaluator and performer at the close of the performance appraisal	Eichel & Bender; Fletcher; Grote; Neck, Stewart, & Manz ; Vinson.

Frequent communication is nonexistent between parties (before & between PA evaluations)	Roberts.
Evaluations are the only time performance feedback is given	Eichel & Bender; Grote.
Feedback is ambiguous, complicated, or irrelevant and fails to posit new goals or recommendations	Eichel & Bender; Grote.
Immediate action is not taken to correct concerns found during PA process	Roberts; Vinson.
Does not reflect organization's goals	Roberts.
Low reliability of performance appraisal system (rating errors)	Kane & Kane; Roberts.
Behaviors are not weighted properly	Eichel & Bender; Grote; Roberts.
Evaluators lack the necessary training to perform PA effectively	Kondrasuk, Riley & Hua.
Ambiguous job procedures, goals, priorities, and responsibilities	Eichel & Bender; Grote.
Complex rating system, poorly understood.	Bernardin; Cooke; Villanova et. al.
Little or no quality control on administering of PA process	Roberts .
Lack of resources to adequately institute PA system (information on PA)	Roberts.
Lack of systematic assessment by management	Bernardin, Cooke & Villanova; Fletcher; Roberts
Does not include direct observation of employees (compared to one another or all behaviors of individuals)	Roberts .
Performance appraisal inappropriately implemented (a reactive replacement for proactive subordinate training, needs consistency)	Kondrasuk, Riley, & Hua ; Roberts .
Records are not kept of performance (both positive and negative PA information)	Roberts .
Time is inadequately given to the process	Kondrasuk, Riley, & Hua; Roberts.
Measures person, not performance	Kane & Kane.
PA system does not fit into existing systems (development and administrative functions)	Fletcher; Roberts.
PA system does not differentiate within middle ranges of performance	Kane & Kane; Roberts.
Does not separate individual from group performance	Roberts.
Some jobs are more difficult to accurately assess than others due to immeasurable outcomes or the abstract nature of the job	Roberts ; Wilson.
The absence of a new reward system for performers for their positive performance contributions	Roberts .
Immediate action is not taken to correct concerns found during PA process	Roberts.
Behavioral terms are too vaguely determined	Eichel & Bender; Fletcher; Grote.
Failure to integrate into organizational functions	Roberts .

Evaluators lack the necessary training to perform PA effectively (discrepancies between evaluators)	Roberts ; Wilson .
Upper-management is not trained properly & does not review PA evaluations	Roberts .
Evaluator's psychological inability to provide negative feedback	Gray; Neck, Stewart & Manz ; Roberts; Wilson.
Interpretations of behavior and actions are too subjective	Crow; Fletcher; Gray; Neck, Stewart & Manz; Roberts.
Evaluators lack the necessary training to perform PA effectively (to manage employees)	Eichel & Bender; Fletcher; Grote; Neck, Stewart & Manz; Roberts; Vinson; Wilson.
Inadequate amount of time spent preparing for PA evaluations	Roberts.
Evaluation process not taken seriously by evaluators	Roberts.
Literacy levels are lacking	Roberts .
Evaluator's psychological inability (motivation, confidence) to perform PA properly	Eichel & Bender; Gray; Neck, Stewart & Manz; Grote; Roberts ; Wilson.
Evaluator's unwillingness/ inability to provide negative feedback	Eichel & Bender; Fletcher ; Grote; Roberts; Wilson.
Do not properly follow procedures (forms, interviews)	Roberts .
Satisfactory appraisals are given when not deserved – for a variety of reasons	Kondrasuk, Riley & Hua.
Evaluation lacks management support	Eichel & Bender; Grote.
Evaluation process not taken seriously by evaluators (lack in commitment to organization)	Eichel & Bender; Grote; Roberts .
Negative feedback leads to conflict	Roberts.
PA Process places inordinate stress upon managers who serve as evaluators	Roberts ; Wilson .
Scapegoating onto employees of problems out of their control	Roberts .
Personality types affect evaluations (leadership styles, mood)	Neck, Stewart & Manz; Villanova et al.; Fletcher.
Leniency bias by evaluators	Bernardin, Cooke & Villanova; Roberts.
Favoritism bias by evaluator (subjectivity)	Bernardin, Cooke & Villanova; Crow; Eichel & Bender; Gray; Grote; Kane & Kane; Roberts.
Satisfactory & unsatisfactory appraisals are given when not deserved – for a variety of reasons	Gray; Fletcher; Roberts; Kondrasuk, Crowell, Dillon, Kilzer, & Teeley.
Does not meet or satisfy performers expectations (refuses to agree)	Blau ; Eichel & Bender; Fletcher 475; Grote; Roberts .
Fairness/Trust are not perceived by evaluatee	Blau ; Roberts .
Performer perceptions of past performance is contradictory to PA results	Gray; Neck, Stewart, & Manz.
Performers are unclear as to how they should use feedback to direct future work	Eichel & Bender; Fletcher; Grote; Neck, Stewart & Manz; Vinson.
Inaccurate performance measures (weighted criteria)	Crow; Fletcher ; Gray; Roberts; Vinson.
Evaluation process not taken seriously by evaluatee	Kondrasuk, Riley & Hua; Vinson.

Belief that PA is only connected to wages	Roberts .
Employees are not comfortable or at ease with the PA process	Eichel & Bender; Grote; Wilson .
Performer dissatisfaction with amount and type of performance feedback received	Eichel & Bender; Grote; Roberts.
Non-work related events and exigencies not taken into account during PA	Crow.
Lacks subordinate support	Crow; Eichel & Bender; Gray; Grote; Kondrasuk, Riley & Hua.
360° feedback is not weighted or validated properly	Roberts.
Non-analytical approach	Kane & Kane.
Cultural Differences	Fletcher.

It is still an overwhelming, confusing list of problems in PA. The 76 problems found in present performance appraisal systems (from Table 1) can probably be reduced to four categories. The categories are problems with: 1) the **purpose** of PA, 2) **those involved** with PA, 3) **what is measured and how**, and 4) the **system and process** of PA. The major complaints within each of these areas should provide a clearer understanding of the PA dilemma.

### **Problems with the Purpose and Goals of PA**

It is generally conceded that there are two main purposes of a PA system: 1) Developmental and 2) Administrative (Kondrasuk, Crowell, Dillon, Kilzer, & Teeley, 2008). One stated goal of PA is to learn what the employee is/is not doing as well as possible and help the employee to improve her job performance. This is basically a counseling or guidance role that the evaluator plays in this role. The second goal or purpose is to use the PA results to help make administrative decisions such as if and how much to award in pay increases, what training is necessary or helpful to improve employee performance, and other uses such as test validation criteria. This second goal places the evaluator in the role of judge. Roberts (1998) states that the supervisor needs to achieve both goals. However, trying to achieve both goals can create a conflict in the evaluator and appraisee. It is very difficult for the supervisor to concurrently be a counselor/guide while trying to be a judge at the same time. An evaluatee is likely to be very open and admit shortcomings to a counselor who could help him but NOT be candid to a judge who may cut his pay raise or reduce his promotional opportunities...or fire him! Evaluators may feel they are placed in conflicting roles by having to be both a coach and a judge of subordinate performance (Eichel, & Bender, 1984; Grote, 1996).

Another issue with the purpose of performance appraisals is inconsistent evaluator perceptions. Inconsistent perceptions as to the purpose of the performance appraisal can throw the entire performance appraisal system off. If evaluators have different views on the purposes of their specific performance appraisal, the process will be conflicting, as well as what to do with the results. A supervisor who believes that the purpose of the appraisal is to determine which team members need to develop additional skills to better achieve organization goals may conduct the appraisals in a completely different way than a supervisor who believes the purpose of the appraisal is to determine which employees deserve a raise. It gets even more problematic when we add in more participants. For instance, an additional problem in this area occurs when the appraiser and evaluatee both have different, conflicting views of the purpose of the PA.

### **Problems with Who is Involved in PA**

There generally are three categories of people involved in PA: 1) appraisers, 2) evaluatess, and other users. The evaluator can be a variety of individuals or groups of individuals. Traditionally, the evaluatee's direct supervisor evaluates the individual because s/he is in the best position to observe the

behavior and evaluate (Kondrasuk, Riley, & Hua, 1999). However other approaches may also be used so that “the evaluator” could be an employee’s peer, subordinate, customers or any person the appraisee interacts with. Regardless of who does the evaluation, they need the support of the total organization.

When reading through the research conducted on performance appraisals, a major issue that arose time and time again was the integration of the PA within the organization’s daily functions and overarching ideology. Without the full support of integrating the PA process from the top all the way down, the PA has no chance of being implemented successfully. If the organization lacks commitment to the process of performance appraisals, then evaluators do not take the process seriously enough (Roberts, 1998; Eichel, & Bender, 1984; Grote, 1996). When performance appraisals are used as a mechanism of power, domination, or control over underlings, the individual growth and the effectiveness of the PA system deteriorate (Roberts, 1998; Neck, Stewart, & Manz, 1995; Wilson, 1991; Eichel, & Bender, 1984; Grote, 1996).

If those who are involved do not have sufficient skills to conduct PA, the results will be less than ideal. Evaluators are frequently not given the necessary training to perform the PA effectively and consistently (Roberts, 1998; Wilson, 1991; Fletcher, 2001; Vinson, 1996; Neck et al; Gray, 2002; Odiome, 1985; Eichel, & Bender, 1984; Grote, 1996)). One specific example of appraisal ineptitude is seen in the way performer behaviors are vaguely determined or not weighted properly in the process (Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). Evaluatees are seldom trained in the PA process or their requirements in it. Also, upper management seldom is trained properly in how to use this data for organizational improvement (Roberts, 1998).

### *Biases*

The most common defect in the evaluator's role of effective performance appraisals is supposedly caused by personal bias. Common biases include: Central tendency, leniency, severity, recency effect, primacy/first actions effect, favoritism, halo or horns effect, attributional bias, giving evaluations/ratings to justify prejudged actions (e.g. pay raise), and the Hawthorne Effect. Personal bias is apparent in different ways. Evaluators may simply give satisfactory or unsatisfactory appraisals to individuals who do not deserve them (Roberts, 1998; Gray, 2002; Fletcher, 2001). Favoritism and subjectivity play a major role in these undeserved appraisals (Roberts, 1998; Kane & Kane, 1992; Bernardin, Crooke, & Villanova, 2000; Gray, 2002; Crow, 1996; Eichel, & Bender, 1984; Grote, 1996). When an evaluator appraises someone who they like, they may be more apt to give them a superior evaluation than someone they do not like. Leniency may also play a role in unreliable performance appraisals (Roberts, 1998; Bernardin et al., 2000). Instead of dealing with evaluatees who may be difficult to reprimand, an evaluator may rate them less badly in hopes of avoiding the wrath of the difficult persons. Leadership styles, personality, mood characteristics, and personal disposition can cause fluctuations in the effectiveness of performance appraisals (Neck et al., 1995; Villanova, Bernardin, Dahmus, & Sims, 1993; Fletcher, 2001). An evaluator's propensity to allow personal bias into the process of giving performance appraisals will cause problems in the effectiveness of the system.

### *Evaluatees' Perceptions*

The perceptions and expectations evaluatees have of the PA process may be a significant inhibitor of PA success. Evaluatees often refuse to agree to PA approaches and conclusions because they do not meet their expectations of the process (Blau, 1999; Roberts, 1998; Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). When evaluatees do not observe fairness and trust in the process of performance appraisals, they are quick to deny the importance of the system (Wilson, 1991; Roberts, 1998; Blau, 1999; Eichel, & Bender, 1984; Grote, 1996). Furthermore, evaluatees may argue with the evaluation if it does not match the results of past satisfactory performance appraisals (Gray, 2002; Neck et al., 1995). It appears that some evaluatees are often reluctant to take the evaluation process seriously (Vinson, 1996; Kondrasuk et al., 1999). In many instances, PA systems do not provide for effective communication. For example, some evaluatees feel they are given inaccurate information on the performance criteria (Roberts, 1998; Gray, 2002; Crow, 1996; Vison, 1996; Fletcher, 2001). Appraisals

are made weighting behaviors evaluatees did not know were essential for satisfactory appraisal (Roberts, 1998; Eichel & Bender, 1984; Grote, 1996). At the conclusion of a performance appraisal, many times evaluatees are not given directions on how to use this feedback to perform future work (Vinson, 1996; Neck et. al., 1995; Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). Additionally, even if instruction is given for performance, evaluatees may express dissatisfaction with the amount and the type of feedback they receive (Roberts, 1998; Eichel & Bender, 1984; Grote, 1996). It appears that many evaluatees feel uncomfortable because they have little or no opportunity to influence the process of performance appraisal (Fletcher, 2001; Wilson, 1991; Eichel & Bender, 1984; Grote, 1996). In order to develop a working PA system, the lack of subordinate support must be addressed (Gray, 2002; Crow, 1996; Kondrasuk et al., 1999; Eichel & Bender, 1984; Grote, 1996).

### **Problems with What is Measured and How**

For performance appraisals to be effective for an organization, employee's individual goals must work to achieve the bigger goals of the organization. Many firms use inappropriate assessments because they do not use the correct tools for designing the system. The two basic considerations in designing the actual appraisal tool are what to measure and how to measure it (Dessler, 2011). What to measure refers to the way in which to measure the employee's performance, such as quantity, quality and timeliness of work. It may also be measured in respect to developing one's competencies or achieving one's goals. In terms of how to measure it, there are various methodologies that are available for implementation (Dessler, 2011).

When designing a PA, one must first answer the question of what should be measured. Assessing employee performance is a very difficult task. While employee performance in some jobs, such as selling shoes in a shoe store, is clearly measurable, assessing performance in many other professions, such as that of a nurse, can be less evident. In general, we can measure traits, behaviors, and results.

There are various techniques to measure an employee's job performance. Evaluators can use graphic rating scales, forced distributions, and ranking (paired comparison, alternation, straight) to measure traits. They can use critical incidents, narratives, BARS, BOS, and electronic monitoring to assess behaviors. They can use MBO to assess results. For instance, Thomas and Bretz (1994) stated that an MBO instrument was by far most common for assessing the job performance of both managers and non-manager exempt personnel. The appraisal instrument for non-exempt employees varied from MBO (31%) to graphic rating scale (32%) to "other" (23%). However, how to choose the instrument for a particular situation and how to score a combination of instruments is problematic.

### **Problems with the System and Process of PA**

As Russell and Russell (2011) recently pointed out about performance management (and applies to PA as a system), it is a process and not a single event—a format and not a form. The process/format area of concern includes all the doubts about the purpose, process, and outcomes of performance appraisals. When reading through the research conducted on performance appraisals, a major issue that arose time and time again was the integration of the PA within the organizations daily functions and overarching ideology. Without the full support of integrating the PA process from the top all the way down, the PA has no chance of being implemented successfully. Some critics maintain that there is a lack of resources provided by the organization to adequately institute the process (Roberts, 1998). Furthermore, the assessments made by management are often not comparable across the organization (Roberts, 1998; Bernardin et. al., 2000; Fletcher, 2001) and do not fit into the pre-existing job descriptions and developmental and administrative systems established by the organization (Eichel, & Bender, 1984; Grote, 1996; Roberts, 1998; Fletcher, 2001). An organization's goals are not always considered when a PA system is designed (Roberts, 1998). Another apparent challenge for PA to be effective is that they are not given enough time to be completed (Roberts, 1998; Kondrasuk et al, 1999). The process may be measuring a person, rather than performance (Kane & Kane, 1992). Or, appraisals may be set to assess jobs that have immeasurable outcomes or abstract natures (Wilson, 1991; Roberts, 1998). Another problem with typical PA systems is that they only seem to accurately and reliably

measure extreme performances and do not reliably differentiate middle-range performances (Roberts, 1998; Kane & Kane, 1992). Behaviors may not be weighted properly to give an accurate evaluation of an individual's overall performance (Eichel, & Bender, 1984; Grote, 1996). In sum, many PA systems have low reliability (rating errors), which must be taken into consideration when analyzing them for their efficacy (Roberts, 1998; Kane & Kane, 1992).

#### *Time and Timing of PA*

A big issue regarding the PA process that has caused much trouble has been the issue of timing. When does one conduct the PA? Yearly? Half yearly? Performance Appraisals take time. There is not always enough time to allow for a full appraisal of an employee even semi-annually. Most firms schedule their appraisals according to either when an employee was hired or at a set date for all employees such as at the end of the year. Rating employees according to the date they were hired allows managers to allow enough time to pass in order to have a productive appraisal. Opposed to that, rating all employees at the same time, sometimes called the focal point method, allows managers to compare employees to each other more easily and make broad changes in the direction of individuals and the entire firm (Grote, 2002). Ideally the PA would be conducted more often than they are in most businesses. In most cases any meeting between a manager and a subordinate is helpful to the firm and can increase productivity, but the fact of the matter is that managers and employees are busy with their work and end up putting performance appraisals on the back burner so to speak.

Another problem with the PA deals with the decision of when to bring in new objectives. An evaluator may believe that the evaluatee should be given new objectives to further advance their progress or working success, but when and where to introduce these objectives is unclear. Much of what causes the problem here is that the appraisal allows for feedback, but does not distinctly give a time and place to create and set new objectives. Both the evaluator and evaluatee may deem it necessary to be done at different times and in different ways, which ultimately generates an unsettling problem.

#### *Use of Results*

A big problem with the PA is deciding what to do with the information gathered from the appraisal. Without proper implementation of results, the appraisal is useless. A major issue with results is that managers may go through the entire process and ignore the results all together (Allen, 1994). Over time, the system will lose whatever credibility it may have had. Another issue with results is deciding how to effectively use the information gathered on the employee. In other words, what will happen to the employee based on the results of the evaluation. Once the evaluation is completed, it is unclear what the managers should do with the results. If the evaluatee receives a good appraisal, should the evaluatee receive a pay increase? If the evaluatee receives a bad appraisal, should they be fired or demoted? Because there is a lack of standardization most managers don't know how to go about implementing the results. So let us look at what authors have recently been suggesting to rectify these problems.

### **RECENT SUGGESTIONS FOR IMPROVEMENT OF PA**

Academic scholars and industrial practitioners have suggested many aspects to change, add, or tweak. Authors have recommended trying to produce more measurable goals to begin with, give more frequent feedback on performance to the operating employee, reduce biases in appraising employees, better train appraisers in appraising employee job performance achievements, and periodically and continually auditing/reviewing the effectiveness of the PA system. Grote (2010) and others have stated that individual development/improvement plans should also be employed. Grote adds that there should be more responsibility placed on the employee such as being responsible for seeking coaching and feedback and doing a self-evaluation at the end of the period.

A strong emphasis is being placed on better training of those involved in the PA system. All managers who currently perform performance appraisals, or any who would potentially do so, should be required to participate in PA training. A trained HR specialist, with particular training in the performance

appraisal field, should conduct the training programs. The HR specialist can better convey the corporation's culture and values as well as the legal aspects of PA throughout the training. The training can tackle the major aspects of language use, objectivity, legal aspects, psychological concerns, evaluative criteria and listening skills. New employees should also be trained in PA as part of their corporate orientation. Present employees should go through refresher training annually to brush up or learn new and improved elements of the PA process. This learning should never stop. Nor should we stop attempts to improve the performance appraisal in general.

## **ENHANCEMENTS TO THE IDEAL PA**

To have an “Ideal Performance Appraisal System” it is assumed that many present performance appraisal (PA) system components should be retained in general. The components to retain are 1) establishing expectations for employee performance, 2) allowing the employee the resources to perform the job, 3) appraising that employee’s job performance, 4) reviewing the appraisal process, and 5) continuing the cycle of steps 1-4. However, there are six additional aspects where important changes could be made to produce a more “ideal” performance appraisal system. Those aspects are: 1) Performing the recommended **changes recently recommended**, 2) **clarifying the goals** and role of performance appraisal, 3) **focusing on both results and behaviors**, 4) **adding an appraisal category**, 5) properly **timing the PA process**, and 6) **involving more constituencies** in the process.

### **Perform the Recommended Changes Recently Recommended**

Recent articles recommend improvements to conduct PA. There are changes recommended in each area. For instance, regarding who does the measuring--the evaluator, it has often been recommended that the appraisers be trained in the process of appraisal. This way the manager can have more motivation and more skills to do a better job of appraising her subordinates’ job performances. With the greater use of computerization, it is more likely to get input from additional sources (e. g. 360-degree feedback) for a more well-rounded and accurate view of the appraisee’s job performance.

Regarding the process of the PA system, assess the evaluatee’s job performance on a more frequent basis—continuously if possible. This could include daily progress reports/feedback sessions between supervisor and subordinate(s). Have the performance appraisals flow through the total organization including, and having support from, the top management of the organization. Make the PA system clear and relatively easy to perform so appraisers are not overwhelmed and over-extended. Make sure that audits of the PA system are conducted—that the system is reviewed frequently to spot problems and to make improvements. Make sure that users of the PA system are rewarded for properly/accurately conducting the PA system and applying the results. It has also been recommended that all PA’s be conducted at the same time in the calendar year—not on each employee’s anniversary date—to be more consistent in standards used for judgment. Also have specialists from the human resource department (HR) review the PA results for the same reason and to pick up biases (Staff of Employee Recruitment & Retention, 2010). Responses to different achievement levels should also be relatively standardized. For example, meeting standards gets a 3 % raise while exceeding standards obtains a 6 % pay increase.

Regarding what is measured and how. Thomas and Bretz (1994) suggested that managers and subordinates both be more involved in the development of the general PA system/process as well as the PA forms used. They also suggested that there should be more rewards for appropriately using the PA system. Strive for clear, specific, measurable expectations. Use techniques as free from biases as possible. Use evidence-based techniques that are shown by quality research to be valid and reliable. In fact, some, like Jafari, Bourouni, & Amiri (2009), have even developed mathematical approaches to comparing and selecting the best PA technique to use in given circumstances. Use techniques/approaches that are cost effective and not repetitive.

Many have recommended that there be more training of appraisers on how to appraise and how to use the results. Have PA manuals (preferably online) available for further review and as-needed information.

But as with any other area of PA, the ideal PA system must be practical in the sense that it is easy to use, understand, and administer. It must be useful for making decisions, and it must be cost effective.

### **Clarifying the Goals of Performance Appraisal**

As stated previously, the ideal PA system could refer to a specific instrument, the PA interview, a PA system, or performance management. We have chosen to focus on PA as a system as described above. It is very important to realize that the ideal PA system is a format (process) and not a form (specific instrument).

We need to clarify the purpose of the PA system. Many years ago it was asserted that organizations typically try to concurrently achieve two goals in their PA's which produces a conflict and less than ideal results. Organizations seek to use the PA to a) *make administrative decisions* (such as whether to fire/retain/promote, the level of pay increase, training needs, etc.) and b) *improve employee performance* (by learning the shortcomings of the employee and seek to help the employee improve in those areas). The first is a judicial process where the latter is a counseling process. The appraiser must act as a judge in the former and a guide/counselor in the latter. It is very difficult to be a judge and counselor at the same time. On the other side of the desk, the appraisee tends to selectively hide potentially damaging information that could hurt his being judged highly but tends to openly state weaknesses that could be rectified when the appraiser is acting as a counselor. So there are conflicts within both the appraiser and the appraisee in a typical PA. The proposed best way to deal with these conflicts is to clearly separate the two goals (administrative and developmental) so that both the appraisee and the appraiser know when each purpose is occurring. It should be clear when the appraiser is evaluating the evaluatee on administrative standards (tied to organization goals) or on developmental goals (tied to what the employee personally wants to achieve in that work setting). This separation also has implications for the training of appraisers; they should be trained in how to be a good counselor as well as a good evaluator.

### **Focus on Both Results and Behaviors Appraisals**

As some have previously stated, if we assess both objective aspects like results and subjective aspects like attitudes, we get a fuller picture of the employee's performance. Likewise, if we assess both specific end results and also the process/behaviors that led to the results, we get a fuller picture of the employee's performance. But let's take that another step further. If we go back to the basic goals of the PA, we start with goals of making administrative decisions and improving employee performance. Now let's separate those two goals and tie them into the results and process dimensions. If our goal is to make better administrative decisions (e.g. regarding employee retention and promotion, compensation, training), focus on objective appraisals like performance results. If the goal is to develop the employee and improve that employee's job performance, focus on the subjective/process elements. Administrative decisions, such as employee termination, should and often are legally required to be based on objective data—not subjective opinions. The number of items produced or sold, the revenues or profits obtained, even the number of hours worked to achieve the end result are all objective results and can be defended to the employee or the judge/jury in a court setting. However, when we talk about improving an employee's performance, we tend to take the objective results as givens and focus on what the employee could do differently; the employee must behave differently to achieve different (better) results. Doing the same thing (behaviors) should get the same results (less than perfect performance results). So to improve job performance, the behaviors (and their motivation, attitude, etc.) should be changed. The employee should do something differently/ behave better to get better objective results.

### **Adding an Appraisal Category**

Changing job behaviors may not always be the most efficacious move to make to increase job performance. We assume that if the employee changes/improves his job performance behaviors, that his job performance results will improve. However, that assumption misses one very important ingredient of job performance—the situation. If the economy deteriorates or the salesperson is suddenly assigned a territory with a dearth of prospects or the engineer's computer breaks down or the store check-out clerk

has vastly fewer customers, the job performance will diminish in all cases even if the employee adds job skills and increases her motivation to perform better. Consequently, *the ideal PA must measure the situation*—the opportunity to perform and the organization’s support to perform well.

As to how to assess the appraisee’s situation, one could look at the instrument to assess the situation in Fiedler’s (1977) contingency theory of leadership. His “situation favorableness” assessment instrument is not necessarily a panacea to measure the situation for performance appraisals, but it can be a starting point for developing such an instrument.

### **Timing and Arrangement of the Process**

An important aspect in developing the ideal PA system is the timing and arrangement of the elements in the process. The typical PA has been conducted by setting goals with each employee at the beginning of the year. This is laborious and also contentious as the typical conflicting appraiser PA goals of guiding and judging cause the skeptical appraisee to withhold information and resist suggestions or demands by the evaluator for the evaluatee to list certain goals. Since the supervisor, at whatever level, tends to meet with each subordinate one at a time and each session averages about an hour, it is very time consuming. Considering that the supervisor has other responsibilities to attend to such as producing products or services for customers, PA interviews can be drawn out over lengthy periods of time. Likewise at the end of the period when the supervisor sits down with the evaluatee to discuss the annual or semi-annual appraisal of the employee’s performance, that also takes a great deal of time and has even more subordinate resistance whenever the employee is judged for administrative decisions such as pay raises or promotions. After all, the average employee believes he is above average—or at least 75% of the employees believe they are above average. So how do we deal with these challenges?

To alleviate some of these aforementioned problems, it is recommended that the PA be split into two parts with quick decisions being made regarding administrative decisions at the front end in setting the standards for the position for the year (or other time period) and at the end where the PA is done based on achieving the standards based on objective (measurable) results) and subjective (process, behaviors) evaluations. This will reduce the “limbo” time between ending one period and starting another as well as increase the consistency of evaluations across appraises. Then take more time to establish the developmental goals at the beginning and the end-appraisal of individual goal achievement at the end of the period. The discussions of extent of goal achievement are to help the subordinate look at how to meet his personal goals (e.g. be rated “excellent”) for improving his work performance (e.g. sell more widgets) to achieve what he wants to on the job (e.g. be promoted to manager). The supervisor does not have to act as a nasty judge because all administrative decisions have already been made. The supervisor can focus on helping the self-motivated subordinate achieve her personal goals-- what she wants to accomplish—and increase the job performance of that employee. Focusing on employee goals encourages more involvement and engagement of the employee—thus increasing employee motivation to do the work on the job.

### **Involve More People in the Process**

The more people that are involved, the more chances for better ideas and fewer mistakes—to a point. If more sources can make suggestions to improve the job standards and goals, they should be “better” standards and goals—more accurate, more challenging, more measurable, etc. Therefore, besides the supervisor and the subordinate(s) developing the goals, reviewing it by specialists in the organization’s human resource department (someone who knows the qualities required to write good objectives and who has a system-wide view of what needs to be done and what others are doing) should result in “better” employee goals. Also, at the other (performance appraisal) end, having input from others (basically a 360-degree appraisal) should give a more complete picture of the actual achievements in comparison with the expectations of what to accomplish (the goals, standards). Getting evaluations toward the standards and goals from the supervisor and self-evaluations from the subordinate are routine. Getting evaluations from interacting and knowledgeable peers and the subordinate’s subordinates have been recommended. It is also recommended to get assessments from the subordinate’s customers.

Even with all of these recommendations for changes to improve the PA, it is still questionable if it will work in all situations for all people. Can the same, ideal PA be applied the same way in all situations? Will there still be problems with different appraisers, evaluatees, jobs and levels of jobs, companies, sizes of organizations, types (public and private; local, regional, national, international), industries, geographical locations, countries, cultures? Many questions still remain unanswered. More will be known about that after these suggestions are applied and further research is conducted.

## CONCLUSION

The ideal PA system is a format, not a form. It is a process that involves setting expectations (of the supervisor and subordinate), having the subordinate perform to achieve the expectations, of appraising and feeding back the results, and applying the results of the assessment in ways that benefit the organization, the supervisor, and the subordinate involved. Remember that the ideal PA system has two separate purposes (administrative and developmental)—which must be separated and not attempted to be achieved simultaneously. It appraises both standards applied to many as well as goals applied uniquely to each individual. Administrative decisions, based on standards and objective results, should be made first and quickly; Developmental aspects, based on individual goals, are made later and take more time. Both assess objective and subjective aspects of the employee's job performance. The appraisal considers the appraisee's skills and motivation within the context of a changing job situation to judge the appraisee's job performance. The process and techniques applied are based on evidence-based management that applies valid and reliable approaches. Implementation of the ideal performance appraisal may not be feasible, or possible, for all organizations. But for those who can and do use the PA system proposed herein, it should be an improvement.

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