

Whither Performance Appraisal?

For performance appraisals to succeed, managers need training that instills a new attitude.

By NEIL A. STROUL

Performance appraisal has been a staple in personnel management for over 35 years, but few companies feel comfortable with their systems' effectiveness. Climate surveys and needs analyses routinely expose the inadequacies of performance appraisal systems, and a thriving cottage industry helps organizations improve existing systems or design new ones. Management and staff remain equally indignant about the oppression of the obligatory annual review.

Performance appraisal has come under critical scrutiny at least since 1957, when Douglas McGregor published his classic article "An Uneasy Look at Performance Appraisal" (reprinted in the June 1987 issue of *Training & Development Journal*). In the 30 years since, the flaws McGregor identified persist. Management scientists continue to build on McGregor's criticisms and identify additional problems and solutions.

The "split role" plays an important part in any discussion of performance appraisal systems. Employees see performance feedback from a manager as meaningful when the manager adopts the role of a counselor and sets a helpful tone. But most performance appraisal systems also ask managers to play the role of judge, evaluating the individual's performance for purposes of salary administration, promotability, and so forth. The two roles are inherently incompatible; to the extent that the manager serves as a judge, the effec-

tiveness of the feedback is diminished. Performance appraisal effectiveness rests on managers' abilities to separate the two roles.

Another factor compromising performance appraisal: the individual and the organization naturally have very different goals. In theory, performance appraisal serves a dual purpose: as a control mechanism to monitor performance and goal attainment and as a feedback mechanism to foster individual growth and development. In practice, however, only the first purpose is served.

Internal conflicts explain this gap between theory and reality. For example, the organizational goal of using performance appraisal to develop employees through counseling, coaching, and career planning conflicts with another avowed goal to seek information on which to base rewards and personnel decisions. In turn, there are major conflicts between the organization's wish to collect information to make personnel decisions and the employee's wish to seek important rewards and to maintain self-esteem. And these employee needs sometimes conflict with the organization's goals for employee development. It's not hard to understand why performance appraisal often elicits tension, defensiveness, and avoidance for both managers and staff.

Designing performance appraisal systems

Two prevalent solutions try to resolve these conflicts:

- systems that recognize the competing priorities of individuals and organizations

and attempt to alleviate conflicts through intelligent design;

- management training that emphasizes the importance of providing staff with ongoing feedback, developing interpersonal skills to foster effective staff relationships, and developing interviewing and problem-solving skills for effectively conducting performance evaluations and reviews.

Most efforts at designing intelligent performance appraisal systems separate the manager's roles of judge and counselor by encouraging two interviews. For the organization's need to monitor and control performance and to make rational personnel decisions, each employee participates in a *performance review*. The focus is on accomplishments, goal attainment, and successes and failures. Here the manager acts as a judge. Salary adjustments and other personnel decisions rely on the results of the performance review.

Some other time, the manager and employee go through a *development review*. Here, they focus on strengths and weaknesses, career aspirations, and a training or development plan.

But some managers dislike the performance appraisal process so much that they resist doing two separate interviews. Personnel expert David Wight suggests a single interview that evolves over four discreet phases.

- *Phase I:* As a counselor, the manager reviews performance with the employee in a nonevaluative manner. The emphasis is strictly on providing feedback.

- *Phase II:* The manager evaluates performance. While this phase may repeat points

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from Phase I, the purpose and tone are different because the manager must judge performance—as concretely as possible.

■ *Phase III:* The manager provides the employee with an overall rating and links this evaluation to any salary adjustments. While the manager's intent is not to justify or defend, he or she should explain how the rating was calculated.

■ *Phase IV:* The manager links current performance to future options, discusses the various incentives, and initiates planning for the next review.

To successfully employ this model, the manager must develop the sensitivity and interpersonal competence to cope with emotional issues that may arise. While the four-phase approach recognizes the manager's judge-counselor conflict, it implicitly reinforces the manager's hierarchical position and offers no concrete suggestions for establishing a collaborative dialogue.

Several measures can foster collaboration. For instance, managers might use two separate appraisal forms: one for evaluation, which becomes part of the personnel record, and one for development, which does not. The appraisal process can also rely on a combination of management-by-objectives and behavioral measures to assess performance or employ separate assessments of performance and potential. Another unique approach combines managers' assessments of employees and employees' assessments of managers. Other systems incorporate employee self-appraisals or use different formats for different employees.

Other flexible systems use different performance appraisals for different populations. In 1985 *Personnel Administrator* highlighted a performance appraisal system developed by John Oliver that classifies all jobs into four major categories: hierarchic positions, professional positions, entrepreneurial or task positions, and socio-technical or group-job designs. The particulars of performance appraisal—standards, forms, and procedures—vary for each group.

For example, in hierarchical positions, jobs are narrowly defined, discretion is minimal, and authority and direction are vested in the supervisor. Therefore performance appraisal is essentially a control mechanism to be implemented using a top-down approach. Supervisors set the standards and all communication channels through them.

Performance appraisal for professional positions largely involves compliance with the goals, duties, ethics, and standards of

Figure 1—Oliver's 21 questions to ask

1. Who sets the performance standards?
2. What form should the standards take?
3. How do we decide what is reasonable but challenging?
4. How many standards are needed to measure overall performance?
5. How much weight should each criterion (standard) carry in the overall performance judgement?
6. How are the standards communicated?
7. Are there hidden irrational criteria that take precedence over the valid rational criteria? If so, how can this problem be solved?
8. What measures will be used?
9. What is the measurement level of these measures (quantitative or qualitative)?
10. Who provides the performance measure?
11. Are the performance measures objective enough or too subjective to be acceptable?
12. When and how will measurements be made?
13. How often will measures be compared to the standard?
14. Will the frequency have a positive or adverse affect on satisfaction or productivity?
15. How often will the staff member be rated?
16. How often will the rating be communicated to the staff member?
17. Who will rate the staff member's performance?
18. Who will communicate the rating to the staff member?
19. How can the staff member improve performance?
20. How can the organization aid in improving the staff member's performance?
21. How can the organization ensure that objective performance ratings are used in decision making instead of subjective, informal, irrational, or irrelevant ratings?

conduct as proclaimed by professional associations. As a result, standards reflect an integration of position-specific accountabilities and professional practices. Training and career development seeks to improve professional competence.

Task positions, such as entrepreneurial or sales jobs have rewards and punishments built into the work itself. Rewards are based on successful completion of the goal or task. Performance appraisals thus function as goal-setting sessions designed to bolster achievement and motivation. An MBO approach using joint goal-setting works effectively.

Group-job designs are characterized by employees organized in teams where each team member has comparable responsibilities. A democratic process involving all team members sets the standards. Since sharing of responsibilities is common, there should be several standards, but realistically no one should be expected to excel in all of them. Performance appraisal weighs standards involving establishing effective working relationships, group problem-solving, and so forth.

Figure 1 shows 21 questions that John Oliver, in a 1985 *Personnel Journal* article,

says designers of performance appraisal systems must answer in order to develop effective forms and procedures. Marshall Sashkin, in a 1981 *Organizational Dynamics* article, identified 10 heuristics or rules of thumb for assessing the effectiveness of a performance appraisal system. Figure 2 lists them.

The works of Oliver and Sashkin both suggest that performance appraisal's troubled history stems from several problems: vague and conflicting goals, managers' competing roles, inappropriate procedures for target populations, inadequate support systems, insufficient time to appraise performance properly, and failure to reward managers for appraising performance or developing staff.

Performance appraisal's position

The positioning of performance appraisal within the organization also contributes to performance appraisal's precarious situation.

When performance appraisal originally gained widespread acceptance, it made sense in the context of prevailing manage-

Figure 2—Sashkin's 10 "heuristics"

1. *Are managers rewarded for developing subordinates?* In many organizations, developing subordinates is either not rewarded or inadvertently punished.
2. *Do managers receive skill training and assistance in using the system and, specifically, in being helpers or counselors?* Often, managers are only given the actual appraisal form and cursory instructions for completing the forms. Managers need training in rating performance objectively and in problem-solving and helping skills.
3. *Are job descriptions or specific job-goal documents based on behavioral or job-relevant standards?* Recent legal rulings suggest that performance appraisals are comparable to selection tests, and therefore must be demonstrably related to job content.
4. *Are employees actively involved in the appraisal process?* Generally, systems that incorporate end-user input function more effectively.
5. *Does mutual goal setting take place?* Research evidence suggests that joint goal setting is related to performance improvement and improved organizational climate.
6. *Do appraisal sessions have a problem solving focus?* A problem solving focus is essential for performance improvement.
7. *Is the judge role clearly separated from the helper-counselor role?* This is a key issue that is often thwarted because of difficulty in implementation.
8. *Does the paperwork and technical assistance required by the appraisal system place an unreasonable work load on the manager?* This is often overlooked but is a key determinant of success or failure.
9. *Are peer comparisons a central feature of the appraisal process?* Peer comparison is a popular notion that can often lead to devastating results.
10. *Is information needed for administrative action accessible and effectively used?* This is another feature too often overlooked in designing a successful performance appraisal system.

ment philosophies and market conditions. Demographics supported a work force of fairly uniform composition. The United States was the dominant commercial force in the world, resources were abundant, inflation was minimal, and markets could be divided into two categories: those already entered and those yet to be entered. American industry was built upon manufacturing, technology produced improvements rather than revolutions, and the general state of the economy was robust. Steady, if unspectacular growth made stability commonplace. Organizational efforts to exert control surprised few employees, although they could have resisted. By and large, a work force characterized by shared values and goals felt that performance appraisal was a necessary evil, even if it was unavoidably stifling. In this context performance appraisal became entrenched as a control mechanism.

Individuals who had worked their way up the organizational ladder filled the ranks of middle management. Based on their experience with other managers, they intuitively identified preferred

management behaviors, adopting them as their own. Where training was available, they acquired additional concepts and techniques. But by and large corporate culture transmitted values, expectations, and beliefs through successive generations of managers.

So it is today with performance appraisal. Because management practices are linked to the past through corporate culture, most managers still define their roles in the traditional terms of planning and controlling. As a result, performance appraisal has become institutionalized as a control mechanism rather than as a tool for development—even though each generation found it unpleasant. Managers sometimes discuss performance appraisal as a development tool, but this function rarely gets the emphasis accorded controlling aspects.

It's a shame too, because changing peoples' mindsets—not revising evaluation forms—is the key to successful performance appraisal. Performance appraisal as a developmental tool requires managers to adopt a different, nontraditional role. Training managers in performance ap-

praisal in an additive fashion—where all managers receive stand-alone performance appraisal training that teaches the intricacies of the system—is insufficient.

Repositioning the manager's role

Instead, basic supervisory and management training must establish managers' roles as developers of people. Training and cultural norms must define and reinforce managers' responsibility to bring out the best in the people who report to them.

Most management models emphasize the manager's role in managing performance. Situational leadership, for example, asks managers to assess employees' maturity levels—their willingness and ability to meet various job demands. Depending upon the individual's maturity level, which in turn depends on the results expected, the manager selects a management style. While situational leadership yields several effective management principles, it is essentially a status quo management model with a primary focus of helping the manager control performance. For performance appraisal, this type of training is not enough.

Effective management training helps managers answer these questions:

■ Do I want to be a manager? How do I feel about guiding or directing others' work? How do I feel about monitoring, problem solving, arbitrating, and the like? What am I willing to do to be an effective manager?

■ What am I doing to earn my staff's respect? Do they perceive me as a capable technician and manager? Does my staff believe that I appreciate and look out for their best interests?

■ Do I really understand what is going on here? Are goals clear, job descriptions articulated, standards in place? Am I sufficiently informed that I can make knowledgeable assessments about the success and failure of my staff members' goal attainments?

■ What am I doing to keep abreast of my staff's performance? Am I aware of available resources, the obstacles and difficulties they encounter, their skill deficiencies and strengths? Do I know what factors affect performance? Do I collect information through firsthand experience?

■ Can I provide constructive feedback and jointly seek solutions to performance problems? Do I have hidden agendas? Do I really want to help? Is my goal to bring out the best in my staff?

■ To bring out the best in each staff member, what must I do?

Redefining managers' roles

To bring out the best in staff, managers need a broad frame of reference in which they manage performance *and* development. Managers must shift their perspective and define their role in a new way, namely managing each employee's learning curve. This frame of reference goes by the name of *Adaptive Managing*. Figure 3 graphically displays the various responsibilities implicit in adaptive managing.

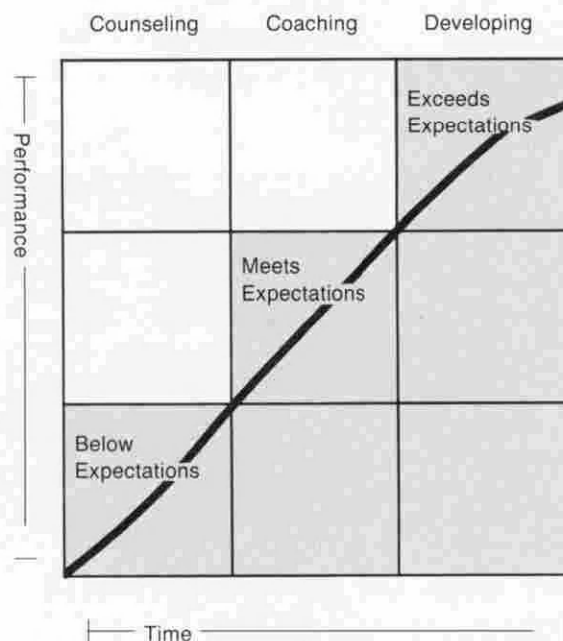
When managers focus on each employee's learning curve, they focus on both performance and development. This emphasis on learning clearly indicates that when employee performance meets expectations, managers must do more than merely maintain it through monitoring and control. Managers use different strategies depending on whether the employee performs below, at, or above expected levels. In adaptive managing, achieving results becomes a baseline at the point where employee performance meets expectations. At that point managers must encourage and foster growth to help employees reach their potential.

Adaptive managing thus requires a dual-time orientation that looks at the present and the future. Managers have to estimate the developmental level for each staff member by determining the extent to which staff members currently meet expectations and to what extent they're realizing their potential. The assessment process, shown in Figure 4, uses a series of questions and answers to help managers do this.

Traditional top-down, control-motivated performance appraisal may be appropriate to resolve a performance deficiency, but lasting performance improvement happens only if managers can enlist employee support and input in the problem-solving process. The adaptive managing model provides a structure and process for obtaining such support and input.

In the adaptive managing model, managers counsel employees to resolve performance problems. In coaching, the employee's performance is acceptable, but indicators suggest that the person has the potential to accomplish more. The manager must develop a strategy to help this person grow and reach a level of performance that regularly exceeds expectations. In developing, the employee's performance consistently exceeds expectations, and the manager must devise a strategy to incorporate into the employee's position greater challenge or prepare her or him for a new position involving greater challenge and responsibility.

Figure 3—Adaptive managing



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When counseling employees who perform below expectations, managers both initiate and drive the intervention. That's not the case when employees already perform acceptably. A manager can only rightfully demand that an employee perform acceptably. Consequently, the manager may initiate coaching or development, but the staff member must drive it. In other words, while counseling is collaborative, the manager is in control. In coaching and developing the employee, as the driving force, must share control.

The repositioning of performance appraisal thus hinges on redefining the manager's role. Managers must not only adopt a new frame of reference—managing learning; they must also share control. Managers will only agree to this redefinition if it will help them meet their objectives. Training is an important vehicle for obtaining managerial support.

Training's role

The ultimate success or failure of a performance appraisal system rests on the training effort that supports it. To successfully support performance appraisal, training must fulfill the following three functions:

- reposition the manager's role and em-

phasize staff development as an essential responsibility;

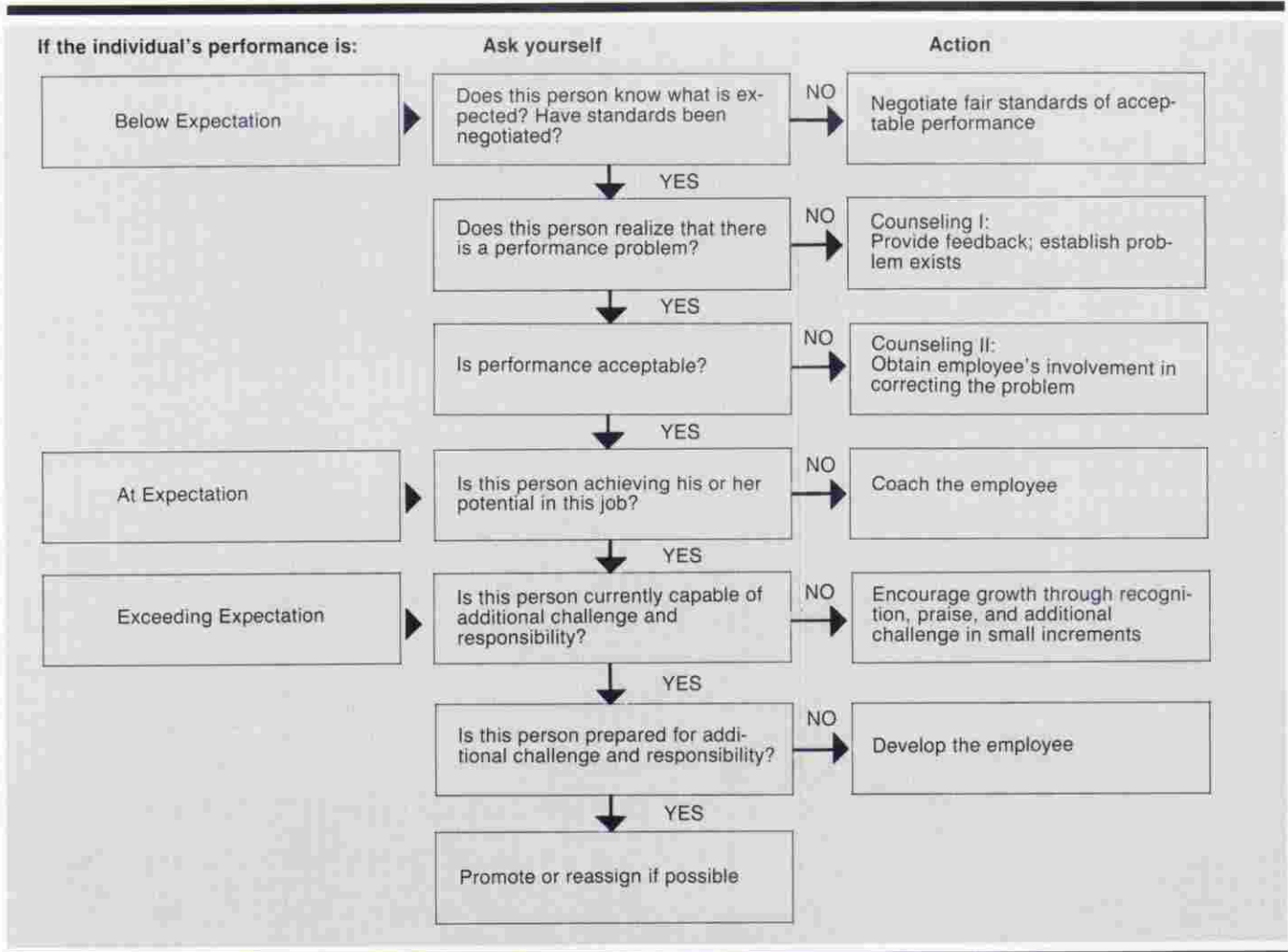
- help managers develop skills and strategies to enact their new role;

- give managers the technology they need to apply in their staff development activities. Managers must be able to apply training concepts and tools as necessary without depending on the training function.

Performance appraisal training typically takes the form of stand-alone seminars or workshops. In addition to reviewing forms and procedures, content generally includes providing staff with ongoing feedback and deciding when and how it should be delivered. These seminars also focus on building sound interviewing and problem-solving skills and developing interpersonal competence that fosters effective staff relationships.

This approach may work when an organization installs a new performance appraisal system with an existing work force. But after the first wave this type of training tends to reinforce performance appraisal as a control mechanism. Performance appraisal becomes just a tool, much like a microcomputer, because this training emphasizes techniques instead of fundamental role changes. The performance

Figure 4—The assessment process



appraisal system itself, rather than the manager, becomes the agent for developing staff. Forms, rating scales, appraisal schedules, and documentation take precedence over the staff member's growth. Relationship variables like rapport, trust, and goodwill fade into the background.

Training must emphasize performance appraisal as a natural outgrowth of the manager's role. Staff development—bringing out the best in people—must receive as much emphasis as controlling, monitoring, and delegating. The training must help managers acquire the skills necessary to successfully enact the role. Because successful staff development requires the manager to collaborate instead of rely on hierarchical authority, training must help managers confidently share power. Managers must understand that sharing power neither erodes authority nor compromises results. The adaptive managing model is particularly useful in

this context, because it clearly demonstrates that only staff members who achieve acceptable results are ready for coaching and development.

The collaboration between managers and employees in coaching and developing sometimes seems one-sided. The manager merely supports; actual growth depends on the employee's commitment. As a coach and developer, the manager must work from the sidelines; in fact, too much input and activity from the manager potentially could have an adverse effect. A key goal in coaching and development must be to help the employee assume greater challenges and responsibility, a goal incompatible with excessive dependence upon the manager.

Some managers are less than eager to assume the role of coach and developer because they feel they don't have coaching and development skills. Performance appraisal training can instill necessary confidence by teaching feedback, interper-

sonal effectiveness, interviewing, and problem-solving techniques.

Training can also contribute to managers' becoming developers by making training technology user-friendly so they can use it to develop their own staffs. Case studies, skills inventories, basic work redesign techniques, and cross-training principles all represent training activities that managers can use. Performance appraisal training should teach these techniques. Trainers can also prepare a handbook reviewing organizational policies concerning job rotation, tuition reimbursements, and internal and external training resources.

When performance appraisal training teaches managers how to teach their staffs, it reinforces the notion that staff development is an essential managerial function.