

# 1

## The Performance Appraisal Process: An Overview



### *Learning Objectives*

By the end of this chapter, you should be able to:

- Identify the objectives of a performance appraisal process.
- Explain managerial resistance to participating in the performance appraisal process.
- Describe a common misconception about performance appraisals.
- Recognize the many benefits and uses of performance appraisals for human resources (HR) practitioners, managers, and the organization as a whole.
- Articulate the elements of an effective performance appraisal system.
- Differentiate among the respective performance appraisal responsibilities of managers, human resources practitioners, and employees.
- Recognize obstacles to achieving performance objectives.

Many years ago when I worked in the human resources department of a bank, the senior vice president to whom I reported called me in to his office. It was nearly 5:00PM on a Friday afternoon, and I was anxious to leave. He assured me that what he had to say would only take a few minutes. Then he added, “You’re going to want to hear this.” “That sounds ominous,” I commented. He laughed and replied, “Not at all; I think you’ll be pleased.”

He sat down behind his extra-large desk and I took a seat in the nearest chair across from him. I noted that he had a piece of paper in front of him, but because of the width of his desk, I could not discern what it was. “As you well know,” he began, “every employee receives an annual performance appraisal. Today it’s your turn. I’m going to go through each category on the form; then, when I’m done, you can comment, if you like.” He looked down at the form in front of him and proceeded to address each category, identifying in broad terms how he viewed my work. He spoke for about five minutes, never looking up; when he reached the final category he leaned back with a smile and remarked, “Pretty good, huh?”

It was hard to disagree with his overall praise for my work; yet, I felt somewhat cheated. He had not commented on any specific achievements, or acknowledged the positive feedback I had received from several department heads in the past several months. I also wanted to talk about my goals for the coming year. My thoughts were interrupted when he said, “Well, I guess that’s it. Let’s both get our weekend started!” I was so taken aback, all I could think to say was, “Don’t you want me to sign the review?” He laughed and said, “Why would you want to sign this? There’s nothing written on it—it’s just a blank performance appraisal form; I was just using it as a guide!”

He held up what had until then been blocked from my view: it was, indeed, a blank form. His final comment was the most unnerving to me: “Listen, since we’re in HR we get to tell all the other departments to turn in appraisals, but we don’t have to do them. We know that they don’t really mean anything!”

Nothing could have been further from the truth. If he had bothered to review the objectives of the performance appraisal process, he would have appreciated the many benefits and multiple uses of employee reviews. Furthermore, he would have been compelled to acknowledge the merits of an effective appraisal system and accepted his role and areas of responsibility in the process.

## OBJECTIVES OF THE PERFORMANCE APPRAISAL PROCESS

The primary objective of a performance appraisal program is to ensure the maximum utilization of every employee’s skills, knowledge, and interests. (Since some organizations use the term “performance appraisal” and others use “performance review,” the two phrases will be used interchangeably throughout this course.) This results in a more motivated workforce, which, in turn, positively impacts productivity and increases an organization’s competitive edge. In addition, employer-employee relations are enhanced, resulting in less strife for managers.

How can any one program accomplish so much? The answer lies in how performance appraisals are viewed; that is, as being beneficial to employees, appraisers, and the organization as a whole. Too often, unsatisfactory results stem from managerial resistance to conducting appraisal

meetings or completing accompanying forms, viewing the process as time-consuming, difficult, or nonproductive. Employees may also approach the process negatively, seeing it as simply faultfinding and a way for organizations to justify holding back raises. And management often overlooks the fact that the degree of effectiveness and commitment on the part of their human resources largely determines the success of an organization.

A poorly planned or subjectively implemented system, or the absence of an appraisal system altogether can greatly weaken an organization and, ultimately, its ability to perform. On the other hand, tapping into the needs of both managers and staff will greatly improve its chances of success.

Effective performance appraisal systems go beyond their primary objective of ensuring the maximum utilization of every employee's skills, knowledge, and interests. They also serve to enhance *employer-employee relations*, *HR development*, and *employee career development*.

Additional *employer-employee relations* objectives include:

- Strengthening the overall working relationship between managers and employees
- Developing a mutual understanding between managers and employees with regard to performance expectations, goals, and measurement criteria
- Encouraging employees to openly express themselves with regard to performance-related issues
- Encouraging managers to examine their own strengths and areas requiring improvement
- Helping managers effectively coach and counsel their employees

Additional *HR development* objectives include:

- Allowing for more productive uses of an organization's human resources
- Identifying "mismatches" in hiring
- Providing supportive data for decisions concerning salary increases, transfers, promotions, demotions, and disciplinary action up to and including termination
- Identifying specific ways to expand beyond the existing talent pool of an organization by clearly understanding the skills of its current human resources
- Identifying an organization's top employees for future human resource planning purposes

Additional *employee career development* objectives include:

- Providing feedback on past performance according to established standards of performance and specific job responsibilities
- Planning developmental opportunities by identifying employee strengths and areas requiring improvement
- Helping evaluate an individual's potential
- Motivating employees to both establish and achieve personal goals that are compatible with organizational goals



### Think About It...

*Concerning your organization's current performance appraisal system . . .*

What is its primary objective?

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Overall, how successful is your organization in meeting its primary objective?

Extremely Successful \_\_\_\_\_ Somewhat Successful \_\_\_\_\_ Not At All Successful \_\_\_\_\_

If your organization's primary performance objective is not to "ensure the maximum utilization of every employee's skills, knowledge, and interests," how receptive would it be to adjusting its focus?

Very Receptive \_\_\_\_\_ Somewhat Receptive \_\_\_\_\_ Not At All Receptive \_\_\_\_\_

What are some additional objectives of your organization's appraisal system?

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How successful is your organization in meeting these secondary objectives?

Extremely Successful \_\_\_\_\_ Somewhat Successful \_\_\_\_\_ Not At All Successful \_\_\_\_\_

*If your organization does not currently have a formal performance appraisal system . . .*

How receptive would it be to establishing one and adopting "the maximum utilization of every employee's skills, knowledge, and interests" as its primary objective?

Extremely Receptive \_\_\_\_\_ Somewhat Receptive \_\_\_\_\_ Not At All Receptive \_\_\_\_\_

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Performance objectives can best be accomplished when the organization, its managers, and employees all work together while recognizing that, despite specific goal variations, everyone is working toward achieving some measure of success. Identifying common denominators that link the different definitions of success for all concerned is what determines a successful performance appraisal program.

## OBSTACLES TO ACHIEVING PERFORMANCE OBJECTIVES

It is critical that everyone concerned be aware of two key obstacles that can easily interfere with the achievement of primary and secondary performance objectives: lack of clarity and lack of mutual respect.

## Lack of Clarity

We all get caught up in the details of our work and bogged down with one crisis after another, to the point where we often lose sight of the big picture. A cloud of minutia can distort our ability to focus on key objectives, resulting in our inability to work together toward common goals. This lack of clarity can impact every aspect of the workplace including performance systems. Unfortunately, many organizations view appraisals as an annual event. Accordingly, they tend to ignore performance-related issues when they occur, choosing instead to address them after the fact during a yearly review.

To maintain a clear focus and sense of direction, every manager should follow these three steps:

- *Step 1:* Review long- and short-term departmental, organizational, and individual employee goals
- *Step 2:* Assess the relationship and degree of compatibility among departmental, organizational, and individual employee goals
- *Step 3:* Identify areas of incompatibility and determine ways in which they can be more closely aligned

The frequency of following these three steps will depend largely on the size of an organization, the complexity of its objectives, whether it is in a start-up or established mode, and the degree and level of independence at which departments and separate geographic locations function. At a minimum, managers should go through these steps quarterly; for decentralized work environments with multi-tiered objectives, addressing them on a monthly basis would be more prudent.

*Before beginning this exercise, you may want to make several photocopies to be used for additional goals.*

### Exercise: Three Steps to Achieving Greater Clarity

*Step 1:*

Select one specific short- or long-term organizational goal and one departmental goal. Be specific:

Organizational Goal:

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Departmental Goal:

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Now select one employee from your department and identify a work-related goal that he or she has shared with you. If this has not happened, select one of your own work-related goals:

Employee Goal:

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*Step 2:*

Assess the relationship and degree of compatibility between the three goals you have identified. Rate them as being:

Extremely Compatible \_\_\_\_\_ Somewhat Compatible \_\_\_\_\_  
 Not At All Compatible \_\_\_\_\_

*Step 3:*

If you did not check off “Extremely Compatible,” identify one specific area of incompatibility. For example, your departmental goal might be to increase the number of sales by 30% within the next six months. This is in line with the organization’s goal for increased growth and production. However, your top sales representative has indicated that her personal goal is to scale back on customer contact and focus, instead, on working toward moving into a supervisory position.

Area of Incompatibility:

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Now identify possible ways in which the goals that are incompatible can be more closely aligned:

Desired Result: \_\_\_\_\_

People Involved: \_\_\_\_\_

Resources Needed: \_\_\_\_\_

Impediments: \_\_\_\_\_

Possible Ramifications: \_\_\_\_\_

Projected Time Frame: \_\_\_\_\_

Repeat these steps for each area of incompatibility. Revisit them on a regular basis to achieve greater clarity and assess progress made.

### **Lack of Mutual Respect**

On March 15, 2005, Naomi Churchill Earp, vice chair of the U.S. Equal Employment Opportunity Commission (EEOC), spoke at the Society for Human Resource Management’s 22nd Annual Employment Law and Legislative Conference. Prior to describing some of the cases being heard by the EEOC, Ms. Earp stated the need for greater respect in the workplace;

specifically, for managers to respect workers as well as workers to respect their managers.

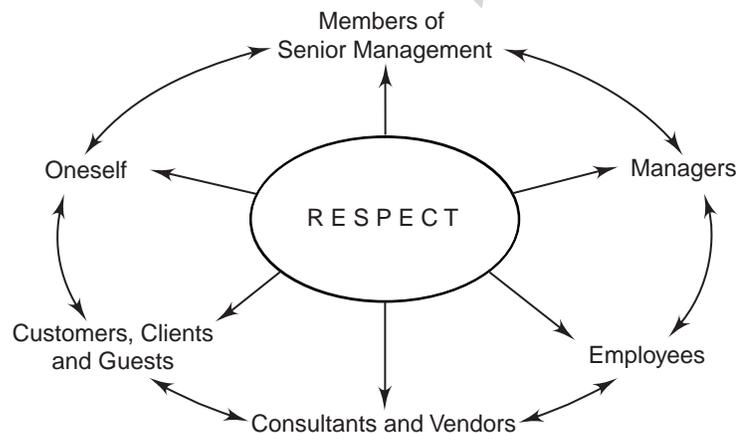
Many HR professionals also suggest that respect, along with recognition and organizational commitment, are critical components of effective employee performance. Unfortunately, many people think of respect as being directed upward; that is, toward someone in a position higher than one's own. In the workplace, that means managers respect members of senior management, and employees respect their managers, as well as members of senior management. This certainly makes sense and contributes to an efficient work environment. Unfortunately, it is one-directional, and as such, is more likely to foster performance-related issues.

To be truly effective, respect has to flow in multiple directions (Exhibit 1-1). Employees need to respect managers as well as members of senior management; managers need to respect members of senior management and employees; and members of senior management need to respect managers and employees. In addition, everyone needs to respect their colleagues and anyone else involved in the achievement of their organizational, departmental, or personal goals, such as consultants and vendors, customers, clients, and guests. Finally, self-respect is essential. Without multi-directional respect, the achievement of primary and secondary performance objectives will be compromised.

Respect takes time to cultivate. As with any relationship, people in an office need time to become comfortable with one another's styles and habits. It is easy to disregard or disrespect someone because of a single error, comment, or look, thus damaging what could have been a relationship of mutual respect. Managers are quick to want to fire employees for simple transgressions; employees may form opinions of those in management based solely on rumors.

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### Exhibit 1-1 Mutual Respect





### Think About It...

Think of an individual in your office who, upon first meeting, you did not particularly like, but then later learned to respect. The person can be someone who reports to you, a manager, a member of senior management to whom you report, or a colleague. In the space provided, describe your initial impression of this person (names are not necessary):

When I first met this person I thought he/she was

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The reason I felt this way was because

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At what point did you start to feel differently toward this person?

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Why do you think you started to feel differently?

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Describe how your relationship has changed now that you respect this person.

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## MANAGERIAL RESISTANCE TO PARTICIPATING IN THE PERFORMANCE APPRAISAL PROCESS

It probably comes as no surprise to learn that there are many managers who view performance appraisals as a burden. Specific reasons commonly cited include:

- Conducting performance appraisals should not be part of a manager's job; it belongs in the hands of human resources.
- It is uncomfortable telling employees that their work is anything less than outstanding, even when their performance is sub par.
- Employees already know how they are doing and should not need to be told in a formal setting once a year.
- Poor performers are just going to continue doing what they did before the performance appraisal, so there is really no point in going through the motions.
- Employees are only concerned with how much money they are going to receive.

Let's examine each of these objections:

1. *Performance appraisals belong in the hands of human resources.* In all fairness, it is not uncommon for people to be hired or promoted into a position without being told the full scope of their responsibilities. When it comes to managers, the “pieces” that are missing often involve aspects of employer-employee relations, including discipline or evaluation. It is also understandable for managers to assume performance appraisals fall under the purview of human resources. After all, what could be more HR-related than employee evaluations?

The key to resisting this area of accountability is for managers to view performance appraisals as an opportunity as opposed to a chore. This is a chance to learn about how employees feel about their jobs, the department in which they work, and the organization as a whole. In addition, managers can learn how employees feel they can best contribute to organizational goals while achieving personal aspirations.

Managers are advised to work with HR in determining how to complete the appraisal form and conduct the meeting in the most effective manner.

2. *Telling employees that their work is sub par.* Imagine making this statement to an employee during a performance appraisal meeting: “Cheryl, I like you, I really do; you tell great jokes and you’re not a bad dresser. But your work performance is really awful. You don’t follow instructions, people complain about you behind your back, and if you would just quit it would be better for everyone in the department.”

Aside from violating every employer-employee relations rule ever written, this speech will have Cheryl either looking at you with sad eyes that will make you feel like a villain, or looking at you so angrily that you will want to hire a bodyguard to accompany you home! But the fact is, lying to someone whose work is below required standards does not help them, you, their colleagues, or the organization. The key to communicating unpleasant information is to focus on the facts without personalizing the situation or succumbing to emotion. This topic will be expanded upon in Chapter 6.

3. *Employees do not need to be told how they are doing.* Everyone needs feedback regardless of how well they are doing, top performers still need to have their work acknowledged, and poor performers need guidelines for improvement. In addition, every employee deserves the opportunity to discuss interests and aspirations. Managers can then consider how employee goals mesh with organizational objectives.
4. *Poor performers will never change.* Managers who essentially ignore their employees throughout the year and then begrudgingly sit down with them for a few minutes annually because HR tells them they must be undoubtedly going to have poor performers who will never change. This will occur either because the poor performers are not motivated to change or they do not know that aspects of their work are unacceptable. By communicating about issues when they occur, it is far more likely that managers will be able to summarize past performance during the appraisal meeting and

then move ahead to discuss methods for continued improvement and future goals.

5. *Employees are only concerned with money.* Most motivational experts agree that money is not a prime motivator; they suggest that employees are often more motivated by factors such as being able to make a contribution to the organization, having their work acknowledged, and being rewarded in numerous non-monetary ways.

One of the times money is categorized as a prime motivator is when an employee learns that a colleague performing similar or less significant tasks earns more. Money then comes to represent inequity.

 **Exercise: Managerial Resistance to Participating in the Performance Appraisal Process**

Consider the following scenario: Jake was promoted to a managerial position eight months ago. He knows that he has to conduct performance appraisals for each of the four employees reporting to him, and has worked with HR in determining how to complete the appraisal form and conduct the meeting in an effective manner. Still, he feels uncomfortable with regard to one particular employee named Rose. He “inherited” Rose from his predecessor, Mark, who warned Jake about her surly attitude and spotty attendance. Mark had admittedly never spoken to Rose about her behavior, since he knew he was retiring soon. Now it’s up to Jake.

In this scenario, how should Jake prepare for his meeting with Rose?

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How should Jake expect Rose to react to criticism of her work for the first time?

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Would Jake be better off leaving matters as they are, not mentioning Rose’s attitude or attendance? \_\_\_\_\_ yes \_\_\_\_\_ no

Explain your answer.

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**HINTS, SUGGESTIONS, AND SOME ANSWERS**

In preparing for his meeting with Rose, Jake should:

- Talk with Mark concerning specific incidences during which Rose demonstrated a “surly attitude.”
- Talk with those with whom Rose has had regular contact to determine if others viewed her as having a “surly attitude.”

- Review Rose’s attendance record to determine what Mark defined as “spotty.”
- Obtain guidance from HR.
- Remember to focus on the facts without personalizing the situation or succumbing to emotion.

Possible ways in which Rose could realistically react to criticism of her work for the first time:

- Anger
- Frustration
- Disbelief
- Annoyance
- Hostility
- Resentment

Jake would NOT be better off leaving matters as they are because

- Everyone needs feedback, including poor performers.
- Poor performers cannot change if they do not know what aspects of their work are unacceptable.
- Jake’s ultimate goal is to help Rose perform to her maximum capacity. This can only be accomplished if she is aware of how her manager currently views her work.

## A COMMON MISPERCEPTION ABOUT PERFORMANCE APPRAISALS

Performance appraisals have traditionally been presented to employees as a means to an end, the “end” being a raise. While performance programs can be used as vehicles to support increases, an increasing number of HR specialists strongly recommend separating the timing of appraisals from when salary reviews are conducted. This will preclude an employee who knows there is a direct correlation between his or her rating and the amount of money he or she will receive from tuning out and not listening to the specific observations of their appraiser. Separating the two events minimizes the likelihood that the person being evaluated will be busy calculating how much each rating translates into.

Let’s read about a partial performance appraisal meeting between Richard, a first line supervisor in a moving and storage facility, and his manager, Marissa:

Richard is due for his annual performance and salary review. Since he was asked to do a self-evaluation, he knows the four categories for each competency against which he will be measured: exceptional, above expectations, meets expectations, needs improvement. He knows his job fairly well, and thinks he deserves an overall rating of the second highest-level. Marissa has had to speak with him a few times about losing his temper and he has misplaced

a few orders, but for the most part he does a good job and he has never been late for work. He hopes his manager agrees with his rating because he has had his eye on a new boat and could really use the extra money.

He enters Marissa's office at the exact scheduled time and takes a seat. Marissa smiles and observes, "I could set my watch by you; you're that punctual." (*What Richard hears: "Great, this is definitely starting off in the right direction. I can just see that new boat now."*)

Marissa begins his review: "Richard, on the whole, I'm extremely pleased with your work over the past year." (*What Richard hears: "This is really good; she's heading for an overall "exceeds expectations" rating for sure."*) "However, as you know, you've had a few problems controlling your temper." (*What Richard hears: "Uh oh, this is bad . . . maybe I'm not getting as much of a raise I was hoping for."*) "In addition, as you know, we've had some customer complaints because you've misplaced a number of orders." (*What Richard hears: "A number of orders? There were a few, but I didn't think it was that big a deal. Maybe I'm not getting that new boat after all."*) Marissa continues: "On the other hand, your employees seem to respect you, except for the ones with whom you've lost your temper, that is; and I can always count on you to be here." (*What Richard hears: "That was a mixed bag; I wish she'd just cut to the chase and tell me how much money I'm getting!"*)

As you can see, Richard is not focused on Marissa's assessment of his performance; to him everything she says translates into how much of a raise he will receive. Richard is preventing Marissa from achieving the overall objective of a performance appraisal: the maximum utilization of every employee's skills, knowledge, and interests. His unwillingness to absorb Marissa's observations of his work to date means that he is unlikely to allow for a discussion about performance expectations, goals, and measurement criteria.

If the prospect of money is removed from this scenario, Richard will be far more likely to be able to focus on Marissa's evaluation of his work to date. Then, together, they can focus on developmental opportunities by examining Richard's strengths and areas requiring improvement. Hence, the recommendation of many HR practitioners: do not discuss salary increases during performance appraisals; ideally, separate the two events by approximately two or three months.

Despite this recommendation, many organizations continue to link appraisals with raises. The reason is simple: it is easier to address performance and salary at the same time than it is to separate them. Employers need to choose between degree of effectiveness and ease.

## BENEFITS AND USES OF PERFORMANCE APPRAISALS

Earlier, you read that the most effective performance appraisal programs are those that are viewed as beneficial to employees, appraisers, and the entire organization. Let's explore this more fully while examining benefits and uses of appraisals for these three groups. (See Exhibit 1–2.)



### Think About It...

Is there an efficient way to balance the timing of conducting performance appraisals with recommending salary increases that is satisfactory to both employers and employees?

\_\_\_\_\_ yes \_\_\_\_\_ no. Explain your answer.

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## Benefits and Uses for Employees

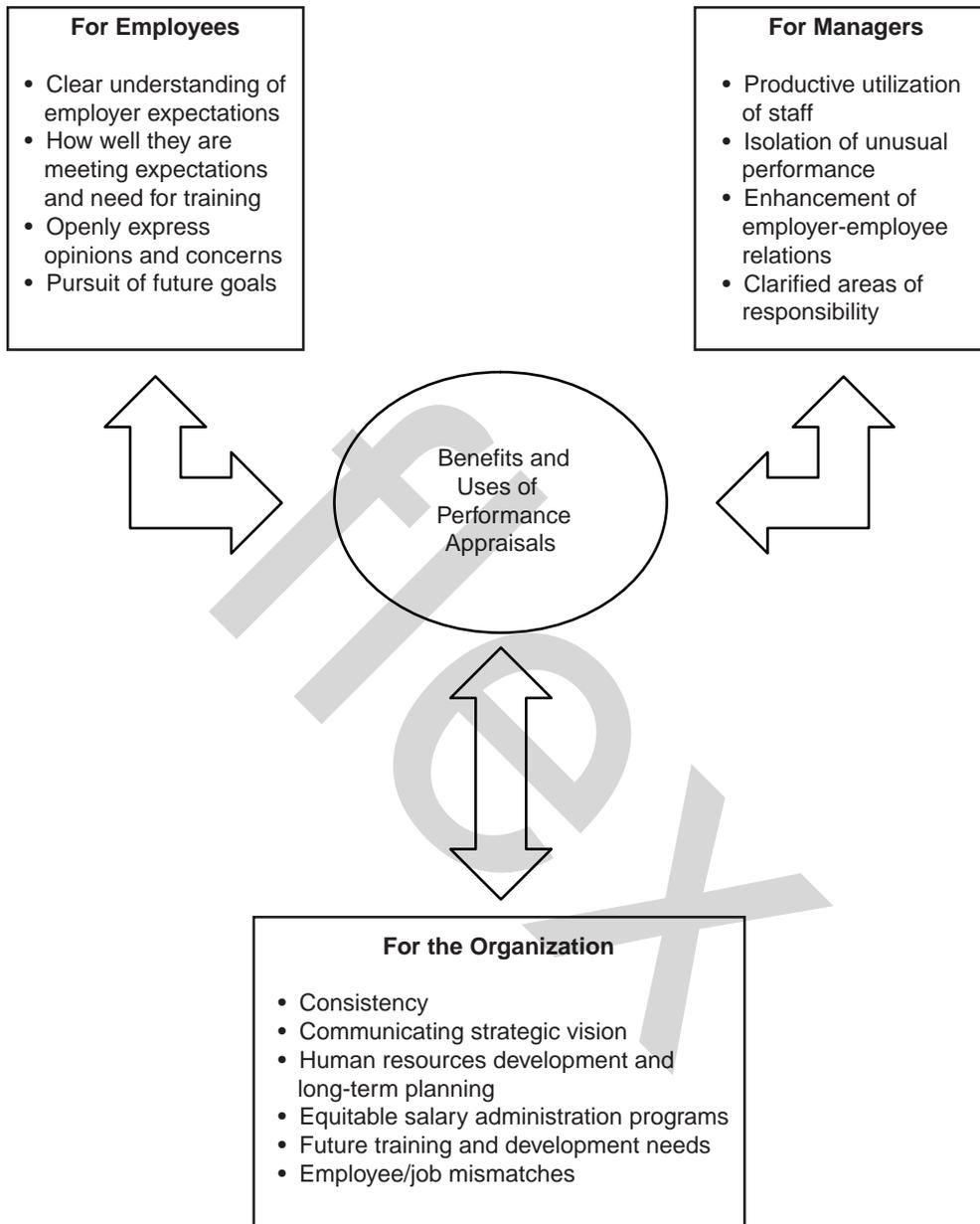
There are four key ways in which employees can benefit from and use performance appraisals that have nothing to do with money.

1. *Employees receive a clearer understanding of what they are expected to do.* During the performance review process, employees can expect their appraisers to reiterate job expectations, clarify areas of responsibility, and identify any ways in which the scope of the job may have changed. This refresher ensures that both the manager and the employee view the job in the same context.

For example, for the position of an assistant director of human resources, the appraiser might make the following introductory remarks: “Your primary duties entail recruiting, interviewing, and screening applicants for nonexempt level positions, assisting department heads with hiring decisions, and performing reference checks on potential employees. In addition, over the past several months you’ve been asked to assist the EEO officer with advising managers on matters of equal employment opportunity and affirmative action as they pertain to the interviewing and hiring process. Is this consistent with your understanding of your primary areas of responsibility?”

The employee may respond by saying, “Yes, except for the last part. I didn’t realize I was going to take on EEO as one of my regular duties; I thought that was just temporary while the EEO representative was out on leave. I don’t really think I have enough training to do this on a regular basis.” The employee’s last statement serves as an excellent segue into the next appraisal benefit for employees.

2. *Employees learn how well they are meeting expectations and the need for training and development.* Once both parties agree on the employer’s primary expectations and the employee’s areas of responsibility, they can move on to addressing how well the employee has been performing since the time of his or her last review. In the previous example, the appraiser might say, “Overall, you’re doing an outstanding job with your recruiting and interviewing tasks. In addition, the department heads have nothing but praise for your selection recommendations. With regard to the

**E****xhibit 1-2****Benefits and Uses of Performance Appraisals**

EEO tasks, I didn't realize you were under the impression it was temporary: the person who was doing that job isn't coming back. Is this something you see yourself doing on a regular basis?" The employee might then expand upon what she said earlier: "I enjoy the work, but I need a better handle on what I'm doing."

At this point, it would be appropriate for the appraiser and the employee to explore training opportunities together.

3. *Employees are able to openly express opinions and concerns.* Hopefully, employees feel comfortable enough with their managers to consistently express their views. The formal appraisal process, however, affords an atmosphere whereby employees should be encouraged to truly open up and voice their opinions and concerns about anything work-related.

In the previous scenario, the assistant to the director of human resources might comment, "I have to say I feel a little taken advantage of. Obviously you knew the EEO representative wasn't coming back, but you didn't tell me." The appraiser should resist taking this statement personally and engage in a meaningful two-way dialogue with the employee; that way it can lead to the next employee benefit.

4. *Employees can pursue the achievement of future goals.* Employees can benefit greatly from the appraisal process when they are given the opportunity to express their aspirations and pursue growth opportunities. Managers should encourage employees to discuss future goals, even if they are unrelated to their current job. Together, they should map out steps that will ultimately result in the achievement of these goals. These steps may include taking outside courses, shadowing another employee, or working on additional assignments. Setting up dates to discuss progress



### Think About It...

If your organization has a formal appraisal program do employees . . .

1. Receive a clear understanding of what they are expected to do? \_\_\_\_\_ yes \_\_\_\_\_ no
2. Learn how well they are meeting expectations and the need for training and development?  
\_\_\_\_\_ yes \_\_\_\_\_ no
3. Openly express opinions and concerns? \_\_\_\_\_ yes \_\_\_\_\_ no
4. Pursue the achievement of future goals? \_\_\_\_\_ yes \_\_\_\_\_ no

If your organization does not have a formal appraisal program, or if you answered "no" to any of the previous questions, how do employees . . .

1. Receive a clearer understanding of what they are expected to do?
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2. Learn how well they are meeting expectations and the need for training and development?
- 

3. Express opinions and concerns?
- 

4. Pursue the achievement of future goals?
-

toward accomplishing these goals will encourage the employee to be more productive.

## Benefits and Uses for Managers

There are four key ways in which managers can benefit from and use performance appraisal programs.

1. *Managers will be able to utilize their staff more productively.* Performance appraisals compel managers to become more aware of each employee's strengths and areas requiring improvement. As a result, they can more effectively determine the best utilization of each person's skills, knowledge, and interests. In turn, this will contribute to a more efficient and productive workflow in the department.
2. *Managers can isolate unusual performance.* Outstanding performers require additional incentives and more challenging assignments to remain on the job. In contrast, poor performers need more guidance and direction, as well as being prevented from interfering with or disrupting the work of others. Performance appraisals help managers identify outstanding and poorly performing employees, as well as isolate specific areas requiring attention. When employees are properly directed, managers are able to focus on developing their own career goals.
3. *Managers can enhance their employer-employee relations as well as focus on honing their managerial abilities.* When conducting performance appraisals, managers need to ask themselves what role their attitude and behavior plays in a particular employee's work performance. For example, if an employee is performing poorly, the appraising manager needs to ask: Was I available for questions? Did I make clear my expectations? Did he or she understand the work assignment? Did I provide realistic deadlines? Was I clear in explaining available resources? Honest answers to questions like these can result in revised approaches to interacting with staff, thereby improving overall employer-employee relations.
4. *Managers can clarify areas of responsibility and work distribution.* Imagine this scenario: you are a manager in your department, with three employees reporting to you. Each employee shares the same title and was hired to perform the same essential functions of their job. From the outset, it



### Think About It...

What happens in your organization when one employee's output surpasses that of a colleague who is hired to perform the same tasks?

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becomes apparent that Employee A is more inclined to take on extra assignments and stay late as needed. It is not that Employees B and C are unwilling to do their share: they just do not mind if Employee A “steps up to the plate” and takes over. Soon, Employee A, eager to please you and anxious to earn a promotion, is doing more than his share; Employees B and C are fine with this and do less and less work.

The performance appraisal process can help you address this inequity. You may determine that Employee A’s title and scope of responsibilities need to change, with an accompanying increase in pay. Or you may decide that Employees B and C need to be held more accountable with Employee A stepping back somewhat. Formally evaluating their respective performance levels will help you determine the best course of action.

## Benefits and Uses for the Organization

One of the greatest performance appraisal benefits to an organization has to do with the issue of consistency. Consider, for example, that discrimination complaints often allege that employees with similar performance levels were granted disparate rewards or subjected to different forms of discipline. An effective appraisal system increases the potential for consistency by ensuring that all similarly classified employees are evaluated based on the same criteria. When performance appraisal programs help ensure consistency, some charges of discrimination can be averted.

Organizations also can benefit from and use performance appraisals in communicating their strategic vision with employees. As stated earlier, employee goals should to be as closely aligned as possible with those of the organization. When properly executed, an appraisal system can become a powerful tool for ensuring that employees understand and act on the organization’s short- and long-term strategic goals.

Additional benefits and uses of performance appraisals to the organization include:

- Gleaning valuable information for human resources development and long-term planning
- Furnishing data to help establish equitable salary administration programs
- Identifying future training and development needs
- Identifying employees who may have been “mismatched” with their jobs

## ELEMENTS OF AN EFFECTIVE PERFORMANCE APPRAISAL SYSTEM

A performance appraisal system should be developed fairly, applied consistently, and evaluated objectively. For this to occur, organizations should make sure that their program meets seven key criteria. These criteria are:

1. *Job related.* A performance program should be founded on criteria that are directly related to the primary duties and responsibilities of a particular job. The criteria should be specific, observable, and measurable. The nature and responsibility level of each position should determine the amount of weight assigned to each factor measured.
2. *Reliable and valid.* To be reliable, a performance appraisal system should yield consistent data regardless of who does the appraising or when it is done. For the system to be valid, there must be a direct correlation between the factors being measured and the critical elements of a particular job. Elements critical to one job may not be relevant at all in another job.
3. *Standardized.* An appraisal program should be standardized in its design and consistent in its administration. All managers and HR practitioners using the system should be given written guidelines and training in its implementation. Organizations should develop effective techniques for monitoring the degree of consistency in implementation.
4. *Practical and workable.* To be effective, a performance appraisal system should be practical, workable, and viewed by all concerned as a helpful tool. It should not be so complex or time-consuming to administer that managers view it as a burden. This can easily occur when forms are very lengthy to complete, multiple approval steps are required, or the system requires a forced distribution of results.
5. *Acceptable to senior management, managers, HR practitioners, and employees.* A performance program should be deemed acceptable by the appraisers and the appraised. Ideally, everyone concerned should have some role in developing the system; many organizations involve employees in the development of criteria for measuring their own performance.
6. *Managerial style should be conducive to employee growth.* In order to create the right climate for a successful performance appraisal system, managers must be encouraging and supportive of their employees' efforts. In addition, they should display confidence in their employees' ability to progress. Managers should ask themselves three key questions about how their style relates to performance management: (1) Do I know how my employees view me? (2) Do I have sufficient confidence in my own skills to encourage the growth and development of others? (3) Do I show interest in my employees and exhibit encouragement for greater accomplishment? If these three questions could be answered affirmatively, the managerial style is considered conducive to employee growth.
7. *Employees should be receptive to suggestions for improving performance.* There is a strong correlation between the overall manager-employee relationship and an employee's receptiveness during the performance appraisal meeting. If this relationship is poor, the employee is not likely to be receptive to even the most well-intentioned suggestions for performance improvement.



### Think About It...

Consider the performance appraisal system in either your current or a past organization. On a scale of 1 to 5, with 1 being the lowest rating and 5 being the highest, how would you rate each of the seven criteria necessary for an effective performance appraisal system?

<i>Job related</i>	1	2	3	4	5
<i>Reliable and valid</i>	1	2	3	4	5
<i>Standardized</i>	1	2	3	4	5
<i>Practical and workable</i>	1	2	3	4	5
<i>Acceptable to everyone</i>	1	2	3	4	5
<i>Managerial style conducive to employee growth</i>	1	2	3	4	5
<i>Employees receptive to suggestions for improvement</i>	1	2	3	4	5

For those criteria that scored lower than 4, what steps could be taken to raise the rating?

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## RESPECTIVE RESPONSIBILITIES

An effective performance appraisal system requires the cooperation and input of human resources practitioners, managers, and employees. While each has a specific set of responsibilities, every member of HR involved in the process, as well as every manager, is responsible for applying applicable employment laws. Exhibit 1–3 provides a summary of everyone's respective performance appraisal responsibilities.

### Human Resources Practitioners

Human resources practitioners are generally responsible for establishing the most appropriate method of evaluating employee performance and for designing the form to be used during the face-to-face meeting. They also typically remind managers when their employees are due for reviews. Once received, HR reviews completed forms, ensuring consistency between comments, ratings, and any recommended action to be taken. If there are any inconsistencies, HR will discuss them with the evaluating manager. In cases where a salary review is tied in with the appraisal, HR is usually responsible for ensuring consistency between the overall evaluations and recommended increases. They will then approve and process the review. HR is also in charge of formally monitoring the performance appraisal system and looking for ways to enhance it.

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**E****Exhibit 1-3****Respective Performance Appraisal Responsibilities****Human Resources Practitioners**

- Applying relevant employment laws
- Establishing the most appropriate method of evaluating employee performance
- Designing performance appraisal forms
- Reminding managers when their employees are due for reviews
- Reviewing completed performance appraisal forms
- Ensuring consistency between comments, ratings, and any recommended action to be taken
- Discussing inconsistencies with the evaluating manager, including those relating to salary recommendations
- Approving and processing the performance appraisal
- Monitoring the performance appraisal system
- Looking for ways to enhance or improve the performance appraisal system

**Managers**

- Applying relevant employment laws
- Planning and preparing for the performance appraisal meeting, including:
  - Completing the form
  - Preparing the employee for the appraisal meeting
- Recommending a salary increase when raises are tied in with appraisals
- Conducting performance appraisal meetings, emphasizing:
  - The employee's success in meeting agreed-upon goals and objectives since the date of the last review or date of hire
  - Areas requiring improvement
  - How these improvements can be achieved
  - Goals for the upcoming review period
  - Active participation by employees regarding concerns and aspirations
- Providing ongoing coaching
- Providing counseling, as needed

**Employees**

- Completing a self-evaluation
  - Clarifying areas of responsibility
  - Asking questions
  - Expressing views
  - Looking ahead to additional responsibilities and/or job enhancement opportunities
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### Think About It...

What is the effect on an organization when HR, managers, and employees fail to work together during the performance appraisal process?

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What might happen when employees are not asked for their input, via a self-evaluation?

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### Managers

The planning and preparation stage is an important responsibility of the manager conducting an appraisal. This includes completing the form and preparing the employee for the actual meeting. It may also entail recommending a salary increase. The emphasis during the meeting should be on the employee's success in meeting agreed-upon goals and objectives since the date of the last review or date of hire, areas requiring improvement, how these improvements can be achieved, and goals for the upcoming review period. Appraising managers should also encourage employees to express concerns as well as aspirations. Managers are also responsible for ongoing coaching and counseling, as needed. Coaching may be defined as day-to-day feedback provided by managers; counseling concerns a specific work-related issue. Coaching and counseling will be discussed in depth in Chapter 2.

### Employees

Employees are often asked to complete self-evaluations in preparation for the appraisal meeting, filling out the same form as their appraiser. In so doing, they should be prepared to support each rating with specific examples. During the meeting they are responsible for clarifying areas of responsibility, asking questions and expressing views, including those that may differ from their appraisers', and looking ahead to additional responsibilities and/or job enhancement opportunities.



The primary objective of a performance appraisal program is to ensure the maximum utilization of every employee's skills, knowledge, and interests. This results in a more motivated workforce, which, in turn, positively impacts productivity and increases an organization's competitive edge. In addition, employer-employee relations are enhanced, resulting in less strife for managers.

Additional performance appraisal objectives include providing feedback on past performance according to established standards of performance and specific job responsibilities, planning developmental opportunities by identifying employee strengths and areas requiring improvement, and motivating employees to both establish and achieve personal goals that are compatible with organizational goals. Performance objectives can best be accomplished when the organization, its managers, and employees all work together. Lack of clarity and a lack of mutual respect can interfere with the achievement of performance objectives.

Many managers view performance appraisals as a burden, believing they belong in the hands of human resources. This view can be altered if HR helps managers learn to properly complete appraisal forms and conduct appraisal meetings in a maximally effective manner.

Performance appraisals are often viewed as a means to an end, the "end" being a raise. Accordingly, HR specialists strongly recommend separating the timing of appraisals from when salary reviews are conducted.

The most effective performance appraisal programs are those that are considered beneficial to employees, appraisers, and the organization as a whole. Benefits to employees include providing a clearer understanding of what they are expected to do and the opportunity for openly expressing opinions and concerns. Benefits to managers include the ability to utilize their staff more productively and the opportunity for honing their managerial skills. Benefits to the organization include ensuring consistency and communicating company-wide strategic visions.

Performance appraisal systems should be developed fairly, applied consistently, and evaluated objectively. For this to occur, organizations should make sure that their program meets key criteria, including being job related, reliable and valid, standardized, practical and workable, and acceptable to everyone in the organization.

Finally, an effective performance appraisal system requires the cooperation and input of human resources practitioners, managers, and employees. While each has a specific set of responsibilities, every member of HR involved in the process, as well as every manager, is responsible for applying applicable employment laws.



## Review Questions

1. A common misperception about the use of performance appraisals is that they are used primarily as:  
(a) a way for managers to tell employees what they are doing wrong.  
(b) a tool to communicate information about the organization's goals.  
(c) a vehicle to support salary increases.  
(d) an HR instrument designed to support disciplinary action. 1. (c)
  
2. To be effective, a performance appraisal system should be practical, workable, and viewed by all as:  
(a) a way to gain a competitive edge.  
(b) a helpful tool.  
(c) the basis for determining salary increases  
(d) a tool to be used in employment lawsuits. 2. (b)

3. One important area of responsibility for managers during the performance appraisal process is to: 3. (b)
- (a) establish the most appropriate method of evaluating employee performance.
  - (b) encourage employees to express concerns as well as aspirations.
  - (c) conduct a self-evaluation.
  - (d) design the form to be used during the face-to-face meeting.
4. The primary objective of a performance appraisal program is to ensure the maximum utilization of every employee's skills, knowledge, and: 4. (d)
- (a) contacts.
  - (b) ability.
  - (c) potential.
  - (d) interests.
5. One key way in which employees can benefit from and use performance appraisals is that they can: 5. (a)
- (a) learn how well they are meeting expectations.
  - (b) be groomed for a promotion.
  - (c) justify taking more time off from work for good performance.
  - (d) suggest to managers ways in which the organization can be more productive.