

Employee Evaluation and Appraisal

Making the dreaded performance appraisal not only less stressful but more useful to both the employee and the organization takes advance planning and analysis.

by Cornelius Flynn

JUST AS MANAGERS are judged on the success or failure of the projects to which they are assigned, nonmanagement staff—rightly or wrongly—are rated in the same way. Most organizations recognize this, and have in place some system by which all employees, including managers, are assessed on a regular basis by a system generally referred to as the “performance appraisal system.”

An organization’s performance appraisal system generates valid information about employee work effectiveness for the purpose of making informed human resource decisions. A systematic assessment of how effectively each job is being performed, appraisal also tries to identify the reasons for a particular level of performance and seeks ways to improve future performance.

Organizations must evaluate employee performance for a number of reasons: Employees must behave in a desired manner on the job and their work must be evaluated for its contributions to organizational goals. But also, employees should clearly understand what the organization expects in terms of performance, and they need to know that valid information about their performance is used to make decisions about salary increases, promotions, bonuses and training. With a good performance appraisal system in place, employees’ motivation to do a good job should be increased because they know that salient rewards are linked to measured performance.

Organizations realize that a good appraisal system also makes managers more effective. Managers can use the performance appraisal system as a motivational tool. An effective appraisal system creates many opportunities for providing formal and informal feedback about performance. If there is no formal, objective performance appraisal system, employees often believe that the organization is uninterested in treating them fairly.



The Appraisal Process. A key feature of appraisal systems is to separate personal from organizational determinants of job performance. Our natural tendency for dealing with ineffectiveness is to emphasize the individuals' inadequacies while ignoring the organization's contribution to providing conditions to make effective performance possible. But there are subtle, crucial distinctions that must be drawn between individual determinants and the organizational determinants of job performance.

Individual differences in the workplace fall into three categories: core characteristics, skills, and motivation. In seeking to understand the reasons for an individual's level of performance, all three are important. However, in terms of the practical objective of improving job performance to the benefit of both the individual and the organization, core characteristics are of much less relevance. There is no gain from highlighting a perceived inadequacy in an individual unless there is some possibility of remedying the situation. Skills and motivation, on the other hand, can be modified through training and incentives, and are therefore of greater relevance for appraisal systems.

The starting point for deciding what should be appraised is a systematic job analysis, with special emphasis on skills and motivation rather than on core abilities. As far as collecting and recording the data is concerned, a number of different performance rating systems have been developed and are commercially available.

As far as the personal determinants of job performance are concerned, the first stage in any appraisal system is to determine the individual's level of effectiveness by identifying how his or her abilities, skills, and motivations interact with the various responsibilities and tasks identified by the job analysis. The next stage is to provide feedback to the individual about his or her performance. Since a key objective of any appraisal system is to find mutually agreed-upon ways of improving performance, it is vital that appraiser and employee agree not only on current performance but on what needs to be done to improve it. Following on from this is the identification of the employee's training and development needs. The training and development aspect should not concentrate solely on skill requirements for the individual's current job but should also focus, where appropriate, on the development of the individual for a more important position in the future. Once all of these steps have been completed, the appraiser and the indi-

vidual being appraised should agree on realistic performance objectives to be achieved by the next review period. In this context, the appraiser should also be in a position to indicate the organizational resources that will be provided to help achieve these objectives.

Appraisal data can also be used as additional information to aid various personnel decisions, such as promotions, transfers, and determination of financial rewards. A good appraisal system has to strike a delicate balance between being used as an aid to personnel decisions and being used to determine training and development needs.

While appraisal concentrates on the individual, the appraiser may also identify shortcomings at the organizational level, leading to changes in job design or resource allocation. Once the organization identifies the appraisers, it must give them the tools to do the job, including the influence or authority needed to support or implement organizational changes leading to better performance. A key factor here is appropriate training for the appraisers themselves. Such training should encompass what aspects of performance should be appraised and how the information is to be collected and recorded.

The Interview. The customary vehicle for discussing appraisal data with individuals is the appraisal interview. Such interviews are understandably delicate, since the agenda highlights perceived shortcomings and inadequacies, as well as strengths, between people with whom good working relationships are expected to be maintained in the future. Consequently, the success of any appraisal system depends on the skills of the appraisal interviewers. While no prescriptive set of rules can be given for such interviews because of the complex human interactions involved, some basic guidelines can be suggested.

First, apparent deficiencies in the core skills should not be the subject of discussion since the employee is unable to modify them. The focus should always be on modifiable behaviors. The word *behavior* should be emphasized here because the more the interviewer and the employee can identify concrete behavioral events of the past, the more readily they can agree about past performance and changes for the future.

For the system to work, interviewers must give authentic feedback about both positive and negative aspects of performance. Interviews that focus exclusively on the positive,

while ignoring needs for improvement, cannot achieve their purpose. Conversely, those that focus only on the negative can be demotivating for the employee.

The provision of training opportunities is a key aspect of appraisal. Interviewers must be willing and able to commit resources not just for training individuals for their current job but also to develop those who have the potential for more responsible jobs in the future. If resources are not available due to reasons outside the control of the manager, then the manager is obliged to inform the employee that the absence of further development opportunities is not a reflection on performance. Naturally, if a manager does not offer resources based solely on performance, the employee should be made aware of this.

Upward communication is encouraged in the interview; otherwise, the employee may perceive the whole procedure as dictatorial. It is also critical that mutually agreed, realistic targets are set for the future. It is well-documented that individuals given realistic targets that they accept are more motivated to reach such targets. This can be difficult for both manager and employee if the goal of the employee is to assume the manager's position. In this type of situation, the employee may not express a goal or the manager deliberately may not make resources available for the development of the employee. It is advisable that the organization assign a more senior appraiser for this appraisal, particularly if a review of previous appraisals presents a potential for uneasiness at the interview or uncertainty with the classification of the employee.

Appraisals should never be an exercise where all instances of inefficiency are blamed on the shortcomings of the employee. Jobs are often performed ineffectively because organizations have failed to resource them properly and no amount of training, goal-setting, or exhortation to do better will overcome such organizational sources of inefficiency.

Follow-Up. A common complaint regarding the appraisal system is that employees perceive the process as an annual affair that's ignored during the intervening times. For the system to be successful for both the organization and the employee, it is essential that the system be continually monitored as it tracks the employee's path. This continuous assessment applies both between appraisals and to the overall career development of the employee. This is particularly true if an employee has

experienced a constant change of managers, for reasons outside of performance. If resources are requested and not subsequently used, or an agreed-upon career plan is not followed, then management has reason to have concern. Remember, the growth of employees is for the mutual benefit of both the employee and the organization; of course, goals can be changed over time by both parties. Thus it is essential that the forward-looking aspects of appraisals be continually assessed by both the manager and the employee.

Pitfalls. Few managers would question the organization's need to assess the performance behavior of its employees or that the process of assessment must produce results that are both fair and accurate. However, errors can enter that process when the manager fails to observe performance accurately or to provide timely feedback to employees on their performance and goals. Errors also seep into the process if the organization does not train new managers in the proper techniques of appraisal.

The errors that occur in performance appraisal work are usually errors resulting from variation problems concerning the validity of the performance appraisal system. Validity refers to the quality of the measuring components in a performance appraisal system, confirming the components actually measure what they are supposed to measure. The most common errors are:

- *Personal bias*—a stereotype or bias that influences a rating upward or downward
- *Halo effect*—rating an employee the same on all performance dimensions because of a general impression
- *Recency error*—the emphasis of recent performance examples in making performance assessments
- *Central tendency error*—assigning average ratings to all employees, causing little variation among ratings
- *Strictness or leniency errors*—supervisor ratings based on the belief that no employees measure up to standard, or that all employees measure up to standard

■ *Similarity error*—supervisor has a personal performance quality that he or she looks for in subordinates

■ *Forcing the rating*—deciding an overall rating first and then going back to adjust ratings on individual dimensions to justify the overall rating.

IT IS PARAMOUNT to the success of an appraisal system that all parties be keenly aware of the role of the system and the duties of all involved. Although training for the supervisors is highly recommended, it is widely felt that those lower-level employees being evaluated also be given at least some informal training in the process. This will allow employees to recognize any errors made during the process, and such knowledge will allow an informed appeal to be lodged if necessary. The more the system is understood, the greater the probability of it being a success within an organization. ■

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