Effective Performance Appraisal: A Review, Implications, Recommendations and Case Study

Brenda P. Johnson
Loyola University Chicago

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EFFECTIVE PERFORMANCE APPRAISAL:
A REVIEW, IMPLICATIONS, RECOMMENDATIONS AND CASE STUDY

by

Brenda P. Johnson

A Thesis Submitted to the Faculty of the Graduate School
of Loyola University of Chicago in Partial Fulfillment
of the Requirements for the Degree of
Master of Science in Industrial Relations
April
1988
ACKNOWLEDGMENTS

The author wishes to thank Professor Kathleen H. Goeppinger and Dr. Arthur G. Dobbelare, Jr., for their support and guidance in the preparation of this thesis. She especially wishes to thank her family for their patience, understanding and support while she completed this project.
VITA

The author, Brenda Pierce Johnson, is the daughter of James Melvin Pierce and Pat Berry Pierce. She was born November 1, 1953 in Fort Worth, Texas.

Her elementary education was obtained in the public schools of Tyler, Texas and Charlotte, North Carolina. Her secondary education was completed in 1971 at Garinger High School, Charlotte, North Carolina where she graduated as a member of the National Honor Society.

In August, 1971, Mrs. Johnson entered the University of North Carolina, Chapel Hill. She was placed on the University's Dean's List and received the degree of Bachelor of Arts in Political Science in June, 1975.

In June, 1980 she entered the Institute of Industrial Relations, Loyola University of Chicago as a part time student, with the support of her employer. She was placed on the Institute of Industrial Relation's "Dean's List" and completed the Master of Science in Industrial Relations in 1988.
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CHAPTER I

INTRODUCTION

Individual contribution is essential to the effective performance of an organization. Individuals should be evaluated based on their contribution to the organization, success in meeting goals, accomplishing tasks or displaying desired behavior patterns. The outcome of these evaluations should be the determination of problem areas which must be corrected, alteration of goals, objectives or strategic plans to address changing conditions, the motivation of employees to perform at a desired level, the determination of poor performers who require training and development and/or disciplinary action, and the determination of the distribution of rewards (salary increases and/or bonuses).

To meet these requirements, a performance appraisal process must be developed. Conducting performance appraisals is not the act of completing forms provided by the Human Resources department but rather an ongoing process of analyzing individual performance and affecting changes necessary to ensure that individuals perform at the desired level to satisfy the requirements of the organization.

The basis of this research is that to be effective, a performance appraisal process must be designed to meet the unique needs of an organization. In addition, it must be accepted by management and staff as an important process, providing valid and valuable information necessary for the assessment and improvement of performance.

To explore this concept, a review of key issues in performance appraisal design and implementation has been conducted to include motivation, perception of
fairness, pay-for-performance, communication and feedback, employee/career development, rater error, and training. The legal issues which should be considered are outlined and various techniques are examined.

To explore the complexity of the decision-making process in developing and implementing a performance appraisal process, an organization is examined in a case study format. The author has been involved with the development and implementation activity, participating in the design, implementation and evaluation over a seven year period. This has provided the author with the opportunity to observe the decision-making process, explore problem areas and adjust the process to meet the needs and requirements of the organization.

To explore the concept further, analysis of the acceptance of the process has been conducted using data obtained from a company-wide opinion survey. Although confidentiality issues have prohibited an extensive analysis of the data, it is possible to determine the level of satisfaction of the organization in general, as well as determine variances among more specific categories of employment. This analysis combined with personal observation and interviews allows for the opportunity to provide recommendations which will impact overall effectiveness of the process.
CHAPTER II

PROGRAM DESIGN

Although the approach to employee performance appraisal may differ from one organization to another, it is an important area of concern because of its impact on organizational and individual employee decisions of pay, promotion, training, layoff and termination. Despite the importance of the role of performance appraisals, there is still limited information available about how these decisions are made and how supervisors make judgments concerning performance. 1 A further concern is the dissatisfaction organizations express in available performance appraisal systems which results in resistance to implementation. Appraisal reliability and validity are still in question. As a result, effective evaluation of performance remains an unrealized goal. 2

There is a discrepancy between practitioners and researchers concerning the problems encountered when designing performance appraisal systems and the resolutions to these problems. Major concerns of practitioners are in the areas of management commitment, effective communication of responsibilities and expectations, improvement of feedback skills, and clarification of performance objectives and criteria. Researchers are concerned with improvement of observation and documentation skills, reducing rater error, forms development, and effective information management. 3 The performance appraisal process is one of gathering


3. Ibid., p. 335-336.
and analyzing information about an individual over an extended period of time and communicating this information to the individual.

Most appraisals are conducted by an individual's immediate supervisor. As a result, the supervisor is perceived to influence the future of the ratee relative to his/her status within the organization because the results of the appraisal have a direct impact on various employment decisions such as salary, promotion, training, layoff and terminations. This controlling factor impacts the rater's judgment. The rater's judgment is also likely to be influenced by the perceived impact on the future relationship between the rater and ratee. For example, judgment may be influenced if the supervisor perceives that an individual may require additional income to meet family needs or is expecting a promotion because of seniority in the position. Furthermore, the judgment of the rater may impact his/her own performance appraisal. As the effectiveness of a work group is a key factor in a supervisor's own appraisal, low ratings of members within the work group may be perceived to reflect the supervisor's failure to develop, motivate and train his/her staff. Therefore, the rater's desire to demonstrate his effectiveness as a supervisor may impact his judgment when rating his subordinates.  

When considering these, as well as other issues surrounding effective performance appraisal, it is important to keep in mind that an appraisal program is not an end in itself. The process is a method of providing management with information necessary for making employment decisions and of providing employees with feedback concerning their performance, obtaining improvement in performance.

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where necessary. An appraisal system should be evaluated in the context of how it meets these requirements.\footnote{R. Stuart Murray, "Managerial Perceptions of Two Appraisal Systems," \textit{California Management Review} 23:3 (May 1981):96.}

Before an effective performance appraisal system can be designed it is important to understand the corporate objectives in this area. Top management should be involved in the preparation of a clearly defined goal. A corporation will generally have numerous objectives where performance appraisals are concerned, which makes program design a challenging task. Not only must one determine the issue of the printed format, but also such issues as timing, employee acceptance, supervisory acceptance and training, motivation, ease of implementation, manpower required for administration and follow up, and legal implications.

Performance appraisal is not simply a form which must be periodically completed. It is a tool which balances the employee's need for supportive feedback with the organization's need to develop productive employees.\footnote{Barbara K. Malinauskas and Ronald W. Clement, "Performance Appraisal Interviewing for Tangible Results," \textit{Training and Development Journal} 41:2 (February 1987):74.} It is a method for reviewing and analyzing an individual's effectiveness, motivating/encouraging improvement in performance and a method for rewarding performance. To be effective, the summary form should be viewed as a tool, providing guidance, rather than the force that drives the performance appraisal system.

KEY ISSUES

While preparing performance appraisals, handling disciplinary issues and providing on-going feedback are important management responsibilities, they often are given low priority by the managers. They are time consuming, stressful and require additional back up documentation and paperwork. To be effective, the manager should see the relationship between performance appraisal and performance
improvement. Managers should receive feedback concerning preparation of performance appraisals to reinforce the importance of proper documentation. 7

Motivation

The values of the employee must be considered when developing programs expected to impact motivation and productivity. This task is difficult because values differ by individual. In general, there has been a shift from the values of job security, stability and company loyalty to values of recognition, rewards related to accomplishment, challenging work and personal growth. This shift indicates that employees want the opportunity to find new and better ways of approaching problems and recognition for such accomplishments. 8 They expect more from their work environments, to include decision making, flexibility, information, freedom and interesting work. 9 Workers tend to be better educated, more interested in achieving objectives than following orders and procedures, more loyal to their disciplines and professions than to their employers, and much more concerned about the quality of work life and self-fulfilling aspects of their jobs. 10

The challenge to managers is to assume the role of a "results" leader, or coach, providing resources rather than direct authority, defining jobs and expected results, treating each employee as an individual, and providing opportunities for employee input in planning and decision making. In addition, management must encourage self development of employees, pointing out opportunities for advancement, encouraging creativity and keeping jobs challenging. They must set up effective

channels of communication, provide praise and credit when due, and maintain an awareness of changing values. 11

There will never be complete agreement on what motivates an employee, because each employee is an individual with different needs, and because what one perceives to be an issue may not be important to another. Therefore any appraisal program designed with the intent of improving performance must be developed with flexibility in mind if it is to motivate and gain acceptance.

Perception of Fairness

Although it is difficult to determine the perceptions of an entire work group, they are often measured by an anonymous opinion or attitude survey. Although the validity may be in question, an opinion survey will give a group the opportunity to express their feelings concerning a variety of issues without the fear of repercussions. While gathering such information is helpful to an organization, analysis and response are the important issues. If opinions are solicited and received, and yet an organization fails to acknowledge and respond to issues of importance to the respondents, future attempts to solicit information will result in inaccurate or incomplete information.

Among questions often included on opinion surveys are those centering around the issues of performance appraisal. The questions may be as straightforward as "Do you believe your organization has a fair system for evaluating an employee's performance?" They may in addition, pinpoint performance related issues, and not state the direct question of fairness. "Did your last review help you identify your strengths and weaknesses?" "How effective was your last review in helping you improve your job performance, helping you in your career development, 11. Ibid.
or helping you understand your manager's expectations?" Other issues may be considered by the employee when responding, such as effectiveness of the manager in conducting the review, specific circumstances which may have taken place during the last review period, or length of time in the current position.

Analysis of opinion survey data may be helpful in determining the employee's perception of fairness and their resulting acceptance of performance appraisal results. It is important that once opinion data are gathered and analyzed, the organization respond to the concerns and perceptions, making modifications where appropriate to address the employee's perceptions. Actions may include further communication of procedures, management training to ensure consistent implementation, or modification of program design.

If a performance appraisal is to have a significant impact on an employee's performance it must be perceived as fair. This includes an understandable format, rating scale, and relationship to the compensation system. Furthermore, if employees believe in the program and see contributing to group goals as a way of accomplishing their own personal goals, the likelihood of commitment to the system is greater. 12

Pay-for-Performance

The compensation philosophy of pay-for-performance is based on the concept that the award of salary increases should be based on performance (merit) rather than on non-performance related factors such as cost of living and seniority. The assumption is that higher performers will receive higher rewards, and is favored by company managers and personnel professionals. An organization operating under a performance based salary administration policy must have a systematic measurement

of performance, ensuring that everyone is measured using the same criteria. In addition, the relationship between performance and pay should be clear. Those organizations administering a pay-for-performance program and yet factoring other issues impacting salary administration, job evaluation systems, pay scales, internal equity, external equity, market value, internal budgeting, and corporate compensation philosophy, into the pay system damage the close relationship between pay and performance. If a direct relationship between pay and performance cannot be seen, the system is considered invalid by employees and the impact on performance is minimal at best.

The validity of pay for performance programs, and the impact in terms of motivation to improve performance are issues of concern. Rodman outlines a number of problems faced by those attempting to implement a pay-for-performance program. Managers often may inflate an appraisal rating to justify a pay increase recommendation he/she feels the employee may need or expect. Not only does this compromise the performance and salary administration systems, but it also does not provide the employee with information necessary for performance improvement. Furthermore, it does not provide the manager with documentation required to address performance issues which, if not corrected, could result in disciplinary action. The second problem faced is one where an employee receives a legitimately high rating, but is only rewarded with a modest pay increase because of budgetary constraints. The impact is dissatisfaction on the part of the employee, resulting in a lack of confidence in the validity of the pay-for-performance program. Rodman argues that the root of these problems lies in the relationship between performance appraisal and salary administration. Although human relations practitioners agree with the concept, few have a method of measurement which can address the practical implementation issues. Rodman recommends the careful definition of the concept of competent performance as a keystone of the system, coupled with training of
managers in the concept and acceptance of a normal distribution of performance. In addition, he recommends a merit increase guide chart to persuade managers to administer salaries fairly. To do so, salaries should be budgeted monthly and considered as an allotment to be spent wisely. While it is not unusual for a manager to argue that special consideration should be given to their department for overall exceptional performance, it is usually unfounded. It is more likely that a department requires an exceptionally high level of expertise because of the difficulty or technical nature of the work performed, but this would be taken into consideration when determining salary grades and recruiting salary ranges. Managers should be encouraged to rate against the norm for a function, while at the same time remaining consistent in the use of performance factor definitions.  

Bushart and Fowler view the issue of the relationship between compensation and performance from a different perspective. They look at the concept of exchanging rewards, in the form of wages and benefits, for an employee's contribution to the fulfillment of organizational goals. As the issue of motivation is considered, it is important to determine the degree to which the employee values the rewards offered. If a high value is placed on the reward, the impact would be the motivation to behave in a manner which would guarantee continued receipt of the reward. If the value placed on the reward is low, the impact on motivation is low. Too often the value placed on current reward systems is low, resulting in a corporate expense without receipt of benefit. Rewards are divided into two categories. System rewards are granted to all members of the organization contingent upon continued membership. Individual rewards are determined for each member based on level of performance. Often, a compensation system is seen as a system reward motivating membership rather than performance, while organizations expect it to be perceived as an individual reward which can impact performance. The development  

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13. Rodman, p. 73-75.
and implementation of an ideal program is difficult. To be an effective individual reward, individual performance must be accurately and equitable measured.\textsuperscript{14}

As a result, Bushardt and Fowler recommend a shift in the emphasis of offering individual rewards, by designing a system that accurately and impartially measures performance and tying specific and desirable rewards to given levels of performance. The program must clearly communicate to employees the availability of increases and the performance required to obtain the increases. All employees must be given a fair opportunity to compete for the rewards without the obstacles of improper training, improper or inefficient allocation of resources or prejudicial treatment. The program must contain a system of follow up to ensure that performance is effectively measured and rewards are granted. Performance standards must accurately reflect desired behavior, consider issues of reliability and validity, and measurements of observable behavior rather than personal traits such as attitude or initiative. Those responsible for the measurement of performance must have the knowledge, training and opportunity to make a fair and accurate appraisal.\textsuperscript{15}

Although an acceptable and desirable concept, it is difficult to provide individual rewards within a formal compensation/benefit program. Too often system rewards are communicated and treated as individual rewards. An example would be a compensation system communicated as a merit system when, in truth, the distinction between rewards given to a top performer and marginal performer are not clear enough to have a motivational effect. The result is that the desired impact on performance, motivation and satisfaction is not obtained, the organization receives little benefit for its expenditures.


\textsuperscript{15} Ibid., p. 25-26.
Winstanley believes that merit increases have little effect on individual performance or organizational effectiveness. The objective of motivating individuals to perform at higher levels is based on the assumption that performance differences can be accurately measured and that employees will respond with increased effort if salary increases are related to different performance levels. For this assumption to prove true, there must be a great deal of trust in management and an acceptance of the subjective performance ratings and merit increase practices. To obtain this, Winstanley provides a number of recommendations. The compensation system must be based on valid job evaluations which provide internal and external equity to the system. The requirements of the job must be fully understood at the beginning of the rating period so there are no surprises at the end of the period when performance feedback is provided. The measurement criteria must be job specific and results oriented, emphasizing achievement of results. The appraisals must be accurate. The administrative practices should incorporate a percentage increase which has some relationship to changes in the cost of living, an appropriate reward schedule for an incentive and a review schedule which allows for recognition of accomplishment on a timely basis so as not to diminish the relationship between accomplishment and reward. Managers should receive the skills training required to provide feedback and conduct effective appraisals. In addition, managers should receive formal training which includes provisions for auditing training results and follow up training as needed. The system itself should be audited as well, to insure that it is administered as intended and to identify and minimize bias and leniency. According to Winstanley, few organizations are able to meet the above requirements, resulting in a neutral effect on motivation rather than the desired positive effect. In fact, failure in a number of the areas mentioned could possible antagonize employees resulting in a negative impact.16

One major difficulty an organization would have with meeting the above requirements is in the area of appraisal accuracy. Winstanley believes that only those ratings which fall into the extreme categories could possibly be accurate; the middle ratings are due to chance and non performance related biasing factors. Managers are unwilling or unable to make a more finite distinction between levels of performance resulting in a low correlation between performance rating and salary increases. In design and application, performance appraisals are inadequate to the task of affecting a valid relationship between pay and performance. Therefore, there is a low probability that merit pay acts as intended, as a positive reinforcement to high levels of motivation. This low correlation is in part a result of business's failure to face up to inflation and cost of living issues. Providing a cost of living adjustment is inconsistent with the pay-for-performance philosophy. Therefore, the majority of nonunion salary increases are given in the form of merit which fail to meet the employee's expectations. The result is employee dissatisfaction.  

Winstanley argues that expectation and value are critical in modern motivation theory. Employees feel cost of living adjustments should be used. Many employees see the merit portion of their increases only to the extent that these increases meet or exceed their expectations regarding cost of living and seniority. Failure to meet these expectations affect attitudes towards pay and the value placed on pay increases. Organizations find it difficult to accept this reasoning and thus continue to operate on the belief that merit increases motivate employees to perform.

From a realistic perspective, the merit portion of a salary increase is relatively small. Non-performance issues, specifically job evaluation systems and external salary surveys, impact the pay increase along with the economic position and financial health of the company. Therefore while a salary administration program

18. Ibid.
may effectively attract and retain employees, it has little to do with motivation to perform. The rewards are institutional, not behavioral based.

Winstanley recommends the use of an opinion survey of the work force to determine if the current reward system is valued or if it is causing dissatisfaction. If it is the goal of the organization to continue a merit pay system, it should be simplified, designed and/or communicated in a manner which will maximize the benefit to the organization. Non-monetary rewards should be considered in system design, reducing the concentration on pay and yet emphasizing rewards and recognition. The frequency of non-monetary rewards should be reviewed, allowing for more frequent tangible and non-tangible rewards provided by trained managers. Program design could include fixed and variable increases. Fixed increases can address cost of living and seniority directly while variable increases can address performance. The variable increase, merit pay, could be awarded at a separate time, to set it apart from institutional rewards. In addition, Winstanley argues that this merit award is more effective as a lump sum cash award. The impact of a single payment is often greater than the proration over the year ($20/week gets lost in a paycheck while $1000 at one time does not). In addition, such an award does not increase the employee's base pay, resulting in a lifetime payment for performance during a given finite period.19

Communication and Feedback

Feedback plays an important role in an effective performance appraisal system. Although the system may require formal discussions and written appraisals at specific intervals, feedback is an ongoing process which can be used to correct problems of an immediate nature, provide an employee with the status of his performance or acknowledge exceptional performance of a specific task or project.

19. Ibid., p. 40.
A formal appraisal system is generally a summary analysis of the specified time period while immediate feedback addresses the performance of specific duties. In addition, the appraisal interview might be responsible for providing feedback to employees, counselling and developing employees, and conveying and discussing compensation, job status or disciplinary decisions.\(^{20}\)

If performance appraisal is expected to impact employee development, then the type and quality of feedback that an employee receives is crucial. Accurate feedback provides the employee with valuable information and is most effective when it addresses job-relevant factors, identifying an employee’s strengths and weaknesses and suggesting possible corrective action.\(^{21}\)

Walther and Taylor consider feedback to be one of the most important and most overlooked processes involved with employee performance, as managers fail to be specific enough to be effective. Feedback can be either positive or negative depending on the behavior the manager wants to address. Important issues to be considered are that the feedback be specific, consistent, timely, not too overwhelming, credible and accurate. Managers tend to avoid providing feedback because they feel awkward, lacking in the necessary communication skills, uncomfortable discussing an unpleasant topic as performance improvement, or they feel it is an unnecessary use of their otherwise productive time. The result may be continued poor performance, as the employee is unaware that his performance is unacceptable, along with low commitment and satisfaction levels.\(^{22}\)


\(^{21}\) Murray, "Managerial Perceptions of Two Appraisal Systems," p. 95.

The development of an effective feedback program may result in employees feeling more secure in their job. A marginal performer receives the feedback necessary to improve performance. Furthermore, in the event that a dismissal for poor performance is necessary, a formal feedback program provides a systematic method of documenting performance problems and counselling attempts to obtain improvement. Although some consider it time consuming to develop, train managers, and implement an effective feedback program, it is justified by the positive impact on job satisfaction, performance and organizational commitment. 23

Brett and Fredian stress communication and feedback as the key issues to consider when designing performance appraisals. It is not the system or forms design which is responsible for the success or failure of performance appraisal programs, but rather the effectiveness of the interaction between employee and manager which results in the accomplishment of objectives. They stress that it is important that communication and feedback be an ongoing process, not an annual event. The focus of evaluating performance should be on the discussion, not on the completion of the final form. The setting of the performance appraisal interview should be one of problem solving not of judgment. Furthermore, Brett and Fredian recommend a performance appraisal interview model which stresses the importance of getting to the point, outlining observations in specific terms, inviting self evaluation by subordinates, listening, setting goals and developing action plans, having subordinate sum up the discussion, and setting a follow up schedule. 24

Not only is it important that feedback be ongoing, but it must also be credible. To achieve this the supervisor must have adequate knowledge of the subordinates job duties and behaviors. If the organizational structure does not allow

23. Ibid., p. 147, 149.

for the opportunity for regular observation, the supervisor may need to devote extra effort to avoid the subordinate’s perception that the supervisor is simply going through the motions, or, worse, being unfair and inaccurate.\textsuperscript{25}

Bernardin and Abbott have studied the relationship between self and supervisory ratings of performance in order to identify elements of disagreement. They have found that the discrepancy between self and supervisory appraisal is influenced by the lack of agreement regarding various aspects of the subordinates job. Important elements include job duties, responsibilities, goals and objectives. Where the supervisor and subordinate agree on these elements, they are likely to agree on the subordinate’s performance.\textsuperscript{26} Furthermore, supervisors should conduct interviews in a manner that provides support, are positive, constructive and accepting of the employee, and welcomes the subordinate’s participation.\textsuperscript{27}

**Employee/Career Development**

Gehrman argues that performance appraisals are too system driven with objectives of consistency, uniformity and "no mistake" driving the compensation system rather than motivation to perform. The strong orientation, specifically in terms of a summary rating, results in a less meaningful review for the employee. Employee development should be a consideration, but in reality, responding to compensation issues is the most demanding. More time and effort spent on defining and communicating job expectations would result in a more satisfactory outcome.\textsuperscript{28}

\textsuperscript{25} Cederblom, p. 223.
\textsuperscript{27} Cederblom, p. 225-226.
Haynes argues that performance appraisals have two audiences, the employee being evaluated and the organization. While the organization views performance appraisals as a system of managing information necessary for making personnel/manpower decisions, such as promotions, layoffs, and salary action, the employee views the system as one of feedback, how is the employee doing, are there opportunities for career growth and development. 29

Hobson and Gibson also see two functional responsibilities of a performance appraisal system. From an organizational perspective, the objective of the performance appraisal system is to specify what job behaviors are appropriate and how these behaviors are related to the reward system. To be effective and influence the behavior patterns of the employee, the relationship between behavior and reward must be clear, and perceived to be fair by the employee. From an individual development perspective, the performance appraisal system should identify areas of improvement necessary for individual growth. To do so it must be sensitive to individual differences and provide a format for outlining each individual's strengths and weaknesses. The problems faced by supervisors operating under such a system are the inability to consider various performance dimensions and the failure to realize the relative importance they attach to various components when determining an overall rating. In addition, subordinates are often unable to accurately describe what their supervisor expects of them or how they are rated. 30

As a result, Hobson and Gibson recommend a method of "policy capturing," a technique used to describe individual decision making behavior. This involves job analysis, describing the important dimensions of the job; rating scale construction, measuring each important dimension; capturing rater policies, determining the


importance of each dimension in terms of relative importance; communication, providing information to subordinates; and use of rater policies, commitment to future use. The result, they argue, is an increase in the reliability and consistency of the overall evaluation results and a more objective, accurate measure of individual performance. By specifying desired behaviors and linking those behaviors to evaluation results which are in turn linked to organizational rewards, the organizational control requirement of the system is met. Furthermore, specifying what is expected of an individual and tying that to a systematic reward procedure satisfies the requirement for individual development. In addition, the procedure would benefit the supervisor by providing clear guidelines for conducting appraisals, which would result in a reduction in completion time and make it easier to justify the ratings to the subordinate. 31

It is Kaye's belief that performance appraisal should be combined with career development in an effort to achieve organizational goals. But in many cases, performance appraisals are seen by management as a nuisance which interrupts the natural flow of business. As a result, they are not given the emphasis they deserve. By linking these processes and acknowledging the necessity of the effectiveness of the organization, the exchange of information which results can benefit the employee and the organization. Considering that both processes share similar concepts and strategies, the combination appears logical. Feedback is a key issue, as it allows for the exchange of information concerning expectations, objectives and steps required for performance improvement/advancement. 32

But Banks and Murphy argue from statistical as well as practical reasons that multiple use of appraisal data should be minimized. Otherwise the error associated

31. Ibid., pp. 62-68.
with these multiple decisions combines, making the error greater than if judgments were made on independent sets of data. Cederblom suggests one way of handling both functions of development and communication of administrative decisions is to hold separate sessions, one or more to conduct developmental sessions, followed by one focusing on administrative decisions.\textsuperscript{34}

**Rater Error**

Performance appraisals are used as a basis of various employment decisions and yet the accuracy of appraisals is often in question. It is this perceived inaccuracy, which causes many of the negative reactions to performance evaluations. Lowe outlined the eight common errors which can impact the accuracy and fairness of a performance appraisal and how to avoid them. 1) The halo effect projects favorable ratings of all job duties based on the outstanding performance of a single duty important to the rater. To avoid this the rater should become familiar with all the responsibilities of the position and carefully define the parameters of performance expectations. 2) The pitchfork effect places undue emphasis on poor performance of a single duty, projecting it over the employee's overall performance. The rater must take care to be impartial in his/her appraisal, otherwise this error can create serious negative morale problems. 3) Raters falling in the central tendency category evaluate all subordinates near the middle of the rating scale on all areas, failing to consider possible outstanding or substandard performance in specific areas. Unless one points out the true strengths and weaknesses in performance, improvement cannot be accomplished. 4) Those falling into the recency error category depend on recent events and performance for their evaluation. Employees are aware of this tendency and concentrate their efforts at the end of an appraisal period rather than throughout the year. A performance appraisal should be a

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\textsuperscript{33} Banks and Murphy, p. 342.

\textsuperscript{34} Cederblom, p. 221.
summary of a specified period, not simply a review of recent performance. Raters should make notes concerning an employee's accomplishments and problems throughout the period to prevent such a tendency.35

5) Often length of service is overemphasized in performance appraisal, based on the assumption that a senior employee with mastery in an area will continue to perform well. The result is that often those senior members are given less direction and fall behind. These employees should receive the same quality of feedback as others. 6) Loose raters try to avoid conflict which may occur when weaknesses are pointed out and as a result assign average ratings to less than satisfactory employees. The result is that the poor performer is unaware of acceptable performance standards required by the organization, and unaware of the fact that he/she is performing below standard. Furthermore, documentation of poor performance is not available as justification for discharge. 7) The tight rater has unrealistic expectations of performance, and sets unrealistic or unattainable goals. The employee feels frustrated that he cannot satisfy his supervisor and the result is often high turnover. The rater should be counselled regarding expectations and goal setting. 8) The competitive rater is unable to separate his own performance rating from those of his subordinates, and as a result assigns ratings lower than his own to his subordinates. The result is employee frustration and high turnover. Such a rater should be counselled on the differences of job responsibilities so that distinctions can be made on individual performance alone. An employee should be rated on how he performs his individual duties as assigned regardless of the performance rating of his supervisor.36

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36. Ibid.
Winstanley has examined the non-performance factors which appear to influence the outcome of performance appraisals and the results of considering such factors. The first issue is purpose of the appraisal. Most systems are multipurpose, using the information for both salary administration and career development, resulting in reduced overall effectiveness. The next issue, the incumbent's current salary, suggests that those whose salary is above the midpoint of the range will receive higher ratings, a relationship which is hardly justified. Whether formal feedback is required of the manager also appears to impact the rating, with a result of higher ratings being assigned where feedback is required. The mean rating of supervisors and managers are typically higher than non-supervisory professionals. Some departments rate higher than others. In addition, the occupation, the sex or race, or the length of service of the incumbent may have an inappropriate impact. The result is a performance appraisal system filled with error which impacts the accuracy, credibility and acceptance. 37

Winstanley stresses that expectations regarding management capabilities to distinguish between levels of performance should be realistic. As an example, he suggests that the rating scale be collapsed from five categories to three, two extremes and all others. In most cases, managers cannot distinguish between outstanding and exceptional performance, not to mention the distinction between a 3.6 and 3.7 on a five point scale allowing for mid-level ratings. This recommendation is not well received by personnel executives who feel the need to make a fine distinction between one performer and another. It could improve the level of accuracy by clarifying the definition of levels of performance and reducing the impact of individual interpretation. Collapsing the scales would also be helpful in organizations where those receiving an average rating of 3 are left with the feeling

of failure. If the goal of the performance appraisal system is personal development, such specific scores are not necessary, and in fact can be counterproductive. It is argued that the more specific rating score is needed for salary administration, but few systems truly allow enough distinction in the merit system to show a significant difference in pay for the employee rated 3.0 versus the one rated 4.0, not to mention the minute distinction between 3.3 and 3.5. Additionally, non-performance factors are also considered in determining an increase, cost of living, position in range, peer salary relationships, organizational salary philosophy, that a matrix showing a direct relationship between performance rating and salary increase is rare. Finally, Winstanley stresses the importance of identifying and minimizing leniency within the system as a whole, to include systematic biases due to functional, occupational and hierarchical differences, and concentrating on how those rated perceive the accuracy and fairness of the appraisal. 38

Pulakos, Schmitt and Ostroff have studied the measurement of halo error and have identified the problem of "the rater's inability to discriminate among conceptually distinct and possible independent aspects of a ratee's performance."39 Kozlowski, Kirsch and Chao have considered the problem of halo error from the perspective of a rater's knowledge of a job under review and the individual performing the job. They have determined that those with a greater knowledge of the job were more sensitive to actual performance when rating those individuals they know well while they seemed to rely on conceptual similarity when rating those individuals not well known to them, leading Kozlowski, Kirch and Chao to argue that the familiarity with the ratee is an important factor. In addition, they found

that halo was greater under conditions where the rater had low knowledge of the actual job being performed.\textsuperscript{40}

Murphy and Balzer consider rater accuracy from the perspective of the rater's ability to accurately remember the behavior of the rater, and argue that raters are biased in favor of recalling behaviors that are consistent with their general impressions of the individual's performance. In addition, they question whether memory biases were a source of halo and whether memory based ratings are subject to distortion. Their findings indicate, though, that such memory based ratings were not significantly less accurate than ratings made immediately after viewing rater behavior.\textsuperscript{41}

Heneman and Wexley have conducted a laboratory experiment to determine the impact of timing on the accuracy of performance appraisals and have determined that "the inability to accurately recall observations from previous time periods is a function of the passage of time, the interfering events between observation and retrieval, and the amount of information that can be processed without displacement." \textsuperscript{42} Ratings become less accurate the longer the delay between observation and recall, suggesting that raters be encouraged to make their ratings as soon as possible following observation.\textsuperscript{43} As a result of these studies one questions the practice of scheduling annual performance appraisals.


\textsuperscript{43} Ibid., p. 683.
Training

Most performance appraisal systems depend heavily on subjective ratings of performance provided by supervisors, peers, subordinates and job incumbents. Despite a heavy reliance on performance ratings, it is generally acknowledged that they are too often contaminated by systematic errors. Rater training has recently shown some promise in improving the effectiveness of performance ratings.44

Training is needed to aid supervisors in the planning of appraisal interviews for different situation and in conducting the interviews. To increase their knowledge of subordinate's performance, supervisors may need to be trained in methods of observing and recording subordinate's job behavior.45 Rater training programs differ with respect to some key ingredients, level of participation, practice of rating scales, feedback to raters, but generally are concerned with changing rater response distributions, although there is limited evidence available to indicate that training to enhance accuracy or inter-rater reliability has succeeded.46

Davis and Mount have observed the performance appraisal training in a field study and have determined that training can improve effectiveness in the area of performance appraisal knowledge. In addition, specific training in behavior modeling impacted employee satisfaction with the way managers conducted appraisal discussions. The training appeared to have no impact on halo and leniency tendencies.47

Bernardin and Buckley believe that rater training will generally bring about only short term results in correcting rater bias. As a result, they recommend that the emphasis be placed on training raters to observe behavior more accurately and judge it fairly rather than on response distribution. Maintaining a systematic record or diary of critical incidents may aid in organizing behavior observations and as justification for ratings, and result in less leniency and halo, and more inter rater agreement.48

In addition Bernardin and Budkley favor frame of reference training for those with ideosyncratic standards. This training gives practice in rating important and unimportant behaviors and provides immediate feedback concerning accuracy of their ratings with the goal of increasing inter rater agreement, by providing a common frame of reference for use by all raters.49

A problem often encountered when developing rater training programs is the reluctance to rate someone negatively and to sit in judgment of others. To address this issue it is important to train raters to be critical. Given no pressure to do otherwise, raters tend to be lenient. Therefore it is important for a training program to stress that it is good to be critical and that rating everyone high will reflect poorly on the rater's ability or motivation to appraise accurately. The result of such training is to emphasize that one's ability to rate subordinates influences his/her own performance rating.50

Banks and Murphy argue that raters are rarely motivated to provide accurate appraisals and may, in some cases, be strongly motivated to provide inaccurate appraisals by refusing to give low ratings. They see the problem of making someone

48. Bernardin and Buckley, pp. 207-209.
49. Ibid., p. 209.
50. Ibid., p. 209, 207.
a better rater and the problem of obtaining better ratings from that person as separate issues. Although the problem of capability may be of primary concern, consideration must also be given to the rater's willingness to record the judgment he or she has made. 51

As a rule, managers receive training on effective feedback techniques relative to employee counselling. But equally important is feedback to managers regarding their performance when conducting appraisals. Rater error problems cannot be corrected unless the managers are aware of their errors and guided in how to overcome biases. If appraisal ratings can be analyzed and communicated so managers receive meaningful information regarding their tendencies, then validity and reliability may be improved.

Davis and Mount recommend a method of analyzing managers' tendencies and providing written feedback to managers. Although not a substitute for formal performance appraisal training, this method provides managers with a written feedback form which provides statistical analysis and explanation of the manager's ratings relative to other managers. It includes statements such as, "The average rating you gave your employees was 4.5 (on a 5 point scale) which is higher than that given by 75% of the managers in this sample." with an explanation statement such as, "Assigning only high ratings here may mean that: (a) your initial work expectations were too low, (b) you are an "easy" rater, or (c) you appraise only high performers." Their follow up with managers indicated a positive level of satisfaction towards the process. The managers indicated that they considered the feedback when completing subsequent performance appraisals and that it influenced their ratings. The study further indicated that the feedback helped to make the ratings among managers more comparable. Possibly the most important response was that it

51. Banks and Murphy, p. 343.
impacted employee satisfaction. The appraisals were viewed as more equitable, since the managers were using the same standards when evaluating performance. 52

The analysis required for implementing such a system consists of determining the mean and standard deviation for each manager and completing a standardized feedback form for distribution. In addition, the analysis is to be communicated in terminology easily understood by the manager. It is not clear, based on the follow up research, if the feedback would be more effective distributed following an evaluation period or prior to the next evaluation period. Furthermore, while the system did tend to reduce leniency, it did not reduce halo error, and there is no clear proof that it improves accuracy or validity. 53 Therefore, while an interesting concept, additional research is needed to determine long range effectiveness.

If managers are expected to perform the difficult task of rating the performance of others, they should be carefully trained in the process. The training should not simply be in how to complete the form, the emphasis being placed on method, but rather on how to accurately evaluate and document the performance of others, the emphasis being placed on clear performance factors, demonstrated behavior required for the position, and effective feedback. Performance appraisal training must be a key portion of any in-house management training and follow up program. This is not a one time introduction to management, but rather a continuing program which provides managers with feedback on appraisal and communication skills, rating factor definitions, and rating error issues. The importance of effective performance management through appraisal documentation and feedback as it relates to overall corporate performance should be stressed, possibly tying the concept into the manager’s MBO. Top management must support


53. Ibid., p. 97.
both the appraisal program and training program to ensure effective implementation. Only then can a relationship truly be seen between performance and pay.\textsuperscript{54}

**SUMMARY/RECOMMENDATIONS**

Performance appraisal program design is a complex task because of the numerous factors which must be taken into consideration. One must consider issues of motivation, compensation, training, career development and feedback. In addition, one must consider employee perception of the fairness of the system and corporate philosophy regarding pay-for-performance. It is also necessary to address and correct rater biases, and to assess in-house training/feedback vehicles.

To be effective, a performance appraisal process should have the full support of both management and staff. It must be designed as a method to address those areas which are of concern to top management. It must be accepted as fair and accurate at all levels.

Managers should feel that they can be fair to their employees by following implementation guidelines. This means that they should feel comfortable with the fact that all other managers are implementing the system in the same manner. The system cannot succeed if a manager feels that other managers are rating their employees in a more lenient manner, resulting in higher summary scores, annual increases or bonuses at the expense of his staff. Further damage is done if this same manager begins rating in a more lenient manner to compensate for his perceptions that others are doing the same. The result is obviously a snowball effect, with feelings of dissatisfaction with the system being passed down to the employee.

To ensure fair and effective implementation, the organization should develop and support a comprehensive training program for managers responsible for

\textsuperscript{54} Rodman, p. 76-78.
conducting performance appraisals. The training should include written and verbal information regarding rating scale interpretation, job description development and modification, performance documentation, providing effective feedback and conducting the performance appraisal interview. The training program should be ongoing rather than a single seminar. This allows managers the opportunity to discuss problems and receive feedback concerning rater bias. In addition, it allows for continuous reinforcement of the corporate training goals of consistency, accuracy and fairness.

Employees should also be provided with information which will help them understand the process and rating definitions. They should be provided with an up to date job description, informed on procedures for modifying the job description as appropriate, and encouraged to take an active part in the performance appraisal discussion. The discussion should allow for two way communication and an exchange of information relevant to the job expectations, performance criteria, objectives and/or performance ratings. Although the most logical time to counsel the employee regarding the performance appraisal process is during new hire orientation, it too, should be reinforced on an ongoing basis, in a proactive manner rather than in reaction to an employee relations problem.

Various professionals may argue in favor of one system design over another, i.e., using a three point rather than a five point rating scale, excluding the final summary rating, separating administrative (compensation) requirements from employee development. The success of these modifications in system design will depend on the structure and goals of the organization and the resources available for communication and training.
CHAPTER III

LEGAL ISSUES

The role of the performance appraisal is a critical one because of the impact it has on the decision-making process of the organization. It is on the basis of performance appraisal results that decisions regarding transfers, promotions, compensation, layoffs and terminations are made. In most cases, decisions are based on the subjective evaluations of supervisors. Therefore, it is necessary to identify which factors, other than performance itself, influences supervisory judgments. Field research has indicated that a problem of appraisal systems is the potential for unfair discrimination. But the research has not been able to determine if differences in appraisal results reflect the biases of the rater or a myriad of confounding factors. As a result, it is important to consider the legal implications of conducting performance appraisals to include format, written documentation, communication of results and follow up of objectives established during the appraisal discussion.

LAWS IMPACTING PERFORMANCE APPRAISAL

Various laws have been passed which affect performance appraisal. Many center around the equal employment issues, prohibiting discrimination against certain groups. Title VII of the Civil Rights Act of 1964 is probably the most important of the statutes. It has been amended to broaden the coverage, but in effect it states:


It shall be an unlawful employment practice for an employer: (1) to fail or refuse to hire or to discharge any individual, or otherwise discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment because of such individual's race, color, religion, sex, or national origin, or (2) to limit, segregate, or classify his employees or applicants in any way which would deprive or tend to deprive any individual of employment opportunities or to otherwise adversely affect his status as an employee, because of such individual's race, color, religion, sex, or national origin.\textsuperscript{67}

The Act applies to employers, public and private employment agencies, labor organizations and joint labor-management apprenticeship programs. The Equal Employment Opportunity Commission administers the Act and investigates charges of employment discrimination. It may negotiate on behalf of an individual or group to obtain a conciliatory agreement from the company investigated or may bring suit against an employer on behalf of the employee or group. It is also the responsibility of the EEOC to distribute guidelines interpreting Title VII.

Executive Orders 11246 and 11375 were issued in 1965 and 1967 respectively in order to ban discrimination on the basis of race, color, religion, sex or national origin in the employment practices of all federal agencies and departments, including federal contractors and sub contractors. The executive orders go a step further than Title VII by requiring an affirmative action program of organizations employing 100 or more individuals. The affirmative action programs are to include goals and timetables by which the organization can increase the percentage of minorities and women in its work force in specified job categories based on existing labor market comparisons. The EEOC monitors compliance with these orders for public employees and the Office of Federal Contracts Compliance Programs monitors compliance of contractors and sub contractors.


\textsuperscript{67} 42 U.S.C.A. Section 2000e-2.
employment of the qualified handicapped in organizations contracting with the federal government and is monitored by the OFCCP. The Pregnancy Discrimination Act of 1978 amended Title VII to extend sex discrimination to include pregnancy, childbirth or related medical conditions. This Act protects pregnant employees from termination or refusal of promotion based on pregnancy related issues and guarantees medical and disability coverage consistent with all other medical and disability programs. In addition, the Fifth, Thirteenth and Fourteenth Amendments to the U.S. Constitution, the Civil Rights Acts of 1866 and 1871, and the Equal Pay Act of 1963 address anti-discrimination issues as do various state laws.58

While these laws may not directly regulate the use of performance appraisals, they indirectly impact the use because of the relationship between performance appraisals and employment decisions. Where the decisions appear to be discriminatory in nature, performance appraisals become an issue. For example, an employee may be denied promotion based on his/her performance as indicated by his/her performance appraisal. If the appraisal system is seen to be irrelevant to the requirements of the position, too subjective, poorly documented or poorly communicated, an employee could argue that it is designed in a manner which discriminates against a protected class.

The issue of job related requirements and tests is one of concern when considering the role of performance appraisals in making employment decisions. The use of tests was authorized by Congress in Title VII, providing that they were not designed, intended or used to discriminate. The EEOC and the Department of Labor issued interpretations of this issue in 1966 and 1968 which were combined to form the Uniform Guidelines on Employee-Selection Procedures in 1978. According to the Uniform Guidelines, if the result of a test is the screening out of a protected group

at a higher proportion than white males it is considered illegal unless business
necessity can be shown, even if discrimination is unintentional.

The Uniform Guidelines apply to all forms of tests, not just written
employment tests, and cover all selection procedures used in making employment
decisions, not just hiring.

The use of any test which adversely affects hiring, promotion, transfer, or any
other employment or membership opportunity for classes protected by Title VII
constitutes discrimination unless (a) the test has been validated and evidences a
high degree of utility as hereinafter described, and (b) the person giving or
acting upon the results or a particular test can demonstrate that alternative
suitable hiring, transfer or promotion procedures are unavailable for his use.59

The courts upheld this reference to performance appraisals as tests in Brito v. Zia
Company resulting in the requirement that they comply to the Guidelines. In this
case, the courts were concerned with the subjective observations of the evaluators,
the limited opportunity the evaluators had to observe the workers, and the
administration and scoring of the tests. Furthermore,

The test was not validated according to Zia's own guidelines in that the
evaluators did not grade the employees according to their average daily amount
of acceptable work produced during the review period. Therefore the test was
based almost entirely on their subjective observations.60

The primary objective of the Guidelines is to require employers to
demonstrate that their tests measure the behaviors necessary for successful on-the-
job performance whenever such tests disproportionately screen out particular groups.
The courts have generally judged the legality of employment procedures under Title
VII according to the principles laid out by the Guidelines.61

61. Burchett and DeMuse, p. 32.
KEY ISSUES OF CONCERN

Job Analysis

The courts tend to favor the use of performance appraisal formats which are developed from a systematic analysis of the job. Job analysis insures that the requirements established for the job are those elements which, in fact, impact successful performance. Furthermore, it ensures that requirements which may have an adverse impact on a potential group are not assigned arbitrarily.

We have considered defendant's earnest contention that all five criteria which they presently use are objective, job-related standards that are racially nondiscriminatory, both on their face and as applied. We must disagree... the defendants failed to establish that the evaluation procedure had been validated in accordance with professionally developed standards or that the instrument was based either upon a careful job analysis to determine the relevance of the form's content or upon studies or empirical evidence of criterion-related validity. 62

In addition, job descriptions must be kept up to date, and periodic job analysis must be conducted to guarantee the integrity of the system. Responsibilities, as well as requirements for a job may change over time. For this reason, the courts require that job descriptions be reviewed on a regular basis. Of major concern to the court in Carpenter v. Stephen F. Austin State University was the fact that, not only were the descriptions out of date, but also that the qualifications were based on what the incumbent possessed at the time the original descriptions were written.

Educational qualifications for job assignments and promotions were not proved to be related to job performance... job descriptions incorporated the attributes and qualifications of the persons then holding the position at the time the job descriptions were formulated in 1972, instead of criteria actually related to job performance." 63

As a result, in Carpenter v. Stephen F. Austin State University, the University was instructed to validate and reform the existing job classification so that qualifications would be job related.

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Objectivity and consistency in job analysis is also considered, as well as the relevance to the specific job under review as seen in the decision of Greenspan v. Automobile Club of Michigan. The job analyst is responsible for becoming knowledgeable of the requirements by way of personal observation, interviews, or document review to ensure that the requirements are relevant. Furthermore, the organization would need to show the relevance of a professionally designed package.

(T)he analyst did not verify the description by making an on-site inspection of the employee who actually performed the job... the former procedure was flawed insofar as it created the possibility of inconsistent descriptions, over- or under-inflation of job duties or requirements, and was associated with the lack of employee awareness of the evaluation procedure... criteria... adapted from a commercially available method of job analysis from which Defendants borrowed what they believed to be pertinent to their needs.64

Consideration of Work Behaviors and Objective Performance Measures

The Uniform Guidelines specify that employee evaluation should concentrate on job-specific behaviors rather than on potentially relevant traits, abilities and psychological characteristics.65 The concern is that trait oriented appraisals tend to allow for subjectivity and bias.

(T)he so-called "objective appraisal of job performance" - admittedly the most significant of all five criteria - is based upon scores received by subordinates rated by supervisors on an evaluation instrument according to a number of questionable factors. For example, a substantial portion of the evaluation rating relates to such general characteristics as leadership, public appearance, attitude toward people, appearance and grooming, personal conduct, outlook on life, ethical habits, resourcefulness, capacity for growth, mental alertness, and loyalty to organization. As may be readily observed, these are traits which are susceptible to partiality and to the personal taste, whim, or fancy of the evaluator. We must thus view these factors as presently utilized to be patently subjective in form and obviously susceptible to completely subjective treatment...Where a considerable portion of the evaluation depends upon judgment of a vague and subjective nature as here, the entire procedure is permeated with susceptibility to bias, making it "a ready mechanism for discrimination against Blacks."66

This issue was further considered in *Parson v. Kaiser Aluminum and Chemical Corporation* where the appraisal method was seen as placing an "undue reliance on general character traits," indicating that the system lent itself to excessive subjectivity. Such a subjective system is seen to provide "an ideal environment for disparate treatment."

It is not the judgment that is in question, but the system which leaves itself open to abuse.

The evaluations were based on the best judgment and opinion of the evaluators, but were not based on any definite identifiable criteria based on quality or quantity of work or specific performance that were supported by some kind of record.

But this should not be interpreted to mean that all subjective judgment is inappropriate.

It is true that the decision of whom to promote or train rested largely on subjective factors. Of course, courts must carefully scrutinize such subjective evaluations, which often appear to be arbitrary... We must agree that the qualifications of the positions involved in this case require subjective evaluation. The defendants affirmative action employment policy gives further support to conclusion that subjective criteria were not used to disguise discriminatory action, although we hasten to emphasize that good intentions do not excuse racial discrimination, intentional or otherwise.

In fact, it would be unrealistic to expect an appraisal to be totally objective, as you are working with individuals with their own beliefs, values and perceptions regarding a job and the satisfactory performance of it. But issues such as appearance, work habits and company loyalty are vague and cannot necessarily impact job performance. To be more effective, behavior should be worded in such a way as to display the necessity of such a behavior and should be supplemented by more objective measures of performance. Examples of objective measures accepted

in *Zell v. United States* include peer review independent from supervisory recommendations, publications, research and other contributions controlled directly by the employee.\textsuperscript{72}

**Communication of Performance Standards**

Courts have generally held against performance appraisal systems which do not include provisions for communicating performance standards. This would include provisions for communicating the standards of one's own job as well as those required for promotion. In the case of *Rowe v. General Motors*, it was determined that the hourly employees were not notified of promotional opportunities or qualifications necessary for open positions. This reliance on supervisory recommendations for promotions and failure to communicate opportunities and requirements for job openings resulted in the questioning of the company's methods.\textsuperscript{73} Not only should an employer consider the communication of clear, specific performance standards as essential in designing and administering any performance evaluation system from the legal aspect, but it is only common sense from a productivity standpoint. Only when an employee knows what is expected of him can he perform satisfactorily.

**Supervisory Training**

In order to ensure consistency and validity, it is important that all supervisors and managers use the same assumptions and definitions of rating criteria. Even if rating on separate performance standards, the definitions of satisfactory, below satisfactory and excellent, a scale of one to five, or whatever rating system used, must be understood by all using the system. The goal is to avoid rater bias and enable top management to make employment decisions systematically and fairly,


\textsuperscript{73} Rowe v. General Motors, F. 2d. 348 (1972).
regardless of the individual preparing the performance review. To achieve this goal and avoid legal problems it is important that supervisors and managers be trained in the use of the performance appraisal system. It may be helpful for the training to include not only the use of the particular form, but also corporate philosophy regarding performance appraisals, definitions of rating scales, and performance criteria, procedural guidelines, and sample dialogue for communicating appraisal results. The training should be ongoing, to include retraining, and guidelines should be in writing to serve as reference to managers as they prepare for an appraisal.

The university does not provide the supervisors with objective criteria beyond the job description in which to base their selections... institution of appropriate written, objective guidelines for supervisors and other University employees who make hiring and promotion decisions... 74

Formen are given no written instructions pertaining to qualifications necessary for promotion... standards determined to be controlling are vague and subjective. 75

Documentation

A supervisor or manager informally evaluates an employee's performance through observation of performance factors and behaviors daily. When conducting a performance appraisal discussion, it is more effective to provide specific examples of incidents and recommend how improvement can be achieved. This can best be accomplished through the maintenance of documentation of such incidents, both favorable and unfavorable. This is not meant to imply that a manager should make daily notes, but rather that he should document events he wishes to discuss in the future. In Allen v. City of Mobile the District Court ruled and the Appeals Court affirmed that police sergeants must justify their ratings of officers with written narratives. 76 This supports the suggestion of keeping a diary of critical incidents to

75. Rowe v. General Motors, 457 F. 2d 348 (1972).
justify performance ratings. Documentation should also include communication from others regarding an individual's performance and disciplinary discussions.

Proper documentation can aid an employer in its defense of an employment action by showing reasons for promotions, terminations, disciplinary actions or salary actions. In *Turner v. State Highway Commission of Missouri*, the company was able to defend its decision not to promote an individual by presenting documentation from the personnel file showing inadequate performance. In the absence of such documentation, the courts may conclude that the employment decision was arbitrary or made with the intent to discriminate as seen in *Marquez v. Omaha District Sales Office, Ford Division of the Ford Motor Company*, where the company failed to document the reason for not considering the employee for promotion and the employer may be required to defend itself against discrimination charges.

**Monitoring the Performance System**

The courts have held that performance appraisal systems should contain some internal mechanism to monitor and prevent discriminatory practices. It was argued in *Rowe v. General Motors* that there were "no safeguards in procedures designed to avert discriminatory practices." Careful design of a system may address this issue, but periodic review of the system, the use, and the effects should be conducted. An administrator of such a system should not hesitate to make changes in the format, training materials, or procedures if necessary to correct an inappropriate trend. The system should be updated as job responsibilities change. In addition, all evaluations should be reviewed and approved by the supervisor or manager's superior.


and the program administrator to insure correction of specific problem areas before
trends are established.

There should be an appeals process which will allow employees to question
perceived unfair ratings and may include written statements of disagreement by the
employee to become a part of the permanent file. Major discrepancies may need to
be investigated by the program administrator or another member of the Human
Resources staff.

EMPLOYMENT DECISIONS AFFECTED BY TITLE VII

Transfer and Promotion

Transfer and promotion decisions are generally a result of interpretation of
performance and often depend upon the recommendation of the immediate
supervisor. Rowe v. General Motors shows the liability faced by a transfer/
promotion system based on supervisory recommendation. The court held that such a
program could result in hidden discriminatory practices by supervisors. The
problems encountered by the General Motors system included failure to disseminate
written instructions regarding qualifications necessary for promotion, vague and
subjective standards required for promotion, failure to notify hourly employees of
promotional opportunities and qualifications, and failure to install safeguards to
prevent discriminatory practices.81

Layoff and Termination

The courts have also addressed the use of performance ratings in decisions
regarding the layoff of employees. If as a result of reliance on performance ratings

a disproportionate number of protected individuals are affected, one should look closely at the decision making process.

The employer's employee performance evaluation test, which was based on primarily subjective observations of evaluators, two out of three of whom did not observe workers on a daily basis, which was not administered and scored under controlled and standardized conditions, and which caused a disproportionate reduction in Spanish workers in machine shop and ironworkers shop, was invalid and resulted in a discriminatory employee practice.\textsuperscript{82}

The importance of the decision was the interpretation of performance appraisals as tests.\textsuperscript{83} Termination decisions based on performance are especially critical when the individual is a member of the protected age category (over 40). If performance is below satisfactory, it must be properly documented to protect the employer from charges of age bias or termination to avoid pension responsibility. This is seen to be of major concern in corporations experiencing reductions in force for financial reasons, where the obvious economic solution is to reduce the more senior, thus higher paid, employees to reduce payroll expenses. In most cases creative retirement programs have been developed to achieve the goal, but companies using declining performance as a basis for termination or layoff decisions could be faced with costly litigation if performance evaluations did not appropriately measure performance and contain detailed documentation.

Compensation

It is not uncommon for employers to base their compensation system on performance. Many systems include salary guidelines or scales based at least in part on performance scores, but care should be taken to ensure that the relationship between salary and performance is appropriate. If other issues are considered, length of service, position in grade, external equity, the relative emphasis of performance should be clear. The system should be implemented consistently and

\textsuperscript{82} Brito v. Zia Company, 478 F. 2d 1200 (1973).

communicated to all employees to ensure that the relationship of all factors are clear. Instructions in the salary administration program should be clear and in writing to ensure consistency. It is when the compensation system is perceived to be unfair that the organization faces the risk of litigation. And a secret or mysterious system is generally more likely to be perceived as unfair. In *Carpenter v. Stephen F. Austin State University* the university was instructed to replace

the University's present classified employee's pay plan with a compensation system based on objective, job-related criteria both for compensating similar work at similar rates of pay and also for the initial assignment of employees within the scheme.\footnote{84}{Carpenter v. Stephen F. Austin State University, 706 F. 2d 608 (1983).}

**Training**

Title VII covers training and apprentice programs as well. Therefore, while performance appraisals may appropriately address performance in the current position, selection decisions for training programs may be more vague. In *James v. Stockham Valves and Fittings Company*, the court held that the apprenticeship program was discriminatory because selection by predominantly white supervisors without any formal written guidelines resulted in a disproportionately low number of blacks selected. \footnote{85}{James v. Stockham Valves and Fittings Company, 599 F. 2d 318 (1977).}

**THE IMPACT OF THE AGE DISCRIMINATION IN EMPLOYMENT ACT**

The impact of performance appraisal decisions in age discrimination situations are probably of greater concern than are personnel selection decisions, since most employees protected by the act are more likely to be employed rather than looking for employment. As the work force ages the impact of the ADEA will increase. As is the case with Title VII, it is unlawful to make an employment decision based on an individual's age; but unique to ADEA, discrimination can be an issue within the

\footnote{84}{Carpenter v. Stephen F. Austin State University, 706 F. 2d 608 (1983).}
\footnote{85}{James v. Stockham Valves and Fittings Company, 599 F. 2d 318 (1977).}
protected class as well. Therefore careful documentation of employment decisions adversely affecting the protected class is crucial. The key in many court cases filed in this area is documentation. It is important to establish, specifically in areas of layoff/retirement, promotion and discharge, that performance is evaluated fairly, objectively, and regularly. These evaluations should be on definite, identifiable criteria based on quality and quantity of work.86

As a result of their research, Waldman and Avolio argue that misconceptions will remain high because few definitive conclusions exist in the literature concerning the effect of aging on job performance. The perception that job performance declines with age in not supported by research; in fact their research indicates some instances of performance improvement with increasing age, depending on the measurement instrument used. Their analysis found that the more objective productivity related formats demonstrated performance increases with age while supervisory ratings showed small declines. A possible explanation may be that the supervisory ratings show a tendency to bias resulting in lower ratings for older workers. Waldman and Avolio argue for more research in this area.87

Personnel policies that discriminate against older workers should be carefully examined, not only for legal or ethical reasons, but also because of an organization’s need to effectively use their personnel... Through the use of job analysis, specific mental and physical requirements can be identified for workers in a given job. These abilities may decline for different workers to various degrees of increasing age. The arbitrary use of younger age as an employment criteria would unavoidably discriminate unfairly against an older worker whose capacity remains high. Our findings concerning professional productivity

suggest the possibility that older workers who take on new and or more challenging roles may be able to maintain (or improve) performance levels across the life span. The older worker who may appear to be dull as compared with a younger, more enthusiastic worker may have become so due to years of accumulated boredom. Offering older workers renewed stimulation at key points in their careers may help to maintain high levels of productivity... Although chronological age may be a convenient means for estimating performance potential, it falls short in accounting for the wide range of individual differences in job performance for people at various ages... Chronological age accounts for only a small percentage of the variance in performance... Using chronological age as a BFOQ for employment decision making, though convenient, is most likely a mistake from a legal, ethical and organizational effectiveness perspective.88

In the case of a reduction in force, a company may first be required to show economic necessity for such a decision, although any reasonable factors will generally satisfy the court. The key issue in ADEA cases is the choice of individuals to lay off, and this is where performance issues can be introduced. In Strongfellow v. Monsanto, a reduction in force was necessary because of plant shutdown. A rank order comparison was conducted using 18 individual performance evaluation criteria. Employees were permitted to review the evaluations and attempts were made by the company to resolve disputes. The court held that the thorough and fair methods utilized by the employer was the determining factor in granting judgment for the employer.89

Likewise, the court held for the employer in Mastie v. Great Lakes Steel Corp. where a graphic rating scale was developed with five levels of performance and 18 criteria. Although accuracy in rating could not be guaranteed, the court upheld the program as an honest attempt to develop an appraisal system. Less formal systems have also been upheld by the courts, providing that criteria were applied consistently with continuity being the key issue.90

88. Ibid., p. 37.
In the case of a discharge, the role of performance appraisals becomes a major issue, as failure to perform is often the employer's only legitimate defense. Furthermore, the employer must show failure to meet minimum requirements rather than relative comparisons to others. Courts view a defense which lacks objective consistent written appraisals and those which require only the documentation of a single supervisor poorly. Still, the courts do not see formal appraisal procedures as required by law, but the failure of such a system could reduce the credibility of a justification for the discharge of an individual.91

Although formal appraisal systems are not required by law, or even required for successful defense of an ADEA charge, employers who conduct and document performance appraisals regularly, fairly and consistently are more likely to be successful in defending their personnel decisions in court. The use of fair and consistent performance appraisal methods supports the intent of the ADEA to place older workers on an equal footing with their younger counterparts. 92

TRENDS TOWARDS WRONGFULL DISCHARGE

Employers should be concerned with the recent trend towards wrongful discharge claims. Although a common law issue rather than a written statute, the implications are similar. While the assumptions of the past were that an employer could discharge an employee for any reason or for no reason, employees are receiving protection from discharge under other areas. The NLRA protects them from discharge for union activity, the various workers compensation statutes protects them from discharge for filing a workers compensation claim, and of course, equal employment legislation serves as protection from discharge for reasons of unlawful discrimination against various protected groups.


92. Ibid, p. 58.
In addition, the legal issues of contract and tort must be considered. Any contract, written or implied may protect an employee from discharge without cause, proper notification or progressive disciplinary procedures. Tort issues becomes important in the interpretation of a company's responsibility to treat employees fairly.

Although a company may choose to remain purely an at will organization, and place strong disclaimers on all written documents, application, confirmation letter, employee handbook, there is no guarantee of protection from litigation. The negative impact on morale may be significant. Companies with collective bargaining agreement tend to have grievance procedures and progressive discipline steps in their contracts, thus reducing their employment at will status. Therefore, most companies have modified this philosophy and discharge employees for just cause. As a result the issue of appraising performance, again, plays an important role. The major reason for discharge is failure to perform at minimum required levels, and what better way is there to demonstrate that fact than by way of performance appraisals.

(A) critical area where employers may avoid wrongful discharge litigation involves the careful evaluation of employee performance, which should be done regularly. Accurate performance evaluations can be used to alert employees to the employers expectations. Inaccurate performance reviews often return to haunt an employer when defending a particular discharge. An employee's unsatisfactory performance must be accurately reflected in performance reviews and communicated to the employee, however distasteful the process. Marginal performance reviews may justify refusing to grant a raise, but not firing the employee.

Some forward thinking companies have provided marginal or poor employees a chance to formulate a "work improvement plan" to save their jobs. A poor worker is suspended with pay for a day or two, following counselling, to decide whether to quit his job or continue working according to a clear, written statement of future performance goals. It is the employee's own responsibility to ensure the plan's success of poor job performance is not reversed, the employee will later be hard pressed to complain about unfair treatment, having set and subsequently failed to meet his own standards of expected performance.93

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AREAS OF JUDICIAL CONCERN

When reviewing performance appraisal systems the courts have consistently considered the issues of adverse impact on protected groups, the subjectivity of ratings and the racial and sexual characteristics of the supervisors. Although it is not a legal definition, enforcement agencies tend to determine adverse impact based on the 80% rule.

A selection rate for any race, sex or ethnic group which is less than 80 percent of the rate for the group with the highest rate will generally be regarded by the federal enforcement agencies as evidence of adverse impact... When evidence of adverse impact is determined, the employer must show job relatedness and validity of the rating system, specifically whether the ratings accurately predict or reflect job performance.

Generally, it is the immediate supervisor who appraises performance and recommends action based on such appraisals. The degree of supervisory subjectivity in evaluating performance and the subjectivity inherent in the rating system are considered by the courts. It would be unrealistic to expect subjectivity to be eliminated, but it is realistic to expect supervisors to conscientiously and fairly complete performance appraisals. The courts also expect employers to establish objective, formal guidelines for hiring, promotion and transfer which are properly documented and communicated in order to reduce the possibility of concealed discriminatory actions by the supervisor.

Although of lesser consideration, the characteristics (race or sex composition) of the supervisor are generally noted by the courts. In many cases, complaints are


96. Lineberger and Keaveny, p. 90.

filed against a company with an all white male supervisory staff by a member of a protected group. Such a charge would not stand alone in the establishment of a prima facie case, but such a population may strengthen an established case.

RECOMMENDATIONS FOR PERFORMANCE APPRAISAL PROCEDURES TO ADDRESS LEGAL ISSUES

Although no performance appraisal system can guarantee satisfactory defense in charges of discrimination, there are a number of steps which a company can take in the design and administration of a system to avoid unnecessary litigation.

Design a system which is easily implemented and understood at all levels. The performance review process should not be seen as a burden to be performed to avoid harassment by the Human Resources department. It should be a time of reflection, an opportunity to review performance and determine how performance can be improved. The purpose and philosophy of performance appraisals should be understood by all employees.

Conduct periodic training seminars to communicate the purpose, philosophy and procedures to follow in appraising performance. Include in the seminars the maintenance of necessary documentation as well as communicating the ratings to subordinates. Stress the importance of consistency in the use of the rating scales to allow for appropriate analysis across lines and reduce rater bias.

Communicate the purpose, philosophy and procedures to follow in the appraisal of performance to all levels in writing. Include complete definitions of rating scales and requirements for documentation. Redistribute written instructions periodically as a reminder and to ensure that all new supervisors and managers have them prior to conducting an appraisal.

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98. Lineberger and Keaveny, p. 91.
Monitor the system regularly to determine if the possibility of covert discrimination exists and take corrective action. Establish a procedure whereby appraisals are reviewed by the next higher level and poor performance appraisals are reviewed by the system administrator in Human Relations. Ensure that the administration and scoring are standardized and controlled.

Ensure that the performance system design is based on job analysis to determine specific characteristics for successful performance. The analysis should be based on specific duties required of the position and updated as job duties change.

Design a rating format that is flexible enough to incorporate characteristics unique to a position and yet remains as objective as possible.

Ensure that performance issues are clearly and completely documented. Any areas of below standard or exceptional performance should specifically include documentation. Examples are helpful. It is important that performance appraisals be understood not only by the employee and supervisor, but also other supervisors and managers, or outside firms and enforcement agencies, who may review the file. Specific expectations and action plans for improvement may be included where appropriate.

Ensure that the system includes the formal communication of results to the individual being evaluated. Although the manager may not feel comfortable discussing marginal or poor performance with a subordinate, it is important that all appraisals of performance be communicated. A subordinate should be made to understand the basis of the appraisal, the performance standards and necessary steps for improvement.
Incorporate an appeals process for disagreement with performance appraisals. The subordinate should be given the opportunity to refute performance ratings and encouraged to prepare a written statement of any disagreements. Major disagreements should be discussed and resolved at a higher level and/or with the Human Resources administrator.

SUMMARY AND CONCLUSION

Although often cumbersome, time consuming and unpopular, performance appraisals are a necessary element in conducting business from a human resources perspective. It is necessary for the maintenance of performance standards within any corporation and is the basis for most employment decisions. Although a small firm may be able to justify an informal review system, most corporations should have a formal system designed to respond to the legal issues centering around current federal legislation. The system design should be based on formal job analysis, be monitored, be formally communicated and be thoroughly documented. Appraisers should be formally trained and retrained regularly. A formal appeals process to resolve disagreements/discrepancies is needed as well.

Performance appraisal design does not have to be complicated to be legal. Development of a Behavior Anchored Rating Scale is usually not required. Although training and communication are probably the most important factors, automated office equipment has enabled Human Resources departments to develop appraisals which address the issues of job analysis and flexibility as well. Through automation, a performance appraisal can incorporate relevant factors of a position description and, if necessary, be unique to each position.

Design takes time, thought and awareness of the critical elements for success. Success is not measured only by protection against litigation but more importantly,
by the level of performance and productivity reached by each individual, an objective of all corporate management, not just human resource management.
CHAPTER IV

TYPES OF SYSTEMS CURRENTLY IN USE

Because appraisals address such a sensitive issue as the performance of an individual there has been a great deal of controversy over the appropriate approach, the best format or the most effective method of delivery. There are those who favor checklist/graphic rating forms for their ease in completion or simplicity in calculating a summary rating for administrative purposes, while others favor the objective, results oriented forms for their development impact. But equally important is the perception of fairness and the satisfaction level of the users (rater and ratee). In addition, the future interactions between rater and ratee, rater/ratee interdependence and rater behaviors versus the consequences of those behaviors should be considered.99

Performance appraisal programs have at least two audiences. They provide management with information necessary for making administrative and employment decisions and provide employees with feedback concerning job specific performance. Although most managers accept the necessity of performance appraisals there is a lack of consensus concerning the most effective technique. The traits approach, a list of traits relevant to the employee's performance, is considered to be subjective but is popular because of its ease and speed of administration. Although it is the most widely used, it is criticized for its poor reliability and validity caused by poor rating skills, perceptual bias, interpersonal relations, halo effect, leniency in ratings and central tendency. The results oriented approach, such as MBO, where the results achieved by an employee are compared to goals established for the appraisal period, is considered to be objective and to provide motivation for increased performance.

99. Ilgen and Favero, p. 313.
It evaluates performance in an objective, meaningful and operational manner considering what people do rather than what someone thinks of them. There is still judgment involved particularly in establishing and evaluating the goals as reasonable and determining if reasons for failure are acceptable.  

Taylor and Zawacki have conducted a survey to determine the trends in business relative to format. The results indicate a shift to the more traditional formats as a reaction to the current legal climate, with a preference for the graphic rating format. The impact of this shift is an increase in dissatisfaction with these traditional systems among managers and employees, even though personnel managers prefer the sense of organizational equity they provide. This conflict between administrative ease and employee development must be resolved in favor of organizational goals and objectives, but user satisfaction must not be overlooked.  

Murray argues that a results oriented method is more reliable by comparing goals to results, which if measurable when developed, should allow managers the opportunity to rate performance as acceptable or not. In his research, Murray found an increase in the preferences for the MBO types of systems over the trait related formats. Employee satisfaction levels indicate a preference for the objective formats which allowed them to better understand the relationship between performance and compensation and/or promotions, how they were being appraised and where they stood.  

Ferris and Gilmore suggest that the method of accessing performance where the manager takes control of the interview, provides general feedback and concludes

with the directive to the employee to sign the appraisal form is becoming less effective. It is a one way communication process which views and documents performance only from the supervisor's perspective. There is no interaction or sharing of information which may be relevant when considering the overall performance of an individual. The real causes of performance problems should be identified if improvement is expected. Feedback must be given to the employee, but to be effective, the employee must accept the feedback and be involved in the formulation of steps to achieve improvement. To take this process a step further, they recommend self appraisal as a method of increasing employee involvement and effectiveness of performance appraisals. The result is the development of an appraisal process which incorporates more than just the manager's perspective. Although there may be some discrepancies in the manager's and the employee's ratings, they will not necessarily, as is commonly thought, be as a result of an inflated self appraisal. Given the opportunity, employees will evaluate themselves consistently and at times more critically than their managers. But regardless of the reason for the discrepancy, the result is the stimulation of a discussion of the why of performance, not just the what, and issues or concerns may be uncovered which would otherwise have remained overlooked. The performance appraisal interview should not be a dreaded event, but rather an opportunity to exchange information and pursue the causes of performance problems. The atmosphere should be one of openness where useful information is provided regarding issues and concerns which may be unknown to the managers and yet may affect performance. The end result is the feeling that the appraisal is fair, recommendations for improvement are more readily accepted, and commitment to improvement is greater. For any appraisal system to be effective, it must be viewed as equitable and worthwhile by both the

organization and the employee. The acceptance and support of employees is a critical issue when management is deciding on which appraisal system to use. 104

Weitzel argues that the focus of the appraisal should be on an individual's strengths and accomplishments rather than faults and failures. His recommendations are based on the assumption that the employee does his job in good faith and with sincere effort. Such an assumption fosters better communication and cooperation between manager and employee rather than defensiveness and apprehension. Weitzel further argues that the appraisal process should be kept simple to encourage compliance, performance improvement discussions should be separated from those of rewards, the employee should be involved in performance improvement plans and the appraiser should be allowed some room for personal judgment. The result, he feels, will be a program which is used properly and consistently and which is accepted as fair, building the employee's trust and involvement and obtaining his commitment to the accomplishment of plans for improvement.105

Baker and Morgan also agree with the concept of employee participation in the performance appraisal process. Most programs are faced with the dilemma of addressing both administrative issues salary administration, training and promotions, as well as employee counselling and development. Baker and Morgan recommend the separation of these two functions in order to obtain more effective results. The more the employee participates in the appraisal and goal setting interview, the more likely he is to be satisfied with the interview and manager, and the more committed he will be to carrying out his performance improvement plan. 106

TECHNIQUES

There are various types of performance appraisal systems currently in use, each with advantages and disadvantages, and each designed to meet specific objectives. Performance appraisals take various forms, from simple check lists to more complicated behaviorally anchored rating scales. They can be purchased in a generic form from various vendors, or developed to meet the needs and objectives of the organization. To be effective and meaningful, the format of choice should be relevant to the position of the individual under review. Furthermore, to ensure timely return of forms, the procedures should be easily administered. As organizations continue to attempt to meet unique goals the systems are combined or altered, but there are several general categories.

Narrative Descriptive

Narrative techniques are descriptive in nature, requiring the manager to describe the individual's performance or answer open ended questions. The essay method requires the manager to appraise one or more aspects of performance or describe the employee in a number of broad areas such as overall performance, outline strengths and weaknesses, and make a judgment on training and development necessary for improvement and potential promotability. The lack of formal structure provides the manager the opportunity to express himself at length on these and other issues, and gives a great deal of discretion in the choice of behaviors or attributes to appraise but at the same time does not provide any guidance in the form of specific questions or areas to include in the narrative.¹⁰⁷

The critical incident method also requires a descriptive essay by the manager, but provides more structure. The manager is to maintain a log of observations of 

the behavior of each employee, specifically behavior which the manager considers successful or unsuccessful. These notes may describe how an employee handled a specific problem or responded to a specific situation. Both positive and negative behavior patterns should be documented with an evaluation of each, what the employee did well, how the situation could be more effectively handled in the future.

These descriptive methods are time consuming and the interpretation depends to a great extent on the manager's ability to closely observe the employee and the manager's writing skills. They lend themselves to subjectivity, but could be helpful in providing well documented feedback to the employee if conducted properly. They concentrate on work behavior and specific examples rather than traits and perceived attitudes. It could lead to employee anxiety and hostility towards the manager, though, for keeping a log on him.

A different descriptive method is the field review technique where the manager is interviewed by a member of the Human Resources staff to determine the performance level of an employee. In this case, the manager provides a verbal description of the employee's work behavior which is in turn analyzed and summarized by the auditor. Although the auditor is highly trained in the technique and in writing skills, the analysis can contain bias in perception by the auditor or in information provided by the manager. It is helpful in providing a focus for training and development, but costly in that a dedicated individual is required to perform the field review task.

Ranking

Ranking techniques may be the simplest and least costly forms of appraisal to conduct. They involve the ranking of employees from best to worst, based on level of performance, but do not specify criteria. To be accurate, the ranking should be
contained within a single work group or among workers performing the same job. The straight ranking procedure is concerned with a single, general factor as overall performance or effectiveness. The pared-comparison rankings provide a systematic approach. The forced distribution method allows for more than one rater to occupy a rank but specifies proportions for assignment. The allocation generally reflects a normal distribution or bell curve.  

This may provide satisfactory results if the appraiser is truly knowledgeable of the performance of all members of the work unit and the required input and output. But he/she must also be able to suppress bias and concentrate on work output and behavior. The major problem with these techniques is in communication. It is difficult to justify the ranking to individual employees and provides little assistance with counselling, regarding performance improvement. It is also difficult to relate members of one work unit to those of another and as a result would be difficult to utilize in a corporate environment where jobs are unique and there are a large number of individuals responsible for conducting reviews.

There is also the issue of conflict with philosophy when applying these methods. The Human Resources department is charged with the responsibility of hiring the best candidate for a position, and the manager is responsible for training and motivating his staff to perform at the highest possible level. If these responsibilities are met, is it appropriate for there to be a specific percentage of unsatisfactory and average performers? Would it not be possible to have a greater than "normal" percentage of above average performers?

108. Ibid.
Checklist

Although varying in the range of difficulty to develop and administer, checklist techniques generally list desired traits, behaviors or other characteristics determined as necessary for successful performance of a position. The simple checklist outlines characteristics and instructs the rater to check those that apply. The weighted checklist applies weights to each characteristic, thus allowing a summary rating to be determined. The rater would not know the weights assigned, he would simply check those that apply and the score would be calculated by the Human Resources department. Both positive and negative characteristics may be included on the form. The forced choice checklist groups characteristics into categories and requires the rater to pick the description that best applies in each category. An index is developed to identify successful performance in each given job.

The goal of the checklist techniques is to minimize rater bias, and allow the rater to record behavior rather than judge whether or not it is acceptable or appropriate. The implementation is rather straightforward but the design is costly as it requires the services of a professional to ensure correct traits are identified, wording is appropriate, and scores are relevant. Furthermore, the design of a single system for a diverse group, as seen at a corporate headquarters, would be more difficult as the number of job categories increases. Raters are uncomfortable with the system because they do not know the end result of their appraisal. They are also left with little basis for feedback concerning performance improvement.

Rating Scale

These techniques, often termed graphic rating scale techniques, list desired qualities as they relate to job performance. The rater marks a point on the scale that best represents the rater's level of performance. They are relatively simple to
administer, and are generally developed in an ad hoc manner by job incumbents, job specialists or personnel staff.\textsuperscript{109}

The mixed standard scale is designed to minimize the halo effect and leniency errors, but requires detailed job analysis to identify the basic or primary job responsibilities or performance dimensions of each job. Supervisors are asked to provide examples of good or poor job behavior as a basis for the appraisal. The trait related method outlines the traits required to perform the job. Each trait requires careful definition. There is a problem with perception where traits are concerned. It is also difficult to draw a strong correlation between a high rating and good performance which places a company relying solely on this method for evaluation at risk if challenged.

Job behavior methods require extensive job analysis to determine necessary behavior to meet job requirements. To implement effectively, the design must identify relevant performance dimensions, define required performance elements, determine behavior anchors and develop a rating scale. In concept, this method is to specify employee behavior that can be observed, defined and measured while an employee is doing his job. The identification of these behaviors is critical to the success of program design. This form of appraisal is believed to be the easiest to substantiate and justify, as the elements are developed directly from demonstrated work place behavior. The problem arises in insuring that valid elements of behavior are identified. It is also time consuming and costly to develop in an environment where each position is unique requiring the development of individual elements.

The job responsibility/performance standard method focuses on the responsibilities listed on the job description. Performance standards are derived from these specific responsibilities. A separate appraisal form is developed for each

\textsuperscript{109} Ibid.
job. Corporations with unique positions would be required to generate forms for each job, but this may be less cumbersome than the behavior method, as most corporations maintain job descriptions listing responsibilities, or some other outline of job duties. The important factor would be the amount of detail included in the job description and whether the inclusion of performance standards within the job description format is appropriate. If limited to job duties alone, this method may overlook critical issues in performance and training and development, such as interpersonal skills, creativity, problem solving or management skills.

**Behaviorally Anchored Rating Scales**

BARS are developed within an organization through the definition of a relevant set of performance dimensions and critical incidents which represent a wide range of behaviors displayed by incumbents in the job. The procedure involves various steps including the identification of relevant job activities, examples of behavior, rating the behavior on a scale of good to bad, and testing for reliability and validity. Although the procedure may be highly regarded, it does have disadvantages. Development is time consuming and requires a significant commitment by management. The development of a BARS is based on the assumption that those performing the tasks of the job have a relatively equal opportunity to demonstrate the behavioral incidents specified in the scale development, while in reality, issues such as length of service in the position or equipment availability or effectiveness may impact outcomes. In addition, rather than beginning with job analysis, BARS development begins with the identification of tasks and critical incidents. The development of the scales results in the assumption that the system can discriminate various levels of performance, but actual effectiveness is unknown because the process lacks the capability for testing of items.

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using a representative sample.\textsuperscript{111} Although similar on the surface to job analysis, there are differences between the two. The BARS procedure develops behavioral incidents based on presumed performance dimensions while job analysis procedures generally reverses the sequence. In addition, while the factors identified by job analysis are generally orthogonal, those identified by the BARS procedures usually are not. The result may be a forced cluster based on BARS assumptions rather than natural clustering which would tend to be found by job analysis.\textsuperscript{112}

**Self Appraisal**

Self appraisal has been found to be reasonably effective in encouraging subordinate participation in performance appraisal.\textsuperscript{113} As a result, some performance appraisal systems are designed to incorporate self-appraisals with supervisory appraisals.\textsuperscript{114} But as more performance appraisal systems begin to incorporate subordinate self-ratings in addition to supervisory ratings, it becomes important to examine the issue of supervisory-subordinate rating agreement and the impact of this form of appraisal on the total process.\textsuperscript{115}

**Peer Ratings**

Peer ratings involve the appraisals obtained by each member rating every other member of a work group, using a specific set of rating scales. Research on this procedure indicates a concern that knowledge of how one's peers have rated a person impacts group behavior. This is especially of concern when the ratings are

\textsuperscript{111} Banks and Roberson, p. 134.

\textsuperscript{112} Atkin and Conlon, p. 120-126.


\textsuperscript{115} Gerald R. Ferris, et al., p. 547.
perceived to be negative. Such knowledge may lead to retaliation during subsequent appraisals, lower group cohesiveness, and perhaps will even cause poorer performance for interacting groups.116

Management by Objectives

A popular concept, MBO requires effective communication between the subordinate and manager in order to agree upon a set of goals or objectives for an appraisal period. These then become the standard by which to measure the individual. The communication established allows for feedback on behavior, techniques, problems and demonstrated performance. The supervisor is put in the role of teacher, leader and counselor rather than judge.

The MBO concept encompasses planning, motivation, management development and control, as well as performance appraisal. Goal setting seems to function positively in appraisal interviews; but useful goal setting may be limited by the degree of control employees have over meeting the goals.117

Although the assumption is that MBO, properly implemented is inherently ethical there is little research in support of this belief. Pringles and Longdecker have addressed these issues and have determined that most ethical problems in MBO programs are likely to arise as a result of the goal setting and performance appraisal process. The goal setting process of an MBO is often seen to be a form of participative management in which the manager and subordinate jointly establish objectives for the subordinate. A management system that gives organizational members a greater voice in setting their own goals would seem ethical and consistent with societal values. But of concern is the extent to which individuals who wish to


117. Cederblom, p. 223-224.
participate, and are led to believe that MBO is a participative system, are denied a voice in establishing their own objectives. In many organizations, objectives are formulated at the top and passed down with little or no discussion. These objectives then become those of the subordinate and the subordinate is then evaluated on how well he/she attains them. Once the employees have learned to set objectives, they should be given the opportunity to participate in establishing their objectives. If the MBO process is to be ethical, it must concern itself not only with the presence of objectives, but how these objectives are developed.  

While it is important that objectives be measurable, limiting the performance appraisal to quantifiable objectives alone results in an employee being evaluated on less than the full scope of his/her position. Values established by the organization, concern for others, adherence to moral principles and commitment to fair play are overlooked by placing the emphasis on the numbers. Those who feel pressured to meet quantitative goals at the expense of values also may experience conflict with their personal goals. When this occurs, the subordinate may conclude that the organization is not sensitive to their personal goals by emphasizing only part of the individual's job resulting in the question of the organization's fairness. Although the emphasis on ends rather than means is MBO's greatest potential strength, it can also be its greatest potential weakness. Concentration on goal attainment contributes to the fairness of the system by stressing objectivity, but it also may produce pressure on subordinates to meet the objectives at any cost. Pringle and Longdecker argue that an MBO program that does not include extensive planning and communication as well as ethical implementation is a unilateral attempt by top management to increase worker productivity and will result in an adversary relationships between manager and subordinate, increasing distrust and job dissatisfaction.  

119. Ibid., 307-309.
It is important when implementing this technique that the employee understands that the objectives are his, not his managers, and as a result, he is responsible for achievement. The manager is available simply as a resource and advisor. The wording of the objectives is the key factor in a successful MBO program. Objectives should be relevant to the position under review as well as to the corporate strategic plan, achievable and clearly measurable. Action plans with achievement steps should be developed as a guide. Both objectives and action plans should be reduced to writing. In many cases, the periodic MBO review is more a self appraisal and discussion of achievements, problems and changes in strategy with the manager than an appraisal by the manager.

Because the objectives are unique to each individual, this technique provides little basis for comparing the performance of one individual with that of another. The level of difficulty in attainment of the objectives will differ, the problems encountered will differ, etc. It is more effective when used in conjunction with other techniques which allow for some common ground for comparison, as well as distinction based on the attainment of objectives.

SUMMARY/RECOMMENDATIONS

There are arguments available in the literature which favor each of the wide variety of performance appraisal formats currently in use. An organization's choice of method will depend on a number of issues; type of organization, corporate philosophy, type of work performed and administrative capabilities are but a few. A small organization with limited administrative support involved in the production of an item may effectively and fairly administer a simple checklist form. Performance standards are clearly defined with quality, quantity and timeliness being the major factors. An office environment employing large numbers of clerical workers performing substantially the same tasks (i.e., claims processors of an
insurance company) might prefer the simple checklist with specific quality, quantity and timeliness standards. A sales organization may prefer an MBO format, outlining reasonable objectives to be completed within a specified period to include number of sales calls, number of service calls and increase in sales volume.

The determining factor in choosing forms design is organizational structure. As top management support is essential, the system must be one which is consistent with management philosophy, providing the organization the information desired and insuring the results required in terms of performance management. Current trends may indicate a preference for a system which allows for more two way communication and more guidance in employee development rather than one which forces the manager to sit in judgment over his staff. But some organizations fear the legal implications of allowing the manager too much freedom in conducting the review.

Many argue in favor of the development of a BARS system as a way to address legal issues, performance issues and employee development. Although effective in many organizations, the development of the scales are time consuming and require constant review to ensure that requirements are job specific. This would especially be a problem in organizations where responsibilities of a job do not remain constant.

Checklists and graphic rating scales are often favored from an administrative perspective because they are easy to complete. The rater simply matches his judgment of the performance level to a given statement or rating scale definition. Little documentation is generally required. Little discussion generally takes place.

It is rare that an organization can obtain a preprinted general performance appraisal form and implement it without some modification, because all organizations structure the responsibilities of positions differently. This would be especially
unwise if the concern of an organization is to avoid unnecessary litigation. Modification may be a simple process conducted in house or a more complex process involving job analysis, groupings into job families to determine similar job requirements, or involvement of a committee. In addition, consultants are available to advise organizations where appropriate.

The form may be simple or complex. The effectiveness will not depend on the printed piece of paper. The effectiveness will depend on how the system meets the needs of the organization, is supported by management and accepted by all.
Employee acceptance becomes an issue when considering the performance appraisal process to implement. In a survey conducted to determine employee attitudes concerning performance appraisal systems, Murray concluded that employees appear more satisfied with appraisals conducted under an objective appraisal system than under a trait based approach. One reason for greater acceptance of the objective approach is because it is more likely to show a relationship between performance and personal rewards, specifically compensation, which impacts motivation. High satisfaction and increased motivation might be expected in such a situation because it allows employees more freedom to determine the criteria upon which they are evaluated. Furthermore, employees have a greater understanding of the appraisal criteria and performance expectations with the objective appraisal system. They feel that job goals are clear and objective and that performance is appraised based on goal achievement. They perceive the supervisor to be more interested in their work and feel their work and ability are more appreciated. Murray concludes that frequency of feedback affects performance and that employees tend to receive feedback more often under the results oriented system. In addition, they feel the feedback is more objective. As a result, Murray concludes that, though the traits approach is more widely used because of its ease in administration, the results oriented approach is preferred by employees for its objectivity and perceived fairness.120

Using the case study analysis approach, an organization has been observed in terms of its management decision to implement an objective performance appraisal

system. The system has been developed and implemented completely in-house in terms of policy development, forms design, administrative procedure development and training. It has been developed over a period of time and has been altered periodically to meet the changing needs and concerns of the organization.

The company under review in this case study is the corporate headquarters of an automobile/truck rental organization. It has developed organizationally through the entrepreneurial step, to being owned as a subsidiary of a major financial network, to private holding, through LBO, to a very recent public offering. Even as a subsidiary of a major conglomerate, the organization enjoyed a significant amount of independence in the development and implementation of corporate policies and procedures, operational, financial and personnel. Top management has remained stable, participating in the LBO, and continues stable throughout the public offering.

Corporate management philosophy is one of the development and implementation of short and long term strategic planning. Annual departmental profit planning (budgetary planning) and departmental and individual MBO's, complete with action plan, are tied directly to the corporate strategic plan and are reviewed and updated quarterly. Appraisal of individual performance is tied into the MBO program.

The performance appraisal program was reviewed and revised in 1982. The decision was made to move from a simple graphic rating scale to a combination Job Responsibility/MBO technique. The earlier format was simple to complete and administer, but provided little useful information. The new format required extensive professional and administrative level support from the Human Resources department along with significant involvement of management in the development, implementation and design, but was expected to provide the employee, the manager and the corporation with valuable information.
The earlier system involved the completion of one of two forms (Appendix A) depending on the exempt/nonexempt status of the employee. The nonexempt questionnaire focused on issues such as quality, quantity and timeliness in completion of tasks as well as skill/ability and interpersonal skills. Various levels of performance were defined within each category and the manager matched the employees to the definitions. Little documentation/justification of the ratings was required. The exempt/management form listed a series of questions grouped in several categories as managerial performance, personal qualities, accomplishment and overall performance and asked the manager to rate the employee on a 1-5 scale (1 highest score, 5 lowest score) for each question with a summary rating for each category and a final overall rating. Although space was provided for comments, little documentation/justification of the ratings was required. The form further requested a narrative of the individual's strengths and weaknesses and a listing of objectives for the next review. Corrective action regarding specific weaknesses and accomplishment of objectives were rarely addressed in subsequent reviews.

Ratings were to be communicated to the employee in semi-annual discussions. Annually, these ratings, in concept, would drive the compensation system, thus tying performance to the merit pay concept. Although simple in concept and administration, the implementation of the system was ineffective. Managers were continually delinquent in conducting employee reviews because they disliked the format and felt uncomfortable (unprepared) with the performance appraisal discussion. Employees received little valuable feedback concerning performance and even less counselling regarding performance improvement.

The technique developed in 1982 can best be described as a combination Job Responsibility/MBO system. The format is divided into three parts, Objectives, Responsibilities, and Other Related Characteristics. The Job Responsibilities and Other Related Characteristics sections relate directly to the job description and are
unique to that position. The Objectives are set jointly by the manager and subordinate during the review session and are unique to the individual.

Implementation

Implementation of the system involved the services of the author of this paper as job analyst to write detailed job descriptions for each corporate position and a computer system for word processing and tracking. The analyst distributed questionnaires and interviewed incumbents in each position to obtain accurate and detailed data. Drafts were reviewed with managers to verify that the job descriptions were an accurate reflection of the duties and the expectations of the job. Any discrepancies were resolved in joint meetings of the employee, manager and job analyst. The result was a clear understanding of the duties and expectations by all and an improved level of communication. But as a further result, the number of job descriptions maintained by the corporation multiplied. No longer were there general job descriptions for Secretary, Administrative Assistant, Coordinator, Manager, etc., but rather specific descriptions for Secretary/Marketing, Executive Secretary/Finance, Operations Manager, Advertising Manager, etc. Few corporate individuals share common job descriptions; Account Executives, District Managers, Customer Service Representatives and Office Services Assistants may have more than one incumbent in the position, but secretarial and administrative positions have responsibilities unique to their department and all managers have unique positions. The reason for this is that, with the exception of the sales departments, the corporate office is comprised of a specialized support staff with unique responsibilities. The result is over 350 job descriptions for over 400 employees.

As is not uncommon in a corporate environment, responsibilities shift, change or increase periodically. As this would occur, changes would be made to the job description and a new appraisal form would be prepared. In addition, objectives are
set jointly between the employee and manager for each individual, where appropriate. These objectives are included on the appraisal form and updated semi-annually.

The implementation of this system was time consuming and costly in terms of personnel expenses, and maintenance continues to be a time consuming issue. The job analyst continues to prepare changes to job descriptions which result in the requirement for the preparation of a new appraisal form. The distribution and tracking of appraisals requires the services of an administrative member of the department, to ensure that all current appraisals, with appropriate objectives, are distributed to managers and returned on a timely basis.

**Effectiveness Pretest**

To test the effectiveness and acceptance of the appraisal process, a survey was conducted in 1983. The test group included representatives of all levels who had received an appraisal or who had given an appraisal under the new system. The survey was conducted in the form of individual interviews and documented by questionnaires. The analyst explained the purpose as being a desire to determine whether the new process was perceived to be fair and objective and whether it was an improvement over the prior process. The analyst further explained that since she was given the responsibility for development and implementation of the system, she possessed a sincere interest in their comments, concerns and recommendations in order to alter the system prior to company wide implementation. Candid comments were encouraged and as a result, all responses would be kept confidential.

The test group consisted of representatives of all job categories, clerical through manager, who had received an appraisal under the new process, and all job categories, supervisor through Vice President, who had conducted an appraisal. The
The results were positive. Employees being reviewed generally felt that the appraisals were fair and objective, the expectations were clear and there was a better understanding of what was required for improvement. The managers conducting the appraisals generally felt better prepared to conduct the discussion, felt the format guided them through specific areas to be documented and discussed, and felt less tension and anxiety during the discussion. They generally felt they were better able to conduct a fair and objective appraisal, to outline specific standards and expectations, and to point out specific areas requiring improvements.

The objective section was also well received. Employees generally felt better able to focus on priorities as outlined in the objectives and also could see the relevance of their position in terms of overall department objectives. Managers found they could assign special projects or work improvement steps within the scope of the objectives allowing them the opportunity to specify deadlines for work improvement in a less threatening environment than the standard work improvement/progressive discipline procedure. The company decision makers felt the project was well worth the time, effort and expense.

As job descriptions were developed and approved they were converted to performance appraisal forms (Appendex B). As a result, there was a period when some employees were reviewed under the new system while others were reviewed under the old. Although more difficult to administer, it allowed for a more gradual implementation and individual training program. As managers received appraisals for subordinates under the new program, they would be counselled by the Job Analyst or the Director of Human Resources on its proper use. Clear and detailed definitions were written and provided to each manager (Appendix C), although only

group also included employees receiving a range of performance ratings from less than satisfactory (2.5) to outstanding (4.3).
a summary scale is on the form, along with guidelines on setting and writing objectives (Appendix D).

Training

Training in the use of the performance appraisal system was included in the corporate presented Supervisory Training program. The performance appraisal section of the program addressed the objectives of the appraisal process as improving performance, improving communications between manager and employee, planning personnel needs, identifying and developing management potential, deciding promotions, demotions, and layoffs, assuring compliance with state and federal anti-discrimination laws, and determining appropriate compensation. It further addressed the appraisal elements; routine responsibilities, objectives and characteristics which impact effectiveness; the function of the reviewer; guidelines for preparing the appraisal; conducting the appraisal interview; and follow through. Problem solving and employee development strategies were discussed along with establishing objectives, measuring results and feedback issues. The program took a practical approach providing guidelines in the various appraisal related areas, examples of effective versus ineffective approaches and an overview of what is expected of the supervisor. The supervisory training program was developed and conducted by the Director of Human Resources on an as needed basis.121

As the organization progressed through the various growth stages, it determined that it's overall supervisory training, for the corporate office as well as the operating units, was in need of revision. It contracted with the Forum Corporation of North America to prepare a supervisory training program to meet the more widespread needs of the organization. The new program takes a module approach, addressing all areas of supervision to include the role of the supervisor, 

creating a climate for effective communication, setting standards and objectives, conducting fact finding discussions, employee motivation, analyzing problems and making decisions, improving performance through feedback, holding work improvement discussions, and holding performance appraisal discussions. The program is conducted by a member of the training department staff within a four day period with two days of instruction the first week followed by two days of instruction two weeks later. Although the audience would ultimately be all new first line supervisors, the goal is to address all aspects of supervision, centering on communication. Although the performance appraisal section comprises half of the last day of the program, various issues related to evaluating, communicating and improving performance are addressed throughout the program.

The program was presented to top management first to obtain approval and support. Then it was presented to middle management, supervisors and new supervisors/managers who join the organization. The program was presented to corporate office management, field management and operating supervisors alike.

The goal of the organization in presenting the program is to attain consistency in supervisory practices, methods of communication and performance appraisal. The true effectiveness can only be measured by long term assessment of the performance of supervisors and managers.

The process has continued, with various modifications to wording, format and training. In addition to the supervisory training program, managers receive individual counselling on an as needed basis. This may be initiated by the manager, the Director of Human Resources or the Job Analyst. The topics discussed may include the individual performance under review, the process in general, or the tendencies (biases) of the rating manager. Consistency and accuracy are stressed.

Interpretation of the rating scale definitions and the correct format for writing objectives are reviewed.

COMPANY WIDE SURVEY TO TEST FOR EFFECTIVENESS

Methods

The key to the effectiveness lies not only in the consistent implementation, but also in the acceptance of the system by employees receiving performance appraisals. To test this, data obtained from a company wide opinion survey were analyzed. The survey was designed by an outside consultant and covered a wide range of issues. The issues were determined following a series of focus groups held by the consultant with randomly selected employees. Comments made in the focus groups were held in confidence in terms of who said what, but were discussed in general terms with top management in a preliminary report prior to the design of the survey.

Although gathering data from a general opinion survey tends to reduce the validity as variables vary naturally, it also tends to reduce the reactive effect of the employees. The survey covers a number of issues, perceptions of the effectiveness and reliability of the performance appraisal process being only one. The intent is to reduce the bias effect of a respondent's answers about the performance appraisal system.

The company wide opinion survey was visibly supported by the top management staff. All communications concerning the procedures, focus groups, survey, results, etc., were made by the president. In addition, a great deal of time was spent by top management with the consultant, identifying issues of concern. The goal was to gather data on a wide variety of issues, overall level of satisfaction,
management effectiveness, communication, compensation, benefits, training, performance appraisals, corporate image and many others.

The survey was administered by the outside consultant during the employee's regularly scheduled work day. Return envelopes addressed to the consultant were available for those who chose to complete the survey off site. Those employees located in offices other than the corporate headquarters were mailed the letter of introduction, survey and return envelope. Employees were not required to sign their name, and all other available measures were taken to protect confidentiality. The responses were coded and keypunched for computer tabulation.

Employees were instructed to respond to the questions by circling the response which most closely represented their opinion. Response categories were generally limited to five which would be enough of a range to account for differentiation in opinion. Any greater range could create difficulty for the respondent in distinguishing between choices, especially since they were dealing with attitudes and opinions rather than concrete facts. Similarly, a reduction in the range of responses could cause the employee to feel limited in his ability to make a distinction in response. In addition, the respondent was given the opportunity to elaborate on any areas of special concern in a narrative comments section of the survey.

The consultant was responsible for the tabulation of responses and presentation of data in the form of frequencies and crosstabulations. A summary was prepared for the president and other members of top management. In addition, discussions of the results were conducted by the consultant in an open forum employee meeting and in a management meeting.

The individual questions were grouped into general categories responding to the major areas of concern identified in the focus groups and discussions with
management. Although these factors can stand alone in the analysis of the data it would be interesting to determine the relationship of certain factors, such as the relationship between job satisfaction and performance appraisal, supervision and performance appraisal, and communication and performance appraisal. To date, this form of analysis has not been conducted.

The survey was made available to all employees of the corporation worldwide. Response was received from 90% of the organization.

The population chosen for this study consists of those employees on the U.S. headquarters payroll in order to control for training/implementation. The sample taken for this study is one of convenience, and is clearly not random in nature. All responses are considered to allow for the maximum amount of data available. No assumptions can be made on those agreeing to or failing to return questionnaires (i.e., less or more satisfied). Using this unobtrusive method (existing corporate records obtained from a company wide survey) does not allow for the control of selecting a random sample of employees for this study.

The design of this analysis is not expected to be experimental. There is no random assignment of subjects nor is there an opportunity for designing a control group. The analysis procedures involve the use of frequencies and crosstabulations. There is no intervening at this point, but rather an exploration of relationships to determine if intervention would be appropriate.

It is the proposal of the consultant that, assuming intervention is appropriate, employees be involved in the recommendation of solutions to problems identified by the survey. The employee groups would be similar to those involved in the problem identification focus groups, also randomly selected. The process would then continue to the development of action plans for problem resolution, implementations of the
action plan, and follow up to determine effectiveness by way of another opinion survey.

Data Analysis

The data was analyzed using crosstabulations for each of the major factors to determine the company strengths and weaknesses as perceived by its employees. The intent was to analyze a wide spectrum of cultural issues to include the people (management, supervision and coworkers), operations (efficiency with which work is done, working conditions), communication (upward, down, across, opportunity to express opinions), rewards (financial and nonfinancial, compensation, benefits, performance appraisals and career development) and the work itself (the work performed, motivation, level of productivity, training, pressure).

The questionnaire was designed to allow for the response to be categorized in favorable, unfavorable and neutral areas rather than to force a choice between favorable and unfavorable response. In some cases the neutral response may need to be viewed to determine the true impact of the favorable/unfavorable response. The consultant indicated that it was important to consider neutral indicators as well, as it is his belief that a high neutral response indicates a company in transition. It is his opinion that employees in such an organization have not been given the opportunity to understand the culture of the organization and as a result, do not truly know how they feel about certain issues.123 This concept is somewhat different from one which considers a high neutral to indicate indifference or mistrust of confidentiality. And since this company is certainly one which is in transition, the consultant may have a valid point.

Results

In general, the survey results indicate that the company strengths lie in the areas of job satisfaction (the work is challenging, utilizes available skills, motivates employees to come to work), coworkers (high cooperation, trust, enjoy those they work with), supervision (supervisors are technically competent, employees are managed well), and communication (up and down). The weaknesses lie in the areas of working conditions (pressure, stress, physical environment), work efficiency (work could be done more efficiently), opportunities for advancement (career development, support from supervisors regarding development), training (cross training, training in current job, career development), and communication (across department, perception that departments function too independently and could be more cooperative in sharing information). 124

The overall response to the performance evaluation program, 48% favorable, indicates moderate acceptance in light of the 25% neutral response, allowing for only a 27% unfavorable response. The consultant considered this to fall within the norm of other similarly situated organizations. 125 Table I outlines by question the responses which make up this overall score. This data is reduced to analysis by job classification in Table 2, and tenure in Table 3. The analysis by tenure shows that the satisfaction with the system increases to a point (5 years) and then begins to drop off. This may be as a result of the company’s failure to use the performance appraisal system as an effective tool for career development.

When considering the issues within the overall performance score (Table 1), one can see that while 46% consider the system to be fair, 57% understand how performance is judged, 48% feel the system identifies strengths and weaknesses and


<table>
<thead>
<tr>
<th>QUESTION</th>
<th>FAVORABLE (%)</th>
<th>NEUTRAL (%)</th>
<th>UNFAVORABLE (%)</th>
<th>RESPONSE COUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company has a fair system for evaluating an employee's performance</td>
<td>48</td>
<td>25</td>
<td>27</td>
<td>317</td>
</tr>
<tr>
<td>I have a clear understanding of how my job performance is judged</td>
<td>57</td>
<td>25</td>
<td>29</td>
<td>369</td>
</tr>
<tr>
<td>Have you had a performance appraisal in the last year? (Yes, No)</td>
<td>79</td>
<td>0</td>
<td>27</td>
<td>370</td>
</tr>
<tr>
<td>Rating of performance review on identifying your strengths and weaknesses</td>
<td>48</td>
<td>29</td>
<td>23</td>
<td>295</td>
</tr>
<tr>
<td>Rating of performance review on improving your job performance</td>
<td>40</td>
<td>34</td>
<td>26</td>
<td>290</td>
</tr>
<tr>
<td>Rating of performance review on helping your career development</td>
<td>21</td>
<td>31</td>
<td>48</td>
<td>289</td>
</tr>
<tr>
<td>Rating of performance review on communicating your ideas about your work</td>
<td>43</td>
<td>32</td>
<td>25</td>
<td>295</td>
</tr>
<tr>
<td>Rating of performance review on helping you understand supervisor's expectations</td>
<td>49</td>
<td>30</td>
<td>21</td>
<td>295</td>
</tr>
</tbody>
</table>
49% understand their supervisor's expectations in the corporate city category. But only 40% feel the system is effective in improving job performance and only 21% feel it helps in career development. Therefore, while the system may be judged to be moderately fair in the opinion of the employee population, it tends to relate only to current specific job performance and expectations and fails to address equally important issues of performance improvement and career development.

Reviewing the data by job classification (Table 2) one continues to see low ratings in the areas of performance improvement and career development, especially in the supervisory category (22% and 0% respectively), with the exception of the secretarial and clerical categories where the scores (70% and 56% respectively) indicate a high favorable rating on performance improvement. When reviewing the fairness issue, one sees high acceptance at the upper levels (Vice President and above, 79%; Director and AVP, 63%) and much lower acceptance at the supervisory (33%), professional (35%) and semi-professional/coordinator (22%) levels. This may indicate an inconsistency in the concept and implementation of the system, leading to a low level of satisfaction with those who know how the system should work, but realize it's shortcomings.

When considering the relationship with length of service (Table 3) one sees a high neutral (49%) impacting the fairness rating of those employed less than one year. Those in this category have received only one or possibly two evaluations and therefore have had a limited opportunity to form an opinion. The issue of length of service may also explain the lower score in the area of understanding how performance is judged. In addition, performance improvement and communication scores drop with time, indicating that managers may take the understanding of job requirements for granted in the more senior employees. As continues to be the case, career development continues to be low all the way around.
## TABLE 2
RESPONSE TO PERFORMANCE EVALUATION CATEGORY QUESTIONS BY JOB CLASSIFICATION

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>FAVORABLE (%)</th>
<th>NEUTRAL (%)</th>
<th>UNFAVORABLE (%)</th>
<th>RESPONSE COUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category Overall</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President and above</td>
<td>41</td>
<td>33</td>
<td>26</td>
<td>9</td>
</tr>
<tr>
<td>Directors, AVP</td>
<td>49</td>
<td>24</td>
<td>27</td>
<td>38</td>
</tr>
<tr>
<td>Managers</td>
<td>44</td>
<td>22</td>
<td>34</td>
<td>42</td>
</tr>
<tr>
<td>Supervisors</td>
<td>46</td>
<td>33</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Field Personnel</td>
<td>53</td>
<td>25</td>
<td>22</td>
<td>47</td>
</tr>
<tr>
<td>Professionals</td>
<td>42</td>
<td>29</td>
<td>29</td>
<td>50</td>
</tr>
<tr>
<td>Coordinators</td>
<td>42</td>
<td>24</td>
<td>34</td>
<td>38</td>
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<tr>
<td>Secretaries</td>
<td>51</td>
<td>19</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Clerical</td>
<td>53</td>
<td>23</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td><strong>Company has a fair system for evaluating an employee’s performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President and above</td>
<td>79</td>
<td>7</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Directors, AVP</td>
<td>63</td>
<td>12</td>
<td>25</td>
<td>41</td>
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<tr>
<td>Managers</td>
<td>42</td>
<td>17</td>
<td>41</td>
<td>46</td>
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<tr>
<td>Supervisors</td>
<td>33</td>
<td>45</td>
<td>22</td>
<td>9</td>
</tr>
<tr>
<td>Field Personnel</td>
<td>56</td>
<td>28</td>
<td>16</td>
<td>53</td>
</tr>
<tr>
<td>Professionals</td>
<td>34</td>
<td>37</td>
<td>29</td>
<td>56</td>
</tr>
<tr>
<td>Coordinators</td>
<td>22</td>
<td>27</td>
<td>51</td>
<td>41</td>
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<tr>
<td>Secretaries</td>
<td>48</td>
<td>27</td>
<td>25</td>
<td>48</td>
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<tr>
<td>Clerical</td>
<td>42</td>
<td>25</td>
<td>33</td>
<td>24</td>
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<tr>
<td><strong>I have a clear understanding of how my job performance is judged</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President and above</td>
<td>43</td>
<td>43</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Directors, AVP</td>
<td>58</td>
<td>20</td>
<td>22</td>
<td>41</td>
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<tr>
<td>Managers</td>
<td>55</td>
<td>17</td>
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<td>46</td>
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<tr>
<td>Supervisors</td>
<td>67</td>
<td>11</td>
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<tr>
<td>Field Personnel</td>
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<td>Coordinators</td>
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<td>5</td>
<td>50</td>
<td>42</td>
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<tr>
<td>Secretaries</td>
<td>64</td>
<td>12</td>
<td>24</td>
<td>49</td>
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<tr>
<td>Clerical</td>
<td>58</td>
<td>17</td>
<td>25</td>
<td>49</td>
</tr>
<tr>
<td><strong>Have you had a performance appraisal in the last year? (Yes, No)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President and above</td>
<td>43</td>
<td>0</td>
<td>57</td>
<td>14</td>
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<tr>
<td>Directors, AVP</td>
<td>91</td>
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<td>9</td>
<td>35</td>
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<tr>
<td>Managers</td>
<td>88</td>
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<td>43</td>
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<td>Supervisors</td>
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<td>8</td>
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<td>Field Personnel</td>
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<td>Coordinators</td>
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<td>15</td>
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<td>Secretaries</td>
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<td>19</td>
<td>42</td>
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<tr>
<td>Clerical</td>
<td>95</td>
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<td>5</td>
<td>19</td>
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TABLE 2 (CONTINUED)

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<tr>
<th>QUESTION</th>
<th>FAIRABLE (%)</th>
<th>NEUTRAL (%)</th>
<th>UNFAIRABLE (%)</th>
<th>RESPONSE COUNT</th>
</tr>
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<tbody>
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<td>Rating of performance review on identifying your strengths and weaknesses</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Vice President and above</td>
<td>28</td>
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When looking at the data closer in light of location breakdown (Table 4), one sees higher scores in the areas of fairness, performance improvement, career development, communication and understanding expectations. The corporate city population included in this survey is limited to the management level which may explain the higher scores to some extent. An additional explanation may lie in the fact that the implementation of the program is somewhat different than the other locations. Although the concept is the same, the form is more specific in terms of standards of performance and objectives, and yet less specific in terms of the rating scale. Categories are checked rather than assigning points, and no summary rating is required. In addition, a greater emphasis is placed on the implementation of supervisory training to include extensive follow up to the program. It is quite possible that the home office could learn from the modifications and emphasis placed on training in the cities, as the lower scores for the headquarters are in the areas of performance improvement (40%), career development (20%) and communication (44%).

To be effective, the performance appraisal process must be understood and accepted as fair. While there is a moderate level of acceptance by members of this company, it is clear that some areas are being overlooked and should receive greater emphasis. The current process is moderately effective in addressing issues of current performance requirements and expectations, but falls short in areas of performance improvement and career development. These issues can be addressed through an enhanced training program to improve implementation of the process allowing the organization to take full advantage of its assets.

Limitations

In order to ensure confidentiality, the consultant refused to release the raw data for more extensive data analysis. Therefore it is impossible to determine the
extent to which dissatisfaction with the training programs impact the opinions concerning the career development issues listed in the performance appraisal section. It is equally impossible to determine the relationship between supervisor training and performance appraisal implementation and between satisfaction with supervisory issues and performance appraisal issues. To reach conclusions in these areas would require further correlation analysis and the development of additional crosstabulations.

Observations

Personal observations and discussions with members of the organization aid in the interpretation of the survey data. Top and middle management is supportive of the performance appraisal process in theory as reflected by comments such as "Well how else could you evaluate performance other than by measuring it against the job description?"126 or "This system certainly appears to be fairer than the one used by my previous employer."127 or "The concept certainly makes sense, why do so few companies use such a system?"128 The support staff also sees its value and will actively request a review of their job description by the job analyst to ensure that their performance is being appraised based on accurate expectations for the position.

The dissatisfaction lies in the implementation of the program. Because of the close relationship between performance appraisal and compensation, managers find themselves faced with the dilemma of evaluating the employee in what they feel to be an accurate manner and yet dissatisfied with the final monetary outcome. This dissatisfaction is at times based on the employee's reaction, the comparison to external factors, salaries, increases, or cost of living increases, the comparison to

126. Interview with Robert A. Chester, Vice President, Sales, Chicago, Illinois, December 1987
127. Interview with Ken Adamick, Assistant Controller, Chicago, Illinois, December 1987
internal factors, what others at perceived lower levels of performance may be receiving in terms of salary increases or bonus, what the individual received the previous appraisal or bonus period. Although an uncommon event, there have been times when a manager has determined what he wanted to award the individual from a salary perspective and then worked backwards to assign the performance rating. These occurrences are generally seen for what they are by the human resources staff and the managers are counselled by the Director or Job Analyst. And, while the errors are corrected, the dissatisfaction with the relationship to compensation is not.

In addition, managers are dissatisfied with the inconsistent implementation of the program. Although procedures and definitions are reviewed in Supervisor Training and clarifications are distributed by way of periodic memos, there is no single written set of instructions, definitions and clarifications. Members of the Human Resources department are available for individual counselling upon request, and may initiate discussions following review of a completed form. But the inconsistency leads managers to believe that some are following the rules while others are not (either intentionally or unintentionally) causing discrepancies in ratings. The more that can be reduced to writing, the greater the likelihood of consistent implementation. In addition, as seen in the review of legal issues, systems with written procedures appear more likely to be defensible when questioned by the courts.

A further area of dissatisfaction with implementation is seen in the supervisory group who feel a problem area should be addressed during the appraisal interview but are unsure how to do so. The problem lies in the area of how a task is completed. For example, the job description may indicate a responsibility for answering departmental telephones, assisting callers and taking messages.
employee performs this task, but is rude, messages are illegible or incorrect, important messages are not delivered to the manager. The supervisor may want to address these issues, and yet finds it necessary to give the employee a satisfactory rating because all telephone calls are answered. The obvious solution is to document these observations in the explanation section provided for each task. But a further aid to the supervisor would be to be more specific in the job description to ensure that performance standards are understood. For example, the duty could read, "Answer departmental telephones courteously, using telephone techniques outlined in corporately sponsored training program, assist callers by answering questions or redirecting calls where possible. Take accurate and legible messages, delivering high priority messages to department members as necessary." Although the result is a much longer and more detailed job description, there is no question what is expected as the standard. To do less, to answer calls and leave illegible and incomplete messages for department members to pick up as they happen to walk by, is not meeting the basic job responsibilities. There is no question of accountability.

Conclusions

Although the data available for analysis is limited in scope, it appears that improvements could be made in the area of performance appraisal implementation. The process is too important to overall corporate performance to allow only a moderate level of acceptance. A number of issues must be addressed before improvements can be achieved. Low scores are particularly seen in areas of performance improvement and career development. These areas should be addressed from two perspectives. First, is it appropriate to expect a performance appraisal program to address these areas? Perhaps corporate philosophy is such that this is not the objective of the performance appraisal process. In some companies, performance

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appraisals are designed specifically as a method of documenting past performance as demonstrated by certain behavior patterns or based on specific standards. In such an organization, performance improvement and career development would be addressed by way of formal feedback sessions and formal training programs. Second, if the current process is expected to address the issues of performance improvement and career development, what method would best address the issues? Possibilities would include expanding the form to include a section on performance improvement and career development or expanding the training program for performance appraisal implementation to include how to incorporate performance improvement and career development issues into the discussion and documentation.

In the organization under review, the response is that it is not the responsibility of the performance appraisal process to address the issues of career development and performance improvement. The performance appraisal process cannot be all things for all people or it fails in its objective of objectively evaluating and documenting the performance of individuals within the organization. If this is in fact the corporate philosophy, it is important that it be communicated to all levels. The survey questions were developed from concerns voiced in focus groups and as a result were organized in such a manner as to respond to those concerns. Therefore one could assume that it is the belief of the employees that the performance appraisal process should address performance improvement and career development. In addition, personal observations and discussions with individuals within the corporation have revealed a similar concern, or more specifically frustration. They leave the performance appraisal discussion with a feeling of confusion about how to do better and find themselves dwelling on the past rather than the future. This is equally the case with the good performer who may

receive a rating of 3.7 but who sees the range of the rating scale extending to a 5.\textsuperscript{133} They know they are good performers and are told they are good performers, but see the high ratings as unattainable. And as the salary and bonus systems are tied to performance ratings, they see the higher percentage increases and bonuses as unattainable and unrealistic goals.\textsuperscript{134}

**ADVANTAGES**

Although not a perfect system, there are several advantages, direct and indirect, to the system implemented in this study.

*It ensures up to date job descriptions for each position.* The manager and employee are forced to review the job description semi-annually during performance appraisal discussion. If inaccurate, it is corrected either prior to or during the performance appraisal discussion. Only if the requirements of a position are clearly understood by both the manager and the employee, can a fair and accurate appraisal be conducted.

*Performance expectations are specific and clearly understood by the employee.* The job duties are clear and in writing in the format of a job description. In addition, the periodic objectives are written as part of the performance appraisal procedure in clear and measurable terms.

*Agreement of job duties fosters agreement of performance expectations.* When the manager and subordinate reach agreement concerning these key issues, they are more likely to agree on performance.

\textsuperscript{133} Interview with Sharron Stoehr, Director of Reservation Services, Toronto, Ontario, Canada, November 1987.

\textsuperscript{134} Interview with Tom Karins, Assistant Vice President, Travel Marketing, Chicago, Illinois, December 1987.
Employee objectives can relate to department MBO and corporate strategy. This allows the employee to see how his/her position fits into the structure and how he/she is responsible for the success of the company. Once an employee can see how individual performance impacts corporate performance, he/she may become more involved and possibly more highly motivated to perform.

It encourages communication between the employee and manager regarding job duties and expectations. This allows for better understanding and improved performance. The more effective the communication channels, the more receptive the employee may be regarding negative as well as positive feedback.

It provides a tool for pinpointing areas of improvement. Performance is discussed clearly, specifically, and objectively, rather than generally and subjectively. The employee may be more receptive to the idea of performance improvement if he/she perceives the appraisal to be fair.

It concentrates on performance of assigned duties, not a display of desired traits and behavior patterns. Although certain behavior may be desired by a manager, the system stresses the relationship between behavior and performance in the other characteristics section.

Weights attached to each duty and method of calculation stresses the most important responsibilities to the employee. This guides the employee in the establishment of priorities and in methods of more effective performance rather than simply doing more.

Flexibility. The program allows for changes in format to respond to issues as they arise, i.e., providing space for examples and comments and requiring comments for ratings below 3.0 and above 3.7). This form is not mass produced but rather printed as the need arises by way of a stand alone personal computer and printer.
Modifications and enhancements can be made at any time to respond to internal needs.

**Comments are encouraged and at times required.** The requirement for comments below 3.0 and above 3.7 provides for more documentation on the form; as ratings are tied to salary administration, managers will not arbitrarily stay within the no comment required range. The comments/documentation that is made available to the employee encourage two way communication, understanding and acceptance of expectations and ratings.

**The job evaluation system is maintained on an ongoing basis.** By tying job responsibilities to the performance appraisal, requiring semi-annual review of the job description by way of the performance appraisal form, and requiring involvement of the Job Analyst in job description changes, it is less likely that job responsibility changes impacting job grade will go unnoticed by the Human Resources department.

**DISADVANTAGES**

In addition to the advantages, though, there are a number of disadvantages.

**It requires a significant amount of administrative time.** Although all formal appraisal procedures require the distribution of appraisals and tracking the return of completed forms, this system also requires that individual forms be prepared for each individual scheduled for appraisal. If the job description has been modified, an entirely new form must be prepared and printed which is time consuming in terms of involvement of the Job Analyst and the clerical time required to change the job description and appraisal form. In the event of no change to the job description, pages two through five may be photocopied from the files, but clerical support would be required for pulling and copying and refiling the original for the specific
position. In addition, the first page would have to be processed separately to incorporate objectives established for the specific appraisal period.

It requires the expense of a word processor for the maintenance of up to date job descriptions and appraisal form preparation. Most medium to large organizations have word processors within their office environment, whether it be for general secretarial duties or within a word processing unit charged with the responsibility of document preparation for the entire organization. This program would require approximately 50% of the available time of a word processor. The confidential nature of some of the documentation would require that the word processor be dedicated to the Human Resources department. Although not as expensive as in the past, the initial capital expenditure for the equipment could be considered a disadvantage as well as the expense of training an individual in word processing skills.

It requires more specific and detailed job descriptions, resulting in more job descriptions on file to maintain. General job descriptions for job classifications would not provide enough information to be effective.

It requires up to date maintenance of job descriptions on file, revisions, new positions, etc. Although this should be done anyway, job description maintenance is often given a low priority. Changes are generally made reactively, when a problem arises, when a job should be reevaluated, or when a new position is requested, rather than proactively, when a manager sees a need for change to enhance department efficiency.

It requires extensive training in the implementation of the system, rating definitions, etc. Although this should be inherent in any performance appraisal system, it is clearly required for this system to ensure consistency and avoid rater bias. It is more difficult to analyze rater tendencies for bias because of the
variability in job requirements. Therefore heavy reliance must be placed on training.

**Alteration in the form requires reprocessing of all forms.** Change in forms design would require reprinting in the case of any system, but it is more of a disadvantage in this type system, because the forms are printed individually rather than by a printing firm. The reason for the individual printing is because of the individual nature of each job. Therefore rewording the rating scale, adding spaces for comments, and numbering the items, all minor format changes which made implementation easier, resulted in reprocessing each document.

**The appraisal form specifies duties and objectives but is not as specific regarding standards.** A job description would generally not specify standards of performance. Since the system is driven by the job description, standards are omitted.

**More training is needed for managers conducting appraisal discussion of good performers.** A pat on the back and thanks alot is nice, and showing the relationship between compensation and performance helps, but an effective performance appraisal system should be able to show a good employee how to perform better. This problem centers around the issue of employee development. Although a 3.7 is a good rating, an employee should be given the opportunity to obtain higher ratings. It is the manager’s responsibility to guide the employee in this area.

**Although changing job duties in the middle of an appraisal period may result in a more accurate job description, it is unclear how this change will impact the appraisal and rating of the employee.** It is important to determine if the changes were effectively communicated to the employee and whether a new job description was given to the employee. In addition, there is the question of whether the effect is an increase in the standard, which would result in a lower rating to the employee.
If the changes were not made until the following review period it may be possible that the employee would have received an exceptional rating on the duty prior to the change. But instead, the employee becomes frustrated. He knows he has received additional responsibilities because of his accomplishments, but he sees that the overall rating does not accurately reflect his accomplishments.

RECOMMENDATIONS

Develop a method for placing more emphasis on reward for accomplishing objectives. The current format does not incorporate the achievement of objectives in the summary rating. Initially, the reasoning was that if the objective could not be met for reasons outside the control of the employee, he would be unfairly penalized. But if written correctly, the objectives should (according to the company's supervisory training program) be measurable, achievable, reasonable and controllable. If extenuating circumstances prevent achievement, or if corporate priorities are altered, the objective could be coded as "not applicable" rather than "did not meet" with appropriate documentation. If objectives are to receive the appropriate level of emphasis, they should be included in the calculation for the summary rating. For example, the checks could be converted to a numerical score and then averaged with the score of the performance section.

Specify on the form or with * reference, if necessary, the detailed rating definitions. These definitions are available, but should be referenced more specifically by managers in order to ensure consistency in ratings and full understanding of ratings by employees.

Specify on the form the requirement for comments below 3.0 and above 3.7. This requirement was included in a procedure memo to all managers but they have to be verbally reminded by the Human Resources staff and appraisals are sent back for documentation, comments, etc.
The Human Resources staff must be readily available for counselling. This counselling is often needed prior to the manager holding the performance appraisal discussion not after the fact.

Training in the effective implementation of the program should be expanded. Currently, the performance appraisal portion is a module of the general supervisory training program. Although effective supervision involves the development of effective methods of communication, problem solving, gathering performance documentation, and conducting performance appraisal discussions, the issues as they relate to an effective performance appraisal process are too important to be implied throughout the workshop. In addition, the process, may be very different from those used in other organization. One should not assume understanding of the procedures or definitions.

Provide managers with regular feedback and ongoing training concerning effectiveness of program implementation. This would include issues of rater bias, consistency, accuracy and employee satisfaction.

Hold supervisors and managers accountable for the effective implementation of the performance appraisal process. The most obvious way to do this would be by ensuring that the statement of supervisory responsibility clearly specifies the implementation of the performance appraisal process within the guidelines of the training program. This would be included on each supervisory/management job description.

Limit the scoring to whole numbers or .5. The current system allows for the manager to give scores in tenths of points. In doing so managers feel they can better made a distinction in an individual's performance rating. A 3.5 is half way between a 3.0 and 4.0, a 3.6 is a little better, a 3.7 is better still. But there are no clear, written definitions for these distinctions, reducing the consistency and reliability of
the rating process (some managers even use ratings of 3.25, 3.75, etc., in addition to 3.3, 3.4, etc.) Managers cannot make such a fine distinction. In addition, they then limit their ratings between the 3.0 and 4.0 range rather than using the entire range. This compromises the system. Obviously, once the ratings are summarized, the overall rating may be calculated in a fraction, but individual duties should be limited in fractional usage.

**Stress employee development for the mid-year appraisal when training managers.** Too often a manager, and even an employee, will place emphasis on only the appraisal which falls as the same time as the employee’s eligibility for a salary increase, delaying or failing to conduct the mid-year appraisal because they do not see it as impacting salary. The manager should take the opportunity of the mid-year appraisal to concentrate on employee development while the employee is not preoccupied with the resulting salary increase, specifying areas of improvement which may impact the annual salary increase during the next appraisal period.

**Include as a regular part of the new hire orientation and appraisal process to review the job description and set standards of performance to ensure that expectations are clearly understood.**
CHAPTER VI

SUMMARY/CONCLUSIONS

What Lies Ahead?

Organizations will continue to wrestle with the issues of performance from the standpoint of motivation, measurement, validation and training. The desire of the organization to encourage, promote and reward those who perform well, is one which will not easily be altered. From the view of effectiveness, as well as protection from undesirable litigation though, the organization must design a process of accurately assessing performance, using job analysis, which will specify what is required for satisfactory performance for a specific position. The method of assessment must be one which is accepted as valid, and supported by top management to the extent that all managers are held accountable for the timely and accurate implementation of the performance appraisal process. A training program must be developed which not only introduces the managers to the performance appraisal format and theory but also addresses issues such as rater biases; in addition the training must be ongoing, not just a one time seminar. Formal and informal feedback should be provided to the managers on a regular basis to alert them to possible errors in rating as well as in methods to obtain the performance desired.

No particular form will respond to the needs of all organizations. It is not the format that causes the desired results, but rather an organization of competently trained managers, using the process in a consistent manner, which allows for validity and employee acceptance. Only if the process is accepted as valid will it impact performance in a manner which will meet the organizational goal of obtaining and retaining the highest performers and rewarding such performers for their contribution to the organization's effectiveness.
Recommendations

Survey the company at all levels to determine the best method of performance appraisal for the organization. Determining management and staff opinions are important prior to system design. But this should not be a one time occurrence. Surveys should be conducted on a regular basis to determine if modifications should be made in the system to meet changing requirements. As an organization changes, it may even become necessary to discontinue a system and design something new which will better meet organizational objectives.

Include as responsibility of all managers and supervisors the timely and complete preparation and delivery of appraisals to subordinates. This will reinforce the emphasis placed on the appraisal process.

Conduct ongoing training of all management/supervisory staff in the effective preparation and communication of performance appraisals. Regardless of format, managers must be carefully trained in effective program implementation which includes gathering and documenting information, communicating performance standards, expectations and results, and preparing necessary administrative documents. In addition, managers must be aware of tendencies towards biases and error which threaten accuracy, consistency and fairness.

Prepare and distribute written instructions/guidelines for the preparation and communication of performance appraisals. The guidelines would include procedures, definitions, time schedules, who to contact for assistance, and under what circumstances exceptions are allowed.

Counsel managers individually. Topics for discussion should include evaluating performance and other performance related issues, such as motivation, communication, documentation. Review performance appraisals and make specific
recommendations for improvement in preparation to ensure objectives of communication and performance improvement are met.

Communicate the goal as evaluating performance. Performance should be evaluated in terms of definable output and demonstrated activity; personal bias is not acceptable.

Communicate that although satisfactory/competent is not a poor rating, it is the standard. The rating of outstanding should be reserved for those who clearly exceed the requirements and expectations of the job. Stress the importance of meeting goals for improvement, expectations and objectives.

Promote dialogue. Allow for the opportunity of self evaluation or rating the supervisor. Dialogue promotes understanding of expectations and agreement on performance criteria.

Conduct frequent and timely appraisals. Annual and/or semi-annual performance appraisals provide summary documentation of past performance, but it is unlikely that they will be effective tools for employee development or behavior modification.

Establish written agreements on performance improvement or objectives for next appraisal period. The clearer the expectations and objectives, and the more readily available they are in terms of a written performance plan for review, the more likely is successful accomplishment.

Review the appraisal system to see what performance it is measuring and determine how/where to use the results. The system cannot be effective if it is not
measuring what is needed. No system should be so static that it cannot be modified if it is determined to be missing the mark. 135

Ensure effectiveness of the program by obtaining visible top management support. This support would include the timely completion of performance appraisal discussions by top management and the requirement by top management that middle management do the same.

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Rowe v. General Motors F. 2d. 348 (1972).
EXEMPT/MANAGEMENT PERFORMANCE APPRAISAL

NAME

POSITION

DEPT.

APPR AISAL PERIOD: FROM ______ TO ______

RATING TERMS: 5-SUPERIOR 4-VERY GOOD 3-GOOD 2-FAIR 1-UNSATISFACTORY

Use "Comments" space to explain and support all "Superior", "Fair" and "Unsatisfactory" ratings.

I. MANAGERIAL PERFORMANCE

Rating:

_ a) Knowledge of the job and a full understanding of all its aspects (including goals and objectives).
_ b) Ability in long range planning and in relating to plan.
_ c) Selection, training, and development of assistants and staff.
_ d) Ability to delegate responsibility to subordinates.
_ e) Ability to control and administrate staff's performance (including preparation and presentation of performance reviews).
_ f) Quantity, Quality, and Timeliness of work done under his/her direction.
_ g) Awareness of cost factors and ability to adjust to them.
_ h) Ability to maintain harmony with other departments.
_ i) Other ____________________________

Average Rating ____________________________

II. PERSONAL QUALITIES

_ a) Ingenuity - using new approaches in problem-solving.
_ b) Enthusiasm - positive attitude.
_ c) Initiative - independence of thought.
_ d) Resourcefulness - meeting challenges.
_ e) Emotional Balance - handling pressure, criticism.
_ f) Adaptability - reaction to change.
_ g) Analytical/Reasoning Ability.
_ h) Judgment and Objectivity - logical and rational decisions.
_ i) Intellectual Integrity - soundness of ideas and thoughts.
_ j) Written Communication ______ Oral

Average Rating ____________________________
GUIDELINES TO RATING TERMS

1. **SUPERIOR:** Factor is a definite strength; excels in this area.
2. **VERY GOOD:** Generally above average on this factor; exceeds normal requirement necessary to function in the position.
3. **GOOD:** Meets normal requirements necessary to function in position.
4. **FAIR:** Needs improvement to function satisfactorily in position.
5. **UNSATISFACTORY:** Inability to perform in this area; unwilling or unable to meet requirement for position.
III. **Accomplishments:** What has this individual accomplished (or failed to accomplish) in measurable results in this appraisal period? Be specific, give facts and figures whenever possible.

IV. **Strongest Qualifications:** Briefly note strengths and how they are utilized.

V. **Most Noticeable Weakness:** Briefly state any weakness to be corrected.

VI. **Objectives:** What are the major business objectives for which this person should strive in the next appraisal period?
VII. **Overall Appraisal:** If you were considering this individual as an applicant for the position that he/she now holds, what would your attitude toward him/her be?

Check One:

/ / Would feel he/she is ideal for the position.

/ / Would think his/her potential is right for position.

/ / Would be satisfied to hire him/her, with some reservations.

/ / Would prefer not to have him/her.

/ / Would definitely not want him/her in this position.

VIII. **Action Recommended:**

/ / Leave on present assignment with

/ / Further Training

/ / Encouragement

/ / Commendation

/ / Salary Action

/ / Transfer to another position

/ / Terminate

Appraisal by __________________________________________ Date________________

Approved by __________________________________________ Date________________

______________________________________________________

Employee Signature________________________________________ Date________________

Employee Comments:
**PERFORMANCE EVALUATION**

**NAME**

**DEPARTMENT**

**Current Review Date**

**Last Review Date**

(See reverse side for personnel history)

Check One:  
- ☐ Salary increase is recommended. (If checked, a Salary Review Form will be sent to you.)
- ☐ No Salary increase at this time: will review salary again on 

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Comments: Indicate accomplishments especially relating to quantity (volume of work) and quality (thoroughness, neatness, accuracy). Be specific.
ABILITIES

Check those that are applicable to the job, then check the column on the left which most closely applies to the individual's abilities.

<table>
<thead>
<tr>
<th>Applicable to Job</th>
<th>Satisfactory for Job</th>
<th>Needs Improvement</th>
<th>Definite Strength</th>
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<tbody>
<tr>
<td>Planning — developing a course of action to achieve a goal, follow-through</td>
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<td>Organizing — structuring or arranging work for effective work flow</td>
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<td>Dependability — attendance, punctuality</td>
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<td>Initiative/Decision Making — using one's own thoughts to handle problem problems; choosing the best solution from several alternatives</td>
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<td>Flexibility — able to accept, adjust, and adapt to change</td>
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<td>Communication Skills — ability to express self logically and clearly; written and oral</td>
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<td>Technical Skills — physical skills applicable to job</td>
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For those areas needing improvement, what steps will be taken to improve?

GROWTH POTENTIAL

- Immediate increase in responsibility could include:

- Should be ready for increased responsibility in □ 6 □ 12 □ 18 □ 24 □ other ____________________________ months.

- Best suited to present job

- Not suited to this job, should be transferred because

- Have seen and discussed this evaluation with my supervisor.

Employee's Signature: ____________________________ Date: ____________________________

Consented by: ____________________________ Approved by: ____________________________

Date: ____________________________ Date: ____________________________
PERFORMANCE APPRAISAL

Incumbent: 
Position: JOB ANALYST
Reports To:  
Due Date: 4/16/88

Department: HUMAN RESOURCES
Date of Last Review: 10/18/87

1. OBJECTIVES ESTABLISHED LAST REVIEW FOR THIS APPRAISAL PERIOD (IF APPLICABLE)

<table>
<thead>
<tr>
<th>Did Not Meet Objective*</th>
<th>Met Objective</th>
<th>Exceeded Objective*</th>
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*Explanation:

OBJECTIVES FOR THE NEXT APPRAISAL PERIOD - In order of priority:
6. Counsel department heads requesting additions to staff regarding departmental organization and new position responsibilities. Develop preliminary job descriptions. (wt.5)

Provide examples, if applicable:

6. Identify PC hardware and FinalWord software problem areas. Troubleshoot and communicate with hardware and software vendors and Information Systems department members as necessary. Suggest/impliment necessary program/design changes for word processing program. Advise other appropriate human resources personnel of changes. (wt.3)

Provide examples, if applicable:

7. Counsel managers on performance evaluation procedures to include formulation of objectives, definition of rating scale, revision of duties and mathematical calculations. As assigned by Director, Human Resources, follow up with managers to clarify objectives listed on performance reviews and rewrite in an appropriate manner. (wt.3)

Provide examples, if applicable:

8. Identify employee relations issues or problems in the course of job related communication with all levels and advise Director. Address/resolve as appropriate, directly or jointly with other department members. (wt.3)

Provide examples, if applicable:

9. Participate in and contribute to department projects, meetings, and issues to enhance the effectiveness of Human Resources. (wt.6)

Provide examples, if applicable:
10. Perform other duties as assigned. (wt.3)
   Provide examples, if applicable:

   ________________________________________________
   ________________________________________________

   Total   Total
   _____________________________

   PXI/IMP = Overall Rating
   _____________________________
III. OTHER CHARACTERISTICS NECESSARY FOR SUCCESSFUL PERFORMANCE

<table>
<thead>
<tr>
<th>CHARACTERISTIC</th>
<th>NEEDS IMPROVEMENT*</th>
<th>SATISFACTORILY DEMONSTRATED</th>
<th>EXCELS IN THIS AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. satisfactory attendance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. satisfactory punctuality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. possess an understanding of compensation administration theory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. possess knowledge of general personnel principles and practices and the awareness of legal Implications of actions taken by self or by others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. possess strong oral and written communication skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. possess knowledge of company policies and procedures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. willingness to travel as needed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. flexibility to meet the changing needs and priorities of the department</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. ability to work independently and determine priorities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. possess strong organisation skills, to include follow up and follow through</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*State why improvement is necessary and WHAT will be done to accomplish this:
EMPLOYEE COMMENTS

GIVE A COMPLETED AND SIGNED COPY OF THIS APPRAISAL TO EMPLOYEE

I have seen and discussed this evaluation with my supervisor and have received a copy of this evaluation.

Employee's Signature

Completed by: 

Date

Approved by: 

Date
PERFORMANCE RATING DEFINITIONS

(1) Fails to Meet Job Requirements

This performance level signifies little to no accomplishment in the given responsibility area.

(2) Partially Meets Job Requirements

Overall, performance of this responsibility is below what is expected. Performance ranges from sometimes meets established standards, to often falls short of desired results. Manager needs to provide substantial developmental aid and time for employee to meet standard. Employee must improve considerably before he/she can be rated as meeting standard.

The incumbent at this performance level:

a. Has had sufficient time to learn the responsibilities, but is still not satisfying expected reasonable job related expectations. This may be a function of inability, carelessness, or a lack of understanding of the most effective methods.

b. May do an adequate job with favored portion of assignments, but tends not to be as concerned about less desirable parts of responsibility; or he/she may be satisfied with only getting the job completed, regardless of quality of results.

c. Responds unfavorably to instruction and guidance.

(3) Meets Job Requirements

Overall, the employee's performance of this responsibility is acceptable and meets established standards; the performance sometimes exceeds, and occasionally falls short of desired results. Manager is able to provide frequent developmental aid.

The incumbent at this performance level:

a. Generates the desired results; meets appropriate expectations related to length of service, training, etc.

b. Exhibits minor deviations above and below expectations, but the general level of performance accomplishes what is expected.

c. Executes requirements in a professional manner.
(4) Exceeds Job Requirements

Overall performance is above average -- considerably better than is expected in this area. Consistently meets and usually exceeds established standards; some improvement is needed by employee to be considered exceptional, but consistently generates results above those expected of the position.

The incumbent at this performance level:

a. Performs the individual responsibility by relating it to the overall departmental function, and fulfills the responsibility beyond the stated requirement.

b. Demonstrates the ability to get good results from others, and contributes to achieving departmental objectives.

c. Is effective even when plans change; remains flexible and can salvage most situations.

d. Demonstrates knowledge, experience and training to take initiative, as appropriate, and set priorities with little or no instruction.

(5) Exceptional Accomplishment Beyond Job Requirements

Overall, performance is exceptionally strong. Consistently exceeds established standards. Manager is able to provide little or no developmental aid in this area; little, if any improvement is possible by employee.

The incumbent at this performance level:

a. Demonstrates extraordinary and exceptional accomplishments which can be identified.

b. Makes a significant contribution to objectives of the department, division or branch beyond individual objectives; relates actions to goals of division or company.

c. Delivers superior results that are easily recognized by people in other related areas of department, branch or division where the incumbent interfaces.

d. Will usually require added accountabilities (if the incumbent is qualified) that exceed the parameters of the position.

N/A (Not Applicable)

This should be indicated if the rating does not apply for the review period. If the responsibility no longer applies at all to the job, this should be specified as well.
APPENDIX D
GUIDELINES FOR ESTABLISHING OBJECTIVES

Objectives must be:

A. Tangible, measurable, quantifiable
B. Clear, easily understood
C. Task-oriented, not a reiteration of job responsibility or expectations.

If objectives are unrealistic for appraisal period, then partial completion should be noted.

Samples of poor objectives:

<table>
<thead>
<tr>
<th>POOR OBJECTIVE</th>
<th>REASON</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improve written communication ability.</td>
<td>Not measurable as stated - no standard to define &quot;improvement&quot;.</td>
</tr>
<tr>
<td>2. Decrease typing errors.</td>
<td>Job responsibility, not objective - not measurable - need to define &quot;decrease&quot;.</td>
</tr>
<tr>
<td>3. Become knowledgeable in computer operation.</td>
<td>Intangible - &quot;knowledgeable&quot; not defined; no standard indicated - may also be job responsibility.</td>
</tr>
<tr>
<td>4. Establish better rapport with licensees.</td>
<td>Intangible - define standard to measure &quot;better&quot; rapport.</td>
</tr>
<tr>
<td>5. Submit reports on more timely basis.</td>
<td>Not measurable - &quot;timely&quot; not defined; may be job responsibility.</td>
</tr>
<tr>
<td>6. Improve punctuality.</td>
<td>Intangible - &quot;improve&quot; not defined; also job responsibility.</td>
</tr>
<tr>
<td>7. Be more assertive.</td>
<td>Intangible - &quot;assertive&quot; can't be measured.</td>
</tr>
</tbody>
</table>
| 8. Assist in development of subordinates.                 | Unclear - to what degree "assist"? Define "assist" - define "development".
APPROVAL SHEET

The thesis submitted by Brenda P. Johnson has been read and approved by the following committee:

    Dr. Arthur G. Dobbelaere, Jr., Director
    Director, Institute of Industrial Relations, Loyola

    Kathleen H. Goeppinger
    Assistant Professor, Institute of Industrial Relations, Loyola

The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated and that the thesis is now given final approval by the Committee with reference to content and form.

The thesis is therefore accepted in partial fulfillment of the requirements for the degree of Master of Science in Industrial Relations.

4-21-88       Arthur G. Dobbelaere
Date           Director's Signature