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A Comparative Study of Performance Appraisals and the Implication for Management Practices

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A COMPARATIVE STUDY OF PERFORMANCE APPRAISALS AND THE IMPLICATION FOR MANAGEMENT PRACTICES

BY

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Abstract

This study focused on the following themes: The history of performance appraisals from an ancient arbitrary practice to a structured formal educational and development tool; the case for and against performance appraisals both from a managerial and an employee perspective. Most importantly, how to make the performance appraisal an effective management tool? Virtually all the literature reviewed on performance appraisals share this recurring theme: how to make performance appraisals effective in the work place. Despite the many and varied pitfalls of performance appraisals highlighted, this researcher is convinced that the performance appraisal is an effective management tool and therefore relevant in today's work environment.

In an effort to prove how relevant and effective performance appraisals are as a management tool, a survey was conducted to sound the opinion of both employees and managers. For employees, researcher distributed questionnaires to employees at the NJ PDC and employees at Cedar Oaks, a Health Care facility. For Managers, the survey was conducted through a web-based survey site called Zoomerang. Results of the survey confirm my view that performance appraisals are relevant.

While it is believed that formal appraisal programs have yielded unsatisfactory and disappointing results, the issue, for this researcher, should not be to abandon them but to make them better. Given the way business is conducted today with emphasis on continuous improvement, performance appraisals are not only relevant but unavoidable. Thus, organizations, managers and employees should collaborate to make the performance appraisal process meaningful and effective.

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INTRODUCTION

There is, says Dulewicz (1989), a "basic human tendency to make judgments about those one is working with, as well as about oneself. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily." This human tendency to judge, referred to as performance appraisal - which is both inevitable and universal - is the basis of my master's thesis.

My first experience of a formal performance appraisal occurred over twenty years ago. I had just completed a six-month rigorous course in education at the Department of Education, Fourah Bay College, University of Sierra Leone (one of Africa's oldest universities). In order for me to receive my Diploma in Education; the equivalent of teacher certification in the United States of America, I should complete three months of teaching practice in a high school. During my six months of training as a professional teacher, I studied everything relating to education: teaching methodologies, teaching strategies, educational philosophy, sociology and psychology. Piaget's five developmental stages of learning left an indelible impression on me. All

my professors impressed upon me that as a trained and qualified teacher, "you do not tell your students; you get them to understand; you get them to talk..." They also made it clear that while in the classroom, I should never ask my students: Do you understand? The right thing to do, they pointed out, is to ask your students questions at the end of the lesson or as the lesson progresses. I learned that, asking questions is a good way to encourage students to participate in class discussions. All lessons must have a plan that should include an introduction and a conclusion, my professors emphasized to me. Having learned all this in the course of six-months, I was put to the test.

For three months, I taught in a high school under the supervision of three professors. Each will observe me while teaching in three different subjects: English, History and Government. During the time of observation, the professors will make an assessment of me. They will take note of my strengths and weaknesses. After the lesson, they will give me a report of their assessment. What they were doing was a performance appraisal of me, with the aim of helping me in areas where I am weak. The goal here is to help me become an efficient and effective high school teacher.

One of the valuable lessons learned from the performance appraisals of my teaching practice professors, was the importance of self-assessment. After every lesson, I will try to reflect on my strengths and weaknesses in a bid to improve. My aim was to make sure that every new lesson is an improvement on the previous lesson. This practice proved to be very useful to me when upon arrival in the United States of America, I founded and edited the *Sierra Leonean*. After every issue, I will take the time to read the publication over and over to find areas that need improvement. At

times, I have to change the font or the size of the font on the cover to give the publication a better look. By reading a publication over and over, I am able to discover spelling mistakes and some grammatical errors. And this puts me in a better position to avoid making the same mistakes in future publications.

As Administrative Secretary of the Sierra Leonean American National Organization, a non-profit organization serving the needs of Sierra Leoneans and Americans of Sierra Leonean descent, I encouraged members to do a performance appraisal on every fundraising event we undertake. At the end of every event, I will convene a general meeting for the sole purpose of having members to give their individual assessment. This is done to find out where we went wrong, and to come up with suggestions on how to do better in the next event. By encouraging members to give their input, I make them feel important and appreciated; that their contribution to the organization is very much valued. As members feel free to voice their concerns, they become more involved and committed to the success of the organization. Members do not only feel empowered, but most importantly, learn to be both collectively responsible and accountable for the success or failure of the organization.

I narrated these experiences to show the importance of performance appraisal. As human beings, we are all prone to some form of appraisal; it can be self-assessment or assessment from other people. Historic figures, business executives, great leaders of the past and the present - all undergo some form of assessment and reassessment from posterity. In both the private and public sector, there is some form of performance appraisal.

Considering the broad nature of performance appraisals, and taking full

cognizance of the fact that there will not be time and space to explore all those other areas, I will focus on performance appraisal in the business sector since that is the area that comes to mind when one talks about performance appraisal today. More importantly, I have experienced the application of performance appraisals throughout my years of working in the United States.

Before working at the New Jersey Mega Parts Distribution Center (my current employer), I worked for two companies. The first was a knitting company (family-owned and operated), where I was a machine operator. Even though I was never given a formal performance appraisal - as I know today - my employer was able to make his judgment about me based on my daily output; the amount of bundles generated from the machines I operated. Within a very short time, he entrusted me with the responsibility of running his new computerized machines. Comparing my performance with other employees who had worked for him before I joined the company, he concluded that I am more competent and more capable of running his new machines. As time went on, he even decided to let go of some of them on the grounds that they were not productive enough; that their performance was below expectation.

My second job was with Signal Stat, a manufacturing company that makes all types of auto and traffic lights. Here again, there was no formal performance appraisal as I know it today. The personnel manager made her assessment of me during the course of the job interview. She was quick to see the potential in me for growth in the company. Even though I had been with the company for less than six months, I was selected to fill the position of lead person. Many other employees had applied for the position, but they lacked the needed criteria, which was basically, proficiency in

verbal and written English. As a university graduate, the personnel manager was able to discern my ability to communicate on the day she interviewed me for the position of machine operator. She had that on record. When the position of lead person became available, she just called me into her office and offered it to me.

At the New Jersey Mega PDC, where I am currently working as General Warehouse Operator, performance appraisal is conducted in a very formal way. Employees have the opportunity of sitting with their supervisor annually to go over the entire process. Aside from pointing out the strengths and weaknesses of employees, the supervisor discusses the goals and objectives to be met in the coming year. Based on these annual performance appraisals, supervisors are able to recommend to employees where they need to be cross-trained, and where to improve. Employees are even given the opportunity to express themselves; to give their comments on the appraisal. Compared with my two previous employers, performance appraisal at the NJ Mega PDC is not only formal, but also comprehensive; it is a more effective and efficient management tool.

I have taken the time to give this background to drive home the fact that performance appraisal, albeit informal or formal, is present in all companies. It may be limited to just an interview, but a judgment is made about who we are; our strengths and weaknesses; our positives and negatives. Whether performance appraisal is informal or formal, one question stands out: is the employee an asset or a liability to the company? In most companies today, there is only room for the former. The latter are asked to improve or look for another job.

Research Question

Is performance appraisal an effective management tool? How relevant is performance appraisal in today's work environment?

This researcher will try to examine performance appraisals by looking at the perspectives of both employees and managers. Why some managers and some employees dread the performance appraisal?

This research paper will not just look at some of the advantages but also the pitfalls and the legal ramifications. In a sense the paper will consider the implications for management practices.

The Hypotheses

This researcher takes the position that the criterion-based performance appraisal is a more comprehensive and effective management tool than the basic summary of achievement form. To this end, researcher will endeavor to do a Performance Appraisal on a fellow employee at the New York Parts Distribution Center in an effort to determine whether he is a superstar, a steady or a non-player in the organization. What are the implications for managers and employees?

Definition of Terms

1. PDC: Parts Distribution Center
2. WMS: Warehouse Management System
3. Performance Appraisal: That basic human tendency to make judgment about those one is working with, as well as about oneself... Dulewicz (1989).

The Delimitations

This study will not cover performance appraisal in the realm of politics. The focus is on business organizations. Most of the examples given are from the researcher's many years of experience as a non-exempt hourly employee. Researcher did not look at employees in other level, who are also subjected to performance appraisals.

Importance of the Study

Performance Appraisal is a subject many employees and even some managers hate to talk about. The reason for this is not hard to find. Many lack a clear understanding of what performance appraisal is all about. For some employees, this is a process in which the supervisor exercises his full authority over his subordinate. Essentially, the supervisor is seen as "the judge" and the employee, the "accused." This is a total misconception. Performance appraisal is a structured process that is

aimed at improving the performance of employees. It is a management tool used to motivate employees, and to enhance performance.

This researcher makes the compelling case that performance appraisal is a fair and effective tool for the new manager. It is a guide on how to motivate, coach, set objectives, and how to make sure these objectives are met. The study further buttresses the argument that "performance appraisal is a way to identify latent leadership skills and a way to chart changes in the firm's expectations (Kennedy p51).

Because of its universal application, this researcher finds the performance appraisal a very fascinating subject. Not only is it relevant to the courses that researcher has taken in the Corporate and Public Communication program, but also relevant to previous graduate courses in Diplomacy and International Relations.

This researcher is of the opinion that the problems of mismanagement and endemic corruption common among many developing countries will be eliminated if a formal performance appraisal system is put in place. This will not only help to weed out the incompetent and ineffective, but a way to check the excesses of officials in the government and public corporations. For some of these countries, a formal performance appraisal system will ensure transparency and accountability; it will be a panacea for progress and development.

Researcher embarked on this academic exercise with the hope of broadening the scope of understanding performance appraisals. Among other things, to understand the advantages, the pitfalls and the legal ramifications associated with performance appraisals. The more employees, supervisors and managers understand the bigger picture, the better.

Understandably, performance appraisal has played an important role going back to ancient times and the immediate past. It is even more important in today's business environment that lays emphasis on continuous improvement. Only those employees who are willing to learn to meet the growing demands of the information age will survive. Those individuals or companies that find it difficult to cope with the fast changes become a "road kill." Today, many companies use performance appraisal as way to retain the best employees, and to get rid of all those that constitute a liability. Looking at the way business is being conducted with emphasis on quality, cost-cutting, increasing output and maximizing profit, performance appraisal will continue to have a great impact in the future.

This research project will, undoubtedly, add to the already existing literature on performance appraisals.

CHAPTER 2

Review of the Literature

Introduction

Any discussion of the performance appraisal should include a definition or rather an explanation of the meaning of performance appraisal. Performance Appraisal may be defined as

> "a structured formal interaction between a subordinate and supervisor, North (2005) that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development."

The performance appraisal can be regarded as an administrative tool for planning and controlling the assignment of work and how well or poorly it is completed. It is used to assist in delegating the carrying out of work and to control the conduct of the work so that the planned results are obtained (Patten 1982, p.5). Performance is always in the eye of the beholder and the performing employee. The important point is for both the superior and the subordinate to avoid prejudicial views and to examine behavior.

Some commonly listed reasons (Sashkin 1986, p.18) for appraisal are:

- Providing feedback to employees;
- Making promotion decisions;
- Making tenure decisions;

- Helping individuals plan their development;
- Identifying and solving problems;
- Inventorying skills;
- Planning human resources records;
- Allocating non-financial rewards.

After considerable thought, Douglas McGregor, author of "An Uneasy look at Performance Appraisal" concluded that the aims listed above, and others, could all be covered by three basic purposes:

- *Letting people know where they stand*, providing them with performance feedback;
- *Identifying an individual's training and development needs*, in terms of correcting deficiencies as well as helping that person develop his or her potential to the fullest extent
- *Providing accurate performance data* for organizational decision making, both micro-decisions such as an individual's pay increment and large-scale decisions, such as long-term hiring and development plans.

The three key aims of performance appraisal could thus be summarized as feedback, development and assessment

The History of Performance Appraisal

According to Marhal Sashkin, author of *A Manager's Guide to Performance Management*, "Performance Appraisal has been with us for all of human history and it shows no prospects of being ready for the rubbish heap."

As a distinct and formal management procedure used in the evaluation of work performance, appraisal really dates from the time of the Second World War (www.performance-appraisal.com/intro.htm) - not more than 60 years ago. Some scholars even contend that it was first used by the army in World War One to assess the performance of officers (Scott et al., 1941).

Kevin R. Murphy and Jeanette N. Cleveland, in *Understanding Performance Appraisal*, opined that performance appraisal probably began in the United States in 1813 when US Army General Lewis Cass submitted to the War Department an evaluation of each of his men using such terms as "a good-natured man" or "knave despised by all"(Cleveland, Murphy, 1995 p.3).

In the late 1960s, performance appraisal was used by many companies that experienced cutbacks in government contracts to make layoff and retention decisions.

Yet in a broader sense, the practice of appraisal is a very ancient art. In the scale of things historical, it might lay claim to being the world's second oldest profession (North, 2005).

As early as the third century A.D., Sin Yu, an early Chinese philosopher, criticized a biased rater employed by the Wei dynasty on the grounds that "the Imperial Rater of Nine Grades seldom rates men according to their merits but always

according to his likes and dislikes (Patten, 1977, p.352).

Appraisal, it seems, is both inevitable and universal (North, 2005). In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily.

Performance appraisal systems began as simple methods of income justification. That is the appraisal was used to decide whether or not the salary or wage of an individual was justified. The process was firmly linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay raise was in order.

Little consideration, if any, was given to the developmental possibilities of the appraisal. It was felt that a cut in pay or a raise should provide the only required impetus for an employee to either improve or continue to perform well.

Sometimes this basic system succeeded in getting the results that were intended, but more often than not, it failed (www.performance-appraisal.com/intro.htm). For example, early motivational researchers were aware that different people with roughly equal work abilities could be paid the same amount of money and yet have quite different levels of motivation and performance. These observations were confirmed in empirical studies. Pay rates were important, yes; but they were not the only element that had an impact on employee performance. It was found that other issues, such as morale and self-esteem, could also have a major influence. As a result, the traditional emphasis on reward outcomes was progressively

rejected.

In the 1950s in the United States of America, the potential usefulness of appraisal as a tool for motivation and development was gradually recognized. The general model of performance appraisal, as it is known today, began from that time (North, 2005).

It is important to know the history of performance appraisal, to understand the changes that have taken place, the reasons behind these changes and how performance appraisal has evolved from being an unofficial and arbitrary judgment to a motivational and developmental tool.

Understanding Performance Appraisal

The business climate has changed during the last ten years (Swan, 1991 p.3). It seems that no industry is immune to a shakeup as a direct or indirect consequence of deregulation or competition from abroad. For many organizations, one result of this trend is a justifiable obsession with quality and productivity. It is therefore more important than ever to accurately measure job performance so rewards can be distributed fairly and performance problems solved quickly.

A few decades ago the performance appraisal was a procedure of very limited utility, largely confined to hourly wage earners and used to pinpoint coarse distinctions between good and bad performers. Today many more types and levels are subject to performance appraisals, and the performance appraisal is used for decisions

about salaries, promotions and placement, to pinpoint performance problems, improve performance, for career counseling and to help implement the strategies and instill the values of the organization (Swan, 1991 p.4).

In many organizations today, appraisal results are used, either directly or indirectly to help determine reward outcomes. That is, the appraisal results are used to identify the better performing employees who should get the majority of available merit pay increases, bonuses, and promotions (www.performance-appraisal.com/intro.htm).

Judging from the preceding paragraph and the perspective given by Swan, performance appraisal has become more important today because of the way business is conducted, with emphasis on both quality and quantity. Employees who are found wanting, stand to lose their jobs.

This view resonates well at the New Jersey Mega Parts Distribution Center, (my current employer) where five years ago WMS (Warehouse Management System) was introduced to enhance employee performance. One novel feature of this system is the use of a hand-held scanner to perform virtually all the operations: from picking, packing to stocking parts. With the launching of WMS, a whole lot of paperwork was eliminated, productivity was significantly increased, errors were reduced and the quality of work was improved. WMS was geared toward enhancing the performance of all employees. This system also brought with it a very effective way to track employee productivity. Poor performers were constantly being reminded to improve. With WMS in place, performance appraisal became a very important issue to both management and employees. While managers can easily identify employees that need

to improve, employees also found it incumbent on them to find out their daily output in a conscious and determined effort to make improvement where there is a weakness. For temporary employees, there is no room for poor performance.

A growing number of organizations, including the likes of Ford, Microsoft and Conoco, (North, 2005) have adopted performance appraisal models in which best-to-worst ranking methods are used to identify poor performers, who are then given a period of time to improve. If they fail, they must leave. The departure is often sweetened with a severance package, but if the poor performer refuses to exit gracefully, they face the possibility of termination without compensation. The strategy is known as "rank and yank" (www.performance-appraisal.com/news.htm).

According to Time magazine, forced ranking appraisal systems have spread to around 20 percent of US companies in recent years. For example, California-based Sun Microsystems ranks its 43,000 employees into three groups. The top 20 percent are rated as "superior," the next 70 percent as "standard." At the bottom is a 10 percent band of "Underperformers." The underperformers are told frankly that they must improve and are provided with one-on-one coaches. Underperformers who fail to improve are offered a "prompt exit package" (North, 2005).

This uncompromising stance with underperformers goes to show how the emphasis on continuous improvement has given the performance appraisal a frightening and terrifying meaning. Little wonder why performance appraisal is dreaded by both employees and managers.

Why Employees Dread Performance Appraisals

For employees receiving performance appraisals, feelings of dread are easy to understand: they are being judged, after all. Employees know well in advance when judgment will be pronounced, but often they have a much vaguer idea of what standards they are being judged by (Swan, 1991 p.4).

Among those who know their performance has been shaky, the dread may be more acute, but even star performers have their misgivings: suppose the appraisal doesn't take account of their perception of their true worth? From a practical standpoint, many things hang in the balance: salary, promotions, and perhaps the specific responsibilities that will be expected of them in the future.

Performance appraisal is also one of the most emotionally charged procedures in management (Swan, 1991 p.5). People have very strong feelings about being evaluated. Employees can feel vulnerable at this point. If their work has not been satisfactory, now is when the boom will fall. If they are personally pleased with what they have accomplished during the appraisal period, they may know from experience that their idea of good performance may be completely at odds with their manager's and they may be due for a rude awakening. Who knows what insidious little checkmarks are being made on forms that will go into their permanent record, informing any future manager that they "lack initiative" and "have difficulty facing that fact" about themselves. Employees may try to dispute the assessment, but they know their word carries much less weight than their boss' supposedly expert opinion. The process may seem completely irrational to them, but they don't have much to say

about it (Swan, 1991 p.5)

No wonder employees who are comfortable in their jobs most of the year can feel like victims of authority, whether in the form of an arbitrary manager or due to the abstract expectations of the organization, as performance appraisal time approaches.

The performance appraisal is a chore that employees dismiss (at least since the last recession 1989/90) because a good appraisal does not necessarily mean more money or job security (Kennedy Vol. 36 No. 1 January 1999 p.51). Once organizations began to disconnect raises from performance, the appraisal process was on the ropes. Why bother to labor over a detailed record of attitude problems, errors or missed assignments, when drop-kicking the individual into a lay-off pool was simpler? And given today's turn-over, appraisals are too infrequent and too irrelevant to a highly mobile workforce to provide much more than a historical record.

A look at the data on the effectiveness of performance appraisals reveals some disturbing facts. A 2004 survey of Canadian workers (a cross-section in gender, age, industrial sector, union status and non-supervisory status) found that less than two-thirds said they understood the measures used to evaluate their performance, and even fewer thought their performance was rated fairly. Less than half of them said their managers clearly expressed goals and assignments, and only about two-fifths reported regular, timely performance reviews.

Even fewer still (30%) reported that their performance review was helpful in improving their on-the-job performance, and fewer than 2 in 10 reported a clear, direct, and compelling linkage between their performance and their pay.

For most employees, appraisal is at best, a highly stressful process with little

connection to their compensation. At worst they see appraisal as a figurative whip in the hands of management (Davis, Landa CMA 73, No. 2 March 1999 p.24).

Why Managers Dread Performance Appraisal

Ironically, the manager, who is beginning to loom so large in the employee's consciousness as the day of reckoning nears, usually feels no better about the performance appraisal. It is a chore that managers hate because of its paperwork, difficult choices and discomfort (Kennedy Vol.36 No.1 January 1999 p.51).

Managers can list even more reasons for their lack of enthusiasm. Most do not like to sit in judgment of other people. It is much worse when by so doing they risk offending some one, whose continuing enthusiastic cooperation is a necessity for the manager's success. In most performance programs, the appraisal - its fairness, accuracy, and effect on future productivity and employee morale- are entirely the responsibility of the employee's immediate supervisor (Swan, 1991 p.6). Among other things, the supervisor or manager will have to ponder over: What if what you believe is an accurate appraisal leads to an Equal Employment Opportunity complaint? Can you be sure of avoiding that, even if you believe you are doing everything right? How can you really be fair and objective anyway, when the tasks the employee performs are so hard to measure, when it is so hard to separate one employee's contribution from the overall team effort? So much seems to fall on the shoulders of the manager doing the performance appraisal; it is no wonder that many managers do not relish the task.

The performance appraisal, which is almost always the manager's sole

responsibility, is generally handed down from on high like the Ten Commandments. The performance appraisal form and system may come down quietly, accompanied by a simple memo, or it may arrive with a great deal of pomp and formality. The form and procedures may be the product of a day's work, or they may be the final result of years of planning by human resources professionals. Perhaps, it is no mere form or collection of forms; perhaps it is a carefully engineered system - some of the things it does are very basic; others are subtle (Swan, 1991 p.7).

In some organizations the performance appraisal is the linchpin for an organization's human resources programs, including salary administration, human resource planning, and career pathing. Of all human resource programs, the performance appraisal may even be the only formal mechanism for communicating to employees what their job is. And, increasingly, the performance appraisal is used as legal documentation for validating promotion decisions.

Undoubtedly, the performance appraisal has expanded in scope for many reasons, none of them whimsical, but whatever the motive, the result is the same: an increased burden on the manager who has to conduct the appraisal. While most managers and employees have valid reasons to dislike performance appraisals, it may be a mistake to discontinue them (Kennedy Vol. 36 No. 1 January 1999 p.52). Instead of looking at the process as a "Judgment Day," "Do-I-Get a raise or not" scenario, consider ongoing assessment a retention tool, a way to identify latent leadership skills, and a way to chart changes in the firm's expectations (that is, a historical record of what is being measured and appraised).

Formal systems of appraisal are neither worthless nor evil, as some critics

have implied (Oberg, 2005). Nor are they panaceas as many managers might wish. A formal appraisal system is, at the very least, a commendable attempt to make visible and hence improbable a set of organizational activities. Personal judgments about employee performance are inescapable, and subjective values and fallible human perception are always involved. Formal appraisal systems, to the degree that they bring these perceptions and values into the open, make it possible for at least some of the inherent bias and error to be recognized and remedied. By improving the probability that good performance will be recognized and rewarded and poor performance corrected, a sound appraisal system can contribute both to organizational morale and organizational performance. Moreover, the alternative to a bad appraisal system need not be no appraisal program at all, as some critics have suggested. It can and ought to be a better appraisal program. And the first step in that direction is a thoughtful matching of practice to purpose (Oberg, 2005).

To lessen the obvious burden of performance appraisal on the manager, William S. Swan gives this prescription: the superior value of continuous Performance management in comparison with a once-a-year performance appraisal. He stresses the value of integrating the performance appraisal into a larger performance management process.

Performance management means more than assessing an employee's performance at regular intervals. It unites a number of related tasks: monitoring, coaching, giving feedback, gathering information, and yes, assessing an employee's work. It accomplishes those tasks in the context of objectives-the immediate objectives of the department and the overall goals of the organization. And it carries

them out systematically, throughout the year (Swan, 1991 p.11).

For different organizations, the actual means may differ, but regardless of the procedures used to implement it, the basic strategy is the same and the benefits are the same. A performance managenement approach makes better use of performance appraisal, because it uses the information and the performance appraisal interaction to support the definite goals, it also makes for a fairer and more accurate performance appraisal, because defining the aims of the organization and the department clearly helps form better, more job-related criteria for the appraisal (Swan, 1991 p.11).

To further lessen the burden on the shoulders of the manager or supervisor, Winston Oberg, Professor of Management at the Graduate School of Business Administration, Michigan University, takes the position that "performance appraisal programs can be made considerably more effective if management will fit practice to purpose when setting goals and selecting appraisal techniques to achieve them." In a recent article, *Make performance appraisal more relevant*, Oberg discusses the most commonly used appraisal techniques, which include: Essay appraisal, Graphic rating scale, Field review, Forced-choice rating, Critical incident appraisal, Management-by-objective approach, Work-standards approach, Ranking methods, and Assessment. Each of these, he points out, has its own combination of strengths and weaknesses, and none is able to achieve all the purposes for which management institute performance appraisal systems. Nor is any one technique able to evade all of the pitfalls. The best anyone can hope to do is to match an appropriate appraisal method to a particular performance appraisal goal (Oberg, 2005).

Critical Factors of Performance Appraisal

Donald N. Lombardi, author of a *Handbook for the New Health Care Manager*, in an effort to make performance appraisal more relevant and effective takes a comprehensive view on how to conduct an effective performance appraisal. He outlines twenty essential factors of performance appraisal. He reviews each factor, explains its significance to the performance appraisal cycle, and presents practical suggestions on making the factors part of the appraisal strategy. By incorporating all these factors into the performance appraisal approach, the manager will succeed in making the appraisal process a more meaningful and progressive management instrument (Lombardi, 2001, p.300).

Performance appraisal must be comprehensive in scope. The appraisal, as well as the documentation and performance observation leading to the appraisal, must be all-encompassing and take in the entire breath of the performance. In addition to assessment of performance in all aspects of the job position, there should be appraisal of organizational values or work personality traits essential to doing the job. By failing to be comprehensive the manager risk the employee's focusing on just one aspect of job performance at the neglect of other essential job elements.

The performance appraisal must be seen as a process intended to elicit stellar performance and encourage professional growth and development. With this in mind sections in the performance appraisal should cover critical incidents relative to the job, job related training and development activities, and other motivational data. This perspective helps provide the employee with a full view of the job position, and

provides comprehensive insights into how improvement might be made within the scope of the job position.

Performance appraisal must be an ongoing process. The performance appraisal cycle should commence on an employee's first day or on the first day of the performance cycle (the day following the last review). Performance should be evaluated continually, feedback should be provided on an ongoing basis, and the opportunity for work discussion should be available at all times. Unless the appraisal process is continual, there is the likelihood that performance will not improve in the course of the year.

The performance appraisal must be individualized. This means that individual aspects of the job, as well as the particular talents and skills of the employee under review, must be assessed. Nothing demeans the validity of the appraisal more than identical appraisals on different individuals in the same job position. This sort of appraisal destroys manager credibility and sends a distinct message to the employees that the performance appraisal is no more than a paper exercise not to be taken seriously. Therefore, each employee's individual attributes, potential and performance must be examined within the job role to ensure the validity of the appraisal.

The Performance appraisal should take individual situations into consideration. Each job role should take into consideration the situation in which the employee operates and performs everyday. The manager's sensitivity to environmental conditions will convey a sense of fairness while encouraging the employee to achieve even under adverse conditions.

The performance appraisal has the potential to be a motivational tool. For

strong players, the appraisal affords two opportunities to give positive motivation. One is by providing high performance ratings. The other is by allowing employees to offer input on how they can enhance performance even further. For steady players (those who achieve at a satisfactory level), the appraisal can be a shot in the arm and a step toward reaching a higher performance level. For poor performers, the performance appraisal can be an opportunity for the manager to present, in exclusive one-on-one interchange, new parameters for performance and give notice of consequence(s) for failure to improve. With strong documentation and the techniques for delivering a performance, the manager can clarify requirements and consequences for underachievers.

The performance appraisal and job description should be prioritized. This can be accomplished by listing the job requirement on a scale from one to ten, with one as the most important and ten as the least important. Another way of prioritizing job elements is the weighted value approach. Whether one uses a listing technique or a weighted-value technique, it is important to express a sense of priority so that the employee's job focus is appropriate and well calibrated.

All terms used in the performance appraisal form itself should be easily understood by, and meaningful to the employee. Ensure that the employee understands the terminology and applicability of the scoring mechanism as it relates to his or her job and potential pay raises. From an overall perspective, the form and the evaluation process should be user-friendly. An unclear form promotes distrust and destroys any credibility the process might have. Additionally, an unclear form eliminates opportunity to use the performance appraisal as an education tool – the employee

simply does not understand what the manager is trying to get at. During the discussion as well as the review process, use language that is clear, concise, and relevant to the employee's particular job scope.

A good performance appraisal should provide the employees insight on what the organization expects from the employee and what standard and measurements are being used to judge performance. The appraisal should clarify employee's expectations of the job, and should make clear the manager's expectations and desires. From another perspective, the performance appraisal should be an education for the manager for providing insight into how effectively the manager is managing his assigned human resources. Moreover, it should spell out what is deemed as stellar performance and enlighten employees on how they might improve performance and methods.

The performance appraisal should be a tool for long-term employee development. The performance appraisal form should include a section for a development plan. A good strategy is to ask employees to cite areas in which they can improve, and list activities or training opportunities they desire to improve skills or acquire new ones.

The performance appraisal should also provide short-term direction for the following year's performance. In addition to encouraging long-term development, a strong set of objectives should be established for the coming rating period. Give employee a clear picture of expectations for the following year and underscore the ongoing nature of the performance appraisal.

The performance appraisal form should be user-friendly and comprehensive.

The appraisal must be viable in scope and application. The appraisal exercise should be a communication exercise in which all parties participate so that the goals listed for the following year are realistic and practical, goals that everyone can live with.

The performance appraisal should be measurable. The appraisal should use clear-cut quantitative measures and rating scales that are understandable and relevant to the employees. Otherwise employees lack a standard or benchmark to which they can aspire or against which to compare their performance last year. For employees who want to be challenged, and want to increase or improve their performance, clear measurements should give them motivation.

Financial considerations must also be taken into account in a performance *appraisal sequence*. Evaluations should distinguish between individuals who receive a cost-of-living increase and those who do not, as well as separate those who will be trained from those who should be terminated. In organizations whose quality improvement assign the ratings "above expectations," "meet expectations," or "below expectations," raises are given to those who exceed expectations, cost-of-living adjustments are given to those who meet expectations, and disciplinary probation is the fate of individuals who fall below expectations.

The performance appraisal should be legal in content and scope. No undue bias or prejudice should be introduced into the process. The individual's performance-not ethnic origin, gender, religion, or any other protected category -should be the only consideration.

The performance appraisal should be objective. The manager should use objective information collected from his documentation efforts, and use a

preponderance of evidence rather than opinion to make the case for negative, neutral, and positive performance.

The performance appraisal should be cumulative. The need for appraisal is continual, in that it shows rises or fall in performance levels throughout the grading period. Both negative and positive trends should be looked into.

All information on performance appraisal should be drawn from factual evidence backed up by a logbook. If the manager does a good job of compiling a documentation logbook, the appraisal should rest on fact. The more factual they are, replete with points of evidence throughout the course of the year, the more validity they will have for the employees, and the more employees will learn from the exercise.

The performance appraisal should be ethical. It should be fair, respectful of the employees' dignity, and maintain allegiance to the organization. The individual employee should be given the opportunity to discuss any aspects of their performance and have maximum opportunity for input. However, the manager has ultimate control and must guide the performance appraisal accordingly.

By embracing all these tenets enumerated, a manager can conduct a meaningful performance appraisal that will be a building block for organizational, departmental, and individual development.

Lombardi's twenty-point guide for performance appraisal is reflected in the works of other authors. Thomas H. Patten Jr., in his *A Manager's Guide to Performance Appraisal*, provides guidelines to managers in conducting a meaningful appraisal. He gives a simple and straightforward analysis that any manager can

understand. Michael A. Holszchu, in his *Complete Employee Handbook*, gives all the legal implications in conducting a performance appraisal. This legal guide is aimed at managers of small and medium-sized firms in a bid to avoid law suits resulting from a performance appraisal that is not properly conducted. Randi Toler Sachs, in his *Productive Performance Appraisals*, provides an insight into how to make a performance appraisal a collaborative effort between manager and employee. For performance to be useful, he stresses, it should reflect the input of the employee. M. R. Williams, in his *Performance Appraisal in Management*, takes the position that performance appraisal is a natural and inevitable function of management.

Summary

The review of the literature of this study focused on the following themes: The history of performance appraisal, the arguments for and against performance appraisals both from a managerial as well as an employee perspective; how to make performance appraisal an effective management tool. The objective of this chapter is to show how performance appraisal has evolved from an ancient practice to both a motivational and developmental tool. Virtually all the works reviewed share this recurring theme: How to make performance appraisal effective in the workplace. Despite the many and varied pitfalls of performance appraisal highlighted, the authors seem to agree that performance appraisal is both relevant and unavoidable given the way in which business is conducted today with emphasis on continuous improvement.

Today, there are no sacred cows in the workplace. Long years of experience do not

matter any more in a system-driven work environment. Old and new employees are subjected to the same standards. You either perform to expectation or you are out. It is no longer a matter of how long one has been with a company; it is how well one can perform. This explains why the performance appraisal has become more and more important. It has been estimated that over three fourths of US companies now have performance programs. While it is widely believed, from a practical standpoint, that formal appraisal programs have yielded unsatisfactory and disappointing results, the issue should not be to abandon them but to make them better. This is what this chapter seeks to convey.

CHAPTER 3

A Survey seeking the perspectives of Managers and Employees on The relevance and effectiveness of Performance Appraisals

Description of the Survey

The survey, seeking the perspectives of managers and employees on the relevance and effectiveness of performance appraisal, consists of twelve statements measured on the basis of the Likert scale – a survey system comprised of a five-point scale. The rating scale range from

Strongly Agree to Strongly Disagree. Two surveys will be conducted for this research (one for managers and the other for non-exempt hourly employees) to find out how managers and employees view performance appraisal. For employees, responses will come from fellow employees at the NJ Mega PDC. For managers, responses will come from a web-based survey site – Zoomerang.

"SA " means that the participant strongly agreed with the statement; "A " implies the participant agrees with the statement; "NA states one of three different answers – either the participant did not know, did not care, or could not decide; "D' signifies that the participant disagreed with the statement, and "SD indicates the participant strongly disagreed with the statement. Each of the survey statements has a general stance pertaining to performance appraisal in the workplace. The researcher's

intention is to elicit a positive or negative reaction to performance appraisal in order to draw conclusions regarding its relevance and effectiveness as a management tool.

Sample

The objective of this survey is to determine the effectiveness of performance appraisal by drawing conclusion from the perspectives of managers and employees. Each participant has spent at least five years in a United States company. A total of 100 participants will be surveyed: 50 managers and 50 employees. The 50 employees will be surveyed on paper at my current employer, NJ Mega PDC. A majority of the employees are males (85%) with age ranging from 25 to 60. Female employees, with age ranging from 25 to 55, constitute 15%. The 50 managers will be surveyed by e-mail through a web-based survey site, Zoomerang. The completed paper survey from fellow employees will be collected by researcher. The result of each response to the statements will be calculated. Responses from managers through Zoomerang will be collected.

The response to each statement will be calculated. The total results from both managers and employees will be compared to find out if more managers think performance appraisal is an effective management tool; or more employees think performance appraisal is an effective management tool.

Purpose of the Survey

The primary purpose in developing this survey is to assess how managers and employees perceive performance appraisal. It is quite evident from the literature examined that both managers and employees dread performance appraisal. The researcher wants to find out if there is any validity to that claim.

As a non-exempt hourly employee, the researcher wants to find out the relationship between theory and practice: how he can relate what he has read to his own work environment. The experience of planning and carrying out this survey gave the researcher the freedom to go beyond the literature and get input from managers and fellow employees. In a way, this survey enabled the researcher to put theory into practice.

My final analysis and conclusion will be based on the responses to these statements. I will go on to do a performance appraisal on a fellow employee by using a basic summary form and a criterion-based performance appraisal form to determine the superstar, steady, and non-player in the workplace. I will also analyze both forms to determine which is more effective for non-exempt hourly employees. Conclusions are drawn from my own personal observations as a non-exempt hourly employee at the NJ Mega PDC.

CHAPTER FOUR

Introduction

Are Performance Appraisals an effective management tool? How relevant is the Performance Appraisal in today's work environment? In an effort to answer these questions, this researcher embarked on a research project to find out from employees and managers their views and opinions regarding the effectiveness and relevance of the Performance Appraisal.

Methodology

In a bid to find out how effective and relevant performance appraisals are as a management tool, a survey was conducted to seek the perspectives of managers and employees. For employees, questionnaires were distributed at the New Jersey Mega Parts Distribution Center (a division of Nissan North America), and the employees of Cedar Oaks, a health care center. Questionnaires to employees were distributed in self-addressed envelopes to ensure anonymity.

The survey had twelve statements. Each participant was to circle his or her level of agreement. The first four statements were based on gender, age, education and job tenure. The remaining eight statements were measured on the basis of the Likert Scale – a survey system comprised of a five-point scale, ranging from: Strongly Agree to Strongly Disagree.

Prior to distributing the survey questionnaires to employees, permission was received from the Human Resources Managers from both organizations. Researcher explained to them the purpose of the survey – the collection of data by a graduate student at Seton Hall University for statistical analysis. Both Human Resources Managers were assured of the anonymity of the participating employees; that all responses will be kept confidential.

Researcher distributed the questionnaires on a Friday after work for participants to take home and complete the survey. Participants were given the option of either hand-delivering their responses to researcher in self-addressed envelopes, or mailing them. Over 90% of the employees hand-delivered their responses, while about 10 % of the employees mailed their responses.

For managers, the survey was conducted through an online survey site called Zoomerang. Twelve statements were posted on the survey site. The first four were based on gender, age, education and job tenure. The remaining eight statements were measured on the basis of the Likert Scale, the rating scale ranging from Strongly Agree to Strongly Disagree. Unlike the survey sent to employees, this survey's Likert Scale did not include the response "neither agree nor disagree (NA).

Researcher provided an email list of 123 managers from different organizations, including managers at the New Jersey Mega PDC to Zoomerang. Zoomerang deployed the survey to all the email addresses given. Zoomerang provided a link to researcher's email address, and made available the results of responses to the survey.

The quantitative methodology was used for this research project. Aside from the literature reviewed, researcher also followed the survey research tradition; gathering data and analyzing the result before making a conclusion. Researcher also used the qualitative methodology; a fellow employee at the New Jersey PDC was interviewed in the process of doing a performance appraisal.

Sample

The purpose of the survey was to determine the relevance and effectiveness of performance appraisals by drawing conclusions from the opinions of employees and managers. Each participant had spent at least one year in a company in the United States. Thirty envelopes were distributed to employees at the New Jersey Mega Parts Distribution Center, and another thirty was distributed to employees at Cedar Oaks Care Center.

For managers, an email list of 123 was sent to Zoomerang. This list of managers included supervisors and any departmental heads that oversee employees and conduct annual performance reviews.

Description of Results

The survey was sent to a total of 183 employees and managers: 60 employees and 123 managers. All 60 (100%) employees responded, while 50 (41%) managers responded. A total of 110 employees and managers responded to the survey.

While all 60 employees or 100% completed the survey, only 47 managers or 38% completed the survey. There were three partials, and these were excluded from the final survey results.

After collecting the completed paper survey, the researcher calculated the total results of each response for each of the statements on the basis of the Likert Scale: SA= strongly agree, A=agree, NA=neither agree nor disagree; D=disagree; SD= strongly disagree. The results of the paper survey were added to those tallied online by Zoomerang.

EMPLOYEES

Statement 1: My firm conducts annual Performance Appraisals.

For this statement 44 respondents or 73 % answered yes; 16 respondents or 27% answered no. Judging from the figures, a majority of employees surveyed indicated that their companies or firms conduct annual performance appraisals (see figure 1).

Figure 1

1.My firm conducts annual Performance Appraisals	Number of Responses	Response Ratio
Yes	44	73%
No	16	27%
Total	60	100%

Statement 2: Please check one: Male / Female

For this, 31 respondents or 52% indicated Male; 29 respondents or 48% indicated Female. Looking at the figures, there were more male respondents than female to the survey for employees (see figure 2).

Figure 2

2. Please check one	Number of Responses	Response Ratio
Male	31	52%
Female	29	48%

Statement 3: Highest level of education:

For this category, 22 respondents or 37% indicated High School; 26 respondents or 43% indicated College, while 12 respondents or 20% went to Graduate School. There were more respondents with a college education (see figure 3).

Figure 3

3. Highest level of education	Number of Responses	Response Ratio	
High School		22	37%
College		26	43%
Graduate School		12	20%
	Total	60	100%

Statement 4: How long have you worked at your current organization?

For this statement, only 1 respondent or 2% indicated less than one year; 8 respondents or 13% indicated 2-3 years; 5 respondents or 8% indicated 4-5 years; 46 respondents or 77% indicated 5years +.

From this, we can say that there were more respondents who had spent more than five years in their organizations. Those who indicated less than one year were only 2% (see figure 4).

Figure 4

4. How long have you worked at your current organization?	Number of Responses	Response Ratio	
Less than 1 year		1	2%
2-3 years		8	13%
4-5 years		5	8%
5+		46	77%
	Total	60	100%

Statement 5: What is your age?

For this question, 5 respondents or 8% indicated 18-29; 12 respondents or 20% were 30-39; 29 respondents or 48% were in the 40-49 range; 13 respondents or 22% were in the 50-59 range, while there was only 1 respondent or 2% for the 60-69 range. Judging from the numbers, there was a greater percentage of respondents within the age of 40-49 (see figure 5).

Figure 5

5. What is your age?	Number of Responses	Response Ratio
18-29	5	8%
30-39	12	20%
40-49	29	48%
50-59	13	22%
60-69	1	2%

Statement 6: Pay raises are tied to one's Performance Appraisal.

For this statement, 16 respondents or 27%t strongly agreed (SA); 12 respondents or 20% agreed (A); 11 respondents or 18% neither agreed nor disagreed (NA); 11 respondents or 18% disagreed (D); 10 respondents or 17% strongly disagreed (SD). A greater percentage of respondents (27%) strongly agreed (See table1).

Table 1

6. Pay raises are tied to one's Performance Appraisal

SA	16	27%
A	12	20%
NA	11	18%
D	11	18%
SD	10	17%
Total	60	100%

Statement 7: My supervisor explains to me the purpose of Performance Appraisal

For this statement, 15 respondents or 25% strongly agreed (SA); 23 respondents or 38% agreed (A); 5 respondents or 8% neither agreed nor disagreed (NA); 11 respondents or 18% disagreed (D); 6 respondents or 9 percent strongly disagreed (SD). A greater percentage of respondents (38%) agreed (A) with this statement (see table 2).

Table 2

7. My Supervisor explains to me the purpose of Performance Appraisal

SA	15	25%
A	23	38%
NA	5	8%
D	11	18%
SD	6	9%
Total	60	100%

Statement 8: Employee input is vital in setting goals and objectives.

For this statement, 20 respondents or 33% strongly agreed (SA); 14 respondents or 23% agreed (A); 8 respondents or 13% neither agreed nor disagreed (NA). 11 respondents or 18% disagreed (D); 7 respondents 12% strongly disagreed (SD). A greater percentage of respondents (20) or 33% strongly agreed (see table 3).

Table 3

8. Employee input is vital in setting goals and objectives

SA	20	33%
A	14	23%
NA	8	13%
D	11	18%
SD	7	12%
Total	60	100%

Statement 9: Performance Appraisal is an educational tool.

For this statement, 17 respondents or 28% strongly agreed (SA); 15 respondents or 25% agreed (A); 10 respondents or 17% neither agreed nor disagreed (NA); 10 respondents or 17% disagreed (D); 8 respondents or 13% strongly disagreed (SD). From the numbers a greater percentage of respondents (17) or 28%, strongly agreed (see table 4)

Table 4

9. Performance Appraisal is an educational tool.

SA	17	28%
A	15	25%
NA	10	17%
D	10	17%
SD	8	13%
Total	60	100%

Statement 10: Performance Appraisal is a career development tool.

For this statement, 16 respondents or 27% strongly agreed (SA); 16 respondents or 27% agreed (A); 10 respondents or 17% neither agreed nor disagreed (NA); 10 respondents or 17% disagreed (D); 8 respondents or 13% strongly disagreed (SD). A greater percentage of respondents, with a tie of 16/16 or 27%, each, strongly agreed and agreed (see table 5).

10. Performance Appraisal is a career development tool

SA	16	27%
A	16	27%
NA	10	17%
D	10	17%
SD	8	13%
Total	60	100%

Table 5

Statement 11: Performance Appraisal is a fair management tool.

For this statement, 13 respondents or 22% strongly agreed (SA); 7 respondents or 12% agreed (A); 17 respondents or 28% neither agreed nor disagreed (NA); 13 respondents or 22% disagreed (D); 10 respondents or 16% strongly agreed (SD). For this last but one question, a greater percentage of respondents (28%) neither agree nor disagree (see table 6).

Table 6

11. Performance Appraisal is a fair management tool

SA	13	22%
A	7	12%
NA	17	28%
D	13	22%
SD	10	13%
Total	60	100%

Statement 12: Performance Appraisal is very meaningful to me.

For the last statement, 21 respondents or 35% strongly agreed (SA); 9 respondents or 15% agreed (A); 13 respondents or 22% neither agreed nor disagreed (NA); 9 respondents or 15% disagreed (D); 8 respondents or 13% strongly disagreed (SD). From the figures, (table 7) a greater percentage of respondents (35%) strongly agree.

Table 7

12. Performance Appraisal is very meaningful to me

SA	21	35%
A	9	15%
NA	13	22%
D	9	15%
SD	8	13%
Total	60	100%

MANAGERS

Statement 1: My firm conducts annual Performance Appraisal

For this statement, 44 respondents or 94%t answered yes, while 3 respondents or 6% answered no. From the figures, more respondents confirm having annual performance appraisals in their firms or organizations (see figure 1).

Figure 1

1.My firm conducts annual Performance Appraisals	Number of Responses	Response Ratio
Yes	44	94%
No	3	6%
Total	47	100%

Statement 2: Please check one:

For this, 34 respondents or 72 % indicated Male, while 13 respondents or 28% indicated Female. There were more Male respondents than Female respondents; 34 or 72% against 13 or 28% (see figure 2).

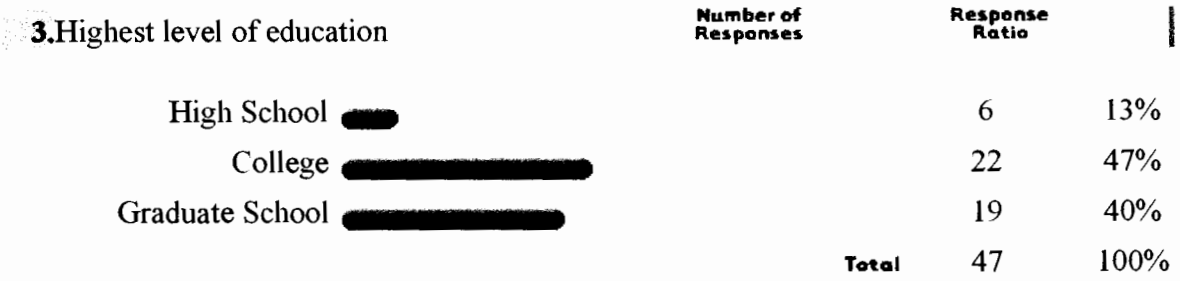
Figure 2

2.Please check one	Number of Responses	Response Ratio
Male	34	72%
Female	13	28%

Statement 3: Highest level of education:

For this statement, 6 respondents or 13% checked High School; 22 respondents or 47% checked College, while 19 respondents or 40% checked Graduate School. The figures indicate that there is a greater percentage of respondents with a college education (see figure 3).

Figure 3

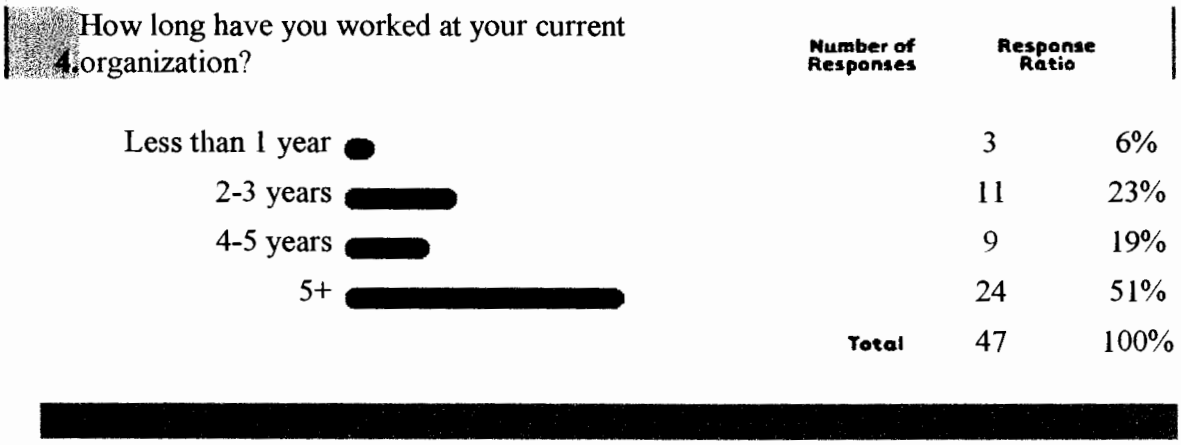


3. Highest level of education	Number of Responses	Response Ratio	
High School		6	13%
College		22	47%
Graduate School		19	40%
	Total	47	100%

Statement 4: How long have you worked at your current organization?

For this statement, 3 respondents or 6% checked less than one year; 11 respondents or 23% checked 2-3 years; 9 respondents or 19% checked 4-5 years, while 24 respondents or 51% checked 5 years +. From the figures, more respondents had spent 5 years and above in their present firms or organizations (see figure 4).

Figure 4

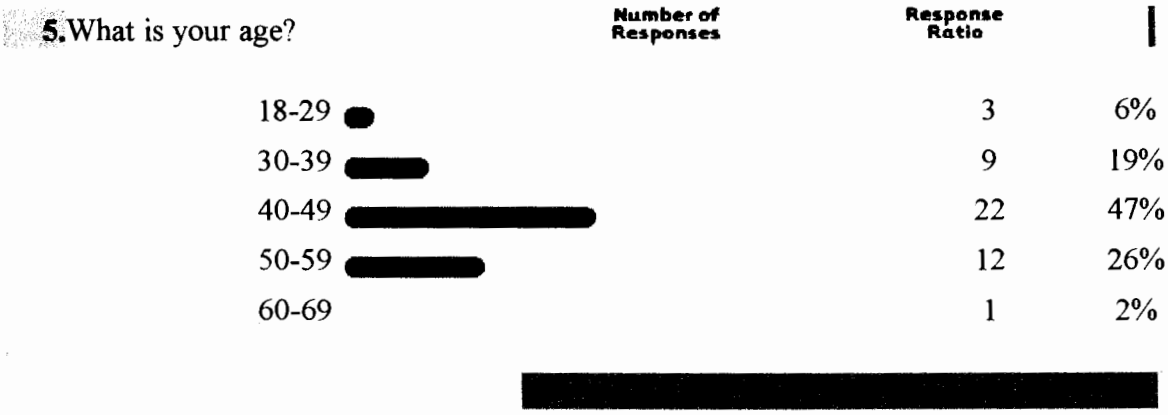


4. How long have you worked at your current organization?	Number of Responses	Response Ratio	
Less than 1 year		3	6%
2-3 years		11	23%
4-5 years		9	19%
5+		24	51%
	Total	47	100%

Statement 5: What is your age?

For this question, 3 respondents or 6% checked 18-29, 9 respondents or 19% checked 30-39, 22 respondents or 47% checked 40-49; 12 respondents or 26% checked 50-59 while 1 respondent or 2% checked 60-69. Looking at the totals a greater percentage of respondents fall within the age of 40-49 (see figure 5).

Figure 5



Statement 6: Performance Appraisal is a helpful management tool

For this statement, 22 respondents or 47% of the respondents strongly agreed (SA); 25 respondents or 53% of the respondents agreed (A). None of the respondents disagree or strongly disagree with the statement. For this statement, there was a high response from those who agree (A) that performance appraisal is a helpful management tool (see figure 6).

Figure 6

6.Performance Appraisal is a helpful management tool	Number of Responses	Response Ratio
Strongly Agree	22	47%
Agree	25	53%
Disagree	0	0%
Strongly Disagree	0	0%

Statement 7: Performance Appraisal improves output.

For this statement, 13 respondents or 28% strongly agree (SA); 29 respondents or 63% agree (A); 4 respondents or 9% disagree (D). None of the respondents strongly disagreed (SD). More respondents (63%) do agree that performance appraisal improves output (see figure 7).

Figure 7

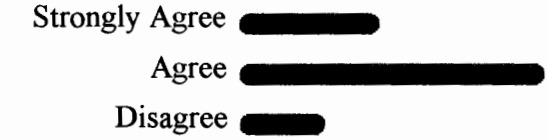
7.Performance Appraisal improves output	Number of Responses	Response Ratio
Strongly Agree	13	28%
Agree	29	63%
Disagree	4	9%
Strongly Disagree	0	0%

Statement 8: Employees with special skills are identified through Performance Appraisal.

For this statement, 12 respondents or 26% strongly agree (SA); 27 respondents or 57% respondents agree (A); 8 respondents or 17% disagree. None of the respondents strongly disagree (SD). More respondents (57%) do agree that employees with special skills are identified through performance appraisal (see figure 8).

Figure 8

8. Employees with special skills are identified through Performance Appraisal



	Number of Responses	Response Ratio
Strongly Agree	12	26%
Agree	27	57%
Disagree	8	17%
Strongly Disgree	0	0%
Total	47	100%

Statement 9: Weak performers are identified through Performance Appraisals.

For this statement, 8 respondents or 17% of the respondents strongly agree (SA); 27 respondents or 57% agree (A), while 12 respondents or 26% disagree (D). None of the respondents strongly disagree (SD). There was agreement on the part of most respondents that weak performers are identified through performance appraisals. (see figure 9)

Figure 9

9. Weak performers are identified through Performance Appraisal	Number of Responses	Response Ratio
Strongly Agree	8	17%
Agree	27	57%
Disagree	12	26%
Strongly Disagree	0	0%
Total	47	100%

Statement 10: Promotion of employees is based on Performance Appraisal.

For this statement, 3 respondents or 6% strongly agree (SA); 29 respondents or 62% agree (A); 13 respondents or 28% disagree (D) while 2 respondents or 4% strongly disagree (SD). Judging from the figures, more respondents (62%) agree (A) to this statement (see figure 10).

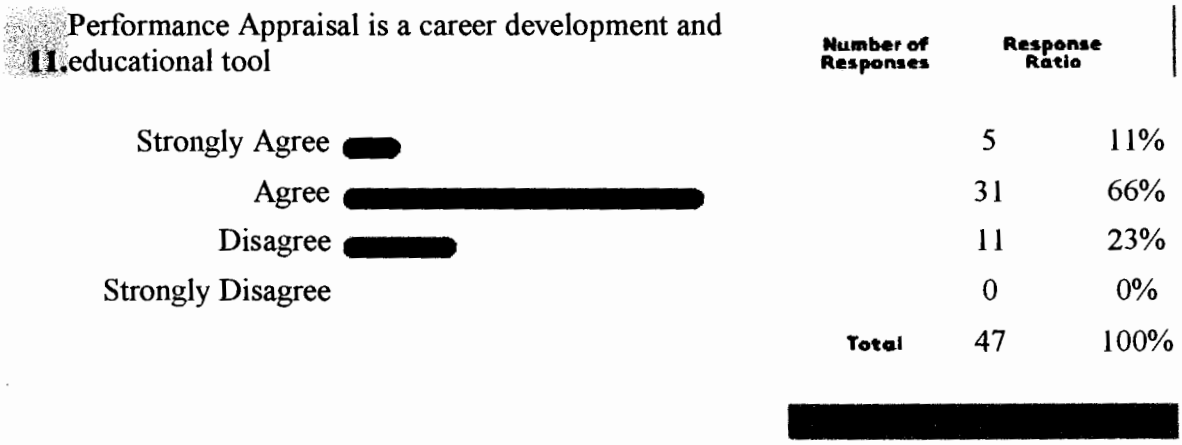
Figure 10

10. Promotion of employees is based on Performance Appriasal	Number of Responses	Response Ratio
Strongly Agree	3	6%
Agree	29	62%
Disagree	13	28%
Strongly Disagree	2	4%

Statement 11: Performance Appraisal is a career development and educational tool

For this statement, 5 respondents or 11% strongly agree (SA); 31 respondents or 66% agree (A); 11 respondents or 23% disagree (D). None of the respondents strongly disagree (SD). There was a high level of agreement (A) with this statement among respondents (see figure 11).

Figure 11



Statement 12: Performance Appraisal is a motivational tool.

For this final statement, 11 respondents or 23% of the respondents strongly agree (SA); 31 respondents or 66% of the respondents agree (A), while 5 respondents or 11% disagree. None of the respondents strongly disagreed (SD).

For this last statement, a greater percent of the respondents (66%) do agree (A) that performance appraisal is a motivational too (see figure 12).

Figure 12

12. Performance Appraisal is a motivational tool.

	Number of Responses	Response Ratio
Strongly Agree	11	23%
Agree	31	66%
Disagree	5	11%
Strongly Disagree	0	0%

Summary of the Results

Employee Response

In reviewing the survey results of employees, some key points stood out. On the positive note, there was an immediate response on the part of employees. Aside from being prompt, they also completed all the survey questions.

There were more male than female respondents to the survey. A greater percentage of employees that participated in the survey had a college education.

Also, a greater percentage of employees have worked at their current organizations for more than 5 years, and most of them fall within the age of 40-49.

While a greater percentage of employees strongly agree that pay raises are tied to one's performance appraisal, a greater percentage do agree that their supervisors explain to them the purpose of performance appraisal.

A greater percentage of employees strongly agree that employee input is vital in setting goals and objectives. The same goes for the ninth statement, in which performance appraisal is seen as an educational tool.

The table (see table x) that follows shows both positive and negative responses to the survey. From the numbers, there were more positive responses than negative responses to the survey.

Table x

POSITIVE		NEGATIVE
44		16
16		11
12		10
15		11
23		6
20		11
14		7
17		10
15		8
16		10
16		8
13		13
7		10
21		9
9		8
258	TOTAL	148
17%	AVERAGE	10%

Managers Response

When reviewing the results of managers, a few key points stood out. There was a slow response. The response rate was low. Out of a total of 123 managers that received the survey, only 50 responded.

On the positive side, more managers agree that their firms or organizations conduct annual performance appraisals.

More male managers responded to the survey than female managers. Those with a college education out number those with a high school education. From the results, a good number of managers completed Graduate School.

Like the employees, more managers have been at their current organizations for more than 5 years. Also, there were more managers within the age 40-49.

A greater percentage of managers agree that performance appraisal is a helpful management tool.

It is also evident, from the numbers, that a greater percentage of managers agree that employees with special skills are identified through performance appraisal. The same goes for identifying weak performers. A greater percentage of mangers do agree that promotion of employees is based on performance appraisal. From the results, it is evident that a greater percentage of mangers see performance appraisal as a career development and educational tool, as well as a motivational tool.

From the table below (table x) more managers responded positively to the statements than employees.

Table x

POSITIVE		NEGATIVE
44		3
22		0
25		0
13		4
29		0
12		8
27		0
8		12
3		13
29		2
5		11
31		0
11		5
31		0
317	TOTAL	148
21%	AVERAGE	4%

CHAPTER FIVE

Commentary on the results

Having closely examined the results of the survey conducted with employees and managers, a number of conclusions can be drawn. More managers and employees confirm that their firms and organizations perform annual performance appraisals; 94% for managers, and 73% for employees. This response is in line with most US firms. It has been estimated that over three fourths (75%) of US companies now have performance appraisal programs.

We also learn from the results, the existence of a large number of both employees and managers with college education. The large number of employees with college education is an indication of an enlightened workforce-a workforce that can pose a serious challenge to a manager who is not knowledgeable in a job he has been appointed to serve as leader. This poses a very serious challenge for a manager who is not only less qualified but also lacks the experience. On the other hand, an enlightened work force means less supervision. The manager's job is made much easy.

Most of these employees and managers have also spent more than 5 years in their current jobs. We also learn that most of the managers and employees who participated in the survey fall within the age of 40-49. This may be indicative of a very good incentive program, where both employees and managers feel so secure that they do not want to leave their jobs. On the other hand, it may be complacency on the part of both managers and employees. They are satisfied with what they have and do not intend to take a risk by

going somewhere else – a reflection of the common saying: "the devil you know is better than the angel you do not know."

There were more male respondents. Though there is no definite explanation for this, I will attribute this to the fact that my sample for employees was limited to hourly employees. If my sample had considered employees in other areas, especially those working in the office, there would have been more female respondents.

On the questions or statements, there is a high degree of positive response on the part of both managers and employees. Positive responses are all those responses that are either Strongly Agree or Agree. Negative responses refer to those responses that are either Disagree or Strongly Disagree. This is evident in the two tables, showing positive and negative responses.

After calculating both the number of positive and negative responses, there was an average of 17% positive and 10% negative for employees; 21% positive and 4% negative for managers. The high level of positive response from both managers and employees clearly indicate that performance appraisal is relevant in today's work environment.

It seems from the results, that managers and employees view performance appraisal as a structured process that is aimed at improving the performance of employees. From the results, we see in performance appraisal a process of give and take; a process in which the benefit is reciprocal for both employees and managers.

I must point out, however, that there is doubt on the part of employees to the statement "Performance Appraisal is a fair management tool." A large percentage of the respondents (28%) neither agree nor disagree – NA. Employees accept the inevitability of

performance appraisal. But as to being a fair management tool, they are not too sure. This can be interpreted as either they do not agree or just do not care whether it is true or not.

Though there is an element of pessimism to this statement, there is on the whole, an agreement with managers that performance appraisal is inevitable in today's work environment. Thus, managers and employees must have to work to make it better.

The Criterion-based Performance Appraisal

In an effort to put theory into practice, I decided to assume the position of Supervisor at my current job and conduct a performance appraisal on a fellow employee. I embarked on this exercise not only to justify my claim that a criterion-based performance appraisal is a more effective management tool than a basic summary of achievement, but to also look at the broader implications for the Organization, Managers and Employees.

In the process of doing the performance appraisal on a subordinate, I made use of both a criterion-based performance appraisal form and a basic summary of achievement appraisal form. Even though both forms are used to assess the performance of employees, there is a marked difference between the two. In the basic summary of achievement form, pay raise is not tied to the individual's performance; there is parity among employees when it comes to pay-raise. In the criterion-based form, salary or salary increases are tied to the individual's performance.

It is my opinion, based on observation at my current job (where I have worked for over fifteen years), that the criterion-based form is a more meaningful and progressive

management tool because it encompasses all the elements for an effective performance appraisal. The criterion-based appraisal motivates employees to do better. It rewards good performance and discourages poor performance. Since pay-raise is tied to one's performance, most employees find it a matter of practical necessity to perform to the optimum level to meet management expectations.

From the standpoint of a manager bent on getting everyone to do his best to ensure the success of the company, I prefer the criterion-based performance appraisal. Aside from being comprehensive and fair, it makes employees to be more accountable.

The Nissan nonexempt hourly employee performance appraisal is a basic summary of achievement and performance. Pay raise is not tied to performance, therefore employees are less accountable. A non-player can end up having the same raise as a steady and a superstar.

I did the performance appraisal on a fellow employee by using the Performance Appraisal matrix (figure A.1), and by using, as my yardstick, the critical factors of performance appraisal provided by Donald N. Lombardi (Handbook for the New Health Care Manager p.300).

Performance Appraisal of a Subordinate at the NJ Mega PDC

The individual for the appraisal process was Joe Daraban, a General Warehouse Operator at the New Jersey Mega PDC.

Joe D, as he is commonly known at the PDC, works in the Receiving Department. As a warehouse operator, Joe uses a handheld scanner to perform a

combination of the following tasks related to the receipt, storage, and shipment of automotive parts and accessories:

Zo	**0-250**	**Non-player**	**0/1**
Z1	**251-315**	**Steady**	**1/2**
Z2	**315-500**	**Superstar**	**2/2**

Table x: <u>Performance Appraisal Matrix</u>

- Receiving incoming items by opening crates and other containers using hand tools, and verifying and sorting contents, and moving to specified area for distribution to stocking locations.
- Places materials on racks or shelves according to predetermined sequence such as size, type, etc. Marks same with identifying information as required.

- Locates parts and accessories specified on shipping label, loads onto cart or truck, and moves to sorting and shipping area. Operates hand truck or powered truck as necessary.
- Prepares orders for shipment by verifying materials against label, packaging items to minimize damage, weigh and label individual parcels, and moving to loading location for pickup by carrier or dealer.
- Performs related tasks such as cleaning work areas, maintaining stock or necessary supplies, repairing storage racks or shelves, and picking up or delivering incidental parts items outside of facility as necessary.

Assuming the role of manager, I carried out the performance appraisal on Joe by paying close attention to his job description to find out not only what he does, but how he does it. Aside from my own observation of Joe, I also took into consideration what his fellow employees said about him and what colleagues (fellow managers/supervisors) felt about him.

Throughout the year, I took notes in my log book based on my personal observation, statements made by subordinates, my colleagues and even my superiors. My assessment of Joe took into consideration his general attitude and his team orientation. Consideration was also given to his own personal input. This was why before the date of his appraisal he completed an input workbook performance appraisal. Most of Joe's answers reflected not only my perception of him but also what my superiors, colleagues and subordinates have said about him.

Instead of using the Basic Summary type of performance appraisal form used for non-exempt hourly employees by Nissan North America, I used a criterion-based form to do the performance appraisal on Joe.

In section II of the criterion-based form under the heading Job Responsibilities, Joe demonstrated a clear understanding of his job responsibilities and he met all his job expectations. Out of a maximum of 300, he scored 200.

In section III-which dealt with the quality of Joe's professional performance- out of 100, he had 89 points.

In section IV-which dealt with Joe's critical contribution to the New Jersey Mega, out of a total score of 100, he had 70 points. By adding the totals from these three sections, Joe had a total score of 359.

Using the performance appraisal matrix as a guide, I came to the conclusion that Joe Daraban is a Superstar since he had a total score of 359 out of a maximum of 500. Aside from meeting his job expectations, Joe is a good mixer, and a team player. In the words of a fellow manager, "Joe Darabant is a benchmark employee."

Implications for the Organization, Managers and Employees

I used this performance appraisal of Joe D. to present a picture that will facilitate a deeper understanding of the implications of the criterion-based performance appraisal. Judging from the example given, performance appraisal is a process that requires the collaborative efforts of the organization, the manager and the employee.

To fully understand the implications of the appraisal process for the organization, manager and employees, it is pertinent to examine the three general classes of employees in the workplace.

In any work situation, we have the following: The Superstars, the Steadies and the Non-players.

The Superstars are the highly motivated employees. They enjoy their work, and act as positive role models for the whole group. These are usually employees who have the least number of years in the organization. They constitute about 20%.

The Steadies are best described as dependable performers. They do a solid job but are not particularly motivated to excel or exceed performance expectations on a regular basis. They have been in the company for over seven years. They constitute 70% of the employees.

The Non-players are those employees who lack motivation, and in some cases may even be counterproductive, subversive, and detrimental to the entire work group.

Having examined these three classes of employees, what are the implications?

Table x: Lombardi, D (2001) Three Classes of Employees

SUPERSTARS	20%	-	2 years
STEADIES	70%	-	7 years
NONPLAYERS	10%	-	17 years

The Organization: The organization must demonstrate that the performance appraisal is "valid," that is job related. The organization should make it a point of duty to have the right team of managers that will effectively communicate its strategies, goals and objectives to the employees. It is even more important than ever for organizations to accurately measure job performance so rewards can be distributed fairly and performance problems solved quickly. At a time of keen competition- continuous improvement- only organizations with the most efficient and effective managers stand the chance of not only surviving, but becoming leaders. With a good incentive program, realistic goals and objectives, the organization can succeed in keeping good employees and effective managers.

Most importantly, organizations should follow the law; should act within the confines of the law. By so doing, an organization can save itself time and money. The organization can also generate goodwill with individuals and create a positive public image.

The Manager: The manager on his part has the responsibility of making sure that the performance appraisal of his subordinates is fair and accurate. It is his responsibility to educate, coach, and motivate the employee to make the process meaningful. Managers who know how to make the best use of whatever performance appraisal requires of them are more effective. Managers are expected to play the role of a leader: inspire, influence and energize employees to do better.

The manager should understand the performance factors and make sure that he sets performance objectives that are based on realistic expectations. He should refrain from making any statement to employees that would result in charges of discrimination.

It is the role of the manager to make sure that his steadies are not adversely influenced by the non-players. While the manager should be able to encourage his superstars to continue to do their best, he should also come up with a strategy to diminish the impact of the non-players.

The performance appraisal is the manager's strategic tool for addressing the differences in the three: Superstars, Steadies and Non-players. The appraisal tool reinforces positive contribution, pinpoints problem areas (and problem employees).

The Employee: Employees on the other hand, are now made more accountable for their work. The more receptive they are to the advice, suggestions and recommendations for improvement from their superiors, the better. Only employees who demonstrate a willingness to do what is required of them stand a chance of keeping their jobs.

There are, today, no sacred cows in the workplace. Many years of service do not matter in today's corporate culture that is system-driven. Old and new employees are

subjected to the same standards. Employees either perform to expectation or face the possibility of losing their jobs. It is no longer a matter of how long one has been in a company; it is how well one can perform.

This clearly explains why performance appraisals have become more and more important. It is a way to keep good employees, and a way to get rid of those employees that constitute a great liability to the organization.

LIMITATIONS

Though my research paper will add to the already existing literature on performance appraisal, I must at this juncture admit that my focus has been limited. Many aspects of the topic have not been explored or looked into. One major shortcoming of my paper is the failure to include written comments from employees and managers. Many would have loved to give their candid opinion and express their personal views regarding the performance appraisal. The survey questions that I gave to employees are a reflection of my own opinion regarding performance appraisals. Also, my sample of employees does not cover employees from other areas; it is limited to hourly employees. Considering the fact that many more types and levels are today subjected to performance appraisals, it would have been in place to include other employees that are not hourly employees.

With the advent of Globalization, we see the establishment of many American companies abroad. Is Performance Appraisal used as a management tool in developing

countries where there is now a mushrooming of American companies? Are employees in these countries held to the same standards as their American counterparts? These are questions this researcher has not answered.

It is my hope that future research on performance appraisal will be directed toward developing countries, especially Africa. Nigeria (Africa's most populous country) and South Africa are in the mainstream of capitalism. I would like to see future research on these two countries because of the large presence, not only of American companies, but also of European companies.

Future research on these two countries will broaden the perspective of students regarding the use of the Performance Appraisal as an effective management tool. This will also help to broaden their understanding of different cultures – an understanding that is necessary in a world that has become one global village. Without doubt, research on the application of performance appraisals in these two countries, will make an interesting and fascinating comparative study for students offering cross-cultural communication at graduate level.

Today, there is a free movement of people and a free flow of ideas. The more people learn about others, the better. This explains why many organizations have introduced programs geared toward promoting diversity in the workplace. Those who are in a position to learn about different people and different cultures, have a greater competitive edge over people who have not taken the time to learn about others.

SUMMARY

I have attempted in this research paper to trace the history of performance appraisal from ancient times to the present; how performance appraisals have evolved from being a way to reward good performers to a developmental and educational tool.

Aside from trying to understand the broader meaning of the Performance Appraisal, I also examined some of the pitfalls, the benefits and the legal ramifications; why some managers and employees dread the performance appraisal.

I enumerated the twenty critical factors presented by Donald N. Lombardi in his book, *Handbook for the New Health Care Manager*, intended to make performance appraisal meaningful and relevant. This twenty-point guide is a comprehensive and useful management tool for the new manager.

To demonstrate how relevant and effective performance appraisals are as management tool, I conducted a survey to seek the perspectives of both employees and managers. The positive results of the survey did not only reflect my personal view that performance appraisals are relevant; the results are also in consonance with North's (2005) definition: "Performance appraisal is a structured formal interaction between a subordinate and supervisor that usually takes the form of a periodic interview (annual or semi annual), in which the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development."

Results of the survey also reflect the basis upon which my research topic was chosen - that basic human tendency to make judgment about others which is both

universal and inevitable. The positive responses buttress my view that performance appraisal is an effective management tool. It is both an educational and a developmental tool.

I will conclude this research paper with the words of Winston Oberg, professor of management at the Graduate School of Business Administration, Michigan University.

> Formal systems of appraisal are neither worthless nor evil, as some critics have implied. Nor are they panaceas as many managers might wish. A formal appraisal system is, at the very least, a commendable attempt to make visible and improbable a set of organizational activities. Personal judgments about employee performance are inescapable, and subjective values and fallible human perception is always involved. Formal appraisal systems, to the degree that they bring these perceptions and values into the open, make it possible for at least some of the inherent bias and error to be recognized and remedied. By improving the probability that good performance will be recognized and rewarded and poor performance corrected, a sound appraisal system can contribute to organizational morale and organizational performance. Moreover, the alternative to a bad appraisal system need not be no appraisal program at all. It can and ought to be a better appraisal program.

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Appendix A

Performance Appraisal: The Implications for Managers and Employees

Responses to this survey will not be shared. They will be used only for statistical purposes in completing my Master's Thesis at Seton Hall University.

Completing this survey will contribute to the research regarding the performance appraisal, and its effectiveness as a management tool.

You will spend less than 10 minutes on this survey. Please respond to each of the statements by circling the response that best represents your feeling.

SA= Strongly Agree

A= Agree

NA= Neither Agree Nor Disagree

D= Disagree

SD= Strongly Disagree

Return your completed survey response to:

Sekou D. Bangura

426 Rushmore Avenue

Piscataway, NJ 08854

OR

sbangura@optonline.net

Thank you for your participation

Appendix B

For Employees

Performance Appraisal: "Is a structured formal interaction between a subordinate and a supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development" North (2005)

Please mark an "x" on the one that best represents you.

1. Gender:_____ male _____female

2. Age: _____18-29 _____30-39 _____40-49 _____50-59 _____60-69

3. Education: Highest level of completed education

_____High School _____ College _____Graduate School

4. How long have you worked at your current organization?

_____ Less than 1 year _____ 2-3 years _____4-5 years _____ 5 +

5. My firm conducts annual performance appraisals

_____ Yes _____ No

Please respond to each of the following statements by circling the response that best represents your feeling.

6. Pay raises are tied to one's performance appraisal

SA A NA D SD

7. My supervisor explains to me the purpose of performance appraisal

SA A NA D SD

8. Employee input is vital in setting goals and objectives

SA A NA D SD

9. Performance appraisal is an educational tool

SA A NA D SD

10. Performance appraisal is a career development tool

SA A NA D SD

11. Performance appraisal is a fair management tool

SA A NA D SD

12. Performance appraisal is very meaningful to me

SA A NA D SD

Appendix C

For Managers

Performance Appraisal: "Is a structured formal interaction between a subordinate and a supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development" North (2005).

Please mark an "x" on the one that best represents you.

1. Gender:_____ male _____female

2. Age: _____18-29 _____30-39 _____40-49 _____50-59 _____60-69

3. Education: Highest level of completed education

_____High School _____ College _____Graduate School

4. How long have you worked at your current organization?

_____ Less than 1 year _____ 2-3 years _____4-5 years _____ 5 +

5. My firm conducts annual performance appraisals

_____ Yes _____ No

Please respond to each of the following statements by circling the response that best represents your feeling

6. Performance Appraisal is a helpful management tool

SA A NA D SD

7. Performance Appraisal improves output

SA A NA D SD

8. Employees with special skills are identified through performance appraisal

SA A NA D SD

9. Weak performers are identified through performance appraisal

SA A NA D SD

10. Promotion of employees is based on performance appraisal

SA A NA D SD

11. Performance Appraisal is a career developmental and educational tool

SA A NA D SD

12. Performance Appraisal is a motivational tool

SA A NA D SD