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Performance Appraisal: Measurement, Assessment, and Management

Learning Objectives

After reading this chapter, you should be able to

- Use a holistic approach to define work performance and identify its dimensions
- Discuss the outcomes of effective performance appraisal
- Link performance appraisal with other functions within the HRM process
- Apply the concepts of validity and reliability to performance measurement
- Describe various commonly used performance appraisal methods
- Identify emerging trends, opportunities, and challenges in performance appraisal

It is inconceivable that an organization would not want to see high performance from its employees, yet it is very common for organizations to measure performance poorly and thus be in the dark about the quality of their employees' performance. This fact is especially true in light of the increasing emphasis on service jobs; unfortunately, services are much harder to measure than tangible products. Consequently, performance measurement in today's business world requires more creativity and a more holistic approach than it used to.

6.1 What Is Performance?

A holistic approach to performance appraisal means viewing performance as a multidimensional system of inter-related parts. In this section, several components of performance are discussed and integrated. These components provide the foundation for the design, measurement, assessment, and management of an effective performance appraisal system that can be conducive to continuous performance improvement at both the individual and organizational levels.

1. Employee productivity

Productivity is the most prominent component of performance. Generally speaking, any job or role has a core set of functions, duties, and responsibilities that its incumbent needs to perform. Often, there are also some standards regarding the minimum level of acceptable performance for each of these functions, duties, and responsibilities. This predetermined set of criteria can be used as the bare minimum to define and measure employees' performance. **Employee productivity** can then be defined as the ratio of the actual employee production to the planned or anticipated production for the core set of functions, duties, and responsibilities of the job performed.



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Employee productivity can be defined as the ratio of what employees actually produce and what an organization predicted employees would produce based on the specific responsibilities of a job.

2. Employee attitudes

Attitudes can be defined as cognitive and emotional appraisals that shape subsequent behavioral tendencies. Employees' attitudes have a direct influence on their productivity, as well as on the organizational culture as a whole. As you learned in chapter 5, this fact makes employee attitudes valid predictors of performance. Some organizations want

a more accurate depiction of their employees' performance; these organizations should incorporate employees' attitudes in their performance appraisals. Because attitudes are subjective, two people may appraise the same situation differently and therefore be inclined to respond to it differently.

Important positive attitudes in the workplace include

- job satisfaction (Judge, Thoresen, Bono, & Patton, 2001)
- organizational commitment (Riketta, 2002)
- work engagement (Harter, Schmidt, & Hayes, 2002)

Negative work attitudes include

- cynicism (Wanous, Reichers, & Austin, 2000)
- disengagement (Robison, 2010)

Each of these five attitudes has been shown to be a significant predictor of work performance. Importantly, the “softer” and less tangible nature of attitudes makes them harder to measure. However, these specific attitudes have scientifically designed, valid, and reliable measures that can be incorporated within performance appraisal systems, and well-supported HR initiatives can be used to develop and manage these attitudes.

Employees with negative attitudes express these attitudes in their behavioral patterns and adversely influence their coworkers, which in turn depresses employee morale and team spirit, triggers employee conflicts, and reduces efficiency, quality, and performance. On the other hand, employees who are satisfied with their jobs are generally more committed to fulfill their tasks and responsibilities efficiently. In addition, they are more likely to get involved and actively engaged in job activities. Employees with positive attitudes can also create a “cheerleader effect” that transfers their positive energy to other individuals and creates a favorable atmosphere that promotes work engagement, commitment, and productivity.

Performance appraisal systems that account for attitude recognize that employees with positive attitudes are valuable assets, and these systems provide the means to properly recognize and reward these employees for these attitudes. They also provide mechanisms to identify negative attitudes, diagnose their causes, and design corrective action plans.

3. Work behaviors

Performance is often visualized in terms of productivity and efficiency. However, the following elements of performance should also be considered in evaluations of employee performance:

- coaching, mentoring, or supporting new coworkers
- sharing skills and experience
- promoting a friendly work environment and a healthy team spirit
- abiding by and encouraging others to follow organizational norms, regulations, and procedures
- assisting employees with their emotional and personal problems

These are all forms of positive performance that go above and beyond the call of duty. They are not explicit role expectations and are rarely, if ever, formally recognized or rewarded by an organization. These work behaviors are known as **organizational citizenship behaviors (OCBs)** (Organ, 1988). OCBs are very challenging to evaluate because they are very subjective in nature. Furthermore, they require the assessor to analyze and evaluate multiple subjective parameters simultaneously, processes that introduce bias and inaccuracy. Moreover, this evaluation does not provide the employee with specific feedback necessary for their development.



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Organizational citizenship behaviors include promoting a friendly work environment and supporting one's coworkers.

Lee and Allen (2002) identify two types of OCBs: individual-oriented and organization-oriented behaviors. Individual-oriented OCBs are targeted toward another individual; an example is helping a coworker with a difficult task. Organization-oriented OCBs are targeted toward the organization—for example, conserving office supplies and speaking highly of one's employer in a social setting constitute organization-oriented OCBs. OCBs are particularly relevant to a holistic performance appraisal system: they make a significant difference in the quality of employees' service. Customers are more likely to be satisfied when they do business with organizations where employees go above and beyond their standard duties, rather than offering a bare minimum of effort. Systems in today's organizations that measure performance appraisal, compensation, and reward therefore also need to measure and assess OCBs.

Some work behaviors can also be counterproductive. Bennett and Robinson (2000, p. 556) define **counterproductive work behaviors (CWBs)** as "voluntary behavior of organizational members that violates significant organizational norms, and in doing so, threatens the well-being of the organization and/or its members." Examples of CWBs include physical violence, verbal

aggression, harassment, theft, intentionally producing lower quantity or quality, wasting resources or supplies, sabotaging organizational property, leaking confidential information, or refusing to help coworkers (Robinson & Bennett, 1995).

Many reasons can prompt these behaviors—e.g., environmental conditions such as work stressors, perceptions of injustice, or situational frustration. These behaviors hinder the organization's ability to achieve its goals and objectives and can have serious implications on performance. That's why it is critical for an organization to take necessary actions to detect, assess, and correct counterproductive behaviors (Spector, Fox, & Domagalski, 2005). Thus, addressing CWBs should also be an integral component of performance appraisal systems.

4. Team performance

There are several approaches for measuring team performances because it is more than the sum of the individual performances of the team members. Some approaches focus on individuals and their contributions to the team, while other approaches focus on the team as a unit, including the synergies, added effectiveness, productivity, problem-solving capabilities, and innovation realized as a result of collaboration across team members (McCann & Aldersea, 2002).



Team performance analysis can focus on individual contribution to the team, or on the team as a unit.

6.2 What Is Performance Appraisal and Why Is It Important?

Performance appraisal is the process through which employee performance is assessed, feedback is provided to the employee, and corrective action plans are designed. Figure 6.1 outlines the performance appraisal process and positions it within the strategic HRM process. Various sections and discussions in this chapter elaborate on those linkages.

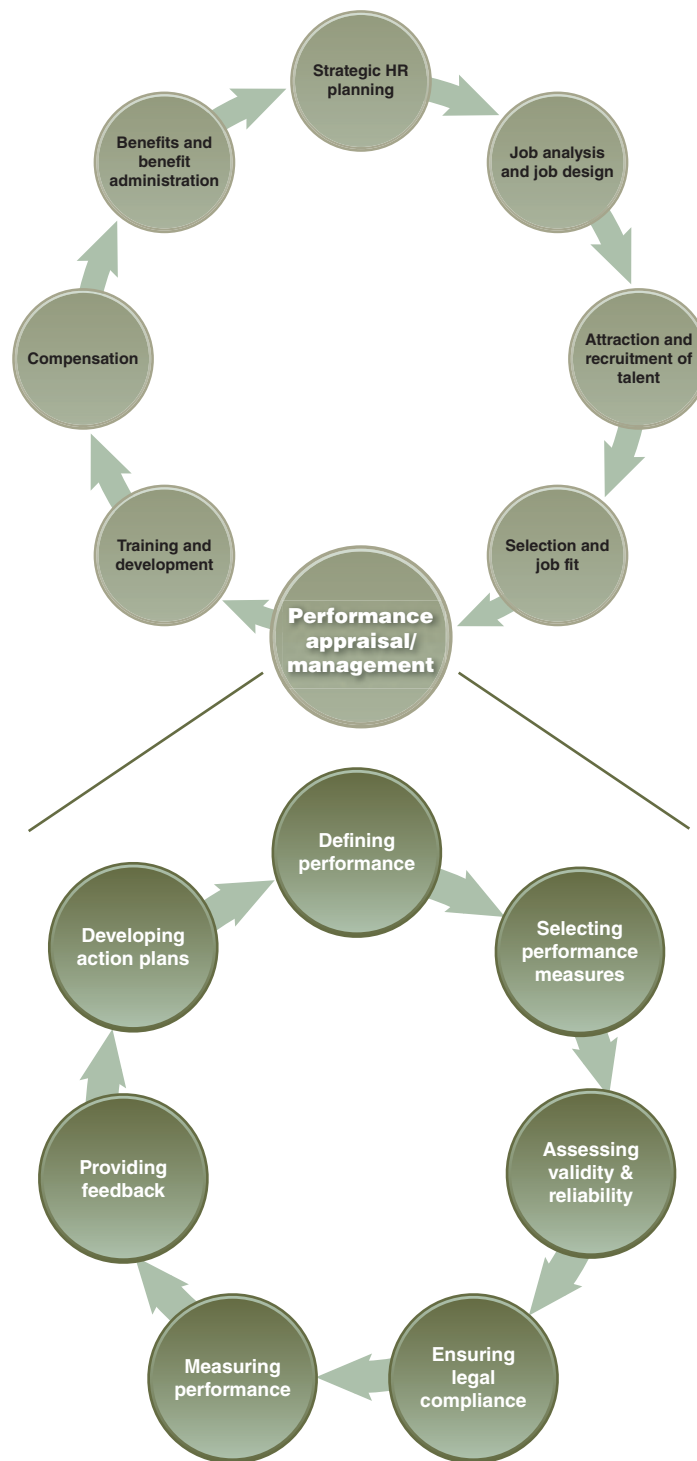
Although the main objective of performance appraisals is to evaluate employees' work performance, performance appraisals are also important for organizations because they reflect the effectiveness and efficiency of achieving organizational goals and objectives. Organizations use performance appraisals for many purposes such as

- managing salaries, wages, and pay adjustments
- providing performance feedback for employees and communicating points of strength and weakness

Performance appraisals are also used by management

- to determine job placement decisions such as promotions, demotions, and transfers
- to justify employee disciplinary actions such as termination or dismissal

Performance appraisals are often linked to such incentive systems as bonuses, which sustain a culture of rewarding employees based on their job performance rather than their seniority. However, badly prepared performance appraisals can negatively affect high performers because they may not be fairly rewarded, which can ultimately destroy their morale and sense of trust in organizational practices. Finally, performance appraisals can provide the necessary information for assessing training needs and designing the appropriate training and development initiatives to meet those needs.

Figure 6.1: Performance appraisal

6.3 Common Performance Appraisal Methods

Organizations commonly use many valid and reliable performance appraisal methods. Different methods provide different types of information. Some measures are objective and some are subjective; some have absolute standards and others are relative:

1. The **narrative technique** is a subjective tool in which the evaluator provides a written essay describing the employee's job performance and behavioral patterns.
2. The **critical incident method** provides a more objective approach to the narrative technique, in which managers keep track of each positive or negative incident of their employees' job-related performance, updating the record regularly. The primary advantage of this approach over the basic narrative technique is that it is less time consuming. Only critical incidents are recorded, which helps evaluators remember each employee's performance for the whole period being evaluated rather than focusing on the last few days or week preceding the evaluation.
3. The **management by objective** method evaluates employees' successful completion of pre-established goals and objectives in a time frame specified beforehand. The manager and employee jointly set goals and performance standards at the beginning of the evaluation period, and then employees are evaluated at the end of the period based on the extent of their goal completion. Critical to the success of this method is that the means, tools, and processes that lead to goal achievement are left at the discretion of the employee, rather than the manager's dictating them.
4. The **graphic rating scale** method is an absolute performance appraisal method that lists all the criteria associated with the job. Managers then evaluate employees by assigning a numerical value for each of those criteria, based on a predetermined scoring scale. For example, a manager may be asked to use a 1–10 scale to rate each employee on a list of criteria such as productivity, performance quality, initiative, communication, conformity to organizational policies, and so on.
5. The **behaviorally anchored rating scale (BARS)** is also an absolute performance appraisal method. It is a more elaborate form of a graphic rating scale: each of the points on the scoring scale is anchored with specific behavioral descriptions for what constitutes performance at that level. This anchoring facilitates consistency, especially inter-rater reliability, in the use of the scale.



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Performance appraisals may be used by managers to compensate and reward employees who perform above expectations.

6. The **forced-distribution method** is a relative performance evaluation technique that allows managers to assign or allocate certain percentages of employees into predetermined appraisal categories. For example, the top 25% of employees based on performance would be considered “excellent,” the next 25% would be considered “satisfactory,” the following 25% would be considered “below expectations,” and the lowest 25% would be considered “unsatisfactory.” This lowest performance group would then be reprimanded, put on probation, or terminated. This approach is most commonly associated with Jack Welch, a former CEO of General Electric. GE eliminated the lowest 10% of performers every year using this method.



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7. The **paired comparison method** is another relative performance evaluation technique. It uses a matrix where each employee is evaluated against each and every other employee performing the same job. For each two employees compared against each other, the manager uses a positive or a negative sign to indicate which employee is better. Finally, all positives and negatives are added for each employee and the employees are ranked accordingly, with the one earning the most positives rated the highest.

An accident involving a company vehicle is an example of a critical incident regarding job performance that would need to be recorded.

6.4 Performance Measurement

Organizations often use a combination of performance measures because each type of measure has strengths and weaknesses, as you will see in this section. However, regardless of the types of information measured, reliable and valid results are always the goal.

Objective versus subjective performance measures

The use of subjective versus objective performance evaluations has been a subject of debate among management professionals, many of whom nevertheless believe that a balance between the two categories provides an optimal mix that creates a fair and effective performance evaluation system. Objective evaluations involve factors that are measurable, mostly in the form of performance metrics associated with achieving certain goals and targets within specific time frames. Examples of objective evaluations include

- employee annual attendance
- hourly rate of production
- cost savings per year

Objective performance evaluations are successful only when they are applied to tasks where direct employee measurement is possible, and where performance can be compared across individuals who perform similar tasks within the same time frame. However, objective measures are not useful when managers attempt to apply them to complex processes. For example, the number of reported safety incidents per month would not constitute an effective objective measure because such incidents vary in terms of importance and severity.

Subjective evaluations may be more helpful for professionals whose performance cannot be clearly measured (such as lawyers, market analysts, and trainers) or whose tasks do not lend themselves to objective measurement, such as

- teamwork capabilities
- communication skills
- levels of professionalism

Measurement scales used for selection are described in chapter 5. For subjective performance evaluations, similar measures can be created for each particular metric based on its weight or importance to the job, which can then be assessed for validity and reliability, then refined, and then utilized to assess performance along those dimensions. For example, managers can be asked to provide actual examples of specific behaviors they expect from their employees for a particular performance criterion. (These examples can also be gathered using the narrative or critical incident methods.) These examples can then be used to create a measurement scale for managers to rate their employees. For instance, a leadership measurement scale may ask managers to rate their employees on items such as “takes initiative,” “positively influences others,” “works independently,” and so forth. Although subjective evaluations provide managers with more flexibility in assessing performance, they can sometimes be unfair, especially in cases of unfavorable manager-employee relationships.

Absolute versus relative performance standards

Absolute performance evaluations assess each individual on the successful completion of his or her targets and goals in comparison to some pre-established standards. In a relative performance, in contrast, one individual is evaluated in relation to others who perform the same or similar tasks. Individuals are then categorized based on their performance rankings. These rankings are particularly relevant to identify exceptionally good employees for the purpose of promotions or special assignments. They are also helpful in identifying a poor fit between individuals and positions—identifications that can be useful in making transfer or termination decisions or when workforce reductions are necessary.

Aside from those unique situations, research demonstrates that most employees prefer to be evaluated based on absolute standards, rather than on their relative performance ranking (Boyle, 2001; Lawler, 2003; McGregor, 2006). Relative performance creates a culture of competitiveness where slower performers are not tolerated. One of the most critical

disadvantages of relative performance evaluation systems is potential lawsuits from some protected classes that are perceived to be slower performers, such as older members or individuals with certain disabilities. Another shortcoming of applying the relative performance system is the negative influence on team spirit, as these evaluations create rivalries and competition. Relative performance is also ineffective in providing employees with useful feedback on their performance that would help them improve, which defies the main and most important purpose of a performance evaluation.

Validity and reliability revisited



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It is important for an appraisal system to be adequately designed for evaluating, measuring, and assessing the right performance indicators to avoid any bias.

Due to the measurement-intensive nature of performance appraisal, its tools, methods, and procedures are subject to the same validity and reliability standards that are discussed in chapter 5.

- For a performance appraisal system to be deemed valid, its results should correlate to objective performance standards. For example, an appraisal system that yields similar evaluations across the board, regardless of actual performance, has low validity.
- A reliable performance appraisal system should yield consistent results. For instance, an effective performance appraisal system must result in the same conclusions about an employee's performance, regardless of such variations in input factors as the manager conducting the appraisal, the time of day, or the location of the evaluation.

It is also important that the appraisal system be designed expressly to measure and assess performance, rather than for other unrelated or indirectly related goals. Otherwise, performance evaluations will be biased and their outcomes will be misleading for both the employees and

the organization. For example, performance appraisals can be used solely to determine annual raises or bonuses instead of as a way to provide employees with feedback about their performance and help them improve. In these cases, managers tend to ignore the appraisal process until the last week of the year and then give most of their employees the same evaluations in an effort to be "fair" at distributing those financial rewards. As a result, these employees rarely take performance appraisal seriously.

Advantages and disadvantages of various performance measures

Similar to selection methods, performance measures vary in their validity and reliability. Organizations use a combination of methods to accurately assess their employees' performance, since each method has its advantages and limitations:

- The *graphic rating scale method* is favored by organizations because it is fairly simple and easy to apply. It also provides a clear quantitative measure of performance; however, its validity and reliability may be questionable when the involved criteria are obscure or biased.
- The *behaviorally anchored rating scale (BARS)* provides a more accurate and consistent method of assessing employees. However, thorough analysis must be conducted to determine the specific behavioral patterns associated with each task—a time-consuming task.

The critical incident method, the narrative technique, and the management by objective methods are all subjective ways of appraising employees. Although the subjective nature of these methods can compromise reliability, they have their advantages:

- The advantage of *the critical incident method* is that it depicts the actual performance of employees with its positives and negatives. It also forces managers to regularly observe employees and maintain a regularly updated account of important performance events. This method's disadvantage is that it cannot be used to compare employees' performance.
- The descriptive nature of *the narrative technique* gives it high validity, but it creates a burden on assessors, who must devote a great deal of time toward developing a specific evaluation for each employee.
- The main advantage of *the management-by-objective method* is that it promotes an environment of high performance among employees. Their evaluations are tied up to the accomplishment of their objectives, which can be linked to the organization's strategic goals. This enhances this method's validity. The disadvantage of this method is that it is time consuming, as specific job objectives have to be formulated for every single employee in the organization.

The main strength of *relative performance evaluation techniques* is that they prevent managers from categorizing a large number of employees in the same performance category and provide a more logical distribution of employees that causes top and bottom performers to stand out. This result enhances the validity of relative performance appraisal methods. However, the performance evaluation results are solely dependent on the preselection of the percentage of employees allocated for each appraisal category, which compromises their reliability and sometimes their validity. This outcome is especially likely when managers resort to artificially placing employees in rankings that do not represent their performance. For example, in organizations that force managers to place some of their associates in the lowest performance category despite their adequate performance, many managers routinely alternate their associates into that category in order to “spread the pain” fairly and equitably.

6.5 Linking Performance Appraisal to the HRM Process

Performance appraisal is a critical component of the strategic HRM process. Proper assessment of employee performance can facilitate and enhance many HR processes in several ways.

Performance appraisal as an internal resource for strategic HR planning

Performance appraisals provide HR management with valuable feedback that assists in planning and decision making. Data received from performance appraisals reflect many aspects about employees, such as their

- personality
- growth potential
- adaptability to variation in work environment
- respect for organizational rules and regulations
- productivity
- efficiency
- leadership and teamwork capabilities
- communication skills
- other strengths and weaknesses

Using this valuable data, HR managers can identify certain employees for promotions, internal transfers to different positions, or layoffs and termination.

Succession planning is one very important area that performance appraisals serve. Succession planning is an area of great concern to HR managers as companies wish to ensure that qualified employees are available within the organization to fill managerial positions once they are vacant in order to lead the organization into fulfilling its future goals and objectives. Data about qualified individuals can be extracted from performance appraisals to ensure that qualified candidates are selected based on valid and reliable data.

Job analysis as a source of information for performance appraisal

Organizations conduct job analysis for the purposes of recruiting, determining salary rates, or determining how an employee would fit within the organizational chart. Moreover, this analysis helps organizations assess the skills and capabilities of the employees. As discussed in chapter 3, job analysis yields the job descriptions and job specifications that outline the duties and responsibilities associated with each job. It also outlines the human qualities necessary to successfully and efficiently perform the job tasks—such as the education level, experience level, and other physical and personal aspects that are necessary. Job descriptions and specifications can also be used to highlight key performance factors associated with the job. These factors can serve as the basis for performance appraisals and help identify areas of improvement, training, and constructive feedback for employees. Performance appraisal results may show consistent deficiencies in employees' performance of certain tasks, and these results may in turn trigger further job analysis efforts, job redesign, and subsequent modifications in job descriptions and job specifications.

Performance appraisal as a tool for identifying, recruiting, and selecting the right talent

HR managers can effectively use performance appraisals in their future employee recruiting and selection activities. For instance, data collected from performance appraisals can include degree of adaptability, technical experience, communication skills, and other qualities and key performance tasks necessary for a particular job. This data can help HR management foresee the performance of candidates who apply for a particular job. Performance appraisals can also help HR management identify, select, and determine the potential for some employees to occupy leading and managerial positions.

Performance appraisal as an indicator of training needs and knowledge gaps

Many organizations misuse performance appraisals or limit their use to only making decisions pertaining to salaries and promotions; yet the main objective of performance appraisals is employee development. Employees' points of strength and weakness are more clearly identified as they are evaluated against pre-established key performance indicators pertaining to their jobs. This identification enables HR managers to target and refine the weaker skills that require development through positive feedback, training, and development. This process allows the performance appraisal system to work as a positive, proactive mechanism for detecting areas of improvement, rather than as a reactive tool or punishment system where employees with performance deficiencies are judged as not meeting job performance criteria and weeded out.

Performance appraisal as a determinant of fair compensation and reward distribution practices

Managers use performance appraisals to reward and compensate employees based on their contribution to the efficient completion and fulfillment of their job duties and responsibilities. These appraisals promote perceptions of equity and justice, promote an organizational culture favorable to reward employees who exceed expectations through excellent performance, and help the organization achieve its strategic goals and objectives. Promoting these ends gives organizations a reason to invest in designing and implementing a valid, reliable, and fair performance appraisal system that employees can rely on.

EYE ON THE GOAL

**“Relating performance attitudes to organizational profitability:
Not a one-way street”**

Until recently, the adage “a happy worker is a productive worker” was assumed to be true. In fact this assumption continues to be propagated by consultants, the media, and many credible references, and it’s a shaping factor of many HR systems and policies. However, recent studies shed additional light on the relationship between employee attitudes and performance. While the correlation between job satisfaction and job performance is significant, the direction of causality is debatable. Recent studies show that if you measure satisfaction and performance over time, you will find that the relationship is bidirectional (e.g., satisfaction at Time 1 predicts performance at Time 2, and performance at Time 1 also predicts satisfaction at Time 2). However, performance has a stronger relationship with satisfaction than vice-versa (Judge et al., 2001).

What does all this mean in practice? Most organizations undertake many interventions and have many programs and initiatives in the hope of increasing job satisfaction and job performance, yet it appears that the best way to increase satisfaction is to help employees perform better. How? Support them, train them, give them the tools and information they need, and then get out of their way and leave them alone to do what they do best!

One fact exacerbates a problem for performance appraisal: supervisory ratings are usually influenced less by the employee’s productivity than by the employee’s attitudes, organizational citizenship behaviors (OCBs), and the learning abilities they exhibit during training (Schmidt, 2009). Managers’ perceptions are biased toward the belief that employees who have positive attitudes, go out of their way to help, and are fast learners should outperform others. In reality, higher performers may not need any additional training, positive attitudes, or extra behaviors to shine. All they need is for their supervisors to support them in their superior performance, and their attitudes will follow suit. Instead, they are penalized by their supervisors’ subjectivity and biases.

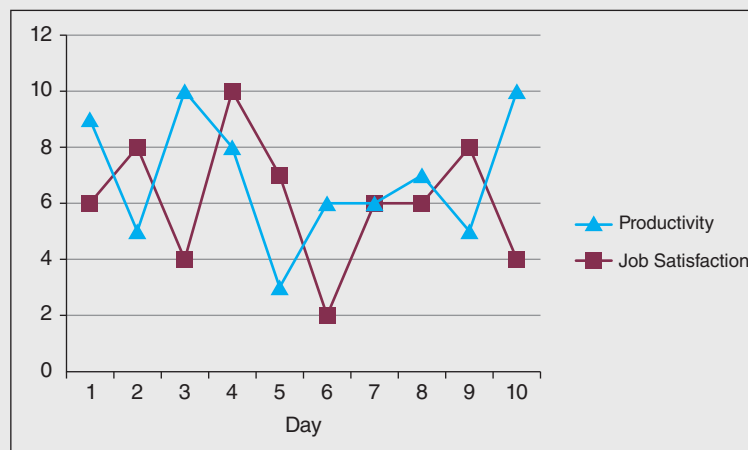
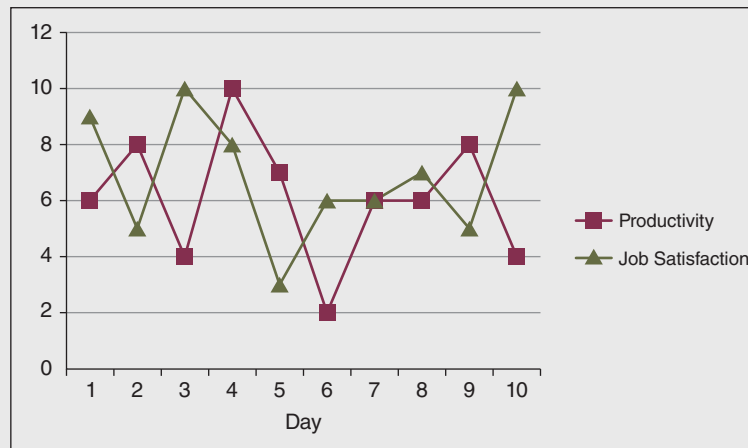
Finally, linking employee and organizational performance is always challenging, but especially so when employee performance is based on subjective or biased measures. However, objective performance measures are sometimes inaccurate, unavailable, or simply undisclosed. Several studies have shown that using multiple measures in these cases is likely to compensate for this inevitable deficiency, even if some of these measures are subjective (Chakravarthy, 1986; Dess & Robinson, 1984). For example, it may be impossible for a manager to objectively assess a salesperson’s performance in the field. However, using customer satisfaction surveys with specific questions about the salesperson’s knowledge and behaviors can provide a proxy for the missing data. Similarly, rather than expecting managers to micromanage their employees in order to accurately evaluate their performance, performance data can be collected instead from various stakeholders to reflect the employees’ actual behaviors that can truly impact the organization’s performance. Studies support the idea that this approach is even more effective in measuring strategic organizational performance than traditional financial measures, which only focus on shareholders. This perspective also supports the holistic approach to performance appraisal adopted in this chapter.

Discussion Questions

1. On a scale of 1–10, mark your level of satisfaction with your job today. Also make a brief list of the most important events that have led to your level of job satisfaction.
2. On a scale of 1–10, mark your evaluation of your productivity at work today.
3. Repeat this exercise for at least two weeks.

4. Create a chart similar to the examples provided in Figure 6.2 to trace your job satisfaction and your productivity.
5. Based on your chart, does your prior performance seem to lead to your subsequent satisfaction, or does your prior satisfaction seem to lead to your subsequent performance?
6. Based on your findings, what would you recommend as the most effective way for your boss to motivate you? What would be the least effective approach?

Figure 6.2: Examples of productivity and job satisfaction plots



6.6 Opportunities, Challenges, and Recent Developments in Performance Management

Opportunities, challenges, and recent developments in performance management include jobs that defy objective measurement, legal implications, employee attitudes, global and cross-cultural considerations, organizational culture and politics, employee discipline, and avoiding common biases.

Jobs that defy objective measurement

In many professions today, there are significant challenges in objectively measuring incumbents' performance quantity, quality, efficiency, or effectiveness. Examples of these professionals include scientists, engineers, managers, and high-caliber technicians. Also referred to as **knowledge work**, these professionals hold jobs that consist of complex, goal-oriented activities that require high levels of competency. Work seldom has a single set of correct results or best practices, and the incumbent, rather than the manager or the HR department, is often the one with the most expertise about his or her job. Knowledge work is on the rise in modern economies (Quinn, 2005).



Scientists are considered knowledge workers because of the level of expertise and competency required to perform their jobs.

Performance measurement can be challenging in some jobs that were discussed earlier; they include service positions and work that involves being part of a team. In these jobs, the line between direct job responsibilities and OCBs is blurred, necessitating a holistic approach to performance management. Telecommuting jobs also pose measurement challenges, and they necessitate a results-oriented management style and substantially quantifiable job outcomes. Otherwise, managers are unable to monitor their employees' day-to-day behaviors on the job.

Moreover, with increased emphasis on corporate social responsibility, employees are now encouraged to become involved in volunteering activities and community service to positively influence their organizations' reputations, which can further blur the boundaries of job performance. Finally, recent research demonstrates that different people may view the same work as just a job, as a career, or as a calling. These different perceptions can have a significant impact on their performance and attitudes toward their jobs and organizations (Bunderson & Thompson, 2009; Peterson, Park, Hall, & Seligman, 2009).

Legal implications of performance appraisal

In formulating performance appraisals, it is vitally important that organizations exercise extreme caution, due to the legal implications that might be associated with discriminatory factors pertaining to age, race, sex, religion, or ethnic background rather than job-related performance appraisals (Buttrick, 2003). Furthermore, performance appraisals may be subject to legal scrutiny when they are subjective, rather than being an actual

measure and a true reflection of employee performance. For example, if an employee who had consistently received “outstanding” evaluations were terminated based on a new manager’s evaluation of the employee as a poor performer, the termination could raise red flags regarding the new manager’s discriminatory biases and practices. On the other hand, objective performance evaluations might have been documented over time, and the organization might adopt a progressive discipline system in which the employee would be counseled about the performance deficiencies, given opportunities to improve, and then reprimanded progressively for poor performance. In that case, the termination could stand up to scrutiny as a result of poor performance by the employee rather than a result of discrimination by the manager.

Legal concerns are rising even more with the implementation of forced-distribution systems, which obligate managers to allocate certain percentages of employees to different performance appraisal categories such as “outstanding,” “exceeding expectations,” “meeting expectations,” and “below expectations.” For example, the classification of the lowest-performing employees as “below expectations” would be questionable if most of the employees in a department have met or exceeded performance expectations according to industry standards.

The Equal Employment Opportunity Commission (EEOC) emphasizes that performance appraisals must be related to the actual job activities that are nondiscriminatory, properly recorded, and documented (Goemaat, 2003). There are established approaches to designing and implementing fair, properly structured, legally defensible systems to manage performance (Barrett & Kernan, 1987; Feild & Holley, 1982; Werner & Bolino, 1997). These systems can help managers in their decision-making processes and help organizations avoid many unfavorable legal consequences (Panaro, 2005).

Employee attitudes toward performance appraisal

Many employees regard the performance appraisal process as a threat rather than a way to advance and discover their own strengths and weaknesses. Ironically, many individuals believe that the only way they would be recognized through a performance appraisal process is for others to receive lower ratings. Another very common employee reaction to performance appraisals is an impression that a manager is unfair simply because he or she disagrees with the employee’s own appraisal of the job performance. Such impressions



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Many employees regard the process of performance appraisal as a threat rather than a way to discover their own strengths and weaknesses.

are not surprising in light of the numerous recent misuses and abuses of performance appraisals discussed earlier.

The most effective way to improve employees' perceptions and reactions toward performance appraisals is for organizations to promote appraisals that are focused mostly on self-development and personal improvement (Drucker, 2005; Roberts et al., 2005). In general terms, most positively influential performance appraisals must carry an element of constructive feedback for the employees rather than being used solely as the basis for salary, wage, or bonus allocation.

Global and cross-cultural considerations in performance appraisal

Performance appraisal systems are commonly implemented and practiced in the United States. However, many constraints may arise when an organization expands its operations outside the United States and attempts to implement the same performance appraisal systems in other countries. For instance, different cultural perspectives may cast a negative light on feedback from managers to employees. In Asian and South American cultures, factors such as age, gender, and authority play a major role in determining the chain of command, making it extremely challenging for younger or female managers to communicate performance feedback to their subordinates. Negative feedback is also regarded in these cultures as threatening and destructive, rather than constructive, when managers attempt to communicate points of weakness or deficiency that require additional training and development.

Performance appraisal, organizational culture, and politics

Many factors within an organization can have a direct impact on the performance appraisal process; one of the most influential factors is organizational culture. The organization's internal environment can either encourage or hinder various aspects of performance. For example, one of the determining factors for the success and effectiveness of performance appraisal systems is individual assessment versus team performance assessment. Another factor is the establishment of a trusting culture where performers are adequately recognized and rewarded.

Performance appraisals are also often subject to office politics, specifically management manipulation as a result of favoritism or discrimination. Employee dissatisfaction and loss of confidence in company practices, especially among high performers, can follow unfair or unethical management behaviors related to performance appraisals. Unfavorable performance evaluation practices can also lead to discrimination-based lawsuits and major financial penalties against the organization if evaluations are not properly supported with valid evidence (Fox, 2009).

Using performance evaluations for employee discipline

An effective performance management system clearly defines the roles and responsibilities of employees, and it then evaluates the employees' actual performance against the developed standards to determine gaps or deficiencies in performance compared to what is expected. This process allows managers to make effective decisions pertaining to training, development, and rewards, or it allows them to execute disciplinary action if it is

necessary. Disciplinary action can take many forms, ranging from denial of pay increases, bonuses, and other kinds of rewards to demotions or termination for poor performance.

However, discipline should not be the sole or primary use of performance evaluations. As discussed in the next section, an optimal balance between positive and negative feedback should be sought for maximum effectiveness of performance appraisals. On the other hand, when discipline becomes inevitable, the performance appraisal system should provide the evidence and documentation necessary to justify the need for and magnitude of discipline both to the employee and to regulatory bodies, if necessary.

Avoiding common biases when evaluating others' performance

Several perceptual and attributional biases can influence performance appraisals:

1. **Stereotyping** can yield inaccurate results against employees who belong to particular groups, which can be both unfair and discriminatory. For example, a manager who perceives younger employees to be naïve, lazy, or spoiled may give them lower evaluations regardless of their performance.
2. The **halo effect** can trigger erroneous judgments about an employee based on a limited number of performance dimensions. For example, a well-groomed employee may also receive favorable but undeserved evaluations on other performance dimensions such as being organized and having exceptional social skills.
3. **Availability** is another source of bias that influences evaluators in their performance assessments. Many individuals cannot clearly differentiate between the importance of a factor and its frequency of occurrence. Rather than focusing on major factors, evaluators tend to subconsciously remember and give more weight in their performance evaluation to recurring factors, no matter how minor they are.
4. **Self-fulfilling prophecies** can also interfere with performance appraisals. We tend to see what we expect to see. Research shows that when other things are equal, if managers poorly judge employees to be failures and expect these employees to fail, then the employees are likely to fail. On the other hand, if a manager believes in an employee and expects him or her to succeed, then he or she will be likely to succeed. This different outcome is probably due to the manager's intentionally or unintentionally investing more effort, resources, and support in the second kind of employee—making the manager's unsubstantiated prophecies come true.
5. The **fundamental attribution error** is that people have the tendency to attribute their own successes to internal causes and their own failures to external factors, while doing the opposite when they assess others' successes and failures. They blame others for their failures but do not give them enough credit for their successes. If left unchecked, this common attributional bias can be detrimental to performance appraisal. It can contribute toward employee perceptions of evaluator unfairness, which in turn can adversely affect employee performance and morale. Attributional bias can also lead to managers' feeling resentment and hostility toward their employees, whom they perceive to be lazy and irresponsible rather than constrained by situational factors. Finally, attributional bias can result in

erroneous action plans, such as disciplining or terminating an employee, instead of training, development, or job redesign (Bernardin, 1989).

Perceptual and attributional biases are very hard to control. However, organizations should earnestly try make evaluators aware of biases to keep evaluations valid and reliable. Although the previously discussed sources of bias seem to be inadvertent, other intentional factors can also play a part in biasing employee evaluations. Some common types of intentional bias are manipulating employee ratings to be unfairly stringent or lenient, for either political or personal reasons. Some managers deliberately underevaluate employees to put pressure on them to work harder, teach them a lesson, or create evidence justifying subsequently laying them off. At the other extreme, some managers are too lenient in their evaluations of certain employees to avoid confrontation, to provide protection in case of employees' having personal difficulties, or to ensure employees' loyalty and support. Forced-distribution performance appraisals, cross checking with multiple evaluators, and extensive training are all methods employed by organizations to eliminate or minimize these types of bias (Bernardin, Cooke, & Villanova, 2000; Bernardin & Villanova, 2005).



Max Oppenheim / Getty Images

An employee's grooming and appearance can influence how he or she is perceived by management.

A MOMENT IN THE LIFE OF AN HR MANAGER

"Delivering good versus bad news: How much positive and negative feedback should you give?"

As humans, we have a tendency to overemphasize and amplify the negative over the positive (Baumeister, Bratslavsky, Finkenauer, & Vohs, 2001). Negative stimuli generally tend to receive more of our attention and energy. Performance appraisal is no exception. For example, it is common for managers to spend more time discussing an employee's weaknesses than strengths, and for managers to invest more energy and resources in problematic employees than in high performers. It is much easier to dwell on one's own or others faults. Pinpointing talents, strengths, and positive performance attributes does not usually come naturally, and it usually requires more intentionality.

So why do humans generally tend to focus on what is negative? The tendency to overemphasize negativity has been attributed to primitive survival mechanisms in reaction to perceived physical danger. In civilized societies, overemphasis on negativity has been attributed to four psychological factors that are comparable to primitive physical survival mechanisms: intensity, urgency, novelty, and singularity (Cameron, 2008). The first factor is the *intensity* of negative stimuli. Because negative events are perceived as threatening, they are experienced more intensely. Second is the sense of *urgency* that negative stimuli place on our perceptions and action tendencies, because "something is wrong and needs to be fixed." Positive stimuli do not pose the same sense of urgency,

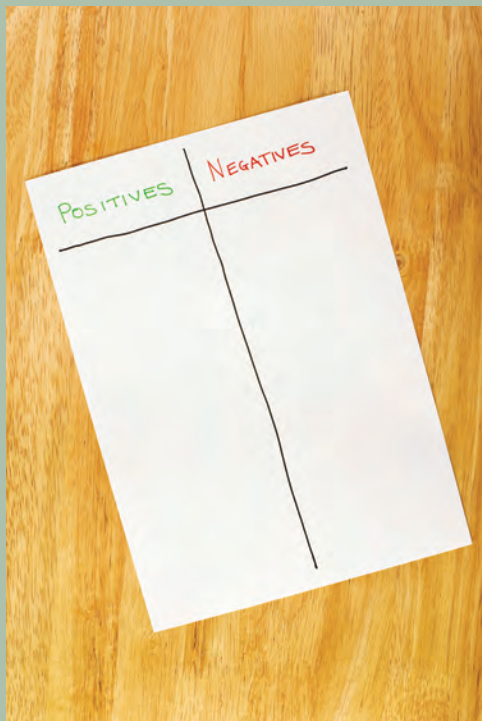
because ignoring positive stimuli does not pose as much risk as ignoring negative stimuli. Third is the perceived *novelty* of negative events. Believe it or not, much of what is going on in most people's lives is positive. That's why it tends to go unnoticed. Negativity is the exception, and that's why it gets more attention.

Finally, a fourth unique characteristic of negativity is referred to as *singularity*. Imagine a system with one defective component, a body with one ailing organ, a team with one counterproductive employee, or a family with one dysfunctional member. A single negative component is capable of tainting the performance of the collective, which causes that single negative component to stand out dramatically and send an alarm to the rest about the need to somehow remedy the problem. In contrast, positivity tends to be more general and global in nature. One positive component alone does not necessarily make a system better. One good employee alone usually cannot make an organization successful. One healthy organ alone cannot make the whole body healthy. This singularity makes the effect of negativity more pronounced and more far reaching.

Paradoxically, humans also have a natural tendency, referred to as *the heliotropic tendency*, to gravitate toward what is pleasurable (i.e., positive) and away from painful or uncomfortable stimuli. However, this tendency is usually overwhelmed by the intensity, urgency, novelty, and singularity of negativity, making it necessary to bring out the heliotropic tendency through intentional decisions and actions. That is why most managers recognize their tendencies to overemphasize their employees'

weaknesses, faults, and mistakes yet fail in their intention to be more positive. For example, managers may get so overwhelmed by the urgency of addressing the dysfunctional behaviors of their worst employees that they have no time to interact with and praise their better ones for their consistently positive behaviors. Moreover, those consistently positive behaviors may no longer stand out, so they may be taken for granted and a manager may forget to recognize them while appraising these employees' performance.

So how can managers overcome their negative tendencies and lead more positive performance appraisal sessions, which in turn can lead to positive relationships with their employees, which in their turn can be conducive to higher subsequent performance and a better-functioning organizational culture? First, a manager needs to recognize the important concept of *the positivity ratio* (Fredrickson, 2009). While extreme, Pollyannaish positivity is unnecessary and can even be dysfunctional, research supports the existence of a tipping point or threshold for positivity. At this point, humans go beyond just being average or functional and begin to thrive and flourish (Keyes, 2002). This tipping point or threshold tends to take place at a positivity-to-negativity ratio of about 3:1. This is the positivity ratio.



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In performance appraisal sessions managers should comment on three positive aspects of an employee's performance for every one negative aspect.

Managers therefore need to intentionally create roughly three positive interactions with their employees for every negative interaction. In performance appraisal sessions, managers should put in a strong effort to find and comment on three positive aspects of their employees' performance for every negative aspect they want to bring to an employee's attention. This requires the art of "catching your employees doing something right," instead of the common practice of focusing on problems and mistakes. Interestingly, research shows ratios of 2:1 or 1:1 are not significantly different: they are almost equally counterproductive. Interactions that fall below the 3:1 threshold will likely be perceived by the employee to be excessively negative, regardless of how negative they are.

You might think that this "hand-holding" is more necessary for new or inexperienced employees and that more mature employees or more established relationships can tolerate lower positivity ratios. However, research shows the tipping points in those situations are actually higher. For example, the threshold is about 5:1 in more complex settings such as top management team communications, and as high as 6:1 in marital relationships (Fredrickson & Losada, 2005; Losada & Heaphy, 2004; Gottman, 1994).

WEB LINKS

Assessing your positivity ratio: www.positivityratio.com

This website gives you access to Barbara Fredrickson's free positivity ratio assessment. Take the assessment and instantly obtain your own positivity ratio. This assessment will help you understand some of your biases toward positive and negative situations. Keep in mind that this assessment is volatile and will change depending on the situations you encountered the previous day. To get a more accurate assessment, it is recommended that you complete this test several times over several days and average your scores.

U.S. Office of Personnel Management Handbook for Measuring Employee Performance: <http://www.opm.gov/performance/wppdf/handbook.pdf>

This handbook is designed by the U.S. Office of Personnel Management to help federal supervisors and employees design and implement effective performance management systems that can help organizations align employee performance with organizational goals. The handbook provides numerous examples of performance measures and standards.

10 Secrets to an Effective Performance Review: <http://www.businessmanagementdaily.com/glp/25459/performance-review-examples.html>

This link provides practical advice, examples, and tips for conducting effective performance reviews. It also allows you to sign up and receive a free resource that includes samples and forms that can be adapted and used in performance appraisals.

Discussion Questions

1. Describe the most positive feedback you have ever received. How did it make you think, feel, and behave? How did it affect your relationship with the person who provided you with that feedback?
2. Describe the most negative feedback you have received. How did it make you think, feel, and behave? How did it affect your relationship with the person who provided you with that feedback? In your opinion today, was the feedback justified?
3. Describe the most positive feedback you have ever provided. What were the circumstances? How did it affect your relationship with the person you provided with that feedback?
4. Describe the most negative feedback you have ever provided. What were the reasons and circumstances? How did the feedback affect your relationship with the person you provided it to? In hindsight, was your feedback justified? What would have been an alternative approach to provide the same feedback more constructively?
5. Take the positivity ratio assessment every day for a week. What is your average positivity ratio?
6. Commit to having a positivity ratio of 3:1 at work and of 6:1 in your personal relationships. Keep track of your interactions for at least a week. How close did you get to those two ratios?

Chapter Summary

- Performance should be viewed as a multidimensional system of interrelated parts, including employee and team productivity, attitudes, and behaviors.
- Performance appraisal is an integral component of the strategic HR process. It acts as an internal source of information for strategic HR planning, job analysis, and job design; as a tool to identify, recruit, and select the right talent; as an indicator of training needs and knowledge gaps; and as a determinant of fair-compensation and reward-distribution practices.
- Performance measurement, assessment, and management can be very challenging, especially since many of today's jobs defy objective measurement. Examples include service jobs and knowledge work.
- A wide range of performance appraisal methods and measures can be utilized and integrated to increase the validity, reliability, fairness, and legal defensibility of the performance management process.

Key Terms

attitudes: Cognitive and emotional appraisals that shape subsequent behavioral tendencies.

availability: source of bias that influences evaluators in their performance assessments in that many individuals cannot clearly differentiate between the importance of a factor and its frequency of occurrence; rather than focusing on major factors, evaluators tend to subconsciously remember and give more weight in their performance evaluation to recurring factors, no matter how minor they are.

behaviorally anchored rating scale (BARS): A more elaborate form of a graphic rating scale in which each of the points on the scoring scale is anchored with specific behavioral descriptions for what constitutes performance at that level.

counterproductive work behaviors (CWBs): Voluntary behavior that violates significant organizational norms, and in so doing, threatens the well-being of the organization and/or its members.

critical incident method: A performance appraisal technique in which managers keep track of each positive or negative incident of their employees' job-related performance, recording these incidents on an ongoing basis.

employee productivity: The ratio of the actual employee production to the planned or anticipated production for the core set of functions, duties, and responsibilities of the job performed.

forced-distribution method: A relative performance evaluation technique that allows managers to assign or allocate certain percentages of employees into predetermined appraisal categories.

fundamental attribution error: bias in which people have the tendency to attribute their own successes to internal causes and their own failures to external factors, while doing the opposite when they assess others' successes and failures.

graphic rating scale method: An absolute performance appraisal method in which all the criteria associated with a job are listed, and managers evaluate employees by assigning a numerical value for each of those criteria, based on a predetermined scoring scale.

halo effect: bias that can trigger erroneous judgments about an employee based on a limited number of performance dimensions.

knowledge work: Work that consists of complex, goal-oriented activities that require high levels of competency to complete; such work seldom has a single set of correct results or best practices.

management by objective: A performance appraisal method that evaluates employees based on their successful completion of pre-established goals and objectives that are jointly set by the manager and the employee, while the means, tools, and processes are left at the discretion of the employee.

narrative technique: A subjective performance appraisal technique in which the evaluator provides a written essay describing the employee's job performance and behavioral patterns.

organizational citizenship behaviors (OCBs): Work behaviors that go above and beyond the call of duty, are not explicit role expectations, and are rarely, if ever, formally recognized or rewarded by the organization.

paired comparison method: A relative performance evaluation technique that uses a matrix where each employee is evaluated against each and every other employee performing the same job.

performance appraisal: The process through which employee performance is assessed, feedback is provided to the employee, and corrective action plans are designed.

self-fulfilling prophecies: bias in which we tend to see what we expect to see; for example, if managers poorly judge employees to be failures and expect these employees to fail, then the employees are likely to fail, but if a manager believes in an employee and expects him or her to succeed, then he or she will be likely to succeed.

stereotyping: bias that can yield inaccurate results against employees who belong to particular groups, which can be both unfair and discriminatory.

Critical Thinking Questions

1. Organizations usually use performance appraisal data in several other HR processes (recruiting, selection, retention, compensation, training, etc.). What are the consequences if line managers do not accurately assess their employees' performance?
2. Some organizations make their managers use a forced-distribution performance appraisal system. Why do you think organizations should use such a system? Why do you think that organizations shouldn't use it?
3. Do you believe that there are "true halos"? That is, do employees who perform well in some dimensions of job performance tend to perform well in most dimensions?
4. Subjective performance appraisal ratings have very low consistency between raters (i.e., very low inter-rater reliability). What does this suggest about supervisor ratings of performance and the decisions on which they're made? Are there better options for jobs in which performance is hard to measure objectively?
5. When evaluating other individual's performance, which biases are most common in your evaluations of others?

