

THE CURRENT STATUS OF PERFORMANCE APPRAISAL: AN ORGANIZATION CASE STUDY



Andrew J. Templer Senior
Lecturer School of Business
Leadership University of
South Africa

Presies hoeveel het maatskappye se prestasiebeoordelingstegnieke met die verloop van tyd verbeter! Om hierdie vraag te beantwoord vergelyk die artikel die huidige tegnieke met die vroeëre tegnieke. Die prestasiebeoordelingstelsel, in werking, is by 'n groot multinasionale maatskappy ondersoek in terme van wat werknemers as die waarde daarvan beskou. Werknemers kon geen voordeel daarin sien om van formele prestasiebeoordeling af te sien nie, maar daar is vasgestel dat die stelsel vier belangrike tekortkominge het: bestuurders se onwilligheid om te beoordeel; gebrek aan voortsettingswerk, veelvoudige doelstellinge en topbestuur se gebrek aan verbondenheid. Die metodologie wat in beoordelingstudies gebruik word, word bespreek en 'n evaluering gegee van die effek op bevonde resultate.

INTRODUCTION

If the amount that is written on a subject is a guide to its importance, then performance appraisal must be a very important topic indeed. There is a considerable literature on performance appraisal though only a minority of this writing is empirically based. Some of the first empirical studies of formal appraisal schemes (1,2) are now a decade old and it might be hoped that management has put into practice the improvements suggested by these investigations.

This paper reports on a formal appraisal scheme in operation at a firm acknowledged to be "progressive", in an attempt to evaluate just how far appraisal has come since the early studies.

Rowe¹ studied the completed appraisal forms of six companies and came to three main conclusions about the appraisal schemes in these companies: Appraisers are reluctant to appraise; interviewers are even more reluctant to interview; and follow-up is inadequate. Rowe pointed to an embarrassment felt by appraisers and a feeling that the company attached no real weight to appraisals, as prime causes of this reluctance to appraise.

Company practice in performance appraisal has been changing over the years, as revealed by surveys which have been made (5,6). The surveys revealed a growing acceptance of the need for performance appraisal and an increasing emphasis on the individual development purpose of appraisal. There was also a noticeable swing away from subjective, personality trait assessment, towards the use of objective results-oriented appraisal. In particular the emphasis of McGregor⁷ in Management by Objectives, was seen to have had a significant influence. The Institute of

Personnel Management (IPM) survey⁶ did reveal, however, that most schemes were still aiming at multiple objectives, and had not accepted the advice of academics like Randell⁸ to separate performance, potential and salary review assessments. Despite these problems in the appraisal schemes, the IPM survey⁶ was able to conclude that companies were turning to more effective appraisals and that the future of appraisal appeared to be a healthy one.

Empirical research has given guidelines towards the effective appraisal scheme which suggest that the more successful scheme will be characterised by the following:

- (a) Top management commitment.¹
- (b) A clear objective and the scheme structured to meet that objective.⁸
- (c) Meaningful participation. Beveridge⁹ found that professional staff only supported a scheme that gave them some control over decision-making.
- (d) Participative assessment interviews. Ashton and Taylor¹⁰ found that an effective appraisal included an interview offering genuine discussion.
- (e) Follow-up.¹
- (f) Integration with organisation characteristics. For example, Molander¹¹ found that MBO failed if it was at variance with the wider company philosophy.

In evaluating this research it is important to note that results found are likely to be dependent on method used. This is illustrated by a study carried out by Williams¹² in which he used both a questionnaire and an analysis of appraisal forms. The mailed questionnaire generally presented a picture of performance appraisal as being satisfactory. The

analysis of appraisal forms showed a much less satisfactory picture with 55–66% of the documents virtually useless.

With all this research evidence available to help him, it might be expected that current management should be able to take "an easy look at appraisal", unlike McGregor's "uneasy look at appraisal".⁷ As this study will show, however, this is by no means the case.

THE STUDY

The study was carried out in the London head office of a large British multinational company, known to be progressive in its personnel policy. The company has had appraisal for many years, but the present formal scheme had been in operation for about five years. The company's guidelines for appraisal emphasise performance motivation and assessment, but also include objectives of potential assessment and a link to salary review. The company was facing a changing environment in its staff relations which would make appraisal both more difficult and more important. This change was the result of growing union organisation and a slowing internal growth rate, — both issues relevant to South African companies today.

Data was gathered by means of a structured interview with questions phrased so as to require specific illustrations to back up answers wherever possible. The interview included about 20% open-ended questions and took about one hour.

The sample consisted of 55 staff members chosen so as to be representative of the grade structure at head office. Using computer print-outs of names the sample was randomly selected within each of the three major grade categories, until a quota of 5% of the total in head office was reached.

The data was analysed using percentage tabulations. Results to open-ended questions were content analysed to enable the calculation of percentage tabulations.

RESULTS

In general the appraisal scheme was seen as valuable. 69% of the sample had been assessed, 80% of these within the last year. There did appear to have been a genuine attempt to implement the company's appraisal guidelines. Of those who were assessed:-

80% were given warning of the assessment, though only 39% prepared a specific self-assessment.

97% had an assessment interview, almost all with their immediate supervisor,

97% were shown the assessment,

92% said they felt free to be frank in the interview.

In addition to these more favourable findings the study revealed four major shortcomings in the appraisal scheme: Multiple objectives; reluctance to appraise;

lack of follow-up; lack of management commitment. Before looking at these results in more detail it should be noted that there was a considerable difference between assessors and assessees in their perception of these shortcomings.

Assessors and Assesseees

A comparison was made between the reports of senior and middle grade staff members in the role of assessor, and the reports of junior staff members in the role of assessee. The findings appeared to support Stewart's² conclusions that superiors find the assessment more useful than subordinates, and that superiors may underrate their subordinate's willingness to want a frank assessment:

- (i) Assessors gave individual development as the most frequent purpose of their appraisal (39%). Assesseees however, felt that the most frequent reason for their assessment was just a mechanical carrying out of the company policy to do appraisals (62%).
- (ii) Only 18% of assessors felt they dominated the assessment interview, whereas 40% of the assesseees felt this to be the case.
- (iii) 61% of the assessors reported that their subordinates prepared an initial self-assessment, but only 29% of the assesseees agreed with this report.
- (iv) Assessors being likely to underrate their subordinates' willingness to have a frank interview was revealed in the finding that: Only 26% of the assessors said they felt free to be frank in the interview, but 86% of the assesseees said they felt free to be frank.

Multiple Objectives

Results revealed that the scheme was attempting to satisfy multiple objectives, and multiple objectives that were not equally obvious to all participants. It is particularly interesting to compare answers given to the following two questions:

- (i) In answer to: "Why do you think it is company policy to have a performance appraisal scheme?" The most frequent objectives given were: Performance measurement — 47%; Communication — 44%; Promotions — 31.
- (ii) In answer to: "Why do you think you were assessed?" Answers were: Simply because it is company policy — 53%; Performance measurement — 24%; Promotions — 16%.

Thus there appeared to be a disparity between perception of company intention and perception of the company's actual achievement. Employees saw the company as intending the scheme for individual development and communication, but reported that their own experience was that assessment was only carried out because top management had given orders for it to be.

Salary review was not seen as an important objective. Only 13% of those assessed thought they were assessed for this reason.

Reluctance to Appraise

Assesseees had the impression that the appraisal was held only at a very generalised level to lessen stress in the interview. 76% of assesseees felt the assessment was just a very general review. A further 13% said they had been assessed against objectives, but only general objectives. Thus only 11% could point to specific objectives against which they were assessed. Only 35% of the interviews were longer than half an hour. 68% did not have a second assessor interview or see a second assessor's comments. 40% of those assessed felt their appraisal was sufficiently incomplete to be inaccurate.

In the light of this reluctance to appraise it was significant to find that only 20% of the assessors reported having had any formal training in assessment. Without training it is quite possible that assessor's reluctance to assess was a quite rational response to fears about appraisal and a realistic doubt about their own ability as assessors.

Follow-up

50% of the sample could point to no example of follow-up that was carried out. Particularly at junior levels the issue seemed to be, not so much that points raised were ignored, as that the assessment was too generalised to raise anything significant for attention. 67% of assesseees felt that career opportunities such as promotion or transfer had little or no dependence on appraisals.

The assesseees were asked why they thought there was this lack of follow-up. The two major reasons given were: An individual boss with little desire to follow-up (mentioned by 45%); and the feeling that there were few opportunities for career development in a specialised function or in a relatively static growth company (35%).

Management Commitment

It became clear that a problem underlying the whole appraisal scheme was that of management having no real belief in the value of formal appraisal. 75% of the sample said they would notice no difference in their job if the scheme were discontinued. 36% felt that the scheme was only of indifferent importance to their superior, and nearly half the assesseees had mentioned their boss's indifference as a primary cause of the lack of follow-up. Senior management were particularly cynical of the value of appraisal, pointing out that they had "managed quite well in the company without ever being assessed". 60% of senior management in the sample had never been formally assessed. Comments suggested that it was felt that somebody with merit would get to the top without, (or in spite of) the appraisal scheme.

CONCLUSIONS

The initial impression gained from this study is that performance appraisal schemes have not come very far in the last decade. Almost all the problems highlighted by Rowe¹ in 1964 were found to be very much in evidence, and the overall evaluation of the scheme was not as favourable as has been reported in some other studies.^{5,6} It is possible that the less favourable attitude towards appraisal revealed in the present study was a function of asking assesseees for specific illustrations of their experience of the scheme. When individuals were asked only in general terms what they thought of the scheme or how they carried out appraisal interviewing, quite a satisfactory picture of the scheme emerged. When specific examples were called for however, the picture which emerged was not so satisfactory. Thus for example, 50% of the assessors claimed to follow-up their assessments, but only 34% could back this up with a specific example.

An advance in current appraisal schemes is the recognition that appraisal is not a simple matter. It is a criticism of McGregor⁷ that he failed to take sufficient account of the wider environment of appraisal. McGregor emphasised changing the manager-subordinate relationship without clarifying sufficiently that this would not be enough to bring an effective appraisal scheme. Though the sample in this study pointed to the key role in assessment played by their immediate superior, they recognised that change was needed throughout the company if the scheme was to work.

This study has also shown that the investigation of appraisal schemes is no simple matter. Results gained depend on methodological issues such as who is asked and what is asked, as much as they do on the objective facts of the situation. Indeed the major difficulty of performance appraisal is that its subject matter is so much attitudes, perceptions and expectations, and so little objective facts.

There were four major shortcomings of the appraisal scheme in the company studied: Multiple objectives; reluctance to appraise; lack of follow-up; and lack of management commitment. It is useful to look a little closer at each of these to try and get some idea why they persist in current performance appraisal.

Academics have criticised schemes which try to cover multiple objectives, and certainly this study revealed the confusion aroused by such a scheme in the minds of employees. All the different objectives are legitimate ones however, and few managers will agree to set aside the time to run two or three separate appraisal schemes. The point to be made is that there are very real conflicts of interest raised by the different objectives and some kind of balance has to be achieved between them. The personnel department may push for individual development but practicing managers realise that the firm is there to make a profit, and it is in these terms that they will assess

their subordinates. It is also unrealistic to leave salary questions right out of an appraisal scheme. Salary will have to be based on some informal assessment of worth and so it is a retrogressive step to prevent some link with a formal scheme.

Reluctance to appraise has been noted by many previous studies as a negative aspect of appraisal schemes. It is not suggested that this reluctance is desirable but it may have positive value as an index of the "health" of the appraisal scheme in the company environment. In the company investigated here it may be that this reluctance was a quite logical response of management. The majority of senior management, not being assessed themselves, would have little feeling that formal appraisal was an integral part of their management task. Furthermore, they would be aware of the specialised nature of Head Office and the static growth position of the company as a whole, and so might see little point in a comprehensive appraisal that could not be taken any further.

Follow-up is not always an easy matter in a somewhat static company or when dealing with the "average" employee. It is perhaps a criticism of the appraisal literature that it assumes that all employees are "high-flyers" awaiting promotion to the board of a high growth company. It is here however, that the skilled assessor makes an important contribution in deciding what behaviour the subordinate can change, and what follow-up can be realistically recommended. Needless to say, this skill cannot be developed without training, so this would be a first essential step in the case of the company studied.

Given these difficulties above it is not easy to decide whether lack of management commitment to the scheme was a cause or effect variable. Overall the study would suggest that it is most sensible to see it as an effect; an index of an already existing situation. Where no one was sure what the objective of the scheme was, and few could point to its contribution to their daily task, it is not surprising that commitment was low. Thus it would be dangerous to assume, as some of the literature does that commitment is something that can be tackled directly. No amount of organisation development courses will "cut much ice" if the scheme is not felt to be applicable in the company climate as a whole. The scheme has got to

be seen to be at least marginally successful before commitment to it can be expected to follow.

To conclude on a more positive note it should be made clear that despite its problems staff did not see any advantage in the abandonment of formal appraisal. Their reaction was much more that an effort should be made to solve these problems so that the scheme could be made more effective.

REFERENCES

- ¹ Rowe, Kay, H., 'An Appraisal of Appraisals', *Journal of Management Studies*, Vol. 1, 1964; pp 1-25.
- ² Stewart, Rosemary, 'Reactions to Appraisal Interviews', *Journal of Management Studies*, Vol. 2, 1965; pp 83-99.
- ³ Haeri, F.H., *Performance Appraisals: What Managers Think*. British Institute of Management, London: 1969.
- ⁴ Stone, T.H., 'Concerning Performance Appraisal: An Examination of Six Prevalent Assumptions', *Public Personnel Management*, Vol. 2, 1973; pp 408-414.
- ⁵ British Institute of Management, *Management Appraisal Practices*. B.I.M., London: 1967.
- ⁶ Gill, Deidre, Underson, B. and M. Thakur, *Performance Appraisal in Perspective: A Survey of Current Practice*, Institute of Personnel Management, Information Report No. 14, London: 1973.
- ⁷ McGregor, D., 'An Uneasy Look at Performance Appraisal', *Harvard Business Review*, Vol. 35, 1957; pp 89-94.
- ⁸ Randell, G.A., Packard, P.M.A., Shaw, R.L., and A.J. Slater, *Staff Appraisal*, IPM, London: 1972.
- ⁹ Beveridge, W.E., 'Attitudes to Appraisal in Three Work Organisations', *Management Education and Development*, Vol. 12, 1974; pp 68-74.
- ¹⁰ Ashton, D. and P. Taylor, 'Current Practices and Issues in Management Appraisal' *Management Decision*, Vol. 12, 1974; pp 255-263.
- ¹¹ Molander, C.F., 'Management by Objectives in Perspective', *Journal of Management Studies*, Vol. 9, 1972; pp 74-81.
- ¹² Williams, M.R., *Performance Appraisal in Management*, London: 1972.