

procedure. Trait-rating scales have trouble standing up to the scrutiny of the courts because it is difficult to prove their job relevance. Without specific, job-relevant definitions, trait-rating scales are vulnerable to the errors associated with the subjective elements in an appraisal—errors such as the “halo effect,” “strictness,” “positive or negative leniency,” “central tendency,” and others. (For a more detailed discussion of these and other common errors see Chapter Three, “Common Rater Errors.”)

Finally and most significantly for the rating manager, scales that rate individuals based on personality traits make a poor tool for employee development. If the manager seems to be rating employees on what they *are* rather than what they *do*, he or she is on shaky ground when asking employees to change. Imagine the rating manager saying to an employee: “You have to become more self-motivated if you want to get a better rating.” The employee may think (even if he or she doesn’t come out and say it): “Oh really? Who are you, my therapist?”

It’s much more effective to tell an employee, “You’re acting in this (clearly defined) way, and here are the consequences for you and us if this behavior continues. Let’s try to find a way to modify it so you can be more effective.” That gives the employee something to work on, something which has a limit and which is in the employee’s power to change.

Trait-rating scales remain popular in the face of criticism by industrial psychologists because they address a real problem that other, more objective performance appraisal approaches do not address. Undoubtedly it would be more objective if we could base our judgment of employees’ performance solely on their accomplishments. However the collective nature of most types of work makes it difficult to link a given employee with a given accomplishment.

Most people work in teams and even though the rating manager may have a gut feeling about who was the most valuable member of the team, he or she may find it very hard to measure that value objectively. Therefore it’s necessary for the manager to make a general determination about what kind of daily behavior is required by the job.

Even in jobs such as sales, where an individual’s performance can be isolated rating managers are usually concerned with *how* their employees go about accomplishing their goals. They don’t want their salespeople gathering accounts through unethical practices (to use an extreme example) or making promises they can’t keep (to use a more common one) just to meet prescribed performance levels.

Trait-rating scales are an attempt to take into account this on-going behavioral aspect of performance.

METHOD 3: PEER RANKING

Peer-ranking procedures were first developed by the armed services and are still in common use there. They are also familiar to most of us from school (remember class ranking?). Typically the form asks the rating manager to provide an overall evaluation of performance by checking one of the following categories: top 1%, top 3%, top 5%, top 10%, top 30%, top 50% (typical), bottom 30% (marginal), and unsatisfactory. As opposed to other ranking procedures, managers are asked to rank their employees with respect to other employees.

Peer-ranking procedures are not widely used outside the military, and they’re seldom used by themselves. They generally comprise a line or two in an appraisal form. This makes good sense in that these procedures are really not a way of arriving at a judg-

ment about an employee, only a way of expressing the judgment. Why and how this employee is better or worse than the average employee has to be supported and expressed by other means.

By the same token, ranking procedures are no more objective than the means used to support them. In a school, a computer uses test scores to determine mathematically in what percentile a given student belongs. There's very rarely that kind of input available regarding job performance.

In that case, why use peer-ranking procedures at all? Ranking procedures have the virtue of avoiding some of the common errors of subjective appraisal, such as "central tendency," "strictness," and "positive or negative leniency," because they force the rating manager to think of an entire group of employees and compare them to each other; certainly the manager is not going to put all employees in the center. However, in a large organization the process fails because the rating manager can't be familiar enough with the work of every employee in the organization to make a valid assessment. As a rule, ranking is not based on well-defined, job-relevant measures of performance and so will not stand up well in court. Even if the ranking is based on job-relevant measures, it's still difficult to back up the assertion that the manager knows the comparative worth of every employee, let alone how well they stack up against every other employee in the organization who has a similar job.

Ranking procedures may help the rating manager think about performance—in that comparing different workers can give an idea of what may reasonably be expected of the average worker; however, as an appraisal technique, they are not very useful because they are unrelated to the intention of the performance appraisal. In order to know how two

workers rate against each other, the manager must know how they each rate against an independent standard; therefore he or she will still need some other appraisal method to arrive at that judgment.

METHOD 4: ORGANIZATIONAL RECORDS

At the opposite end of the spectrum from the free-form essay lies the performance appraisal based entirely on "hard" data which the organization regularly collects for purposes other than performance measurement. Such information might include accident and absence rates, production rates, cost variances, and most commonly, sales figures.

While organizational records like this can, in some instances, provide a highly objective and job relevant basis for measurement of performance, there are very few jobs to which this method can be applied effectively. For one thing, most objective data comes from measures of group performance rather than individual performance. Even where the individual contribution can be isolated, the abstract nature of the information limits its usefulness for the manager who wishes to provide feedback and help improve employees' job performance.

The relevance of the hard data represented by organizational records will vary dramatically with the individual job. Some jobs will lend themselves to this approach; others will not. When objective data gathered for purposes other than appraisal are useful, their effectiveness will probably lie in the support they lend to other appraisal techniques.

METHOD 5: CRITICAL INCIDENTS

The critical-incident method was developed in the 1950s specifically as an answer to flaws in the trait-

rating approaches already described. Where trait-rating scales address themselves to the personality of the employee, the critical-incident method is concerned purely with the facts of the employee's performance. Throughout the year the rating manager documents the employee's positive and negative behaviors on the job. At the end of the year these "critical incidents" are collected and compared: we have two piles of evidence, and we are asking, essentially, which pile is higher.

The critical incident method is almost never used by itself, and its value depends entirely on the larger interpretive context in which it is employed. Its use places a great deal of emphasis on observation and documentation, and that is a potentially valuable feature of the method. However, the degree of "objectivity" this emphasis implies can vary greatly, depending on who is doing the appraisal and what standard is used for determining the relevance of a given event. What constitutes a "critical incident?" When you've collected a group of critical incidents, what do they imply? Both of these questions leave open large areas of interpretation that must be filled by other appraisal techniques and procedures.

For the purposes of EEOC defensibility, it's certainly better to have documentation of an employee's performance than not have it, but interpretation is needed to show job relevance and fair comparison with other employees. For placement purposes, the critical incident is not very helpful unless it is used to determine something more than whether an employee has more positive than negative behaviors. Obviously, placement requires more subtle information. On the other hand, if the interpretive matrix around the critical incidents (that is, the *other* performance appraisal techniques used in conjunction with it) enables the rating manager to use the critical

incidents as supporting evidence for more subtle judgments, the technique can be more useful.

METHOD 6: BEHAVIORALLY BASED SCALES AND BEHAVIORALLY ANCHORED RATING SCALES (BARS)

The most elaborate, systematic and "scientific" of performance appraisal rating techniques are the behaviorally based scales and behaviorally anchored rating scales (BARS). BARS systems are expensive to initiate because (when done properly) they are based on a rigorous and lengthy analysis of each job to which the system will be applied.

The BARS scale used for a given job is arrived at by a 5-step process.

1. *Critical Incidents*—Individuals with detailed, firsthand knowledge of the job (such as incumbents and supervisors) list specific examples of effective and ineffective behavior.
2. *Performance Dimensions*—The collection of specific incidents arrived at in Step 1 are generalized into a set of "performance dimensions."
3. *Retranslation*—A second group of job-knowledgeable individuals is used to validate and refine the product of the first two steps. They are shown the original collection of incidents and asked to assign each incident to the dimension that best describes it. Those incidents that meet a predetermined percentage of agreement with the group in Step 2 are considered to be "retranslated" and are used in the BARS scale.
4. *Scaling Incidents*—The Step 3 group rates the behavior described in each incident in terms of ineffectiveness or effectiveness, using a 7- or 9-point scale.

5. *Final Instrument*—The retranslated scaled incidents are used as the “behavioral anchor” in a BARS instrument, which is comprised of a series of vertical scales (one per “performance dimension”) that are anchored by the included incidents. Each incident is placed on the scales based on the rating determined in Step 4.

The strength of BARS lies in its creation of measures which are closely job-relevant. The systematic background of the system, together with the job-relevance of the behaviors it measures, make personnel decisions based on BARS information highly defensible against EEOC suits.

BARS is preferred by industrial psychologists to trait-rating scales, perhaps because it embodies very sophisticated measuring procedures. It is all the more surprising, then, that research has failed to prove BARS more accurate than trait-rating scales. No one knows for certain why BARS have not been more successful, but the following factors undoubtedly contribute to the problem.

1. The accuracy of any given BARS system is dependent on the thoroughness of the initial, 5-step job analysis, and not every organization conducts the job analysis as scrupulously as it needs to. Needless to say, one organization can't use another's BARS; they must be willing to invest the time and effort to create their own instrument.
2. To apply BARS, managers must pay close attention and collect a great deal of data. The nature of the relationship between manager and employee may not make this a realistic possibility.
3. After all the investment in setting up BARS, many organizations fail to support the system by training managers in its use. After all, the managers are being asked to conduct careful behavioral ob-

servations and ratings. For assessment centers, the rater training is quite rigorous or professional raters, often psychologists, are used.

Thus BARS can be given a high rating on legal defensibility and a mixed rating on accuracy. As for the manager-employee goals of feedback, coaching, counseling, and improvement of job performance, BARS is good in that it gives manager and employee very specific things to talk about, but weak in that it is not goal-oriented.

METHOD 7: OBJECTIVES AND GOAL-SETTING PROCEDURES

Goal-setting procedures—sometimes called “management by objectives” or “work planning and review”—work by comparing expected performance with actual performance. At the beginning of the appraisal period, the manager, either alone or in collaboration with the employee, sets objectives or goals with standards or levels of accomplishment expected for set, interim periods. At the end of the appraisal period the employee is evaluated based on whether the goals were met and whether they were accomplished in accordance with the standards set at the beginning of the appraisal period.

Performance appraisal methods that work by setting specific goals and standards are strong in the areas where methods such as BARS and trait-rating scales are weak. They are objective (a goal was either met or not) and flexible (a different set of goals are worked out for each appraisal period and may be modified during the period), and highly relevant to the needs of the organization and of the manager doing the appraisal. They're work oriented and feedback oriented: the employee and the manager get-

ting together and planning the year's work and the employee's expected part in it.

Of course, goal-setting procedures are weak where trait rating and BARS are strong. For jobs in which the actions performed by the employee are the same every day, period-long goals may not mean very much. For jobs which are team efforts, it may be hard to isolate the contribution of an individual member of the team, to decide whether or not that team member has really met the "goal."

If done well, goal-setting procedures can be useful for the human resource department's goals. They are defensible in court because they're highly job relevant; however, they lack something in comparativeness, because strictly speaking, the same standard is not being applied to all employees with the same job title. For feedback, coaching, counseling, and improving of overall job performance, they're probably the best single performance appraisal technique; but they are inadequate by themselves. In the chapters ahead I will recommend a hybrid system that combines the best features of goal-setting procedures, trait rating, critical-incident methods, and behaviorally based appraisals.

CHAPTER THREE

What Goes Wrong and Why: Eight Common Appraisal Errors

Apart from the strengths and weaknesses inherent in the nature of a given performance appraisal system, there are errors of implementation that can be made no matter what techniques you use. In fact, the way your performance appraisal system is administered, and the training given to the managers using it, probably has more to do with the effectiveness of the appraisal than any other factor. Some performance appraisal systems prevent or reduce these errors more than others, but all are subject to some of them.

The eight most common appraisal errors are:

1. Inadequately defined standards of performance
2. Over-emphasis on recent performance
3. Reliance on gut feelings
4. Miscomprehension of performance standards by employee
5. Insufficient or unclear performance documentation

6. Inadequate time allotment for the discussion
7. Too much talking by manager/supervisor
8. Lack of follow-up plan

INADEQUATELY DEFINED STANDARDS OF PERFORMANCE

Whatever we call it—the standard or the definition of quality—what is expected must be defined if the performance appraisal is to have any meaning for the employee, for the organization, and for the rating manager.

If at the end of the year as rating manager I say to an individual, "I don't think you're trying hard enough," the employee can reply, "Compared to what? What was the standard against which you held me? How do I know what you expect of me? If I was performing up to the standard, how would you know it, and how could I prove it?" If I can't answer those questions, I don't just have a disgruntled employee, I have a potentially invalid performance appraisal. A clear and measurable idea of effective or superior job performance is the indispensable basis for any performance appraisal. Yet, all too often, it's missing. Managers need to know what they expect of their employees, otherwise evaluations can't be made or defended at the end of the appraisal period.

OVER-EMPHASIS ON RECENT PERFORMANCE

If a manager isn't gathering data over the appraisal period, inevitably, whatever happened in the beginning tends to get pushed back further and further into memory, and he or she winds up basing the appraisal on the events of the most recent month or two.

Some of you are familiar with this as the "Christmas phenomenon": Service providers tend to be more attentive much as children are on their best behavior right around Christmas time, when they know they're in the process of being evaluated. Well, employees know the same thing. A month or two prior to their appraisal they're likely to be on their best behavior. They make lots of suggestions, come in on time, and tend to be responsive to suggestions.

It may seem like an obvious ploy, but it works. It's not just that the manager tends to forget what happened more than a few months ago, it's also, a matter of wishful thinking. Maybe there was a problem with this employee's performance earlier in the year, but now, apparently, it's solved. Why hold it against them, and why bring it up? In fact, employees themselves remember what happened in the past month or two more readily than events that occurred nine months ago, or see the "distant" past as less relevant. Needless to say, this tendency leads to a flawed and inaccurate appraisal.

It's just as inaccurate, by the way, if the employee happens to be having some difficulty at the time the appraisal is completed and you give insufficient emphasis to the early part of the year. Either way you're being overly influenced by a particular moment in time, which may be very misleading. It's certainly not the balanced picture that you want to record.

The only way to counteract this psychological tendency is for the manager to conscientiously record data throughout the year, and to base his or her conclusions on what is in the record, rather than on how the employee has performed lately. The challenge is to know what is being looked for, and have a disciplined approach to collecting information throughout the year.

RELiance ON GUT FEELINGS

Gut reactions to an employee's performance or behavior is not irrelevant. There's nothing wrong with taking into account a general sense of employees, how able they are and how hard they're trying. However, these reactions are, by themselves, notoriously untrustworthy, not legally defensible, and not much use when it comes to giving feedback to the employee. The manager needs to be able to say: "I don't think you're trying hard enough. This is what I mean by trying hard enough. Here's my evidence that in fact you have not met the standard that we agreed upon at the beginning of the year." There *must* be some evidence to back up a gut reaction, otherwise employees will argue, especially if they don't even know what is being said. In fact there's no likely benefit that's going to come from giving gut reactions even if they are correct.

And sometimes, with evidence, you find your gut reaction is modified by the facts.

MISCOMPREHENSION OF PERFORMANCE STANDARDS BY EMPLOYEE

Now let's suppose clear standards of performance *have* been established. The manager knows what is expected of the employees, but the employees have not explained it to *them*. How likely are they to measure up?

If employees aren't given an adequate explanation of the standards by which they're being evaluated, the ratings at the end of the year, even if accurate, may be seen as unfair. Employees may even feel tricked, but most of all, they may not perform well in the first place, because they didn't have a target or benchmark to guide them.

The ideal performance management process set forth in the chapters that follow takes into account the entire appraisal period. As we'll see, the annual performance appraisal meeting is only one step. A good manager coaches, counsels, monitors, and develops his or her employees all through the year. It's possible to do that only by making goals and standards very clear to the employees and keeping these goals in the forefront of their minds.

As mentioned earlier, in many organizations the performance appraisal is the only way employees learn what is expected of them. Even if that's not true in your organization, the performance appraisal is your chance to fine-tune that communication.

Employees should know not only what the standard is, but also, at least in a general way, how judgments are reached. Such an understanding on their part will go a long way toward winning the employees' cooperation in the appraisal process and reducing their defensiveness in the performance appraisal discussion.

INSUFFICIENT OR UNCLEAR PERFORMANCE DOCUMENTATION

It should be obvious that adequate, ongoing documentation is a necessity if a rating manager wants to have more than gut reactions or memory to guide the appraisal. Yet of all the performance appraisal errors failing to document performance is the most common for two reasons: (1) Managers often experience a shortage of time and energy for a chore that may not seem as important when the performance appraisal is a year away as it will seem when it's just around the corner. In this respect the performance appraisal is like anything else: paying attention to details and doing your homework pays off.

(2) Managers seem to share a widespread ambivalence about the appraisal process as a whole. Often managers are reluctant to write down anything negative about an employee. Even if they're not hesitant to confront the employee with the problem, they may still think: "Why write it down? Why let it go into the permanent record where it will follow them around for as long as they work here?" To ask these questions is to ask whether performance appraisals should be done at all. Of course I believe they should be done, and that they should be done as accurately and thoroughly as possible; but the goal is communication, not paperwork.

I would even argue that documenting performance problems represents a higher form of mercy than keeping them out of the record. A performance record in which accurate positive and negative factors are mentioned, will give a balanced picture that may actually be a better picture than the one in which negative factors have been tactfully neglected. It's certainly a necessary basis for a plan that will go to work on this employee's developmental needs.

Before a manager gives an individual employee "a break," he or she should consider how it will affect everyone else in the organization. It's clearly not fair to other employees to fail to distinguish between adequate and inadequate performance. Needless to say, if an employee is at last fired for incompetence and the case has to be defended in court, an accurate record will be important. For that matter, suppose the manager at last finds it necessary to take disciplinary action on that individual. If the documentation states that for the past three or four years the employee has been "fully successful," how will he or she justify that action? "Well, I thought I could motivate the employee by giving him a better appraisal than he deserved, but it didn't work." The

greater the legal constraints and scrutiny under which a manager operates, the more the documentation has to reflect the actual events.

If, on the other hand, an employee is advanced or promoted on the basis of too gentle a performance appraisal, a future manager may one day call the employee's present manager and ask: "What did you do to me?"

A poorly documented appraisal can also hinder an employee's advancement. If there is an opportunity elsewhere in the organization, that department manager will look through each candidate's file. If an employee's strengths and assets are not presented clearly and accurately he or she may not get considered. Now everyone loses. Managers must be sure positive performance is also documented as well.

INADEQUATE TIME ALLOTMENT FOR THE DISCUSSION

It doesn't take long to do a performance appraisal, if you're just going to take the form and read it to the employee verbatim. Or hand it to them and say, "Please read this and respond." I pointed out how painful the process could be—this is undoubtedly the least painful approach; but it's also the least useful.

I know of one organization whose regular practice was to have its managers write the appraisal and send it to the employee through interoffice mail with the note, "Please sign and return as soon as possible." Well, that doesn't take much time! However a manager isn't going to get a lot of behavior change out of that. Oh, if the manager's only intention was to give a report card or a grade, then perhaps it would not be unreasonable to do it this way. If, however, the manager wants to use the performance

appraisal as a vehicle to develop employees, help them improve in their current job, and perhaps increase their opportunity for advancement or promotion, then he or she must schedule enough time to discuss the employee's performance in depth. By this I don't mean merely giving the employee the evaluation, but having a *dialogue* about the implications of the appraisal. Which brings us to our next point. . . .

TOO MUCH TALKING BY MANAGER/SUPERVISOR

This criticism might seem paradoxical to you. After all, isn't the point of the performance appraisal discussion to let the employee know how he or she has done? The employee is being told, right? However, to get the most out of the discussion, a manager needs to listen as well as talk. The manager may have completed the appraisal, but there are still things he or she may need to know. This discussion is a chance to get at the root of performance problems. To make the appraisal motivating for the employee the manager needs to know what that employee is thinking and feeling and to listen *carefully* to what the employee is saying. Good interviewing as well as presentation skills are needed here.

In the selection process, as you may know, if the interviewer does most of the talking, he or she is not learning very much; the same thing is true in the performance appraisal process. If, as manager, I am doing too much talking I am mainly giving my summary. If I can get the employee to respond, I may find out that he or she grudgingly agrees or accepts what I say even if he or she is not happy to hear it. I can get the individual to explain *why* things haven't happened; together we can evolve problem

solvers and some kind of plan on which we can both agree.

So managers need to get the employee involved, and to do that they have to get the employee to talk more. Later I'll introduce the mechanisms—listening skills and probing techniques—to draw employees out of their shells.

LACK OF FOLLOW-UP PLAN

If as manager I've done everything right, but there's no follow up plan, it's less likely that I'm going to meet my objectives. So I need to formalize a plan for improving their performance in the employee's current job, if that's necessary, and then, potentially, improving their capacity to advance and grow. I also need to talk with employees about how they can keep, support, and advance the mission of the organization over the coming performance period. Having some kind of follow up plan makes it more likely that that's going to happen.

Model Annual Performance Appraisal Form

PART I Review of Progress Toward Meeting Last Year's Objectives

1. Objectives Agreed To Last Year (As modified during the year) _____
 Results (Narrative) _____
 Weighting (Must Total 100%) _____
 Rating

Greatly exceeded standard _____
 Exceeded the standard _____
 Met the standard _____
 Did not meet the standard _____
 Significantly below the standard _____

2. _____
 Greatly exceeded standard _____
 Exceeded the standard _____
 Met the standard _____
 Did not meet the standard _____
 Significantly below the standard _____

3. _____
 Greatly exceeded standard _____
 Exceeded the standard _____
 Met the standard _____
 Did not meet the standard _____
 Significantly below the standard _____

4. _____
 Greatly exceeded standard _____
 Exceeded the standard _____
 Met the standard _____
 Did not meet the standard _____
 Significantly below the standard _____

PART II Review of Progress Toward Meeting the Standards of Performance Agreed to Last Year

Performance Factors

1. _____
 Weighting (Must Total 100%) _____
 Rating

Greatly exceeded standard _____
 Exceeded the standard _____
 Met the standard _____
 Did not meet the standard _____
 Significantly below the standard _____

2. _____
 Greatly exceeded standard _____
 Exceeded the standard _____
 Met the standard _____
 Did not meet the standard _____
 Significantly below the standard _____

3. _____
 Greatly exceeded standard _____
 Exceeded the standard _____
 Met the standard _____
 Did not meet the standard _____
 Significantly below the standard _____

Overall Weighted Average Rating for Objectives _____



Model Annual Performance Appraisal Form—(Continued)

PART II Review of Progress Toward Meeting the Standards of Performance Agreed to Last Year

Performance Factors	Weighting (Must Total 100%)	Rating
4.	_____ %	<input type="checkbox"/> Greatly exceeded standard <input type="checkbox"/> Exceeded the standard <input type="checkbox"/> Met the standard <input type="checkbox"/> Did not meet the standard <input type="checkbox"/> Significantly below the standard
5.	_____ %	<input type="checkbox"/> Greatly exceeded standard <input type="checkbox"/> Exceeded the standard <input type="checkbox"/> Met the standard <input type="checkbox"/> Did not meet the standard <input type="checkbox"/> Significantly below the standard
6.	_____ %	<input type="checkbox"/> Greatly exceeded standard <input type="checkbox"/> Exceeded the standard <input type="checkbox"/> Met the standard <input type="checkbox"/> Did not meet the standard <input type="checkbox"/> Significantly below the standard
7.	_____ %	<input type="checkbox"/> Greatly exceeded standard <input type="checkbox"/> Exceeded the standard <input type="checkbox"/> Met the standard <input type="checkbox"/> Did not meet the standard <input type="checkbox"/> Significantly below the standard

Overall Weighted Average Rating for Performance Factors _____

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PART III SUMMARY OF OVERALL PERFORMANCE FOR YEAR

WEIGHTED AVERAGE OF OBJECTIVES AND PERFORMANCE FACTORS

- Greatly Exceeded Standard
- Exceeded the Standard
- Met the Standard
- Did not meet the Standard
- Significantly below Standard

PART IV DEVELOPMENT PLAN

A. (For use if any individual rating is below "Met the Standard," or if employee wants to work on any area of current job)

For improvement in current job the following actions/objectives have been agreed to:

1. _____
2. _____
3. _____
4. _____

B. (For use if advancement or career growth is a practical option and employee is interested)

For preparation for possible advancement the following actions/objectives have been agreed to:

1. _____
2. _____
3. _____
4. _____

C. (Job enrichment: For use if advancement or career growth is not an option, or if employees is not interested)

The following actions/objectives have been agreed to:

1. _____
2. _____

- 3.
- 4.

PART V PERFORMANCE PLAN

The objectives agreed upon by employee and manager for the next year (additions or modifications are to be done in writing). **THESE OBJECTIVES BECOME THE SUBJECT MATTER OF PART I OF THE FORM NEXT YEAR.**

- 1.

- 2.

- 3.

- 4.

- 5.

PART VI EMPLOYEE STATEMENT (Optional — Additional sheets may be used)

PART VII SIGNATURES

MANAGER (Direct Supervisor) Date

EMPLOYEE Date
(Signature acknowledges that this form has been reviewed with employee. It does not imply agreement with content.)

INITIALS
PRIOR TO
APPRAISAL
DISCUSSION
()

INITIALS
PRIOR TO
APPRAISAL
DISCUSSION
()

DEPARTMENT MANAGER Date

HUMAN RESOURCES Date