

## 9.12: Performance Appraisals

### Learning Objectives

- Describe different approaches to performance appraisals

### The Purpose of Performance Appraisals



A **performance appraisal** (PA) or performance evaluation is a systematic and periodic process that assesses an individual employee's job performance and productivity, in relation to certain pre-established criteria and organizational objectives. Other aspects of individual employees are considered as well, such as organizational citizenship behavior, accomplishments, potential for future improvement, strengths, and weaknesses. A PA is typically conducted annually. However, the frequency of an evaluation, and policies concerning them, varies widely from workplace to workplace. Sometimes an evaluation will be given to a new employee when a probationary period ends, after which they may be conducted on a regular basis (such as every year). Usually, the employee's supervisor (and frequently, a more senior manager) is responsible for evaluating the employee, and he or she does so by scheduling a private conference to discuss the evaluation. The interview functions as a way of providing feedback to employees, counseling and developing employees, and conveying and discussing compensation, job status, or disciplinary decisions.

Historically, performance appraisals have been used by companies for a range of purposes, including salary recommendations, promotion and layoff decisions, and training recommendations.<sup>[1]</sup> In general, "performance elements tell employees what they have to do, and standards tell them how well they have to do it."<sup>[2]</sup> This broad definition, however, can allow for appraisals to be ineffective, even detrimental, to employee performance. "Second only to firing an employee, managers cite performance appraisal as the task they dislike the most," and employees generally have a similar feeling.<sup>[3]</sup> One key item that is often forgotten during the appraisal process (by managers and employees alike) is that the appraisal is for improvement, not blame or harsh criticism.<sup>[4]</sup>

### Developing an Appropriate Appraisal Process

One significant problem in creating an appraisal process is that no single performance appraisal method will be perfect for every organization.<sup>[5]</sup> Establishing an appropriate process involves significant planning and analysis in order to provide quality feedback to the employee. The most crucial task in the process is determining proper job dimensions that can be used to evaluate the employee against accepted standards that affect the performance of the team, business unit, or company.<sup>[6]</sup> Peter Drucker developed a method termed "Management by Objectives," or MBO, in order to address the need for specifying such job dimensions. Drucker suggests that objectives for any employee can be validated if they pass the following SMART test:<sup>[7]</sup>

- Specific
- Measurable
- Achievable
- Realistic
- Time-related

The process of an evaluation typically includes one or more of the following:

- An assessment of how well the employee is doing. Sometimes this includes a scale rating indicating strengths and weaknesses in key areas (e.g., ability to follow instructions, complete work on time, and work with others effectively). It's also common for the supervisor and manager to discuss and determine the key areas.
- Employee goals with a deadline. Sometimes the employee may voluntarily offer a goal, while at other times it will be set by his or her boss. A significantly underperforming employee may be given a performance improvement plan, which details specific goals that must be met to keep the job.

- Feedback from coworkers and supervisors. The employee may also have the chance to share feelings, concerns, and suggestions about the workplace.
- Details about workplace standing, promotions, and pay raises. Sometimes an employee who has performed very well since the last review period may get an increase in pay or be promoted to a more prestigious position.

## Methods of Performance Appraisal

Numerous methods exist for gauging an employee's performance, and each has strengths and weaknesses depending on the environment. The following outlines some of the more commonly used methods, as well as some recently developed ones that can be useful for various feedback situations:

- **Graphic rating scales:** This method involves assigning some form of rating system to pertinent traits. Ratings can be numerical ranges (1–5), descriptive categories (below average, average, above average), or scales between desirable and undesirable traits (poor ↔ excellent). This method can be simple to set up and easy to follow but is often criticized for being too subjective, leaving the evaluator to define broad traits such “leadership ability” or “conformance with standards.”<sup>[8]</sup>
- **Behavioral methods:** A broad category encompassing several methods with similar attributes. These methods identify to what extent an employee displays certain behaviors, such as asking a customer to identify the usefulness of a sales representative's recommendation. While extremely useful for jobs where behavior is critical to success, identifying behaviors and standards for employees can often be very time-consuming for an organization.<sup>[9]</sup>
- **2+2:** A relative newcomer in performance appraisal methodology, the 2+2 feedback system demonstrates how appraisals can be used primarily for improvement purposes. By offering employees two compliments and two suggestions for improvement focused around high-priority areas, creators Douglas and Dwight Allen suggest that organizations can become “more pleasant, more dynamic, and more productive.”<sup>[10]</sup> If the goal is employee improvement, this system can provide significant benefits; however, if the goals are compensation changes and rankings, the system provides little benefit.

### ? Practice Question

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Appraisal methodologies depend greatly on the type of work being done; an assembly worker will require a very different appraisal system from a business consultant. Significant planning will be required to develop appropriate methods for each business unit in an organization in order to obtain maximum performance towards the appraisal goals.

1. Kulik, 2004 ↵
2. United States Department of the Interior, 2004 ↵
3. Heathfield, Performance Appraisals Don't Work ↵
4. Bacal, 1999 ↵
5. Kulik, 2004 ↵
6. Fukami, Performance Appraisal, 2007 ↵
7. Management by Objectives—SMART, 2007 ↵
8. Kulik, 2004 ↵
9. Kulik, 2004 ↵
10. Formula 2+2, 2004 ↵

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