# PERFORMANCE APPRAISALS:
THE RESEARCH PRACTICE GAP

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In their monumental book "Passion for Excellence", Tom Peters and Nancy Austin (1985) emphasized the fact that people are key to productivity gains. It sounds elementary and very basic but in the hustle of everyday life, people too often receive less attention than they should. Many organizations have been leaders in realizing dollar opportunities from technological development and capital investment but many of the same companies have failed to maximize productivity by failing to take full advantage of the abilities of their people.

The Human Resource Management function which is responsible for the efficient and effective use of this important resource can be viewed as a system of **Input, Process** and **Output** of its own, as explained by Bernardin & Beatty (1984) through the following diagram:

The Human Resource Management System
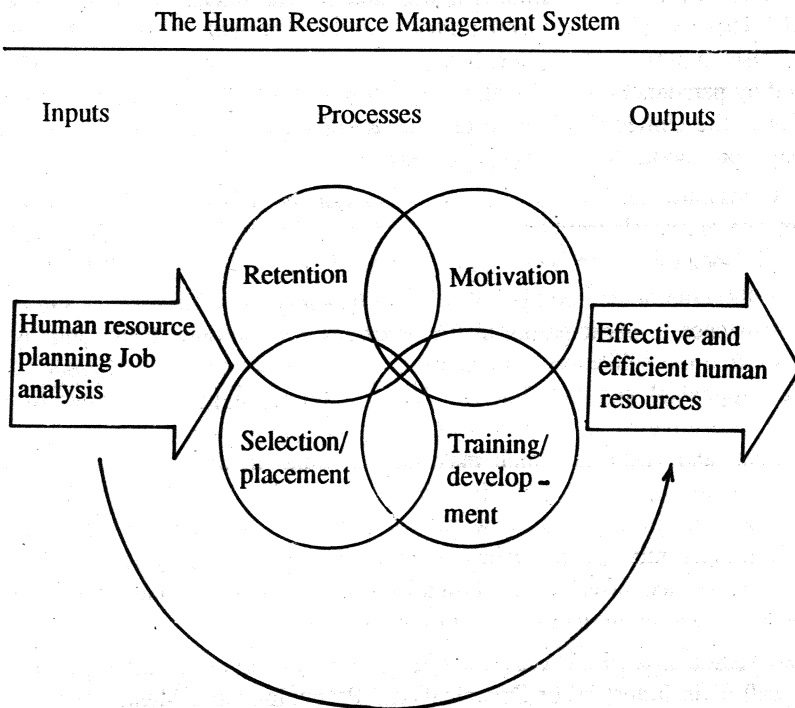
The above model begins with the **Job Analysis** that addresses the question of *What* an employee is to do, *How* to do the job correctly, and *What* are the requirements needed to perform the job well. The efficient use of an organization's human resource begin with **Selection**, namely: choosing the right person for the job. The "right" is defined here by the information from the Job Analysis as mentioned above. Once the position is filled, the **Performance Appraisal** (or **PA** for

short) plays a key role in this model because it ultimately determines the effectiveness and efficiency of the organization's human resource (whether human resource is being utilized as planned, whether they are contributing to the organization's goals) by assessing **Which** employee needs training, **What kind** of training is needed, **Which** needs to be motivated, **Which** needs to be transferred, and **Which** to retain through the definition of effective employee behavior. In other words, **Performance Measures and Evaluations** (Appraisals) are part of an organization's overall **Control System**; it serves as an audit for the organization about the effectiveness of each employee. Such a control system based on key job behaviors that serve as standards enable managers to identify "what an employee must start doing, continue doing, or stop doing" and enable the employees to perform better if this feedback were given to the employees along with the "whys" and "how to do better" in the Appraisal Interview (Cascio, 1987; Latham & Wexley, 1980).

Most companies do understand that well-developed appraisal system increase the probability of retaining, motivating, and promoting productive people and yet, organizations continue to express disappointment in PA system despite advances in appraisal technology and an abundance of empirical studies of the subject (Banks & Murphy, 1985). Practitioners say that they have struggled with performance appraisal more than with any other processes in their companies (Business Week, 1980) and that finding a workable appraisal system seems like a search for the "Holy Grail." These statements relecft both the importance and the frustration of organizational effort to appraise employee's behavior. In a survey to asses the extent to which HRM practices are being utilized by personnel professional, Campbell & Baron (1982) found that while ninety percent of companies in the United States reported the use of formal performance appraisal, only half of them felt they were moderately or highly successful.

From discussions with Indonesian HRM practioners, it is obvious that managers in general find performance appraisals troublesome, both when giving positive appraisals and more so when they have to give negative appraisals personally and put the criticism in writing. McGregor (cited in Muchinsky, 1987) commented that people dislike *formally* evaluating others and therefore usually show some resistance to participating in PA programs. On the other hand, employees charge that appraisals are often too subjective, an accusation which is not entirely unfounded for **eventhough performance appraisal suggest that the focus is on behaviors** that enter into effective and ineffective job performance, **in practice appraisals are too often made of characteristics** such as personality traits and attitudes which may have nothing to do with job performance. Indeed, appraisal validity and reliability are still major problems in most PA systems (Banks & Murphy, 1985; Landy & Farr, 1980). It is no wonder that Latham & Wexley (1982) liken performance appraisal to seat-belts: most people believe they are necessary but they don't like to use them. As a result, **PA systems are often used reluctantly**; in the United States more to satisfy formal organizational or legal requirements than for any other reason.

Problems associated with PA are documented both in volume of articles in scientific and trade journals as well as in Industrial or Organizational Psychology and Management textbooks. Banks & Murphy (1985) observed that although both researchers and practitioners have analyzed performance problems, they have generally suggested totally different remedies. For example, practitioners suggest that appraisal process need to be congruent with the organization's objectives, strategy, and environment (Albanese & Van Fleet, 1982); need to place more emphasis on defining appraisal objectives and training of appraisers, but less emphasis on techniques (Locher & Teel, 1977); need to increase management's committment to the appraisal system, and need to clarify performance objectives as well as criteria (Banks & Murphy, 1982). Researchers on the other hand,

stress the need to reduce rating errors (Bartlett, 1983; Cooper, 1981; Landy and Farr, 1980); use better formats and more effective use of PA information (Blanz & Ghiselli, 1972; Cooper, 1981). Muchinsky (1987) feels that the heavy emphasis put by researchers on "technique" is somewhat misplaced, and that Feldman's theory on cognitive processes in performance appraisal should be given more attention rather than focusing only on "which scale to use." As also noted by Bernardin & Beatty (1984), Muchinsky observed that **not enough attention** is given by researchers to **demonstrating the utility** of PA to organizations when in fact utility is the most important criterion for an appraisal system from an organization's economic perspective. It is unfortunate that despite an abundance of studies, there is not enough information available to enable one to make meaningful estimates of their relative utilities.

The fact that researchers and practitioners focus on different set of appraisal problems and therefore propose different solutions suggest a lack of coordination in solving appraisal problems. Most important, this **divergence in focus indicates that researchers solutions may not speak to practitioners problems** and studies will be carried out "just for knowledge sake." Over the past thirty five years, researchers have developed several products to assist performance appraisal in organizations, namely: **(a) Formats** such as checklists, rating scales, narratives, and work samples that help to structure the appraisal (Bernardin & Beatty, 1984); **(b) Rater Training Programs** to promote proper utilization of appraisal systems and to improve rating skills (Pulakos, 1984); and **(c) Processes** such as critical incident method (Flanagan, 1954), diary keeping and goal setting (Latham and Locke, 1979). Although these products are useful, they have not been adopted widely because they are not perceived as realistic since most of the studies were done in laboratorium setting and therefore their generalizability to real-life situations have been oftentimes questionable (Banks & Murphy, 1985; Ilgen & Favero, 1985; Guion & Gibson, 1988; Muchinsky, 1987). In these authors review, lab studies tend to ignore several critical factors in real life situations. Ilgen & Favero (1985) for example, feel that lab studies of PA have failed to consider the continuous nature of interactions between appraiser and appraisee: how well a group performs is very important for the evaluation of the manager/supervisor in charge. Therefore, the appraisal given may reflect a desire to enhance the manager's own performance as much as to judge the subordinate's. This issue involves **raters motivation to rate accurately**, which lack of may be the reason why improved formats are apparently no better than the simple rating scales. Other real life factors ignored in lab studies: time pressure (Banks & Murphy, 1985), as well as limited amount of information and delay between ratee's behavior and appraisal. In reference to this last factor, Heneman & Wexley (1983) observed that in most organizations, PA are conducted on annual basis where raters observe only a small number of behavior as a result of their large span of control, physical distance from the ratee, and the large number of responsibilities not requiring interaction with the ratee. Feldman (cited in Heneman & Wexley, 1983) underlines the critical role time plays in this situation. He warns that (1) the trace formed during the observation of performance decays rapidly as the time between observation and retrieval increases, and (2) non performance related events may interfere with the trace during the time. In general, managers are urged to give feedback immediately and often, but there are no built-in mechanism for ensuring that they do so. Delay in feedback creates both: frustration when good performance is not quickly recognized, and anger when judgment is rendered for inadequacies long past. In lab settings the appraisal are done generally immediately after the behavior occurred or at the most a few days later. In addition, the appraisers also receive all the necessary information needed to perform the ratinng.

The important question now is: can anything be done to overcome this divergence in focus? It is this writer's view that addressing the issue in journal articles is not a forceful enough way to

attract attention from the counterpart's side and that the very first thing that should be done to enhance communication between academic researchers and HRM practitioners is through a formal forum (eg. workshop) in which representatives of the two parties discuss the information gap and develop alternatives wherein the objective would be to make Performance Appraisal studies more relevant and more useful to the real life settings. One alternative which does not seem entirely impossible is for the organizations to sponsor a study which would be tailor-made to their needs and the study should be carried out in the organizations setting. In this way the researchers will be able to observe for themselves what aspects of performance behavior are "really" measurable and will also be able to gather firsthand data of the difficulties found in implementing the PA system in organizations. On the other hand, the practitioners will be able to observe for themselves that the appraiser is the key to the success or failure of any appraisal system. If an appraiser does not know how to use the system (what was its intended purpose), does not know how to observe behavior objectively, or is not willing to devote enough time to the appraisal task, then the appraisal system will be ineffective. It seems reasonable to expect that this type of study would make the practitioners aware that they should not take raters motivation for granted and therefore in addition to providing written instructions, they should provide adequate training for the raters where they can practice their skill and receive feedback with regard to the skill acquired. To increase raters/superious motivation it seems useful as well to tie-up the evaluation of his/her subordinates to their quality rating as superious will also depend on their ability to give cereful and accurate appraisals of their subordinates. As Locher & Teel (1977) reminded: No appraisal system, regardless of its features, can be effective unless appraisers are capable and motivated. ❑

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