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Positive Program for Performance Appraisal
by **Alva F. Kindall** and **James Gatza**

"Bill, it's time for your annual appraisal interview. You've done a lot of good work, and I want you to know that it has been noticed and appreciated. Of course there are areas in which improvements can be made. Let's start with the good side. Your output record has been good all year, and we're particularly pleased with your showing on the cost control project. You have good judgment, and it shows up in your planning. As I told you at the time, you did a swell job on the Clarkson order...

"Now, Bill, let me tell you where I think you can make some improvement. I know that I can speak frankly and come right to the point. Your stubbornness is still a major problem. I can think of two or three times I had to step in to settle a dispute between you and the boys in central planning. I'm sure you agree that you haven't shown much imagination or creativity in doing your job, and this is an area the company thinks is important, especially when picking people for higher management jobs. Another thing I've noticed, Bill, is that you've been too aggressive in your dealings with other departments. You know, we all have to pull together if this company..."

What's going on here? In our opinion, *quackery*! You recognize the "conversation" above as the interview associated with a performance appraisal program. Formalized appraisal programs are widely used today, under a variety of names, for promotion, demotion, transfer, retention, retirement, executive development, spotting training needs, evaluating psychological tests, and other organizational purposes. Many of these programs fail to meet their objectives and often do real damage. Why do they fail? Why do they induce quackery? And in particular, what kind of performance appraisal *is* more effective? What exactly would the managers of a company do—what specific steps would they follow—to adopt a program that would help employees take greater responsibility and contribute more fully to the goals of the organization? These are the questions we shall discuss in this article.

Why Typical Programs Fail

Many businessmen are personally familiar with the shortcomings of conventional appraisal programs. The topic has also been a favorite one of writers.[1] The most important reasons for failure can be summarized as follows:

• As the illustration at the beginning of this article suggests, the appraisal procedure leads the superior to judge his subordinate in terms of his personality traits. Some of the more popular traits mentioned in company rating forms are: mental alertness, integrity, initiative, adaptability, common sense, job interest, and self-confidence.

• Now, it is one thing for an executive to react to another person's personality when "sizing him up." We do that every day. But it is quite another thing for a manager to delve into the personality of a subordinate in an official appraisal that goes into the records and affects his career. The latter amounts to quackery—to a pretension to training or knowledge which is not in fact possessed. For only in rare instances is a business executive properly qualified to assess the personality of an individual and, more important, to try to get the individual to change aspects of his personality. The human personality is a complex and highly abstract concept. Even psychologists disagree on how it should be defined or approached. Personality traits are themselves extremely difficult to define. Where does one draw the line, for example, between intelligence and common sense, or between self-confidence and aggressiveness?

• A useful way of looking at the organizational appraisal process is to note the difference between *causes* and *results* of a person's behavior. In our illustrative interview, the disputes mentioned between the appraisee, Bill, and the central planning department are the *results* of Bill's behavior—observable events that took place. But the contention that Bill is stubborn represents his superior's attempt to identify the *cause* of these disputes. Looking at it in terms of such a distinction raises questions such as these: How accurate is the word "stubborn" as a description of Bill's actions? Is the superior qualified to choose one or more trait names or adjectives which correctly portray Bill as a person? Do Bill and his superior agree on what is meant by stubbornness and how it is different from assertiveness, tenacity, and other traits? Does the very word stubbornness put Bill in a defensive attitude and block further communication?

• If a superior raises an issue in terms of the results he has observed, the discussion tends to fasten upon the facts, their significance, and what they suggest in terms of future action. But communication is greatly hampered, we feel, when the superior presents the issues in terms of what *he feels* are the underlying cause factors involved. The subordinate may react defensively or argumentatively and block further communication to a large degree. This problem is, in our view, a major reason

why a great many appraisal schemes have failed to accomplish what they are intended to do. "Improving performance" and "developing people" are two of the most common appraisal plan goals. It seems obvious that the appraisal process cannot go far toward attaining these goals unless there is effective communication between the evaluator and the person being evaluated.

• Douglas McGregor makes a lasting addition to the managerial vocabulary when he likens the superior's role under many appraisal plans to that of "playing God." He states that the superior does not want to pass judgment upon another person when his judgment may have a great influence on that individual's future.[2] As a result, the superior resists the role of "playing God," and will avoid it in various ways. For instance, the superior may ignore a company rule that he discuss the rating with his subordinate. Another common occurrence reflecting this resistance is actually rather ludicrous: practically all of the managers in an organization will be rated "above average."

Practical Objectives

So much for the inadequacy of common appraisal procedures. Let us turn now to the kind of approach that will work—that will encourage imagination, ingenuity, the acceptance of responsibility, and more intelligent efforts to achieve organizational goals.

Consider the following three points as a statement of objectives for organizational performance appraisal:

1. The first and focal objective is the improvement of performance in the job now held. This suggests that the appraisal procedure should not stop at an examination of the past; it should move on to the preparation of some plan for future action based on what has been learned from the past. This also suggests that the appraisal plan should embrace as many positions as possible, and that it should strive for improvement in all of them.

2. The second goal is the development of people in two senses: (a) providing the organization with people qualified to step into higher positions as they open up; (b) serving as a help to the individual who wishes to acquire the knowledge and abilities he needs to become eligible for a higher job.

3. The appraisal procedure should also provide answers to the two questions which seem to be the recurrent concern of almost every organization member: "How am I doing?" and "Where do I go from here?" Answering these questions is of obvious benefit to the person whose mind they occupy. It may also be of great value to the organization, for in many cases these questions will preoccupy an individual and prevent him from hearing or responding to much of what his superior has to say.

This statement of objectives does not cover all possible goals, nor does it intend to. It makes no mention, for example, of two common appraisal program goals: providing an inventory of personnel resources, and providing a means for testing personnel procedures. There is, we feel, great danger in asking an appraisal program to do too many things at once. It tends to be more effective if the company has differentiated between its needs for appraising performance and its needs for a system of performance reporting.

Some organizations will need some kind of report on the qualifications or performance of its people. This is the case, for example, when the organization takes a personnel inventory at some point, or has need for a continuing manpower audit procedure. When this need is present, management should, we feel, devise a simple bare-bones report which carries only the information needed for these particular purposes. Our reasoning is this: All too often appraisal and reporting are looked on as one task. When this is done, the *performance report* usually is the same sheet of paper used as a guide in making the *appraisal*. The disadvantage of this practice is that it often leads the superior to sway his ratings out of conscious or unconscious concern over how the report might look to others.

Five-Step Program

The program we are about to discuss is not brand-new or original. A few companies have been using essentially similar programs for some time. Yet this approach is a new look in performance appraisal, standing in sharp contrast to the bulk of current appraisal practices. This plan is appropriate for the appraisal of executive, supervisory, sales, staff, and similar positions. It is somewhat more difficult to use in the case of the highly routinized production-line type of jobs.

Here, in capsule form, is the program:

• *Step #1:* the individual discusses his job description with his superior and they agree on the content of his job and the relative importance of his major duties—the things he is paid to do and is accountable for.

• *Step #2:* the individual establishes performance targets for each of his responsibilities for the forthcoming period.

- *Step #3:* he meets with his superior to discuss his target program.

- *Step #4:* checkpoints are established for the evaluation of his progress; ways of measuring progress are selected.

- *Step #5:* the superior and subordinate meet at the end of the period to discuss the results of the subordinate's efforts to meet the targets he had previously established.

Let us now look at this program in greater detail. To begin with, it is assumed that company-wide and major division objectives have been established and communicated to subordinate levels. It is further assumed that these goals have been expressed as targets whenever possible. As we shall use the term, a target is a clearly defined goal to be attained by a stipulated date. Whenever possible, the statement of a target includes the standard of performance to be reached. Thus, "to increase sales" is insufficient as a target statement, while "to increase sales 10% by December 31" is a workable target. There will, of course, be targets that cannot be expressed in such definite terms—for example, improving relations with another organization.

Job content

In Step #1, the individual's job description is discussed, and he and his superior agree on what is involved in each of the major areas of his job. There should be a full understanding and a common accord on how much importance is attached to the various aspects of the person's job.

Performance targets

Step #2 takes a little more explaining. The individual draws up a program of performance targets for his job in the immediate period ahead. Six months is usually an appropriate time period. This list of targets embodies his plans in all of the major areas of his job. The targets he selects should be *challenging;* they should represent improvements over the results thus far achieved. At the same time, they should be *realistic;* they should be attainable within the period selected. Of utmost importance, the entire target program should be *manageable.*

Most of the targets the individual establishes will probably be directly related to his job duties and the needs of the organization as expressed in part through similar target programs set at higher levels. To illustrate, an industrial equipment salesman might set up these targets, among others:

- To increase total sales 8% or more.

- To add four or more new accounts.

- To at least double sales of the new product.

- To regain at least one of the three accounts lost during the past year.

- To improve relations with the X Company (a large customer).

In addition to these job-oriented goals, the individual may, if he wishes, include in his program targets related to his own promotional aspirations. Continuing with the illustration of a salesman, let us assume that the salesman is fully experienced in his job and has begun working toward eventual promotion to a sales managership. He is encouraged, under this appraisal plan, to ask this question: "How does the sales manager's job differ from mine?" Suppose that one of the sales manager's duties is to construct expense budgets and that the salesman has had no experience in drawing up a sales office expense budget. The salesman can include in his program a target such as this: "to be able to prepare without help a sales office expense budget."

Inclusion of personally oriented targets such as the one just cited strengthens the role of this performance appraisal program as a means of developing people. In some respects training experiences vie for the person's time with his immediate job duties. So his target program should, we feel, grant explicit recognition to his self-development goals and bring them into some sort of balance with goals concerning his job responsibilities.

Discussion of plan

In Step #3, the individual and his superior meet to discuss the target plan he has drawn up. The subordinate sets the pace: the discussion centers around the plan he has formulated. Under normal circumstances, the superior should not overrule him. Exercising a veto power may douse the enthusiasm a person normally feels about having the chance to plan his own affairs. The superior should adopt the role of counselor or consultant. Hopefully, both will learn more about the problems they face if the boss relies on *discussion* rather than *orders* as the means of influencing his subordinate. However, during times of

economic crisis, the superior may want to take a stronger hand if the subordinate sets unmanageable targets or chooses targets which fail to meet pressing organizational needs.

The key step in this entire appraisal program is this third step, the superior-subordinate conference over the subordinate's target schedule. It is perhaps better to call it "tricky" than to imply that it is overly simple. We feel that the process of setting one's own performance targets is highly valuable both as a training experience and as a source of personal motivation. These advantages may be lost if the superior goes to the extreme of handling the conference in such a way as to make the subordinate doubt that he really has been granted the freedom to establish his own goals. At the opposite extreme, the superior who does not voice his thoughts about the subordinate's targets may destroy the merit of this appraisal program as a means of directing human efforts toward organizational goals. It should not be difficult to stay in the proper middle ground between these extremes; and emphasizing the superior's role as a counselor will help in this respect.

Determining checkpoints

In Step #4, the subordinate and his superior select checkpoints for the targets established. Checkpoints are merely appropriate points at which progress can be evaluated. The end of the appraisal period is not necessarily the best time at which to assess progress toward some of the targets selected. Many checkpoints will be found in the company's regular procedures for reporting output, sales, costs, profits, quality, and the like. A project completion date is an obviously suitable checkpoint. It will be necessary to create checkpoints for some target projects without clear ending or division times. This whole process may be highly rewarding as a source of greater understanding of company problems.

Closely connected with the selection of checkpoints is the designation of means of measuring progress. Questions such as these demonstrate the desirability of stating in advance what measures are to be used in appraising progress toward each target:

- Should a salesman's efforts be measured in terms of gross sales or sales net of returns?

- Is total cost or per-unit cost the more suitable measure of a department head's cost-reduction efforts?

- On the less tangible side, what things should be looked at when trying to evaluate progress toward a target of improved grievance handling?

- Going further, how should these various factors be combined in making the final evaluation?

It need hardly be said that means of measurement will seldom be perfect. Hopefully, this phase of the appraisal program will lead participants to devise better ways of evaluating organizational phenomena. In any event, we feel it necessary and valuable to have explicit discussion between superior and subordinate of the measurement problems involved in the targets which they have agreed upon.

At this stage the subordinate should write down the targets, checkpoints, and means of measurement. We prefer that this be done informally, and dislike the use of a standard form. Instead, the subordinate should write down the performance target program as he sees it, and give a copy to his boss. The major purpose for writing things down is to aid memory when his performance is being analyzed later. Some organizations will want a copy to go to the officer in charge of training, who can use these target programs as a source of information on company-wide training needs and activities. This is all right but procedures should not be elaborated. There is a danger that overformalization of the paper work may lead to the situation of the tail wagging the dog.

Checking the results

At the end of the agreed upon time period, the superior and subordinate meet to discuss the operating and other results that the subordinate has obtained. This is Step #5 in our suggested program. Their conversation naturally centers around how well the subordinate has done in pursuing the targets he had previously set.

Here is a key point in the understanding of this appraisal program: *hitting the target is not the measure of success*. It is to be expected that some targets will be surpassed, some never even approached. The person who sets meager targets and always hits them is certainly of no greater value to the company than the person who sets unreachably high targets, falls short consistently, yet in doing so makes substantial improvements over his past work.

If one's "score" in hitting the bull's-eye is not the important thing, what is? Simply this: the results achieved by the *total process* of establishing targets, striving to attain them, and analyzing what intervenes between planned and actual performance. When a judgment must be made, the individual is evaluated on his ability to set targets as well as his ability to attain them.

In checking results, we feel the superior should do all he can to emphasize successes—to build on successful accomplishment. In the case of unsuccessful accomplishment, the superior should help the subordinate. This help takes many forms: coaching, training, work assignment, allowing the subordinate to substitute for the superior, and so on.

There is nothing in the recommended appraisal procedure which suggests that a superior should abdicate his managerial responsibility. Suppose that after coaching, training, and other help, a subordinate still fails to set and reach targets deemed realistic by his superior. At this point the boss should act, even though it might mean demotion, transfer, or release of the subordinate.

Taking Action

It has been convenient to express these as separate steps, although in practice the boundaries tend to blur. Also, of course, this is a continuous process, and the five steps are repeated each period. In addition, there should be a recognition of long-term targets as well as the shorter term ones we have used as illustrations. The stress on checkpoints should help in the handling of long-range goals and should facilitate their division into a series of subtargets.

Advantages gained

This appraisal program can be criticized on the grounds that it takes too much time. True, it does take time—certainly more time than is required to put a few checkmarks on a standard rating sheet. But how is that time spent? The superior and the subordinate spend their time planning, organizing, directing, controlling, innovating, and motivating. Isn't this the management job? If someone claims the executive does not have the time to do this, we suggest that he is really saying that he has no time to manage and wants to drop back to the old "do" part of his job.

On the other hand, the proposed program has six positive advantages for top management to consider.

1. The subordinate knows in advance the basis on which he is going to be judged.

2. The superior and subordinate both agree on what the subordinate's job really is. In many situations adoption of this appraisal program may give the superior a better understanding of the subordinate's problems than he has ever had before.

3. The program takes place within the superior-subordinate relationship and should strengthen this relationship. Note that this program does not ask the superior to "play God," to be an all-powerful judge. It asks instead that he be a counselor and that he talk over the facts with his subordinate before he comes to an appraisal of the subordinate's performance.

4. The program has a self-correcting characteristic which tends to help people set targets that are both challenging and reachable. To illustrate, consider the case of a person who consistently sets his targets too low. He tends to reach them and surpass them all, thereby drawing attention to the level at which they have been set. In addition to this, an experienced superior should detect a low aim when the subordinate first presents his targets for discussion. Likewise, the person with an unrealistically high aim will soon enough begin to wonder why he is falling short of most of his targets.

5. The program provides a method of spotting training needs. A superior can see where a person needs help. The individual can see where he can benefit from added knowledge or skill. The same is true on a departmental or company-wide basis. A personnel director or training director can examine a number of the target programs and get some idea of where training emphasis should be placed. This appraisal plan is certainly not the only source of this information; yet in many cases it may add new and valuable data for use in the training effort. It should help eliminate "training for training's sake," which we have had so much of in recent years.

It may help manager development in yet another way. As suggested earlier, a promotion-minded individual can ask to see the target program of a position he seeks and use the information to prepare himself for the job and enhance his candidacy. He can ask himself:

• What types of things must the occupant of the next higher position do well?

• Am I able to do these types of things well?

• What must I do to learn the other parts of the job well?

6. This appraisal approach treats as a total process a person's ability to see an organizational problem, devise ways of attacking it, translate his ideas into action, incorporate new information as it arises, and carry his plans through to results. Thus, it highlights a sort of "total managerial action" in contrast to things we customarily factor out as conceptual entities—such things

as the planning function, leadership ability, or financial knowledge. We think that manager selection will often be improved by this emphasis on the whole managerial job. Further, we contend that *the best predictor of future success as a manager is past success in managerial duties.* This appraisal program asks the executive to look at the record of managerial success, not the manager's personality.

Making the Transition

How does an organization move over to this kind of performance appraisal? There can be various ways, of course, but we think that two ways should be given particular consideration.

The first avenue is the familiar "start at the top." The president or other chief executive would be the first to use the program, and its adoption would then proceed down the successive levels of the company. This way of going about the task has the strong virtue of emphasizing the relationship of company-wide objectives to those set at subordinate levels. It also allows people to experience first as subordinates a technique they will later employ as superiors. In addition, adoption from the top down tends to minimize the problems that might arise because a manager employs a practice his superior does not understand or sanction.

A second general way to make the transition to this new appraisal program is to install it in one segment of the organization, e.g., a branch, plant, or department. This might allow some degree of learning through experience before the program is extended to other segments of the company. It also has the virtue of allowing comparisons between units under the new program and those not yet involved. A company having a number of roughly similar branches might learn a good deal from this "control group" method of adoption. On the other hand, it might not be easy to transmit what has been learned to other organizational units, particularly if there are great differences in the type of work handled.

Whichever of these two ways (or possibly some other way) is preferred, the question of timing warrants attention. It hardly appears desirable for all managers to set their targets simultaneously. This makes it nearly impossible for the targets set at higher levels to be properly reflected in the targets set at subordinate echelons.

Temptations to avoid

There are two *caveats* concerning the adoption of the appraisal program we have recommended:

1. *Don't rush it*! Appraisal through the target-setting approach involves ways of handling people that may differ greatly from the way people have been treated up to now in a given organization. It means moving from the authoritarian assumptions that Douglas McGregor has labeled "Theory X" to the more dynamic assumptions of his "Theory Y" (see the sidebar). For one thing, the subordinate is granted a stronger voice in mapping out the content of his job. Not only that, he is allowed to speak first; his target plans are the starting point in his discussions with his superior. The organization also grants a form of recognition to his personal promotional goals. In short, there are a number of ways in which people's thinking, as well as their actions, will have to change if they are to make effective use of the appraisal program we have put forward.

📄 Theories X and Y (Located at the end of this article)

This argument suggests that: (a) adoption of the program should be announced well in advance of the time initial actions are to take place; (b) each person involved should have time to talk the new procedures over with his superiors, subordinates, and other associates; (c) everyone involved should be given time to think through his ideas about the relative importance of various parts of his job. It seems advisable that a series of meetings be planned to ensure that people have a chance to discuss the full implications of self-target-setting. In addition to this, the actual drafting of targets will take time, especially the first time an individual is involved.

2. *Don't force it*! As suggested in the discussion of Theories X and Y, there may be clusters of assumptions held by people which underlie their behavior toward others and the way in which they handle organizational problems. This suggests that there may be some people who are so strongly committed to the authoritarian assumptions of Theory X that they cannot long tolerate a procedure oriented toward a Theory Y conception of human motivation. They will find some way to avoid the procedure, misinterpret it, or thwart it. We feel that no one should be forced to participate in target-setting appraisal as outlined above. Instead, time should be allowed for him to observe the results and judge the effectiveness of the approach where it has been installed. It would be logically inconsistent to force a person to adopt against his wishes a program built around the notion that a manager should have a strong voice in planning the conduct of his job.

We have perhaps been overemphatic in stressing the caveats "don't rush it" and "don't force it." Many companies may be ready today for the immediate and rapid adoption of target-setting appraisal. Our purpose has been to underscore the wisdom of

cautiousness during the transition period. We feel that no superior should be asked to participate until he has accepted the value of granting the subordinate the right to establish his own work targets.

Conclusion

The appraisal program we have sketched should be viewed as a function of the entire organization. It is not a personnel department "specialty." Nevertheless, the personnel manager has a particular role to play during the adoption of this program. He can give his attention to the evaluation of its effectiveness. We have proposed this appraisal program as a rather general system suitable for adoption in many organizations. We offer it as a starting point, and urge that its value be studied in each particular setting. Modifications should be made based on experience in its use. It is in this area that we see the personnel manager as a major contributor.

Measuring the results of this appraisal program is no easy task. To supplement the direct, more or less subjective evaluation which will doubtless take place, management would do well to:

1. Study personnel data: turnover, demotions, promotions, and the availability of qualified candidates when filling positions.

2. Study trends in needs for executive development and training activities.

3. Compare operating results: costs, output, sales, profits, savings, and the like. Of course there are severe limitations to the use of such end-result data in evaluating just one of the many things that contribute to final operating results. Nonetheless they may shed some light in certain cases.

In all of these areas, the company should seek ways of comparing measurements against each other, such as before-and-after collations and comparisons of one unit against another.

Of course, such problems are common to almost all appraisal programs. The unique aspects of the approach we recommend are its philosophy and objectives. Most appraisal practices used in business mirror the authoritarian thinking of "Theory X." In many instances company appraisal plans lead a manager to play psychologist and to "play God." Numerous company appraisal plans fail to meet their objectives because the people involved are not qualified to act as psychologists, and they do not want to "play God."

Knowing that it is easy to criticize and more difficult to suggest improvements, we have put forward a performance appraisal program quite unlike most programs in use today. This program is, we feel, more consistent with the assumptions of "Theory Y." More than that, we contend that adoption of an appraisal program patterned along these lines may provide many organizations with a means of moving toward the Theory Y view that people can and will make their fullest contribution to the organization under conditions of greater self-direction and self-control.

1. See, for instance, Harold Mayfield, "In Defense of Performance Appraisal," HBR March–April 1960, p. 81; Douglas McGregor, "An Uneasy Look at Performance Appraisal," HBR May–June 1957, p. 89; and Philip R. Kelly, "Reappraisal of Appraisals," HBR May–June 1958, p. 59.

2. Op. cit.

Theories X and Y

• The much discussed "Theory X" and "Theory Y" are labels coined by Douglas McGregor in *The Human Side of Enterprise* (New York, McGraw-Hill Book Company, Inc., 1960). They describe contrasting sets of management assumptions in industry today.

• Under "Theory X," management makes these assumptions about behavior:

1. The average human being has an inherent dislike of work and will avoid it if he can.

2. Therefore, most people must be coerced, controlled, directed, and threatened with punishment if management is to get them to put forth adequate effort toward the achievement of organizational objectives.

3. The average human prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

- The assumptions of "Theory X" are giving way to the newer concepts of "Theory Y." Here it is assumed that:

1. The expenditure of physical and mental effort in work is as natural as play or rest.

2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self-direction and self-control in the service of objectives to which he is committed.

3. Commitment to objectives is a function of rewards associated with their achievement.

4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.

5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.

6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

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