Split Roles in Performance Appraisal

- What is the purpose of the appraisal interview?
- How much effect does it have on job performance?
- Why is it in conflict with salary action?
- How else can workers be motivated to improve?

By Herbert H. Meyer, Emanuel Kay, and John R. P. French, Jr.

In management circles, performance appraisal is a highly interesting and provocative topic. And in business literature, too, knowledgeable people write emphatically, pro and con, on the performance appraisal question. In fact, one might almost say that everybody talks and writes about it, but nobody has done any real scientific testing of it.

At the General Electric Company we felt it was important that a truly scientific study be done to test the effectiveness of our traditional performance appraisal program. Why? Simply because our own experience with performance appraisal programs had been both positive and negative. For example:

▼ Surveys generally show that most people think the idea of performance appraisal is good. They feel that a man should know where he stands and, therefore, the manager should discuss an appraisal of his performance with him periodically.

▲ In actual practice, however, it is the extremely rare operating manager who will employ such a program on his own initiative. Personnel special-
ists report that most managers carry out performance appraisal interviews only when strong control procedures are established to ensure that they do so. This is surprising because the managers have been told repeatedly that the system is intended to help them obtain improved performance from their subordinates.

We also found from interviews with employees who have had a good deal of experience with traditional performance appraisal programs that few indeed can cite examples of constructive action taken — or significant improvement achieved — which stem from suggestions received in a performance appraisal interview with their boss.

Traditional Program

Faced with such contradictory evidence, we undertook a study several years ago to determine the effectiveness of our comprehensive performance appraisal process. Special attention was focused on the interview between the subordinate and his manager, because this is the discussion which is supposed to motivate the man to improve his performance. And we found

out some very interesting things — among them the following:

- Criticism has a negative effect on achievement of goals.
- Praise has little effect one way or the other.
- Performance improves most when specific goals are established.
- Defensiveness resulting from critical appraisal produces inferior performance.
- Coaching should be a day-to-day, not a once-a-year, activity.
- Mutual goal setting, not criticism, improves performance.
- Interviews designed primarily to improve a man’s performance should not at the same time weigh his salary or promotion in the balance.
- Participation by the employee in the goal-setting procedure helps produce favorable results.

As you can see, the results of this original study indicated that a detailed and comprehensive annual appraisal of a subordinate’s performance by his manager is decidedly of questionable value. Furthermore, as is certainly the case when the major objective of such a discussion is to motivate the subordinate to improve his performance, the traditional appraisal interview does not do the job.

In the first part of this article, we will offer readers more than this bird’s-eye view of our research into performance appraisal. (We will not, however, burden managers with details of methodology.) We will also describe the one-year follow-up experiment General Electric conducted to validate the conclusions derived from our original study. Here the traditional annual performance appraisal method was tested against a new method we developed, which we called Work Planning and Review (WP&R). As you will see, this approach produced, under actual plant conditions, results which were decidedly superior to those afforded by the traditional performance appraisal method. Finally, we will offer evidence to support our contention that some form of WP&R might well be incorporated into other industrial personnel programs to achieve improvement in work performance.

Appraising Appraisal

In order to assure a fair test of the effectiveness of the traditional performance appraisal method, which had been widely used through-out General Electric, we conducted an intensive study of the process at a large GE plant where the performance appraisal program was judged to be good; that is, in this plant —

... appraisals had been based on job responsibilities, rather than on personal characteristics of the individuals involved;

... an intensive training program had been carried out for managers in the use of the traditional appraisal method and techniques for conducting appraisal interviews;

... the program had been given strong backing by the plant manager and had been policed diligently by the personnel staff so that over 90% of the exempt employees had been appraised and interviewed annually.

This comprehensive annual performance appraisal program, as is typical, was designed to serve two major purposes. The first was to justify recommended salary action. The second, which was motivational in character, was intended to present an opportunity for the manager to review a subordinate’s performance and promote discussion on needed improvements. For the latter purpose, the manager was required to draw up a specific program of plans and goals for the subordinate which would help him to improve his job performance and to quality, hopefully, for future promotion.

Interview Modifications

Preliminary interviews with key managers and subordinates revealed the salary action issue had so dominated the annual comprehensive performance appraisal interview that neither party had been in the right frame of mind to discuss plans for improved performance. To straighten this out, we asked managers to split the traditional appraisal interview into two sessions — discussing appraisal of performance and salary action in one interview and performance improvement plans in another to be held about two weeks later. This split provided us with a better opportunity to conduct our experiment on the effects of participation in goal planning.

To enable us to test the effects of participation, we instructed half the managers to use a high participation approach and the other half to use a low participation technique. Thus:

▼ Each of the “high” managers was instructed to ask his appraisee to prepare a set of goals for
achieving improved job performance and to submit them for the manager’s review and approval. The manager also was encouraged to permit the subordinate to exert as much influence as possible on the formulation of the final list of job goals agreed on in the performance improvement discussion.

▲ The “low” managers operated in much the same way they had in our traditional appraisal program. They formulated a set of goals for the subordinate, and these goals were then reviewed in the performance improvement session. The manager was instructed to conduct this interview in such a way that his influence in the forming of the final list of job goals would be greater than the subordinate’s.

Conducting the Research

There were 92 appraisees in the experimental group, representing a cross section of the exempt salaried employees in the plant. This group included engineers; engineering support technicians; foremen; and specialists in manufacturing, customer service, marketing, finance, and purchasing functions. None of the exempt men who participated as appraisees in the experiment had other exempt persons reporting to them; thus they did not serve in conflicting manager-subordinate roles.

The entire group was interviewed and asked to complete questionnaires (a) before and after the salary action interview, and (b) after the delayed second discussion with their managers about performance improvement. These interviews and questionnaires were designed to achieve three objectives:

1. Assess changes in the attitudes of individuals toward their managers and toward the appraisal system after each of the discussions.

2. Get an estimate from the appraisee of the degree to which he usually participated in decisions that affected him. (This was done in order to determine whether or not previous lack of participation affected his response to participation in the experiment.)

3. Obtain a self-appraisal from each subordinate before and after he met with his manager. (This was done in order to determine how discrepancies in these self-appraisals might affect his reaction to the appraisal interview.)

Moreover, each salary action and performance improvement discussion was observed by outsiders trained to record essentially what transpired. (Managers preferred to use neither tape recorders nor unseen observers, feeling that observers unaffiliated with the company — in this case, graduate students in applied psychological disciplines — afforded the best way of obtaining a reasonably close approximation of the normal discussions.) In the appraisal for salary action interviews, for example, the observers recorded the amount of criticism and praise employed by the manager, as well as the reactions of the appraisee to the manager’s comments. In the performance improvement discussions, the observers recorded the participation of the subordinate, as well as the amount of influence he seemed to exert in establishing his future success goals.

Criticisms & Defensiveness

In general, the managers completed the performance appraisal forms in a thorough and conscientious manner. Their appraisals were discussed with subordinates in interviews ranging from approximately 30 to 90 minutes in length. On the average, managers covered 32 specific performance items which, when broken down, showed positive (praise) appraisals on 19 items, and negative (criticism) on 13. Typically, praise was more often related to general performance characteristics, while criticism was usually focused on specific performance items.

The average subordinate reacted defensively to seven of the manager’s criticisms during the appraisal interview (that is, he reacted defensively about 54% of the time when criticized). Denial of shortcomings cited by the manager, blaming others, and various other forms of excuses were recorded by the observers as defensive reactions.

Constructive responses to criticism were rarely observed. In fact, the average was less than one per interview. Not too surprising, along with this, was the finding that the more criticism a man received in the performance appraisal discussion, the more defensively he reacted. Men who received an above-average number of criticisms showed more than five times as much defensive behavior as those who received a below-average number of criticisms. Subordinates who received a below-average number of criticisms, for example, reacted defensively only about one time out of three. But those who received an above-average number reacted defensively almost two times out of three.

One explanation for this defensiveness is that it seems to stem from the outweighing each
man tended to give to his own performance. The average employee's self-estimate of performance before appraisal placed him at the 77 percentile. (Only 2 of the 92 participants estimated their performance to be below the average point on the scale.) But when the same men were asked after their performance appraisal discussions how they thought their bosses had rated them, the average figure given was at the 65 percentile. The great majority (75 out of 92) saw their manager's evaluation as being less favorable than their self-estimates. Obviously, to these men, the performance appraisal discussion with the manager was a deflating experience. Thus, it was not surprising that the subordinates reacted defensively in their interviews.

Criticism & Goal Achievement

Even more important is the fact that men who received an above-average number of criticisms in their performance appraisal discussions generally showed less goal achievement 10 to 12 weeks later than those who had received fewer criticisms. At first, we thought that this difference might be accounted for by the fact that the subordinates who received more criticisms were probably poorer performers in general. But there was little factual evidence found to support this suspicion.

It was true that those who received an above-average number of criticisms in their appraisal discussions did receive slightly lower summary ratings on over-all performance from their managers. But they did not receive proportionally lower salary increases. And the salary increases granted were supposed to reflect differences in job performance, according to the salary plan traditionally used in this plant. This argument, admittedly, is something less than perfect.

But it does appear clear that frequent criticism constitutes so strong a threat to self-esteem that it disrupts rather than improves subsequent performance. We expected such a disruptive threat to operate more strongly on those individuals who were already low on self-esteem, just as we expected a man who had confidence in his ability to do his job to react more constructively to criticism. Our group experiment proved these expectations to be correct.

Still further evidence that criticism has a negative effect on performance was found when we investigated areas which had been given special emphasis by the manager in his criticism. Following the appraisal discussion with the manager, each employee was asked to indicate which one aspect of his performance had been most criticized by the manager. Then, when we conducted our follow-up investigation 10 to 12 weeks later, it revealed that improvement in the most-criticized aspects of performance cited was considerably less than improvement realized in other areas!

Participation Effects

As our original research study had indicated, the effects of a high participation level were also favorable in our group experiment. In general, here is what we found:

- Subordinates who received a high participation level in the performance interview reacted more favorably than those who received a low participation level. The "highs" also, in most cases, achieved a greater percentage of their improvement goals than did their "low" counterparts. For the former, the high participation level was associated with greater mutual understanding between them and their managers, greater acceptance of job goals, a more favorable attitude toward the appraisal system, and a feeling of greater self-realization on the job.

- But employees who had traditionally been accustomed to low participation in their daily relationship with the manager did not necessarily perform better under the high participation treatment. In fact, those men who had received a high level of criticism in their appraisal interviews actually performed better when their managers set goals for them than they did when they set their own goals, as permitted under the high participation treatment.

In general, our experiment showed that the men who usually worked under high participation levels performed best on goals they set for themselves. Those who indicated that they usually worked under low levels performed best on goals that the managers set for them. Evidently, the man who usually does not participate in work-planning decisions considers job goals set by the manager to be more important than goals he sets for himself. The man accustomed to a high participation level, on the other hand, may have stronger motivation to achieve goals he sets for himself than to achieve those set by his manager.

Goal-Setting Importance

While subordinate participation in the goal-setting process had some effect on improved performance, it was not necessary as a precondition to improved performance. However, it was not possible to determine from our experiment whether the improved performance was due to participation in goal setting or whether the improved performance was due to the managers' higher expectations of their subordinates when they were involved in goal setting.
performance, a much more powerful influence was whether goals were set at all. Many times in appraisal discussions, managers mentioned areas of performance where improvement was needed. Quite often these were translated into specific work plans and goals. But this was not always the case. In fact, when we looked at the one performance area which each manager had emphasized in the appraisal interview as most in need of improvement, we found that these items actually were translated into specific work plans and goals for only about 60% of our experiment participants.

When performance was being measured to 12 weeks after the goal-planning sessions, managers were asked to describe what results they hoped for in the way of subordinate on-the-job improvement. They did this for those important performance items that had been mentioned in the interview. Each manager was then asked to estimate on a percentage scale the degree to which his hoped-for changes had actually been observed. The average percent accomplishment estimate for those performance items that did get translated into goals was 65%, while the percent estimate for those items that did not get translated into goals was about 27%. Establishing specific plans and goals seemed to ensure that attention would be given to that aspect of job performance.

Summation of Findings

At the end of this experiment, we were able to draw certain tentative conclusions. These conclusions were the basis of a future research study which we will describe later. In general, we learned that:

— Comprehensive annual performance appraisals are of questionable value. Certainly a major objective of the manager in traditional appraisal discussions is motivating the subordinate to improve his performance. But the evidence we gathered indicated clearly that praise tended to have no effect, perhaps because it was regarded as the sandwich which surrounded the raw meat of criticism.a And criticism itself brought on defensive reactions that were essentially denials of responsibility for a poor performance.

— Coaching should be a day-to-day, not a once-a-year, activity. There are two main reasons for this:

(1) Employees seem to accept suggestions for improved performance if they are given in a less concentrated form than is the case in comprehen-

sive annual appraisals. As our experiment showed, employees become clearly more prone to reject criticisms as the number of criticisms mount. This indicates that an “overload phenomenon” may be operating. In other words, each individual seems to have a tolerance level for the amount of criticism he can take. And, as this level is approached or passed, it becomes increasingly difficult for him to accept responsibility for the shortcomings pointed out.

(2) Some managers reported that the traditional performance appraisal program tended to cause them to save up items where improvement was needed in order to have enough material to conduct a comprehensive discussion of performance in the annual review. This short-circuited one of the primary purposes of the appraisal program — that of giving feedback to the subordinates as to their performance. Studies of the learning process point out that feedback is less effective if much time is allowed to elapse between the performance and the feedback. This fact alone argues for more frequent discussions between the manager and the subordinate.

— Goal setting, not criticism, should be used to improve performance. One of the most significant findings in our experiment was the fact that far superior results were observed when the manager and the man together set specific goals to be achieved, rather than merely discussed needed improvement. Frequent reviews of progress provide natural opportunities for discussing means of improving performance as needs occur, and these reviews are far less threatening than the annual appraisal and salary review discussions.

— Separate appraisals should be held for different purposes. Our work demonstrated that it was unrealistic to expect a single performance appraisal program to achieve every conceivable need. It seems foolish to have a manager serving in the self-conflicting role as a counselor (helping a man to improve his performance) when, at the same time, he is presiding as a judge over the same employee's salary action case.

New WP&R Method

This intensive year-long test of the performance appraisal program indicated clearly that work-planning-and-review discussions between a man and his manager appeared to be a far more effective approach in improving job performance than was the concentrated annual performance appraisal program.

For this reason, after the findings had been

announced, many GE managers adopted some form of the new WP&R program to motivate performance improvement in employees, especially those at the professional and administrative levels. Briefly described, the WP&R approach calls for periodic meetings between the manager and his subordinate. During these meetings, progress on past goals is reviewed, solutions are sought for job-related problems, and new goals are established. The intent of the method is to create a situation in which manager and subordinate can discuss job performance and needed improvements in detail without the subordinate becoming defensive.

Basic Features

This WP&R approach differs from the traditional performance appraisal program in that:

- There are more frequent discussions of performance.
- There are no summary judgments or ratings made.
- Salary action discussions are held separately.
- The emphasis is on mutual goal planning and problem solving.

As far as frequency is concerned, these WP&R discussions are held more often than traditional performance appraisal interviews, but are not scheduled at rigidly fixed intervals. Usually at the conclusion of one work planning session the man and manager set an approximate date for the next review. Frequency depends both on the nature of the job and on the manager's style of operating. Sometimes these WP&R discussions are held as often as once a month, whereas for other jobs and/or individuals, once every six months is more appropriate.

In these WP&R discussions, the manager and his subordinate do not deal in generalities. They consider specific, objectively defined work goals and establish the yardstick for measuring performance. These goals stem, of course, from broader departmental objectives and are defined in relation to the individual's position in the department.

Comparison Setting

After the findings of our experiment were communicated by means of reports and group meetings in the plant where the research was carried out, about half the key managers decided they would abandon the comprehensive annual performance appraisal method and adopt the new WP&R program instead. The other half were hesitant to make such a major change at the time. They decided, consequently, to continue with the traditional performance appraisal program and to try to make it more effective. This provided a natural setting for us to compare the effectiveness of the two approaches. We decided that the comparison should be made in the light of the objectives usually stated for the comprehensive annual performance appraisal program. These objectives were (a) to provide knowledge of results to employees, (b) to justify reasons for salary action, and (c) to motivate and help employees do a better job.

The study design was simple. Before any changes were made, the exempt employees who would be affected by these programs were surveyed to provide base-line data. The WP&R program was then implemented in about half of the exempt group, with the other half continuing to use a modified version of the traditional performance appraisal program. One year later, the identical survey questionnaire was again administered in order to compare the changes that had occurred.

Attitudes & Actions

The results of this research study were quite convincing. The group that continued on the traditional performance appraisal showed no change in any of the areas measured. The WP&R group, by contrast, expressed significantly more favorable attitudes on almost all questionnaire items. Specifically, their attitudes changed in a favorable direction over the year that they participated in the new WP&R program with regard to the —

- . . . amount of help the manager was giving them in improving performance on the job;
- . . . degree to which the manager was receptive to new ideas and suggestions;
- . . . ability of the manager to plan;
- . . . extent to which the manager made use of their abilities and experience;
- . . . degree to which they felt the goals they were shooting for were what they should be;
- . . . extent to which they received help from the manager in planning for future job opportunities;
- . . . value of the performance discussions they had with their managers.
In addition to these changes in attitudes, evidence was also found which showed clearly that the members of the WP&R group were much more likely to have taken specific actions to improve performance than were those who continued with the traditional performance appraisal approach.

Current Observations

Recently we undertook still another intensive study of the WP&R program in order to learn more about the nature of these discussions and how they can be made most effective. While these observations have not been completed, some interesting findings have already come to light — especially in relation to differences between WP&R and traditional performance appraisal discussions.

Perceived Differences

For one thing, WP&R interviews are strictly man-to-man in character, rather than having a father-and-son flavor, as did so many of the traditional performance appraisals. This seems to be due to the fact that it is much more natural under the WP&R program for the subordinate to take the initiative when his performance on past goals is being reviewed. Thus, in listening to the subordinate’s review of performance, problems, and failings, the manager is automatically cast in the role of counselor. This role for the manager, in turn, results naturally in a problem-solving discussion.

In the traditional performance appraisal interview, on the other hand, the manager is automatically cast in the role of judge. The subordinate’s natural reaction is to assume a defensive posture, and thus all the necessary ingredients for an argument are present.

Since the WP&R approach focuses mainly on immediate, short-term goals, some managers are concerned that longer range, broader plans and goals might be neglected. Our data show that this concern is unfounded. In almost every case, the discussion of specific work plans and goals seems to lead naturally into a consideration of broader, longer range plans. In fact, in a substantial percentage of these sessions, even the career plans of the subordinates are reviewed.

In general, the WP&R approach appears to be a better way of defining what is expected of an individual and how he is doing on the job. Whereas the traditional performance appraisal often results in resistance to the manager’s attempts to help the subordinate, the WP&R approach brings about acceptance of such attempts.

Conclusion

Multiple studies conducted by the Behavioral Research Service at GE reveal that the traditional performance appraisal method contains a number of problems:

1. Appraisal interviews attempt to accomplish the two objectives of —
   . . . providing a written justification for salary action;
   . . . motivating the employee to improve his work performance.

2. The two purposes are in conflict, with the result that the traditional appraisal system essentially becomes a salary discussion in which the manager justifies the action taken.

3. The appraisal discussion has little influence on future job performance.

4. Appreciable improvement is realized only when specified goals and deadlines are mutually established and agreed on by the subordinate and his manager in an interview split away from the appraisal interview.

This evidence, coupled with other principles relating to employee motivation, gave rise to the new WP&R program, which is proving to be far more effective in improving job performance than the traditional performance appraisal method. Thus, it appears likely that companies which are currently relying on the comprehensive annual performance appraisal process to achieve improvement in work performance might well consider the advisability of switching to some form of work-planning-and-review in their industrial personnel programs.

Wonders are many, and none is more wonderful than man.

— Sophocles (495-406 B.C.)