



INSPIRING WAVES OF CHANGE

## THE BENEFITS OF APPRAISALS

### INTRODUCTION

All organisations face the problem of directing the energies of their staff to the task of achieving organisational goals and objectives. In doing so, organisations need to devise means to influence and channel the behaviours of their employees so as to optimise their contributions. Performance appraisals constitute one of the major management tools employed in this process. This is based on the notion that an individual's performance in a job is improved by having definite goals, feedback about their performance and complemented by an appropriate reward system.

On the other hand, there appears to be growing debate about whether the consequences of performance appraisal are truly beneficial to many organisations. I am most certain that there are many Malaysian managers who dread conducting appraisals, and share the belief that performance appraisals create more problems than it solves. Almost all surveys carried out have revealed that that the employees who are evaluated, and the supervisors, who appraise, rate the process as a failure. 'Most of the time, it is just an annual ritual that organisations blindly go through' says a retired human resources manager. Literature on performance appraisals have in large part augmented this opinion by stressing the notion that human judgements of performance are questionable and hence adds a critical source of error to performance evaluation. As a consequence, performance appraisals have resulted in numerous problems for organisations especially in relation to conflict and employee dissatisfaction. According to William Fletcher, the noted writer on performance appraisals, the history of appraisal systems is one of "confrontation and conflicts, of poisoned relationships and frustrated hopes". With that as a background, the obvious question is, "Why do organisations continue to practise this management system?"

### THE BENEFITS OF PERFORMANCE APPRAISALS

Performance appraisal systems are generally regarded as an unquestioned fact of life in most large organisations. This is because of its widely accepted, generally unquestioned benefits. When asked, most organisations would argue that the system brings about the following benefits:

Employees are given feedback regarding their performance, usually at least once a year so that action can be taken to rectify any weaknesses. This would hopefully lead to more effective performance and increased productivity.

The system provides an opportunity for performance related discussions that could include the following:  
Setting goals and work objectives for the employee

- Aligning individual and organisational goals
- Identifying training and development needs
- Discussing career progression opportunities

The system results in a fair and valid basis for recognising and rewarding individual performance. The person or persons doing the appraisal may gain new insight into the person being appraised, and vice versa. In the process, the job of the person being appraised may be clarified and better defined. The appraiser would also be in a better position to understand the problems faced by the appraisee.

Communication takes place among the individuals in the appraisal process and this constitutes an important part of the organisational management system.

In a sense the list of benefits above represents an ideal and perfect view of performance appraisal systems. Ask any manager and he will tell you that he would be happy if he is able to achieve only 50% of the above. The question is "Why?" Why do appraisals not achieve all the objectives that they were designed for? What

is it that causes performance appraisal systems to fall short of this ideal? Is there a better management system to measure performance?

## THE REALITY OF PERFORMANCE APPRAISAL SYSTEMS

In concept, the process of a performance appraisal system is very simple indeed. Based on observations, a superior fills out an appraisal form documenting the performance of an employee over a certain period of time. Here the appraiser has to use his/her 'judgement' in order to quantify the performance of the appraisee. This judgement will be based on perceptions most of the time. Perceptions here relate to the 'consolidated' view of the performance of the appraisee over a period of time. Given this situation, it is obvious that for an appraisal system to function effectively the manager's perceptions must be accurate, objective, and free from any bias; otherwise, the system will be imperfect. But is that so? Perceptions are significant as it implies that the feelings and emotions of the appraiser/appraisers come into play. And as amply demonstrated by research, emotions, values and beliefs, can be quite irrational indeed. And herein lies the basic flaw of appraisal systems; it is based on a faulty premise. This in turn has an influence on the other weaknesses of appraisals. Some of these are as follows:

**Subjectivity of performance.** It is always difficult to measure work performance. This is due to the fact that most work performance does not produce measurable results at the end of the day. Any measurement is therefore subjective and is susceptible to errors and the value judgements of the appraiser.

**The halo effect.** This is when someone is appraised highly, because of one outstanding characteristic. For example, when someone is a very good speaker, this outstanding skill or ability will serve to cloud the judgement of the appraiser and there will be a tendency to grade this individual highly, irrespective of whether he performs or not.

**Central tendency.** Research has shown that most appraisers tend to avoid the high and low extremes on a rating scale. They tend to take the easier and 'safer' middle rating.

**Appraising the wrong things.** Appraisers sometimes appraise behaviours rather than actual work performance. For example, behaviours like looking busy and being pleasant may tend to cloud an appraiser's perception and hence count more than the actual performance.

**Similar characteristics.** Research has shown that there is a tendency for an appraisal to be more favourable if the individual is perceived as being similar to the appraiser in relation to gender, personality, race, appearance etc.

**Politics.** There is always the possibility that politics may influence the conduct of appraisals, as individuals manoeuvre to try to get the rewards that come with good appraisals.

**Ability to evaluate.** The other main problem is that people vary considerably in their ability to evaluate accurately the behaviour of others. Due to lack of training in how to observe subordinate behaviour, or lack of ability to do so, the immediate supervisor may not have the necessary skills to act as an effective appraiser, hence affecting the quality of the appraisal.

**Different standards.** Different appraisers may apply different standards of judgement in making their assessments. As well as this individual variation, the position of the appraiser, the sex, the position of the appraisee may also affect the ratings.

The key question now is; do the costs of performance appraisals outweigh the benefits? In spite of what has been written above, this is still a very difficult question to answer indeed. Pressured however, my own view is that the typical performance appraisal system does more harm than good, and at great cost to organisations. Costs here relate to the time spent on the process, the paper work and very importantly, the emotional and stress costs and the resultant conflict.

## CONCLUSION

In the final analysis, managers and organisations must realise that there is no perfect appraisal system. There will always be problems and conflict built in with the whole process. Organisations need the system to ensure productive performances, and yet at the same time, whatever system implemented is fraught with

pitfalls as it deals with the human factor. In a sense, performance appraisals are a necessary evil and organisations and managers will have to learn to live with this.

I would think that most managers and organisations if given half a chance would want to do away with performance appraisals. The problem however is that there seems to be no viable alternative. There is no other management system that has answers to the question of equitable distribution of organisational rewards, to the question of rewarding good performance and to the question of recognising development and training needs. So, as much as most managers will agree that performance appraisals brings them 'headaches' and related problems, the annual ritual of appraisals will still have to be carried out.