Orthodox & Radical Critique of Performance Appraisal and Recent Innovations in Performance Management

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Abstract : *Performance appraisal (PA) is a process of setting some targets for the individuals which they are required to achieve. Performance of individuals is evaluated with the process and good performance is acknowledged by rewarding them which may be financial rise in pay, popularly known as increment or upward movement in the hierarchy i.e. promotion. Traditionally PA is a straightforward process where the manager can only review the performance of his subordinates annually. However, in order to meet the increased expectations of employers, customer demand and better output, PA plays a crucial role for which it has become a part of a wider HRM strategy called performance management (PM). Traditional PA has some limitations that can be minimised by following multi-rater PA system. 360-degree feedback and balanced scorecard are playing important role as recent innovations in the PM system. These two tools are being widely used in both public and private organisations of developed countries like UK, USA, Germany, France; even in the public sectors in Bangladesh, Non-Government Organisations (NGOs) in particular. This paper aims at discussing the traditional PA system experienced with several problems which the new innovations such as 360 degree feedback and balanced scorecard have attempted to overcome.*

1.0 Introduction

Human resource management practitioners and academics have tried to establish a relationship between human resource management (HRM) and organisational performance (Bach, 2005). This seems to be happening with the increase in competition worldwide. Due to the globalisation, organisations are under pressure to increase productivity and curtail costs. This has placed HRM in a strategic position, as to increase productivity better performance of individuals becomes essential. In order to measure the performance of individuals, organisations make use of performance appraisal making it an integral part of human resource management practices. Traditionally performance appraisal was a straightforward process in which a line manager would review the performance of his subordinates annually (Bach, 2005). It was more of an annual ritual and its results were not utilized much over the course of the year. However, with the increase in employers' expectations of greater employee performance, performance appraisal plays a crucial role. A performance appraisal is supposed to provide guidance to

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individuals on how they can best apply their resources to achieve the organisational goals (Brown and Benson, 2003; Townley, 1993).

An appraisal usually involves setting of targets for the individual which he is required to achieve and then in the next appraisal feedback is given on the progress (Brown and Benson, 2003). Performance appraisal was initially used to describe the process where a line manager would review on an annual basis on subordinates' performance and then he usually would discuss the results with the concerned employee (Fletcher, 2001).

It has now become a part of a wider human resource strategy called performance management (Fletcher, 2001). Under traditional performance appraisal system it was mostly the managerial staff, professional workers and the sales staff that they were being apprised. Appraisals of board level directors were limited as they were almost half of the number comparing with other managers (Long, 1986:9, cited by Bach, 2005). Performance appraisals are used to evaluate individual performance and acknowledge good performance by rewarding it, though with the advent of 360 degree the use has widened to identifying development needs. In the traditional performance appraisal it was mostly the personality traits of the individual that were rated. It was believed that some traits and characteristics such as leadership and loyalty contribute immensely to the performance of an individual therefore making it essential to measure the same (Bach, 2005). The problem with such an appraisal lay in the fact that it was difficult to measure such traits, and to point out the exact trait responsible for better or worse performance. Assessing of personality trait of an employee is subjective to the opinion of the appraiser which may be biased by his liking or disliking for the concerned person which is also called 'rater bias' (Boxall and Purcell, 2003).

2.0 Purposes & Functions of Performance Appraisal

Traditionally performance appraisal schemes are influenced by the dominant issues of personnel management. However, these tools have become 'the best practice' in the public and private sector in order to enhance managerial authority and increase efficiency (Bach, 2005). From the traditional viewpoint performance appraisal does the following things (Randell, 1989).

1) **Evaluation:** to enable the organisation to share out the money, promotions a perquisites apparently fairly;

2) **Auditing:** to discover the work potential both present and future or individual or departmental;

3) **Successful planning:** to construct plans for manpower, dept and corporate planning;

4) **Training:** to discover learning needs by exposing inadequacies and deficiencies that could be remedied;

5) **Controlling**: to ensure employee reach organisational standard and objectives;

6) **Development:** to develop individual by advice, information and through shaping heir behaviour by praise or punishment;

7) **Motivation:** to add employee's job satisfaction thru understanding their needs;

8) **Validation:** to check the effectiveness o f personnel procedures and practices.

3.0 Discussion

Performance appraisal, as the process of evaluating performance of individuals working in the organisation, indicates some strengths and weaknesses of concerned individual as well as organisational needs which should immediately be needed to address. For the development of employee performance and quality service and output, organisations needs to know the problems of traditional PA system so that organisations can take initiatives where the orthodox and radical critique can show the way out.

3.1 Orthodox Critique

The orthodox critique of the traditional appraisal system discusses the problems with the procedure of appraisal systems. Appraisals are used to assess the need for training, to motivate individuals to perform better and to distribute performance based rewards.

The problem arises when the appraiser is required to play multiple conflicting roles that of a monitor, judge and counsellor (Strebler et al., 2001; Wilson, 2002). These conflicting roles are organisation vs. organisation, organisation vs. individual and individual vs. individual (Figure:1)
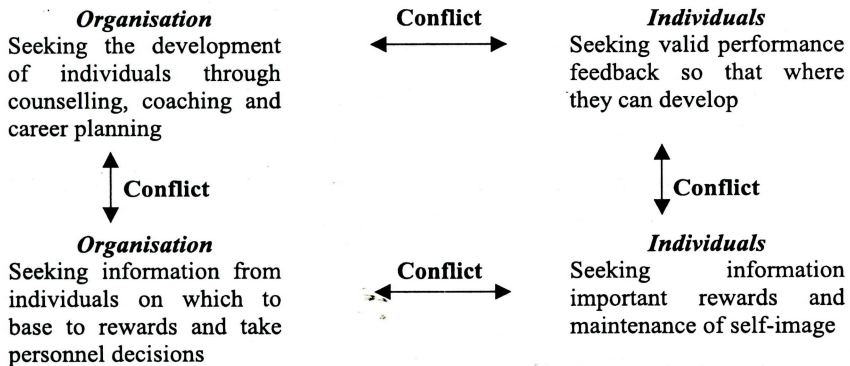
Organisation	**Conflict**	**Individuals**
Seeking the development of individuals through counselling, coaching and career planning	⟷	Seeking valid performance feedback so that where they can develop

↕ **Conflict**   ↕ **Conflict**

Organisation	**Conflict**	**Individuals**
Seeking information from individuals on which to base to rewards and take personnel decisions	⟷	Seeking information important rewards and maintenance of self-image

Fig.-1: Conflicts in Performance appraisal

Source : Beer (1981) adapted from Porter, Lawler and Hachman (1975)

As a counsellor, the appraiser is required to provide coaching and help with career planning but the problem with this is the existence of trust issues at the employee end. Employees are not willing to discuss the issues that may be hindering their performance with the appraiser as they fear it affecting their chance of promotion along with rise in pay as several organisations use appraisal to determine performance related pay (Bach, 2005). On the other hand appraisers or the managers is reluctant to give poor grades as they are uncomfortable 'playing God' (McGregor, 1957; Rowe, 1964 cited by Bach, 2005; Brown and Benson, 2003). This is because the managers feel that assigning of poor grades may have a demotivating effect on the individual, or because the poor performance may resulted from the lack of guidance by the manager himself or simply just to avoid conflict (Longenecker et al. , 1987). In most cases managers view performance appraisal as just a chore, whereas to employees it implies getting their efforts rewarded (Boxall and Purcell, 2003). Therefore, if not carried out properly and fairly it may de-motivate an employee otherwise is a good performer.

There are several problems related to the appraisal interviews as well. The 'Halo effect' distortion refers to when one single positive attribute of the individual which may or may not be relevant to his job influences the assessment of overall performance, this is because the appraiser tends to us that positive attribute as the basis while rating and therefore may over rate an individual then what he actually deserves (Bach, 2005; Fletcher, 2001). 'Horn effect' is when a negative attribute dominates the assessment of performance for an individual. Another problem is that the managers usually do not maintain a record of the individuals performance and behaviours over the year that they are meant to judge. Therefore their

judgement is usually based on more recent past, this is known as the 'regency bias'. The third problem that arises is when the appraiser is reluctant to be too harsh or overly lenient; this can lead to error of central tendency. The appraisal interview is not free from gender and ethnicity influence (Geddes and Konard, 2003; Alimo-Metcalfe, 1998). Cohen and DiTomasco (1996) remark that women are rated better when they are being evaluated in 'women's job' and performance appraisal is biased by values of ethnicity. A study was carried out by Brown and Benson (2003) on the level of emotional exhaustion among employees in a large Australian public sector research institution and their associations with three aspects of performance appraisal system- procedural justice, distributive justice and the supervisors rating of the employee's performance. Procedural justice is measured by the ability of an employee to influence the performance appraisal system in terms of target setting and it also involves provision of unbiased feedback irrespective whether it's positive or negative. Distributive justice here implies pay and promotion satisfaction. Supervisor's ratings can also influence the level of emotional exhaustion as he may allocate the highest rewards to his favourites. "Emotional exhaustion is the lack of energy and a feeling that one's emotional resource are used up" (Brown and Benson, 2003). As a result they reported that procedural justice and distributive justice were negatively related to emotional exhaustion, and that higher ratings were positively related to emotional exhaustion. This can be explained as individuals who score better actually work harder which leads to emotional exhaustion.

3.2 Radical Critique

The radical critique describes the problems of management control and the contribution of performance appraisal towards ensuring that employees adhere to management objectives (Townley, 1993). Performance appraisal is viewed to be a tool used for increasing management control and also reward and promote managers favourites. This critique utilises Foucault's discussion of the concept of Bentham's 'Panoptican', it refers to a model prison where prisoners can always be observed by prison guards, but the prisoners are unable to see the guards. (Townley, 1993; Bach, 2005) According to Townley, 1993 appraisal acts as form of 'Panoptican' as it leads to a continuous watch over the performance of the individual, but they are unaware of when they are being watched and when not. With the changing times the work pressure is on the rise and organisations have devised several methods to control the production of employees. According to White et al. (2004) employers

through HRM practices of job rotations, training and communication are trying to develop there employees in order to meet the requirements of the increasing competition. They further suggest that this does not imply that management control has decreased, in fact in several ways is on the rise, example the use of information and communication technology in call centre, where the employer through the computer can record the number of hours worked by an employee etc. However performance appraisal still seems to play a dominant role in controlling the employees. As the pressure on individuals to better their performance is backed by rewards such as incentive pays, since the appraisal is done by the manager this incentive pay is to great extent on his mercy therefore a visible form of control. White et al (2004) also discuss the fact that employers prefer to recruit for top positions internally; this indirectly exerts greater pressure on individuals to perform better. This, therefore, establishes a link between promotion and performance appraisal. Another technique that employers seem to make use of group level pay for performance, which indirectly ensures greater level of performance by all team members in a team effort. As an individual who may be under performing will be under pressure from his peers to work harder.

3.3 Recent Innovations

Recent innovations such as 360 degree feedback and balanced score card try to correct the limitations of the traditional system making it a fair system where not only the employer and the management benefit but also the employees. These new innovation are used not only to measure the performance of the individual but to more effectively identify the need for training and development. Appraisals are no longer limited to the managers and their employees. 360 degree feedback is multi-source feedback it involves receiving information from self appraisal, subordinate appraisal, peer appraisal and also feedback from internal and external customers and suppliers may be used (London and Smither, 1995; Payne, 1998; Rowson, 1998).
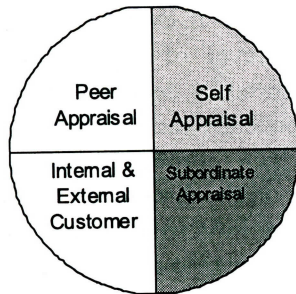
Fig.-2: 360-degree Performance Appraisal

Source : Karim (2007) (The figure has been developed with the help of personal tutor Dr. Steve Vincent, Senior Lecturer of HRM of the University of Leeds, UK)

It also provides for confidentiality of the feedback provided by various sources to ensure there are no conflicts and thus may also include negative feedback (Bach, 2005; Luthans and Peterson, 2003). Such an appraisal can help overcome the limitation of the traditional performance appraisal system as the results obtained are from the feedback are not of one but many individuals therefore decreasing the chances of rater bias or bias based on gender and ethnicity. Also the feedback provides more information since it is done by more than one person, and therefore is less likely to be ignored (Bach, 2005).

It is increasingly becoming popular among companies worldwide. Nearly all of the Fortune 500 companies now make use of 360 degree feedback to assess developmental needs as well some to simple appraise and the number of UK firms using 360 degree feedback is also rising (Mabey, 2001; London and Smither, 1995). With the arrival of globalisation the company structures have undergone changes and several units are located in a greater geographical spread making the implementation of top-down appraisal system difficult (Fletcher, 2001). In a study by Mabey, 2001 at the Open University it was noted that the 360 degree feedback is most useful to managers however it is value to employees for the purpose self development activities. Another important finding was that the "participant managers were of the opinion that the different aspects of training and development provided on the basis 360 degree feedback was consistently better than a group of non-participant managers" (Mabey, 2001), as it was able to accurately recognise the need for development and also enhance motivation. Luthans and Peterson (2003) conducted a study in small manufacturing unit to understand the effect of 360 degree feedback in combination with coaching on the managers self awareness.

First the discrepancy in the self evaluation and other's evaluation was used to understand the level of self awareness of managers. The evaluation was then followed by coaching in which one to one session was held to discuss the feedback and suggestions were made how to make improvements. This was then followed by 'follow up' session in which the progress of the managers on the discussed issues was checked. Managers were assessed on their ability to plan and control as well as their interpersonal activities; in order to maintain confidentiality an aggregate average of others rating was provided. At the end of the study the coaching session along with the use 360 degree feedback had led to improve self awareness and attitude which indirectly lead to improved employee attitude due to better communication and improved behaviour of managers. As a result there was greater job satisfaction and organisational commitment which lead to overall improvement in organisational performance. Performance appraisals are now being increasingly used across different occupations such as the service sector as in case of 360 degree feedback it helps provide customer feedback which is essentially influences the sector. In a study Townley (1999) discovered that performance appraisal is now being used at universities also after the initial shyness to do so. This is done in order to ensure accountability.

The concept of balanced scorecard was first introduced in the 1990s by Robert Kaplan and David Norton as a measure of performance appraisal. More recently, it has taken the form of a "Strategic Management System" whereby its use is directed towards achieving an organisation's strategic purpose. By combining financial and non-financial measures in a single report, the Balanced Scorecard aims to provide managers with richer, more relevant information regarding employee performance than financial results alone. Kaplan and Norton 1992 described the balanced scorecard as a fourfold approach towards performance appraisal (Cobble and Lawrie, 2002). While traditional methods of performance appraisal would focus largely on financial results, the balanced scorecard would incorporate three other "perspectives" of business - Learning and development, Internal business process and the Customer, each chosen as a representation as the major stakeholders in a business.
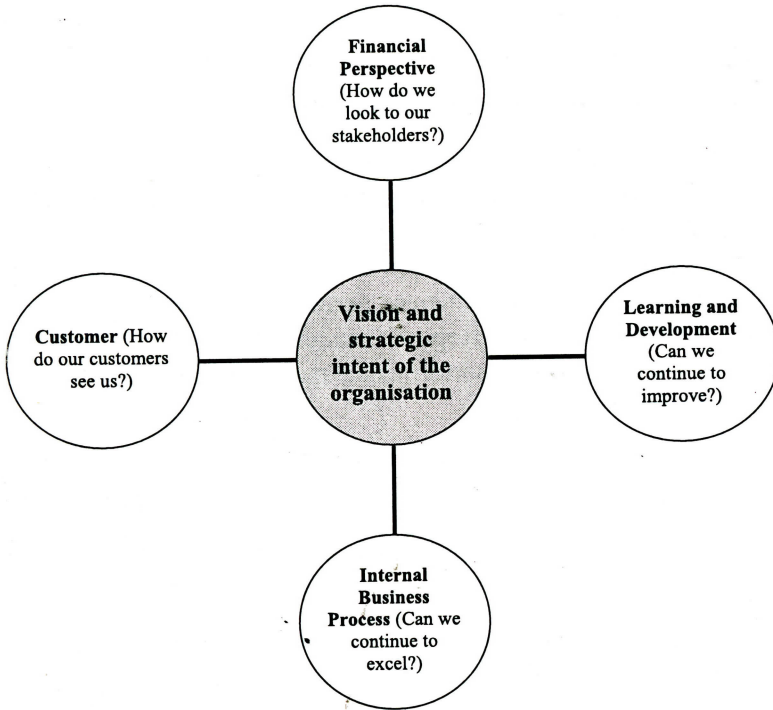
Fig.-3: A Depiction of the "four-fold" Approach used in the Balanced Score Card (Kaplan and Norton, 1992)

The above figure best depicts Kaplan and Norton's concept of the balanced scorecard. The four "perspectives" are each measured individually against specific goals while keeping in mind the core vision and strategic direction of an organisation (Cobble and Lawrie, 2002).

Both 360 degree feedback and balanced score card aim to provide a more rounded feedback, Though 360 degree feedback was initially considered a tool for developmental purposes it is becoming a part of the formal appraisal system has continued the play of the traditional performance system of measuring employee performance to reward them accordingly. Management still is in control as it in the first place decides whether to use 360 degree feedback or not (Bach, 2000). Balanced scorecard is another tool used by manager to extend there control by gathering more information and then accordingly exercising control. The use of 360 degree feedback is also influenced by the cultural dimension of country, organisation with high power distance cultures are less likely to use it (Fletcher, 2001). In addition to that the huge amounts of information provided are difficult to deal with and process. It is also difficult to bridge

the gap between self evaluation and others rating and can require external help, which may lead to cost increase (Luthans and Peterson, 2003).

4.0 From Performance Appraisal to Performance Management

There has been a shift from the performance appraisal to performance management (PM) due to the increased recognition of problems created in the organisational appraisal schemes (Bach, 2005). Traditionally performance appraisal is a tool to appraise employees for maintaining the discipline in the organisation whereas performance management has the additional different view and purpose. Academics and HRM practitioners suggest the main value of performance management (Armstrong and Baron, 2005; Bach, 2005).

1) PM communicates a shared vision of the purpose and values of the organisation;

2) PM characterises expectations of what must be delivered and the way of delivery how it should be conveyed;

3) It enables employees to monitor their own performance and encourage reciprocal needs to be done to improve performance;

4) It ensures the awareness of high performance and way how employees can achieve it;

5) PM enhances and ensures motivation, involvement and commitment by providing a means of recognising endeavour and achievement through feedback process.

Chartered Institute of Personnel and Development (CIPD) conducted a research where found that organisations have changed their appraisal system and way of appraising the employees working in the organisation, even the rate of using formal process of PM has been increasing over the years (CIPD, 2005). There has been a shift from exclusive emphasis on reward driven systems, based on individual performance related pay and qualifying objectives, towards rounded systems of PM emphasising the development focus (Bach, 2005). However, recent innovations are less used by the organisation though organisations get more benefit from these systems (Table-1).
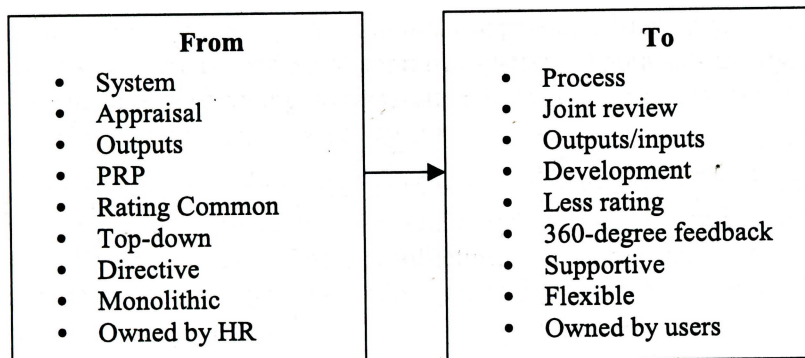
Table-1: Features of performance management

Sl No.	PM tools	Widely used
•	Objective setting and review	↑
•	Annual appraisal	
•	Personnel Development Plans (PDPs)	
•	Self-appraisal	
•	Performance-related pay (PRP)	
•	Coaching/mentoring	
•	Career management	
•	Competence assessment	
•	Twice-yearly appraisal	
•	180 degree feedback (Subordinate appraisal)	
•	Continuous assessment	
•	Rolling appraisal	
•	360-degree feedback	
•	Peer appraisal	
•	Balancedd scorecard	Less used

Source : Bach (2005)

The table describes the top tools are widely used and lower ones is less used. There are more than fifteen performance management tools used in organisations. Though some tools have more pragmatic value such as 360-degree feedback, balanced scorecards are less used for evaluating performance. However, traditional tools like Annual appraisal, Objectives setting and review of performance appraisals are widely used (Armstrong and Baron, 1998).

Now organisations are very much aware of limitations of traditional performance appraisal systems and emphasise on PM as it is more rounded form, trend is also important indicator to development which has been summarised below.

From	To
• System	• Process
• Appraisal	• Joint review
• Outputs	• Outputs/inputs
• PRP	• Development
• Rating Common	• Less rating
• Top-down	• 360-degree feedback
• Directive	• Supportive
• Monolithic	• Flexible
• Owned by HR	• Owned by users

Source : Armstrong and Baron (1998).

5.0 Conclusion

It can be inferred that the traditional performance appraisal system experienced several problems which the new innovations such as 360 degree feedback and balanced score card have attempted to overcome. With the feedback coming from more than one person it has added to the level of fairness and increased its validity. It has to certain extent freed the appraisal system from bias which resulted from the single appraiser. 360 degree feedback does have its own limitation of excess amounts data and the fact that it has not been of much worth for empowerment of employees. Upward feedback may have provided employees with the opportunity to give feedback about there seniors but the existence of management control can not be denied. Many a times it is still used to appraise and used not only for determining development needs.

Mapping the performance of employees has always been justifiably thought to be essential. However, as literature from this text suggests, the intent and use of the outcome has seen a paradigm shift from that of highlighting the vices (or otherwise) of employees to moulding an employee's skill sets towards achieving larger, predetermined organisational objectives. Methods such as 360 degree feedback promises to be more comprehensive and extensive while the balanced scorecard identifies human resource as a key element of the organisational arsenal of resources and aims to leverage the maximum benefits of its human resource towards achieving strategic aims and objectives. We thus see that developments such as those mentioned in this text show promise towards a more complete form of performance appraisal. However, the success or failure of such concepts would hinge largely on the execution, fairness and clarity with which they are carried out.

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