EFFECTIVE PERFORMANCE APPRAISAL FROM THE PERSPECTIVE OF QUALITY MANAGEMENT

Julian Paul Sidin

ABSTRACT

This article examines the challenges and problems that emerge during the introduction of a performance appraisal system. It briefly discusses how performance appraisal has been one of the most debated and controversial topics in human resource management, the alignment of quality initiatives and performance appraisal, how performance appraisal can contribute significant result to an organization, and finally, how an appraisal system can be effectively developed in accordance with quality management views. The purpose of this article is to describe a performance appraisal and management system that fits quality management goals and practices better than most traditional appraisal systems.

INTRODUCTION

One of the most debated and ongoing topics in management practices is performance appraisal. It is a particularly controversial management practice. There is still a lot of uncertainty about how performance appraisal fits into quality initiatives.

Performance appraisal is, however, seen by many people as an important contributor to human resource management. Performance appraisal and reviews have become a necessary part of most work environments (Nelson, 2000). Systematic information is required by an organization on how well an employee is doing in his or her work is regarded as the key element to ensuring the effective usage of human resource (Towers, ed., 1996).

According to De Cenzo et al. (1994), for an organization to compete effectively, it must be on the right track towards achieving its goal. This can be assisted by constantly assessing the performance of its employees. McGregor believes that if performance appraisal is focused on the individually-set goals for self-improvement, it can be very helpful to an individual (Bounds, et al, 1994). Appraisal schemes especially the good ones can be essential means toward the combining of the individual's ambitions and self-development with the requirements and opportunities in the organization.
(a) The judgemental or personnel purpose which focuses on assessing the relative value of each employee of the department in order to make sound administrative decisions. These decisions entail salary increases, promotions, probation, and lay-off.

(b) The developmental or coaching purpose which focuses on the feedback provided to the assessor on past performance, discussion on strengths and weaknesses, clarifying future performance expectations, establishing future goals and assessing training needs. An employee who has gone through effective coaching usually has increased trust and it is also said to improve the employee's future performance.

Apart from that, performance appraisal is also used to give the jobholders a common understanding about their key accountabilities and the standards of performance that they are supposed to maintain (Connock, 1991) and also to ensure that the jobholder knows their priorities and how they are related to the overall strategic objectives of the organization (Bissessar, 2000). Furthermore, performance appraisal can be used to create a shared resolution on how to reach objectives and set standards of performance (Flynn, 2001; Ihrke, 2001).

It is also argued that one of the most consistent findings in the organizational literature is that behavior can be affected by measurement (Pfeffer, 1995; Macaulay et al, 1995). As it is vital for them, most people will try to succeed on the measures even if there are no direct consequences. Pfeffer (1995) also believes that things that were measured, get talked about, and others, do not.

Human resource department as claimed by Clinton et al (1994) can help in designing the appraisal as it have the ability to do so. This in a way will enable the quality improvement teams to conduct performance appraisals on one another, to interview and select a team's work and to set performance goals. Lastly, to make an appraisal system reliable and to ensure that no harsh language is included, the team chairperson or the human resource specialist will have to do the review of the peer appraisals made by the team member as a follow-up.

Another reason for performance appraisal is to allow the manager or appraiser to make comments upon the employee's performance and progress. This is done under the headings such as quality of work produced, speed of work and the work performance, attitude to supervision, job attitude to supervision, job attitude, punctuality, time keeping, and so on (Barber, 1973; Hackman and Oldham, 1980).
QUALITY MANAGEMENT AND PERFORMANCE APPRAISAL

For many years, human resource management theory and practices have focused on individual differences in the management of performance throughout an organization. This focus however has recently being questioned by proponents of Quality Management. As a result, performance appraisal practices have been highly criticized by a number of individuals associated with the Quality Management movement. The most debatable issue is regarding the purpose of performance appraisal involves management’s attempt to control employee behavior and results (Gabris and Ihrke, 2001).

Most of the literature on quality, although inspirational in its appeal, consists of multiple schools of thought with varying priorities. There is an enormous amount of literature found to contain contradicting opinions or views regarding appraisal schemes towards increasing the employees’ performance.

Lawler (1994) has recently highlighted the problem that individuals are not motivated or their development not guided effectively, under many appraisal systems. Deming who is considered the father of the quality movement, has a similar opinion about the appraisal and performance-related pay. ‘Deadly disease’ was the term given by Deming for performance appraisal and merit pay (Neave, 1996). According to Deming, there is too much emphasis on individuals and often people try to assign blame for quality problems on them (Bowen et al., 1992; Vallance, 1999; Waite, 2000). Apart from that, they nourish short-term performance, rivalry, and politics which annihilate long-term planning, build fear, and demolish teamwork in the organization. This leaves employees embittered, dejected, and unfit for productive work (Vallance, 1999; Smith et al., 2000).

Another quality advocates, Moen (1989) argues that performance appraisal function posed as one of the most serious obstacle to the successful implementation of Quality Management. Quality Management itself suggests that, problems do not originate from employees, but from a lack of understanding of the work processes. Thus, the objective of Quality Management are to analyze processes for identifying barriers to quality, satisfy internal and external beneficiaries of the work performed, and finally to create an atmosphere where continuous improvement is allowed to happen (Bowman, 1994). Hyde (1991) has similar views with Bowman that when there are more co-operations and less competition among employees, then quality can certainly be achieved. Relying on customers’ feedback as they can provide the best measurement on whether the system is working effectively can also attain quality.

According to quality management approach, contemporary organizations will become more productive and quality-oriented if the employees are on (Kikoski, 1999):
(a) participation in the work group, not individual performance;
(b) continual improvement of work processes, rather than conformity with them;
(c) continual, not once-a-year, evaluation and feedback; and
(d) a shift from the hierarchy, industrial-era, command and control Weberian paradigm which "separated thinkers and doers," to a more egalitarian, collaborative, participative informational-era paradigm in which face-to-face communication is key.

Besides being criticized by a number of individuals associated with Quality Management, performance appraisal technique is also not uniformly accepted throughout the union movements. They have argued that the reference point should not be the creation for pay, instead, it should be the qualification (Cleaveland et al, 1989; Ghobadian, 1990). According to Bowman (1994), personal ratings so far only created bad vibes such as tension, defensiveness, and avoidance among both managers and employees, and as a consequence improvement in performance does not happen.

**BENEFITS FROM PERFORMANCE APPRAISAL**

Even though performance appraisal has been branded with a bad reputation among individuals who are associated with the quality movement, the author still believes that it is possible to develop an appraisal system that can be integrated into a total quality process.

Kaye (1984) explains that employee can better assess their progress towards career goals through performance appraisal. This is because performance appraisal is able to provide a good and regular review opportunity whereby managers who are in the position to take note of them can gain changes and accomplishments. Through performance appraisal system, employees and managers have the opportunity to review their career development plans and their impacts on performance, and if necessary to revise these plans. Getting the feedback from the measurements is most important, as it will be able to help in refining and in developing implementation ideas further. It is also important as it will be able to give information on whether the practices are actually achieving their intended results (Pfeffer, 1995).

Kaye (1984) also suggests that there are three basic functions of performance appraisal, which are to evaluate, to motivate and to develop. Performance appraisal is more likely to be of valuable benefit when employees are motivated to improve
and when they are receptive to feedback that can guide them towards improvement. Employees participating in career development are likely to be more motivated because they know their future options and the goals to strive for as have been defined to them. Thus, they are more likely to improve current performance as part of their continuing development. In this respect, any feedback that demonstrates improvement opportunities will be welcomed and acted upon. Therefore, once the employees' responsibilities have been clarified and measured, and their set goals evaluated, their performance can really assist towards the success of the whole organization. Fitz-enz has a meaningful message that highlights towards the importance of performance appraisal system, "...the importance of measurement cannot be over emphasized. If you cannot measure it, you cannot understand it. If you cannot understand it, you cannot control it. If you cannot control it, you cannot improve it" (Fitz-enz: 34, 1994).

EFFECTIVE PERFORMANCE APPRAISAL SYSTEMS

There are many badly run formats of appraisal systems that are not benefiting the business at all (Roberts, 1995). A comprehensive performance appraisal system according to Egan (1995) consists of three components that are the performance improvement phase, the appraisal meeting phase and the discussion phase. The first component is based on the belief that it is important for the employees to do their very best and thus employees are encouraged to do so. The second component is the implementation of the formal appraisal process, while the third component is related to the discussion of the financial consequences of the appraisal meeting.

Many of the activities covered by the appraisal systems prove to be essential aspects of running an organization. The organization will definitely need to have a pay and reward structure, a way of selection for promotion and for identifying training needs. All such essential systems need to be reviewed to ensure that they will be compatible with the total quality initiatives, and that they will support the constantly changing and developing style of management. They also need to be designed in such a way that they are able to reflect knowledge of systems and variation, and furthermore to provide support for leadership and teamwork (Morton et al., 1993).

The organization's goals should be reflected in performance appraisal in the manner which employee behavior is measured against the achievement of these goals (Latham and Wexley, 1994; Ghorpade et al., 1995; Lee, 1996; Masterson and Taylor, 1996; Martin and Bartol, 1998; Nelson, 2000). Thus, an emphasis on quality in the appraisal systems needs to be done. A quality management approach to performance management is based on identifying and separating sources of
performance variation attributes to system factors versus person factors (Deadrick, 1999). This can be executed by interpreting the performance of the individual and followed by suggesting appropriate modifications that agree with the management activities. It is most important that the standards that are set are absolute. Measurement according to Macaulay (1995) and Fandray (2001), is not just about assessing past performance. In fact, they have been structured to provide valuable information. The information can then be immediately used as part of the society’s continuous improvement program. According to Hutt (1994), AT&T ISTEEL, an IT Services Company based in UK, France, Germany, and the USA, has been deploying the ‘three Rs’ of performance management which are:

(a) Clear Requirements for the individual;
(b) Regular appraisal and feedback Review; and
(c) Appropriate and equitable Reward.

The company has chosen five significant sections in the implementation of performance appraisal:

(a) Prime purpose – What am I here?
(b) Critical success factor – What outcomes are essential for me to achieve my prime purpose?
(c) Key task – What must I do to bring about the outcome?
(d) Performance standard – How will I know when I have done it well?
(e) Improvement objective – What are the milestone on the road to doing it well?

Assessment of performance appraisal range from the openly hostile to the generally benign, envisioning well-designed performance appraisals as a tool for correcting worker deficiencies, for motivating employees, as well as for giving and receiving feedback (Hackman and Oldham, 1980). There are two ways of obtaining feedback. Feedback may come either from a process called ‘upward feedback’, or a ‘360-degree feedback’. Both of these feedback programs are helpful to organization as they are able to provide valuable information to support the organization’s appraisal systems as well as goals related to self-development (Yammarino and Atwater, 1997; Towers ed., 1996, Milliman et al, 1994). Upward feedback involves getting feedback from the manager’s staff or through direct report. However, many companies are adopting multi-source feedback on performance capabilities. The concept built on multi-source feedback appraisal as suggested by Norwick (1993) refers to a situation where sources appraisal data are collected from ‘all around’ an employee. ‘All around’ in this context includes manager, subordinates, peers and customers, both internal and external (Waite, 2000). This is also called as the 360-degree feedback. One of the key principles of the 360-degree feedback is that everyone is viewed differently. Ward (1995) suggests that for the manager and employee relationship to be successful, the manager need to respond
differently, depending on the group or individual with whom he or she is dealing with. This response will allow the performance and development to be blended, with a focus on self-directed improvement in the individuals capabilities. Separate views about the job, skills and their relative importance to one another from both employee and manager is another key point of a total quality appraisal (Hemmings, 1992).

There are a few things that an employee must do in order for performance appraisal to work as required by quality movement (Kaye, 1984). Employees must establish their career goals and they must also set their strategies for moving towards these goals. Employees are supposed to have a full knowledge of their deficiencies and abilities in current performance. Kaye also claims that the one factor that contributes to the success of performance appraisal can best be characterized in a 'win/win' context. In this context, both the organization and the employee stand to gain from the process as opposed to the 'win/lose' position which was what performance appraisal has been characterized as in the past. Shared responsibility for performance appraisal is required in the 'win/win' context between employees and managers. This 'win/win' context also calls for honest feedback, timely appraisal, and specific (written) expectations and evaluation.

There is sufficient evidence about the positive effects of performance appraisal on productivity and quality. Simmons et al (1995) implies that a well-designed system that is compatible with Quality Management should contain the following elements:

(a) The quality of inputs and processes and not just outputs should be identified and recognized;
(b) The personal improvement and not only the rating on performance relative to peers should be rewarded; and
(c) Employees should be provided with qualitative feedback.

Fandray (2001) argue that instead of measuring employees' performance and pointing out where they fall short, organizations will achieve more results by finding ways to fine-tune and improve their systems. Managers will need to coach the employees in order to better assess their competence in various aspects of their job. Margerison et al (1995) suggest that a measurement tool for performance requires a structured way of measuring performance. In their article, they have introduced substantial elements that need to be included in performance appraisal. These include:

(a) Advising – Keeping up to date with developments inside and outside the organization.
(b) Innovating – Generating new ideas and new ways of doing things.
(c) Promoting - The identification of opportunities and these selling opportunities to others.
(d) Developing - The turning of concepts to reality.
(e) Organizing - Organize people and resources efficiently.
(f) Producing - Tasks are completed to high standards of effectiveness and efficiency.
(g) Inspecting - The inspection function requires an attention to detail and emphasis on establishing procedures and reviewing systems, contracts and outputs.
(h) Maintaining - Ensure proper standards of conduct and ethics are upheld and quality is maintained.

A joint plan will also need to be made to build on strengths and reduce weaknesses. The annual appraisal, which is to review the ongoing day-to-day process of guidance and leadership, is also viewed as an annual stocktaking. However, it must never be used as an excuse for avoiding day-to-day coaching (Morton et al., 1993). As mentioned before, the rating system is viewed as a deadly disease by Deming. Thus, performance appraisal should not be for ranking. According to Bounds et al. (1994), a useful way to think about performance appraisal from the quality management perspective is as being the check step of the PDCA (Plan, Do, Check, Analyze) improvement cycle. It is the step that allows individuals, their teammates, and managers to look at how well they are working together and how they might improve in their individual and mutual areas of responsibility to improve the organization's processes. The PDCA Cycle which also known as the Shewhart Cycle or Deming Cycle is used to study, improve, and innovate a process which aim to determine an improvement or innovation to a process that will narrow the difference between process performance and customer needs and wants (Gitlow et al., 1995).

Some organizations are eliminating the annual performance ratings entirely, as they are no longer essential for salary administration, nor for development of performance improvement. Organizations are now emphasizing more on ratings where they are used as a basis for improving future performance through coaching, performance planning, development planning and counseling that occur in performance discussions (Simmons et al., 1995; Walker, 1994).

Figure 1 adapted from Scholtes (1993), contrasts what managers should emphasize in an effective performance appraisal program with those of a more traditional program. The point here is programs that reward or punish individuals are less likely to succeed in facilitating improved performance of the entire organization. They may in fact undermine the performance over the long run as individual seeks to look out for themselves rather than their team and the organization as a whole.
Using the 360 degree feedback or team appraisal (Janz and Harel, 1993; Margerison et al., 1995; Edwards, 1996) incorporating with quality performance objectives (Hutt, 1994), the performance appraisal instrument can be developed even more effective from the perspective of quality management. It is suggested in this paper that the redesign of performance appraisal need to have certain criteria for the purpose of assessing employee performance as illustrated in Figure 2.

CONCLUSION

In this paper, the role of Human Resource Management in managing an effective appraisal system within an organization has been analyzed thoroughly. Although, many organizations are questioning their appraisal practices, they still have to employ them, as there exist the constant pressure to increase quality. There are a number of organizations that have adopted performance appraisal. Some of them attempted to make it more compatible with quality management rather than eliminating it altogether (Bowman, 1994).

According to Towers (1996), developing new approaches to performance appraisal poses a challenge, which an organization needs to face up to. The culture and requirements of each organization must be taken into account first before an appraisal system can be designed to suit their requirements. Schweiger et al. (1994) claimed that the groundwork for rapidly improving the employee’s performance can be assisted by a carefully designed and administered performance appraisal system with an emphasis being placed on total quality implementation. This will ensure that productivity will increase and the success of the organization in the future will be secured.

The appraisal system is a technique for gathering feedback from all around the employees with regards to their performance. Through this feedback, it will help employees to know better the purpose of their organization, how their job fits into it, and how to improve the system. Although it may be impossible to expect companies to abandon completely the idea of individuals’ rewards, it is possible that the systems can be more closely aligned with the principle of shared responsibility for quality (Bowen et al. 1992). Performance appraisal based on developing the skills and abilities necessary to perform well in teams on boundaryless organizations can be measured. Peers can be involved in the appraisal process, and individuals can be evaluated on how much they contribute to the team performance. The increasing popularity of 360 degree performance reviews, where information is gathered from bosses, employees, and peers, illustrate the potential for changes in performance management as well as the need for Human Resource managers to begin the diagnose and solve the problems of conflicting measurements.
Total Quality Management and Traditional Performance Appraisal

- Give direction to the work force
- Feedback based on needs of customers and key indicators of process success
- Feedback from parts of the system that receive one's work
- Feedback useful for improvement
- Support employees' inherent motivation

TQM values and methods in performance appraisal:

- Direct individuals
- Control people
- Feedback based on personal characteristics not relevant to the work
- Feed-down from the next layer in the hierarchy
- Feedback used for ratings, rewards, and sanctions
- Motivating or de-motivating employees

Figure 1: Total Quality Management and Traditional Performance Appraisal


Figure 2: The Integrated Quality Performance Appraisal Model
REFERENCES


