1. Performance at work and its appraisal: Demarcation of the field

1.1 INTRODUCTION

In this introductory chapter, we shall examine some key phrases and concepts that apply to the field of work performance, such as 'performance', 'appraisal', and 'job evaluation', among others. We shall briefly touch on the factors that contribute to an employee’s performance at work and some of the pitfalls involved in trying to reach objective appraisals of employees’ respective inputs to the productivity of their organizations.

1.2 WHAT DO WE MEAN BY PERFORMANCE?

It is probably axiomatic that the one goal that all businesses and corporations have in common is success. That means productivity – the ability to deliver the goods or services to clients in the most optimal, efficient, and economic manner. To do this, organizations need to define clearly what those goods and services are and how best to run their operations to achieve their goals. It is also axiomatic that, in order to proceed, the companies need to employ the most qualified staff possible to perform the necessary tasks that will ensure a smooth flow of production and delivery of the commodities to those interested in receiving them.

However, once an organization has selected its employees, defined their jobs and positions, trained the work teams, and set them to work, what still needs to be done? Clearly, the next stage is an evaluation of the quality of the employees' performance. Of course, one might ask, why should we bother with work performance at all? The answer is clear, however: because work performance affects our real income, our national competitiveness, and our quality of life. Evaluating work performance is not an unusual step. The fact is that organizations are continually appraising their workers' contributions to the organization, formally and informally, for the purposes of hiring, firing, promotion, and rewards. That does not mean, as we shall see, that there are not constant challenges to management in organizations presented by the appraisal process. However, before we can...
move on to a discussion of performance appraisal (PA) per se, we need to agree on what we mean by performance.

Campbell (1999) defined performance as a set of behaviors, the implementation of which is relevant to achieving the goals of a company or organization. For Goler, Gale, and Grant (2016), performance is the value of employees’ contributions to the organization over time. The organization’s effectiveness is, in fact, an outcome of the set of behaviors such as those described by Campbell. Consider, for example, SunOpta Inc., which is a leading global company specializing in the sourcing, processing, and packaging of natural, organic, and specialty food products. These activities, as well as research into the development of new products based on natural ingredients, are pursuits that fit SunOpta’s mission to be the recognized global leader in natural and organic food products and, collectively, they constitute a recognized set of employee behaviors. Of course, these macro-tasks can be broken down into any number of sub-tasks until there is a complete description of all the tasks involved, from the outset to the finished product. Employees may be involved in the whole (manufacturing) process or in one very small aspect, around which their performance (productivity) may be appraised.

Campbell (1999) suggests that performance is composed of eight different components or dimensions:

- Expertise in performing the job’s unique tasks, defined as the ‘core arena’ (e.g., the optimal performance by a captain of the sum of activities required to fly a plane from point A to B).
- Expertise in performing the job’s non-unique tasks, defined as the ‘peripheral area’ (e.g., delivering flight data, weather reports, or creating a pleasant flight experience for passengers).
- Expertise in job-related written and oral communication (for instance, the ability to convincingly present the need to develop new pension savings channels within the framework of an insurance company).
- Investment of effort in the job.
- Self-discipline (e.g., meticulously following procedures, standards, instructions, and timetables).
- Help offered to co-workers to perform their jobs.
- Leadership, defined by a person’s ability to set a direction, to formulate a vision, and to influence others to follow.
- Management and administration. Management is the set of actions and skills performed to achieve the goals that are derived from the vision, such as planning, supervision, organization, control, coordination, and guidance. Administration requires management actions,
but it focuses on procedural, technical, and bureaucratic aspects that are required to achieve the organization’s goals, such as finances and human resources.

In essence, these eight components can be broken down into two major categories – namely, direct performance and indirect performance. Direct performance refers to workers’ input such as the quality of their work and the level to which they achieve their assignments. That, in itself, is a reflection of job expertise, which is termed ‘declarative knowledge’. In contradistinction, indirect performance refers to worker attributes such as personality, achievement motivation, and credibility, which are collectively termed ‘contextual knowledge’. Borman and Motowidlo (1993) suggest that in some ways contextual knowledge reflects the benefit that an individual employee contributes to the achievement of the company goals. In a somewhat similar classification, based on evaluation of client service jobs, Bowen and Waldman (1999) distinguished between the ‘technical quality’ of the provided service and the ‘functional quality’ (attitude) of the service giver.

1.3 FACTORS THAT AFFECT WORK PERFORMANCE

We live in a real world in which people act and react, and in which the circumstances that prevail are sometimes in our hands and sometimes not. The internal and external influences that impinge on employee performance are various; there are those within their control and factors that are beyond their control. We examine some of these briefly and argue that a model of performance appraisal has to incorporate a method that compensates for the factors that the worker cannot control.

1.3.1 Technology

The first of these items is technology. After Hesketh and Neal (1999), we note that we cannot attribute workers’ output solely to their input (direct or indirect) and personality attributes. We need, additionally, to take into consideration the quality and level of the technology used on the job. We would then deduct the contribution of technology from the final performance product to obtain a valid measure of personal performance. Thus:

$$\text{Performance} = f \text{ (the technological level of the job; the worker’s personal input)}$$
For example, consider the precision of a medical diagnosis. The diagnosis is the result of (1) the doctor’s declarative knowledge (qualifications) such as knowing symptoms of diseases; (2) the doctor’s contextual knowledge (personal skills) such as gleaning crucial health-related information from the patient; and (3) the technical efficiency of the instruments used, such as 3D imaging instruments or genetic testing. These instruments enhance the precision of the diagnosis apart from the physician’s knowledge or professional skill.

1.3.2 Situational Influences

Notably, any number of situational and extraneous influences can affect job performance – for instance, lack of availability of staff or equipment, out-of-date instrumentation, fluctuations in the market that create undue pressures, and so on. Consider, for example, that following the unexpected departure of two workers in a specific department, there is suddenly a severe shortage in the workforce. The third remaining worker is required to provide the work of three workers, making a special effort to cover for the shortage of labor. Despite the skill applied and efforts invested, the worker’s performance level deteriorates due to excess pressure: assignments are not completed on time and the level of mistakes rises. In such a case, when appraising the worker’s performance, and after deducting the effect of situational factors not in the employee’s control, we obtain higher performance values than were in fact observed.

1.3.3 Organizational Climate and Culture

After London and Mone (1999), we expand the array of factors determining job performance to incorporate organizational climate and culture. For instance, modern organizations require employees to learn constantly to maintain and improve their knowledge and skills, in view of frequent changes to work processes, procedures, and technologies. The motivation of the employee to undergo such training is critical because, beyond any other considerations, workers’ enhanced knowledge and skills improve performance levels and, ultimately, productivity. Therefore, when assessing performance, we need to apply an increment that measures motivation level.

Of course, it is possible that employees are unwilling to cooperate, not because of indifference or laziness, but because they perceive that management would not support their desire to implement the updated innovations. Indeed, the literature abounds on the effects of employee perceptions on organizational climate, demonstrating how positive perceptions of management behavior and cultural norms in the workplace (i.e., climate)
enhance, inter alia, motivation, loyalty, teamwork, and efficiency. The opposite is also true: negative perceptions of the climate at work contribute to undesirable worker behaviors and a lowering of performance.

It is important to stress that we refer to the subjective perceptions of employees – say, of their organization’s degree of favorability to implement change – and not to an objective description of the organizational climate. The emphasis is on perceived rather than objective realities, because (1) individuals tend to react to perceived characteristics rather than to objective contextual features (Yasai-Adekani, 1986); and (2) because the literature defines organizational climate conceptually as the entirety of various organizational aspects as they are perceived and represented in the employee’s mind (Schneider et al., 2000; Zohar and Luria, 2004).

1.3.4 Management and Management Style

A further concomitant is management style or leadership. Lord and Smith (1999) argued that effective leadership is a factor that can promote high levels of employee performance. Effective leadership can be defined, for instance, in terms of style. Thus, for example, in a qualitative study of employee performance, Iqbal, Anwar, and Haider (2015) concluded that autocratic leadership is useful in the short term, while both democratic leadership and participatory leadership styles are most useful in the long term. Another instance of successful management style is the Pygmalion effect (Eden, 1990), which illustrates that when management conveys positive expectations to its employees – such as awakening them to their potential to achieve higher performance levels – the employees consequently achieve according to these expectations. It appears that when a relationship of trust exists, the subordinate receives preferential treatment and reciprocates by excelling and fulfilling expectations. The opposite occurs when the manager–subordinate relationship is flawed. In a similar fashion, Bauer and Green (1996) explained the outcome of this management style with reference to leader–member exchange (LMX) theory: where there is a relationship of trust between managers and subordinates, managers delegate authority, allocate appropriate assignments, and provide maneuvering space and autonomic activity. Employees justify that trust by performing optimally and by demonstrating initiative and creativity, thus gaining their managers’ appreciation.

1.3.5 Congruence Between the Employee’s Resolve and Offered Rewards

Implied in our discussion on trust is the overall notion of employee satisfaction in the workplace. We understand that the positive perception
of management style enhances employee performance, not only because of the mechanisms outlined above but also because the invested trust increases employees’ satisfaction at work. In a sense, the trust and attention given to workers is a form of reward or compensation, over and above salary earned. In a wider investigation on work adjustment, Tziner (2002) found that there is, indeed, a strong connection between employees’ needs and the rewards offered by the organization in terms of employee performance. When the job or organization satisfies workers’ needs, such as autonomy and promotion, the chances are higher that performance will increase. In that respect, it is useful to talk of job congruence, defined as the degree of fit between workers’ performance qualities (such as their knowledge, skills, abilities and motivation) and the performance qualities required by (1) the job; and (2) the expectations derived from the organization’s climate and culture.

1.3.6 The Work Team

A work team can also affect individual performance in several ways. Team members can help their colleagues to develop skills, amass knowledge, overcome obstacles, and utilize their abilities to the fullest. Moreover, the set of team members’ performance data induces a unique dynamics of interpersonal relationships, which in turn affects performance. The more cohesive the team, the greater the pressure to conform to group behavior standards, while increasing or decreasing the work effort or output (Hackman, 1976; Tziner, 2002). So strong can be the effect of a cohesive team that the strong interpersonal relationships contribute not only to individual team members utilizing their abilities optimally, but also to transcending their work potential. The opposite is true for discordant teams.

As indicated, when appraising employees’ performance, we should better deduct the effect of all these factors that extend beyond the employees’ input, otherwise, we could reach erroneous and biased conclusions. We would not be surprised if much higher or lower performance values than actually observed were then recorded.

Consider, for instance, that a development team at a hi-tech company is working on planning a block for an electronic component. There is a new team member without practical experience since he has just completed his engineering studies. If the team welcomes him with open arms, helps him to close the experience gap and mentors him formally and informally, his performance will improve dramatically. On the other hand, if the team does not provide him with opportunities for learning and perpetuates his lack of experience by allocating him only bureaucratic tasks (rather than purely professional ones), his performance will certainly be low.
Now let us focus on one of the veteran team members, an engineer: she is less talented in a specific aspect of expertise than the other teammates. The team is cohesive and the relationships between the members are friendly and supportive; thus, on occasion, as a friendly gesture, the other engineers willingly perform parts of her work. They pay her back for times when this worker helped them with tasks in which she utilized her specific professional strengths. Consequently, all the team members fulfill their assignments. When we appraise the performance of that veteran engineer, we would want to deduct the team’s effect, and appraise the performance as it derives from the worker’s specific output, rather than from that of the team members. We also recommend, however, appraising the team performance as a whole.

Figure 1.1 describes the factors that affect work performance. As appraisers, we would evaluate the effect of the worker’s input on performance (direct and indirect; shaded) and deduct from the assessment the effect of all the other factors (unshaded).

### 1.4 PERFORMANCE APPRAISAL

#### 1.4.1 What Do We Mean By Performance Appraisal?

Now that we know what is meant by performance in an organization and some of the extraneous factors that impinge upon an employee’s job performance or input, we understand that, in some way, performance has
to be measured and evaluated. In which case, we want to understand what we mean by performance appraisal. First, however, we need to understand what appraisal means.

1.4.1.1 Distinction between appraisal and measurement
The distinction to be considered is between appraisal and measurement. Measurement is the objective assignment of numbers to objects or events. In other words, measurement produces the same numbers no matter who performs the measurement. Notably, however, Bernardin and Villanova (2005) maintained that, regarding performance, objective measurements are unavailable in most jobs. Even if they do exist, in terms of quantity and quality of output/performance, the measurements are ‘contaminated’ by irrelevant factors. For example, the volume of sales of insurance policies against natural disasters (such as earthquakes) is affected not only by the insurance agent’s professional expertise or motivation, but also by external factors such as media reports about imminent natural disasters.

In consideration of the above distinction, this book deals with performance appraisal rather than performance measurement.

1.4.1.2 Definitions of performance appraisal
We can thus define performance appraisal as a formal, well-planned organizational process designed to obtain reliable and precise information about the job performance of a certain employee and his or her job-related behavior. Performance appraisal allows us to distinguish between excellent, mediocre, or poor performers, based on parameters considered essential to determining satisfaction with employees’ performance.

Accordingly, one way to view performance appraisal is to consider it as a process of assessing employees’ performance by comparing their present performance with the established standards of the organization (as communicated to the employees), and subsequently providing the employees with feedback for the purpose of improving their performance, as needed by the organization.

From the perspective of human resource management, performance appraisal’s goal is mainly to develop techniques that help employees meet their personal goals for growth, development, and personal success, while at the same time promoting the effectiveness of the organization’s functioning (see DeNisi and Smith, 2014). Tziner (2002) has indicated that the aim of performance appraisal is to assist organizations to actualize their inherent performance potential by facilitating enhancement of employees’ motivation and work-related skills. Performance appraisal also serves to hone management’s decisions as to how to make those improvements and
how to assign employees to new positions, where appropriate. Of course, there is a need to establish the relationship of the individual’s improved performance to the overall development and measures of success of the total organization – namely, ‘firm-level performance’.

1.4.1.3 Distinction between evaluators’ appraisals and actual ratings
The individual’s performance is usually evaluated over a period of time (most often on an annual basis) and, generally, a score of some sort is assigned to the evaluated employee. As straightforward as the definition of performance appraisal may appear, ultimately, we are dealing with subjective performance measures. In other words, the assignment of values to employees is the result of a human judgment procedure that naturally includes subjective interpretation. Consequently, in addition to the effects of the extraneous and situational influences on performance discussed above, there may well also be another distinction to be addressed – namely, the gap between workers’ actual performance and the consequent appraisal of that performance by their managers and colleagues. Or to express this notion in a slightly different way, a distinction should be made between performance appraisals that evaluators formulate about certain employees (and are often willing to say so informally), and the ratings that they actually record concerning the same employees.

For example, John’s manager evaluates his performance as mediocre, but he knows that writing a mediocre appraisal in John’s evaluation sheet would prevent John from receiving the bonus awarded to outstanding workers. Therefore, during the feedback meeting, the manager might tell John that his performance is average, but in the formal appraisal (the evaluation sheet) he writes a much higher rating. This creates a discrepancy between the performance appraisal that the manager formulated and the actual value written in the report. These ‘gaps’ or distortions are symptomatic of the kind of ‘contaminations’ or impediments that affect appraisal results and thwart the achievement of valid performance values.

Having pointed out these distinctions by way of introduction to our major theme, we now turn to an initial description of the performance appraisal process per se.

1.5 THE PERFORMANCE APPRAISAL PROCESS

We have begun to indicate that performance appraisal is a serious, if not a drawn-out process; it is not a one-off episode. The appraisal procedure is more complex than meets the eye. To understand this, we can follow its
basic stages and components by examining Figure 1.2 and the annotations below, as follows:

1. **Judgment** (left arrow). At this stage, information is received about the employee’s performance at work (square 1) and that data is formulated as an appraisal by the appraiser (square 2) with all the possible limitations discussed above, such as subjective interpretation by the appraiser and external influences on employees’ performance.

2. **Rating** (right arrow). At this stage, the performance appraisal (square 2) is formally recorded (square 3), again with the possibility of discrepancies between the appraiser’s evaluation and the formal rating recorded, on account of ‘political’ grounds (as above, among other factors).

3. **Feedback** (bottom arrow). Since appraisal is a process, it does not stop with the measurement. A constructive feedback about employees’ performance (as reflected in the appraisal form and most often provided to the employee by means of a personal interview) demonstrates the extent to which employees’ efforts at work were productive and what aspects should be improved. Consequently, furnished with the supervisors’ comments, employees can then elevate their actual performance.

Murphy and Cleveland (1995) created a four-component performance appraisal model that built on the judgment and rating components. The researchers employed a social-psychological paradigm and regarded performance appraisal as a communications process that occurs within a well-defined organizational context. The final component addresses how the organization should evaluate the information gleaned from the raters (Figure 1.3).

More specifically, the four elements can be elaborated upon as follows:

1. **Organizational context.** Organizational context includes (a) intra-organizational factors such as organizational values, climate or culture,
competition between departments or individuals; and (b) organization environment issues such as the degree of competition in the industry and economic/political issues regarding the organization’s product (see also social context of PA in Levy and Williams, 2004).

2. Judgment process. The judgment process usually concerns two topics: (a) how performance information is obtained; and (b) how this information is processed to form judgment. Judgment is determined by observing the employees’ behavior, investigating prior impressions about the employees and behavior reports, and the degree of personal affiliation of the appraiser to the ratee. Processing primarily relates to encoding and retrieval, topics to which we return in the ensuing discussion.

3. Rating. Rating is the score recorded on the evaluation sheet. The rating represents the message that the rater wants to communicate to the recipient of the appraisal, and depends on the rater’s goals and the organizational context. As mentioned, the score does not necessarily reflect the rater’s judgment.

4. Evaluation. Evaluation of performance appraisal refers to how management employs these appraisals in the organization. For instance, do the higher echelons use the appraisals when considering promotions to administrative positions? If not, then the use of appraisals that relate specifically to ‘administrative decision-making’ or ‘accuracy of judgment’ may not be of much value, because in those circumstances these items make no difference in management’s decision making.

The importance of this model lies in an evaluation that is based not only on a bottom-line, ‘final composite score’ or a ‘cold’, formal, comparison of workers’ grades, but is also based on the contextual and personal aspects of attainment and performance on the job. Once the wider contextual issues impinge on the evaluation, new challenges arise, however: the
supervisor (or rater) has to observe the performance of another employee (perhaps over the course of a year) and possibly collect reports of others’ observations of the same employee. The supervisor has to sift through this information and to make a judgment about the employee’s performance – ideally in an objective fashion, without bias, and without the observer unduly ‘interfering’ in the work of the evaluated employee. Other factors that need to be taken into consideration are the commitment of both raters and evaluated employees to the task, and the degree and quality of support the employees receive from their supervisors. These challenges, among other issues in the performance appraisal, are themes to which we shall return in the following chapters.

1.6 DISTINCTION BETWEEN JOB EVALUATION AND PERFORMANCE APPRAISAL

Performance appraisal would appear to be conceptually similar to job evaluation; however, the two terms are, in fact, radically different. Job evaluation relates to the job from the point of view of the requirements of the organization. Its function is to set the relative value of a job or position in the organization in order to establish remuneration scales. Part of the job evaluation involves job analysis, the process by which the various aspects of the job are derived, mainly (1) prerequisites (e.g., the necessary education, skills and abilities needed to execute the task(s); (2) performance requirements (e.g., level of responsibility, talent); and (3) output requirements (e.g., product manufacture and method design). Later (in Chapter 3), we shall see that performance appraisal criteria are the important role components that are identified through the job analysis and processed accordingly into the dimensions that describe behavior and its results relevant to the job. The criteria are used as dimensions that measure the degree of the worker’s success in his or her job.

In contradistinction to job evaluation, the object of performance appraisal is the employee – the individual, rather than the job. The aim of performance appraisal is to expose and develop the entirety of information that contributes to unbiased rating of employees in an organization according to the quality of their performance.

Nonetheless, there is a functional connection between performance appraisal and job evaluation. Since appropriate job evaluation includes a detailed description of the tasks to be performed as part of the job, it is easier to appraise an employee’s performance when the tasks included in the job are defined clearly and unequivocally. Job evaluation is a long, challenging process, and therefore many organizations choose not to
perform that task. However, in organizations that perform job evaluation, performance appraisal relies on that precise description. To be clear, this volume deals with performance appraisal and not with job evaluation.

1.7 DISTINCTION BETWEEN PERFORMANCE APPRAISAL AND PERFORMANCE MANAGEMENT

As we begin to understand what performance appraisal is, we will also begin to understand that in the contemporary world of business today performance appraisal can be seen as part of a larger context of organizational functioning, commonly labeled performance management, a subject to which we return in later chapters. At this point in our discussion, it is also pertinent to make the distinction between the two terms, performance appraisal and performance management. While performance appraisal is a relatively narrow process to assess how individual employees are performing and how they can improve their job performance and contribute to the overall organizational performance, performance management is the creation of an entire system (a setting, a work environment, a culture), bringing together all the essential factors so that all of the people involved in the organization are able to work in an aligned and coordinated manner to the best of their abilities (after Grubb, 2007, p. 2).

Having touched upon definitions, goals, and a preliminary model of the performance appraisal process, as well as some of the human aspects of the process, we are now ready to examine the uses and value of performance appraisal to both employers and employees, as well as necessary considerations and preconditions that management should take into account before embarking on the performance appraisal track.

NOTE

1. A block is an electronic chip that is being developed. A large block is often divided into a number of smaller blocks, and each team member works on one part. The parts are interdependent.