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OCCUPATIONAL PSYCHOLOGY

An Applied Approach

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(Martone, 2003). The appraisal of these competencies includes measurement of actual performance against the competencies determined as required for good job performance (Chan, 2005). For example, Boyatzis (1982) used competencies to differentiate between successful managers and unsuccessful managers. The process involves an interview between appraiser and appraisee where the appraisee is asked to provide examples of when they have shown a particular competency within their job role. The appraisee describes the situation, the action taken and the outcome of the actions.

Using competency-based performance appraisals allows appraisers to determine how individuals carry out their work rather than just the outcomes of the work conducted. This approach enables behaviours to be identified that may require changing. However, Abraham, Karns, Shaw, & Mea (2001) conducted a pilot study investigating the competencies being used by organisations as part of their performance appraisal. The investigation considered whether management competencies, considered important to carry out the job effectively, were used as the assessment criteria at performance appraisal. It was found that, although competencies are used to describe successful managers, the same competencies were not used for performance appraisals. If such competencies are required to perform well in a job, it would seem sensible to use them as the criteria for assessing an individual's performance. It was suggested by Abraham *et al*. (2001) that future performance appraisals should use these competencies.

The benefits of using a competency-based approach to performance appraisal include:

- identifying areas of weakness where specific training can be provided (for example, providing leadership training)
- providing a clear set of criteria to employees on competencies required to be successful in the job
- providing a clear set of criteria to employees on competencies required to move to the next level in the organisation (career development)
- shifting the emphasis from organisational results to employee behaviours and competencies. This ensures that even if the organisation has performed poorly, it is the individual's performance that is assessed rather than the organisation's.

The main area of weakness with this approach is the risk of incorrect competencies being identified that are not relevant to the job, or important competencies being missed. This is where a comprehensive job analysis can help identify the competencies necessary (see Chapter 4 – Personnel selection and assessment).

The methods discussed so far have concentrated on the individual, focusing on an individual's traits and behaviours. The results method moves away from those approaches and focuses on the actual objectives to be achieved and the expected outcomes. This approach is known as management by objectives.

Management by objectives

This method of performance appraisal is based on the philosophy of rating performance by the achievement of goals that have been set by mutual agreement

of the employee and their manager (Drucker, 1954). For this approach to work, both the manager and employee must be willing to work together on establishing goals. The objectives also need to be Specific, Measurable, Achievable, Realistic and Timely (SMART). Questions you may consider when assessing SMART objectives are detailed in Table 5.2.

**Table 5.2** SMART objective questions

Specific	Is the objective precise, clear and well-defined?
Measurable	Is it clear as to what the outcome should be and the evidence needed to confirm it?
Achievable	Is the task within the employee's capabilities, and are the resources available to complete the task?
Realistic	Is it possible for the employee to perform the objective and does it fall within the business context?
Timely	Is there a deadline for the work to be completed and is it a feasible deadline? Are there any interim review dates?

This approach acts as a system of goal setting where objectives are set at an organisational level, departmental level, individual manager and employee level. Individuals are appraised on the achievement of the goals. Each goal statement must provide details of the actions the individual will take to achieve that goal. Periodic reviews of the goals are undertaken and any changes necessary are made to the goals. The individual then provides a self-appraisal of their performance that is discussed in more depth at the appraisal interview. The advantages of this method are that the employee is active in the goal setting and will therefore feel more in control of the goals and motivated to achieve them. This approach also has a good feedback mechanism as goals are reviewed periodically and can change as and when necessary. The disadvantages include the individual aiming to look good in the short term to meet goals, but not plan for long-term development. For example, if an individual has a goal to reduce the spend on machinery, they may make a decision not to repair broken items, which meets the goal set; however, productivity may suffer.

The methods discussed so far have taken a top-down approach where individuals are assessed by those higher in the organisational hierarchy. More recent approaches have focused on a multi-channel approach. This approach is known as the 360 degree feedback approach.

360 degree feedback approach

The 360 degree appraisal involves obtaining feedback on an individual's performance from managers, peers, subordinates and customers and in some cases a self-appraisal is also undertaken (see Figure 5.4). Feedback usually involves 8–10 people completing questionnaires regarding the individual's performance. The questionnaire needs to describe behaviours that relate to job performance.
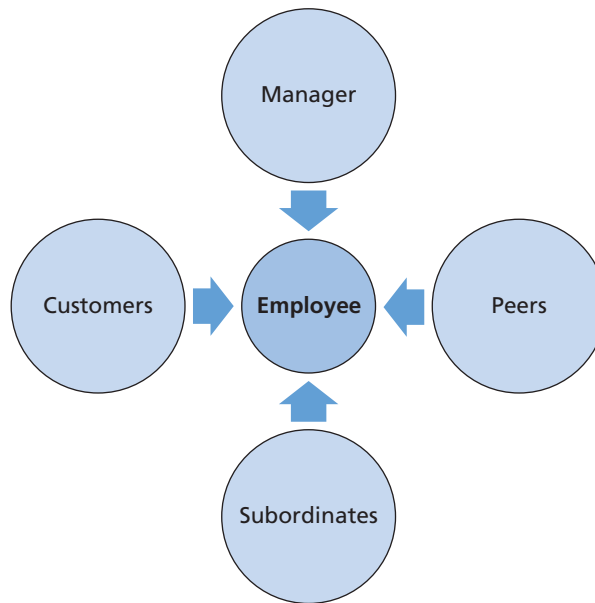
Figure 5.4 360 degree feedback

A manager's appraisal is central to the appraisal process as the manager judges an individual's performance in relation to objectives and targets set and aids in identifying areas where improvement is required. Peer appraisals bring a different aspect to the appraisal process as the peers may observe actual work behaviours carried out. Two areas of concern exist with this type of appraisal. First peers may provide a more positive view of their colleague's behaviour. Also, if peers are competing for rewards or promotions through the performance appraisal process, this may have a negative impact on the information reported by them. It is, therefore, important that a number of peers provide information on the individual's performance to ensure a fair and balanced appraisal. Subordinate appraisals also provide a valuable source of information as they work with the individuals on a daily basis. However, as with peer appraisals, there is the opportunity for bias, with individuals who are well liked receiving more positive reviews than those who are not. An important aspect of 360 degree feedback is customer appraisals. These provide an external view of the performance of an individual. The type of feedback received includes the quality of service provided, communication abilities, degree of professionalism and shows how an individual is viewed by external bodies. It has been argued in the literature that multiple rater feedback provides more accurate information as it cancels out individual bias (McDowall & Kurz, 2008) due to the number of people involved.

The 360 degree approach has many benefits over other methods of performance appraisal such as trait-based, behaviour-based, competency-based and results-based. According to Polman (2010), there are seven powerful features of the 360 degree feedback system, which are shown in Table 5.3.

Table 5.3 Seven powerful features of the 360 degree feedback system (Polman, 2010)

Feature	Description
Team development	Evaluation by peers allows for a truer picture of strengths and weaknesses in contributing to team goals
Personal development	Helps identify those individuals who need development
Career development	Clearly identifies what individuals need to do to enhance their career opportunities
Discrimination	Reduces the risk of discrimination as it has multiple raters
Customer service	Identifies areas important to customers and in need of development due to customer feedback
Training needs	Identifies areas of training both at individual level and organisational level
Sense of empowerment	Provides those giving feedback with a sense of empowerment by involving them in the process

Although the 360 degree approach has many strengths, its weaknesses need consideration. The method is time-consuming and costly, due to the number of people required to provide feedback and the collation of the information. It also assumes that those individuals providing people with feedback will provide accurate feedback. The method can also provide a culture of distrust as individuals are potentially reviewing each other.

Regardless of the approach or method adopted, it is useful for it to be followed by an appraisal interview so that the appraisee can provide their own view on their performance and development needs.
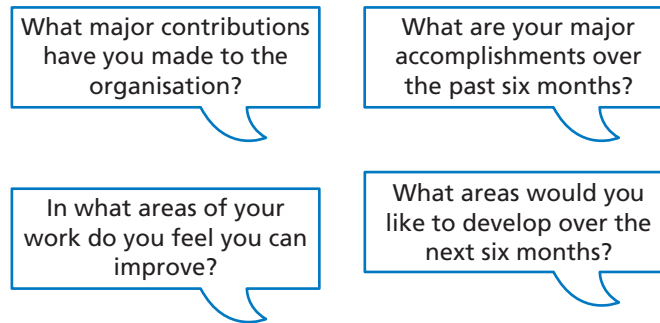
Appraisal interview

The appraisal interview involves an appraiser(s) and appraisee having a two-way discussion. There are two purposes to the interview process. The first is to reflect on the employee's past performance; identifying areas that require training, but also identifying major achievements. The second is to identify targets/objectives for the forthcoming period. A number of questions may be asked at the appraisal interview to evaluate an individual's performance (see Figure 5.5 for example questions).

The main aim of the interview is to have a two-way conversation about the individual's performance, provide constructive feedback and identify areas that can be developed in the future. However, research by Kikoski (1999) found that individual managers are not prepared to handle the performance appraisal interview and are reluctant to give negative feedback. This results in the individual being appraised receiving incomplete information about their performance.

Common errors in performance appraisal

A number of errors can influence the accuracy of the performance appraisal. These include distributional errors (central tendency, strictness and leniency), recency errors, contrast errors and rater bias.

What major contributions have you made to the organisation?	What are your major accomplishments over the past six months?
In what areas of your work do you feel you can improve?	What areas would you like to develop over the next six months?

Figure 5.5 Examples of appraisal questions

Distributional errors Central tendency is where appraisers rate appraisees as average. For example, if you have a scale from one to five with one being poor, three being average and five being outstanding, the appraiser would opt for number three, the average. This can cause problems as poor employees may be rated higher than they actually are, which does not allow for key areas for development to be identified, whereas those who are good performers may be rated lower, which may cause problems with motivation and job satisfaction (see Chapter 10 — Motivation, job satisfaction, employee engagement and behaviour modification). Strictness is where the appraiser tends to use the lower end of the ranking system to rate individuals, whereas leniency is the opposite with the appraiser favouring the top end of the ranking system.

Recency errors are the tendency to allow recent events to carry more weight than events earlier in the review period. This could be negative or positive for the individual as, if an individual has just completed a project successfully, it would be likely to lead to a positive appraisal; however, if the project had been problematic, more negative ratings may be given.

Contrast errors occur when the rater compares the individual with other employees rather than the objective standard.

Rater bias results in either a halo or horns effect. The halo effect is when the rater's bias is in a favourable direction. This can be when an employee has areas for improvement, but these are not identified by the appraiser. The horns effect is when the rater's bias is in an unfavourable direction and the individual is given negative ratings, which can lead to frustration and dissatisfaction.

? Think about it

Identify the types of error in each of these statements.

1 Peter rates all his appraisees as average.

2 Peter rates Paul as favourable and identifies no areas for improvement even though Paul has had issues with meeting some deadlines.

3 Peter rates David's performance in comparison with Paul's performance rather than the performance criteria.

Providing performance feedback

Performance feedback should be provided to individuals regularly, not just at the time of performance appraisals. However, performance feedback is an important aspect of the performance appraisal process and the appraiser should prepare for the session. Consideration should be given as to the meeting place. The meeting should be conducted in a neutral place that is free from interruptions. According to Orvis (2008), when providing feedback:

- include specific task-based examples of the employee's strengths and deficiencies
- include specific suggestions of future development goals and self-development activities the employee could complete to address their performance weaknesses
- discuss both the employee's performance strengths and weaknesses, but limit the discussion of weaknesses to two or three priority areas.

The importance of narrative feedback was evidenced by Brutus (2010), who found that it involved the evaluator more in the process as well as providing a richer feedback message to the appraisee. The feedback message becomes much more personal than providing the appraisee with a number on which they have been rated. For example, a rating of 3 out of 10 may be provided on customer service (1 being poor and 10 being outstanding). Although 3 is at the lower end of the rating scale, it does not provide any information to the employee as to what the figure is based on and what they need to do to improve. If a narrative example is provided, then the employee has a clearer understanding of the problem and where they need to improve. For example, 'David needs to work harder on his customer service skills as he sometimes comes across as abrupt and rude' or on leadership vision 'David creates a clear vision and communicates this to subordinates, but lacks the confidence in communicating this to senior management'. This provides the employee with areas they need to develop such as customer service skills and expressing views to senior management.

Evaluating the performance appraisal

Regardless of the process or approach employed, an evaluation of the performance appraisal should be undertaken at the end of the process. This indicates how well the process worked and identifies problems that may have been encountered. This ensures that any future process can be enhanced by making changes where needed. To evaluate the effectiveness of a performance appraisal there needs to be some form of measurement. This could be assessing the changes in the employee's performance ratings (performance ratings should improve if appropriate support is provided by the organisation), or feedback from employees on the performance appraisal could be taken either through the use of anonymous questionnaires or through focus groups.

Performance appraisals can help in identifying areas that require development and reward areas of strength in individuals; they can also aid in the career development of individuals as specific talents of individuals can be identified. The career development discussion usually takes place at the end of the appraisal interview.