Chapter 4

Survey of Literature

Using database, extensive computer-based search of the major psychological and management publications regarding performance appraisal evaluation and measurement published since 1970 was undertaken. This generated a pool of studies. The other available literature was also searched in an attempt to uncover any references that were not identified through the procedure mentioned above. Thus, the range of studies from which literature was reviewed includes books and published articles, unpublished dissertations and conference papers (Tables 4.1 and 4.2).

Quantification of Performance Appraisal Parameters - the Gap

Murphy and Cleveland (1991) noted that much of relevant research concentrated on the issues such as the appraisal formats and minimizing bias from the raters. One of the issues that they called for further attention, focuses on the criterion by which the appraisal system needs to be judged. Cardy and Dobbins (1994) too mirrored this sentiment and argued that such perceptual reactions to the appraisal system constitute a cornerstone of the appraisal system’s operational effectiveness.

One of the significant roles of management in relation to the employees relates to defining and measuring performance. An accurate performance appraisal system demonstrates to the employees that top management possesses important managerial skills needed to assess and manage the organisation’s workforce. Thus, an appraisal system that accurately measures performance,
should groom top management’s capacity to have salient influence, and thereby enhance quality of top management’s assessment skills.

According to Cardy and Dobbins (1994), reviews by Landy and Farr (1980) did not extend to the relative or comparative rating approaches wherein the employees could to be explicitly compared with one another for performance assessment. Rather, Landy and Farr’s review focused more on the absolute approaches wherein each ratee is compared to some external standard i.e., frequency of behaviour instead of one another for performance assessment.

Historically, direct comparison of the ratings constituted the foundation of performance appraisal when the parameters could be quantified. However, little is known and explored about measurement of the subjective factors. Most of the approaches suffered from serious flaws (i.e. restrictions of rankings on the ordinal level of measurement and therefore cannot be meaningfully compared across the raters), besides obvious limitations did inhabit research in such mind blogging area.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Journals</th>
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<th>Text Books</th>
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<td>Culture</td>
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<td>Managing Radical Change, The Human Organisation</td>
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<td>Appraisers Personality Traits</td>
<td>Personnel Psychology, Academy of Management Executive, Journal of Personality and Social Psychology</td>
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<td>Madden and Bourdon (1964)</td>
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<td>Klimoski and London (1974)</td>
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<td></td>
<td>Robinson (1975)</td>
<td>Dependence on subjective judgment typically gives rise to inaccuracies.</td>
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<td>Ronan and Prien (1979)</td>
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<tr>
<td>Role of Subjectivity in Performance Appraisal: Post – 1980</td>
<td>Dess and Robinson, (1984); Robinson and Pearce (1988); Wensley (1999); Pleshko and Souiden, (2002)</td>
<td>In strategy and marketing literature, there have been many attempts to link strategy to performance.</td>
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<td>Delaney and Huselid (1996); Youndt, Snell, Dean and LePak (1996); Wright, McCormick, Sherman and McMahan, (1999), Guthrie (2001)</td>
<td>Although some studies use the objective measures of company performance, such as productivity, profits and return on assets, typically taken from externally recorded and audited accounts, may also rely on the subjective measures as reported by the respondents. Approximately, half of the published studies on HRM and performance use such subjective data.</td>
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<td>Huselid (1995) Becker and Huselid, (1998);</td>
<td>The subjective measures of individual’s performance are widely used in research and typically interpreted as equivalent to the objective measures. The studies of human resource management do focus on how practices such as selection, training, empowerment and communication, collectively contribute to company performance.</td>
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<td>Sakakibara, Flynn, Schroeder and Morris (1997); Cua McKone and Shroeder (2001); Shah and Ward, (2003)</td>
<td>In operations management, interest has focused on performance benefits for company practices such as just-in time and total quality management.</td>
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<td>Addison and Belfield, 2001; Wood and De Menezes (1998)</td>
<td>A large majority of the industrial relations studies (notably those from the U.K.’s Workplace Employee Relations Survey) have also based on the subjective measures.</td>
</tr>
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</table>
### Definitions and References Identified Through Literature Survey

#### Performance

In HR parlance, performance measures mental capacity and encompasses knowledge, values, belief, attitude and behaviour. The same helps management to make sense on their part, and provides the employees with identity.
Performance appraisal occupies a place of prominence in the most important human resource systems in any organisation in so far as it represents critical endowment - integral to a variety of human resource actions and outcome (Judge and Ferris, 1993). Because of its prevalence and importance in the organisation, performance appraisal also remains one of the most researched areas in industrial/ organisational psychology (Murphy and Cleveland, 1955). In the opinions of Cawley, Keeping and Levy (1998) justice is an important component in the performance appraisal process, representing both antecedent and consequence of employee reactions. Further, they empirically identified at least five ways in which the employee can become more involved in the appraisal process: (a) offering him/ her an opportunity to voice his/ her opinion (value-expressive participation), (b) allowing him/ her to influence appraisal through voicing his/ her opinion (instrumental participation), (c) giving a chance to him/ her to make self-appraisal, (d) permitting the one to participate in development of the appraisal system and (e) allowing him / her to participate in goal setting in the appraisal process. Owing to its importance, performance appraisal plays a key role in managing human resources (Cardy and Dobbins, 1994), besides a lot of research continues to be undertaken to understand appraisal.

Performance means outcome achieved or accomplishment at work i.e. actual contribution of an individual or team to the organisation’s strategic goals such as stakeholder satisfaction, clean image, establishment of brand and economic sustainability. Campbell (1990) believed performance as behaviour that should be distinguished from its outcome which can be facilitated or hindered by the systemic factors.
Brumbach (1988) viewed performance more comprehensively by encompassing both behaviour and results. He considered behaviour as 'outcome in its own right' which can be judged in addition to the results. 'The role of a manager may be seen in three parts: Being, Doing and Relating', says Brumbach. 'Being' concerns competencies of the managee that are relevant to his/her performance. Most of all, 'being' means that the managee has prepared mind. 'Doing' focuses on managee activities that are invariably effective at the different levels in the organisation, which affect performance of the other roles dependent on managee output and organisational performance as a whole. 'Relating' emphasises the nature of relationship with the members of the role network – vertical, horizontal or otherwise. Further he stated that performance is all about optimally realising one's potential.

'Chance', in the opinion of Louis Pasteur, 'favours the prepared mind'. As someone said, 'Ideas are funny little things. They won't work unless you do.

In an alternative view, Conan Doyle in his article “Think it Over” (Hindustan Times, 2002) mentioned, “ Mediocrity knows nothing than itself, but talent instantly recognises genius”.

In the opinion of John D. Rockefeller ‘I do not think there is any other quality so essential to success of any kind as the quality of perseverance. It overcomes almost everything, even nature’.

According to Lawler (1988), to have an effective performance appraisal system, high involvement of the organisations, use of multiple management systems to create work environment in which all the employees are
encouraged to think strategically about their jobs and business and assume personal responsibility for quality of their work are required.

**Appraisal Effectiveness and Appraisal Fairness**

Appraisal effectiveness refers to how well the appraisal system succeeds to operate as a tool for assessment of work performance. Best regarded as a multidimensional construct or ultimate criterion, it cannot be directly measured but rather be assessed through measurement of the other subordinate criteria (Cascio, 1991). Furthermore, Cardy and Dobbins (1994) suggested that perceived fairness of performance appraisal and appraisal effectiveness might not appear related to one another. Thus, research typically has focused on these criteria as separate issues rather than a mere holistic approach. Also, less attention got focused on qualitative criteria such as subordinates’ reactions to appraisal and the factors contributing to these reactions (Cardy and Dobbins, 1994; Murphy and Cleveland 1995). The most frequently assessed subordinate’s reaction to performance appraisal centered on satisfaction with the appraisal system (Giles and Mossholder, 1986). In part, this may be due to the fact that research does demonstrate that employee satisfaction with the performance appraisal process can affect the variables such as productivity, motivation and organisational commitment (Ilgen, Fisher and Taylor, 1979; Larson, 1984; Wexley and Klimoski, 1984 and Pearce and Porter, 1986)

Most of research seems to have focused on satisfaction with the discussion sessions whereas less attention got emphasis on satisfaction with the appraisal system (Mount, 1984 and Giles and Mossholder, 1986). Fairness was assessed simply by asking the employees how fair they felt the appraisal was in some
areas of early research on performance appraisal reactions, (Landy et al., 1978). Subsequently, Greenberg (1986) distinguished between procedural and distributive justice in the study of performance appraisal. A factor analysis revealed two distinct constructs. Distributive justice concerns with fairness of the performance ratings relative to the work performed, whereas procedural justice involves perceptions about the appraisal process such as perceived input on the part of the employees. Some researchers do incorporate self-rating of performance in the appraisal system or compared systems with self-rating to those without (Roberson et al., 1993). Earlier, Murphy and Cleveland (1991) suggested that the acceptance of the performance appraisal system to both the raters and ratees is important to system’s effectiveness. They pointed out that the acceptance by the ratees “is a function of both the process and outcome of performance appraisal”. On the issue of process, they emphasized that the extent to which the dimensions being rated were considered relevant to the job and raters' ability to provide well informed assessment about performance.

In addition to economic benefits such as pay and promotion potential, an accurate appraisal system affords greater opportunity for psychological success of the employees or feeling that they are successful at what they do (Argyris, 1964). Furthermore, Mayer and Davis (1999) concluded that efforts required for replacing the performance appraisal system that was perceived as inaccurate and which did not allow for performance based recognition and rewards, trust for top management rose significantly in response to the new performance appraisal system. The major strength of their study originates in the longitudinal nature of data collection. However whether one talks about
fairness, satisfaction and behavioural rating, the same can only be brought to the realistic level when the subjective elements could be reduced to the measurable entities.

When considered to evaluate according to behaviour, research brought out an interesting picture. Observation when conducted with no specific objective in mind or only as a general objective so as to comprehend information presented, global impression of the person may not be formed at the time of information acquisition (Lichtenstein and Srull, 1987; Srull and Wyer, 1989; Williams, Cafferty and DeNisi, 1990; Woehr and Feldman, 1993). If asked to make an evaluative judgement, the raters needed to retrieve their behavioural memories with consequent increase in relationship between behavioural rating accuracies. Sanchez and Torre (1996) from their research suggested that in the context of performance appraisal, behavioural memories appeared to be the most beneficial when accurate identification of the strengths and developmental needs was sought. Relationship between behavioural accuracy on the one hand and both stereotype and differential accuracy on the other, may decrease when the performance dimension remains salient to the raters beforehand because behaviour may be inferred from evaluative impressions rather than evaluation based on the memories of behaviour (Murphy and Cleveland, 1991; Woehr and Huffcutt, 1992).

Performance Standards

Good performance is outcome of a high level interaction between a manager and the subordinate initiated by the former himself. The manager spends more time monitoring performance through subordinates’ work chosen by sampling
than those who are less effective (Komaki, 1986).

The organisations need performance standards at the level of an individual managee as well as at the project or functional level because the organisations opt to standardise precise expectations, says Komaki. The managees need equitable and consistent standards for their individual performance comparable to that of others in the organisation, to be monitored or assessed. The managees expect that their superiors in the organisation would use identical or at least similar standards to measure performance of competing positions. For example, an engineering coordinator for one project will not be assessed differently from her / his counterparts in yet another project.

The organisation and its stakeholders believe that the predetermined performance standards do demand a certain level of discipline and excellence from all the concerned, which thereby enhance overall quality of performance and the product. People seem to give their best when they are equitably gauged and held responsible for measurable outcome.

However, experience of actually developing the sustainable standards continues to be hardly encouraging. Many managers claim that outcome of their own role cannot be measurable, and as such the standards also cannot be set for them. Almost everyone or in any case a large majority, finds performance standards mechanical, besides threatening creativity and human dignity. And the fact remains that such standards, especially in the fast changing dynamic environment, are not only difficult to develop and agree upon, but also hard to keep updated.
Armstrong (1996) defined the performance standard “as a statement of the conditions that exist when a job is performed effectively”. The performance indicators and standards are such behaviour or outcome that

- has a palable impact on task achievement.
- helps distinguish the high performers with those who are not.
- usually is within the reach of the managee.
- monitors progress in the light of these indicators.
- takes stock of performance against the planned goals and achievement.

Trust

The magic of trust can’t be explained better than through what is called the Placeho Effect – by which the period of recovery of a patient is significantly related to the level of confidence he/ she has in medicine and/ or the doctor. Higher is the confidence, shorter would be the period of recovery! The stronger the bonds of culture, more difficult it would for the managers to create new energy and trust.

Interpersonal trust and its relationship to individual and interpersonal behaviour received a great deal of attention including examination of the impact of trust on the influence process (Golembiewski and McConkie, 1975). Trust impacts openness and accuracy of communication, willingness to accept influence of the others and expectations regarding “influencibility” of the others (Golembiewski and McConkie, 1975). High trust encourages open, direct and accurate communication, acceptance of others’ influence and a belief that the others are open to influence. Low trust leads to the opposite.
Ringer and Boss (2000) hypothesised that there would be significant and negative relationship with respect to the level of interpersonal trust between a subordinate and his/her superior and use of bargaining, coalition, upward appeal and assertiveness as the influence strategies.

Bernardin and Orban (1990) reported that the rater’s “trust in the appraisal process” is inversely related to the level of the performance ratings. In the performance appraisal process, mutual trust becomes a necessary ingredient for success. If one trusts the others, the same encourages them to trust him/her. The reverse is also true – if one distrusts the others, they also tend to lose confidence in him/her. Manifestation of trust cannot be superficial. The body language invariably gives away what the humans try to say something that they don’t believe. Such two-tone communication, in fact, reinforces mistrust than any other act.

According to Ghoshal, Piramal and Bartlett (2000), “Culture of any organisation should change from a contract to trust. The job, by nature, is a contract. The budget is a personal contract. The transfer prices are contracts. Relationship between the colleagues and departments and the divisions is all contracts”. Not just as the contractual and instrumental version of trust that says: “If you and I come to a deal, ‘I trust you that you will keep your side of the deal.’ Real feeling of trust is much more than that; to feel, we are a part of the same organisation to keep up the trustworthiness to each other.”

Superior’s behaviour becomes fundamental in determining the level of interpersonal trust in a work unit (Likert and Willits, 1940). The Johari window model of interpersonal awareness commended that self-disclosure
precedes feedback. The candour with which one talks about one’s own failings and shortcomings, encourages employees to trust developmental intent of offering negative feedback.

In contrast, managers typically develop more favourable exchange relationship with some subordinates than the others, when there exists strong mutual trust and loyalty. In exchange relationship, the subordinates are provided more responsibility and discretion. A subordinate dependable and trustworthy is likely to be consulted for advice and given additional responsibilities. However, there has been little research on making subjectivity more objective in the performance appraisal process.

Trust is difficult to build (Tyler and Degoe, 1995). The performance appraisal system would be effective if one provides opportunity for its implementation. The study of trust got hampered by its status as a first-degree construct. Calder (1977) suggested that the study of topics such as trust, which "belong to the world of everyday explanation", led to proliferation of approaches inevitable for understanding them because there exists numerous connotations of the terms involved.

A study of 295 legal cases related to performance appraisal demonstrated that the issues of fairness and due process are strongly related variables to case outcome than accuracy or validation evidence (Werner and Bolino, 1997). In other words when rendering their decisions, the courts examine whether or not the appraisal process is fairly conducted. The changes occurring in the nature of work and organisations along with recognition that performance appraisal may serve as more than a measurement tool (Murphy and Cleveland, 1995)
does encourage broader streams of research. Yet in another study of longitudinal nature, Mayer and Davis (1999) concluded that attempting to build trust in performance appraisal is neither quick nor easy, though trust could be groomed slowly and managed through continuous efforts.

**Culture**

Culture could be said as:

- Observed behavioural regularities that shape behavior of people when they interact as a group.
- The norms that evolve in the core working group.
- Dominant values espoused by an organisation, and the rules for getting along with other people in the organisation.
- Feeling or climate in an organisation.

In the words of Edger Schein (2004), organisational culture implies “a pattern of basic assumptions – invented, discovered or developed by a given group as it learns to cope with its problem of external adaptation and internal integration – that has worked well enough to be considered valid and therefore, to be taught to the new members as the correct way to perceive, think and feel in relation to those problems”. Organisational culture essentially concerns with organisation’s values and attitude; besides its influences on behaviour of the individuals, groups and organisation’s processes in general.

Business Week (Nov-30-1992) in an article titled ‘Paradigms for Postmodern Managers’ wrote, “The modern corporations are a thing of the past”. Alfred P. Sloan, the legendary chairman of General Motors Corporation and the most
influential professional manager of present time defined the twentieth-century-enterprise. Company success, he argued, is based on efficiency and economies of scale. He never once mentioned the word “creativity” or “flexibility”. The large and efficient organisations, he theorized, must decentralise manufacturing while centralising the corporate policy and financial controls in the hierarchical structure. The article further corroborates “for decades, that model remained intact – even as managers challenged, debated and refined it”. Today so many management gurus and the corporate executives have abandoned Sloan’s tenets as they now are increasingly speaking of a “paradigm shift” in management thought – a dramatic change in the way one thinks about the business problems and organisations. What shape will the twenty-first-century corporation take? How will its culture, cultural systems and the way it competes differ from the today’s model? Here are nearly a dozen characteristics common to the most organisations and the ways in which many theorists and management experts expect the characteristics to change (Exhibit 4.1).

“If General Motors once defined the shape of the old model, no existing organisation serves as the prototype of this twenty-first century corporation. And no company is likely to assume the ideal shape, because the successful company of the future will be an adaptive one in which the change replaces stability as a key trait. What is right today is not likely to be right tomorrow or the next day. There is an awareness that the re-invention of the corporation is going to go forever. That is a new feeling. Not long ago, executives thought this thing called change was an event.”
Exhibit 4.1

Characteristics of 20th and 21st Centuries’ Organisational Models

<table>
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<tr>
<th>Current Model (Characteristics)</th>
<th>Context</th>
<th>Twenty-first-century prototype (Characteristics)</th>
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<tr>
<td>Hierarchy</td>
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<td>Interdependencies</td>
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<td>Worker Expectations</td>
<td>Personal Growth</td>
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<td>Homogeneous</td>
<td>Workforce</td>
<td>Culturally Diverse</td>
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<td>By individuals</td>
<td>Work</td>
<td>By Teams</td>
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<td>Domestic</td>
<td>Markets</td>
<td>Global</td>
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<td>Cost</td>
<td>Competitive Advantage</td>
<td>Time</td>
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<tr>
<td>Profits</td>
<td>Focus</td>
<td>Customers</td>
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<tr>
<td>Capital</td>
<td>Resources</td>
<td>Information and Knowledge Base</td>
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<tr>
<td>Affordability</td>
<td>Quality</td>
<td>No Compromise</td>
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<tr>
<td>Autocratic</td>
<td>Leadership</td>
<td>Inspirational</td>
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*Source: Business Week (1992)*

Parvinder Singh, the former CEO of Ranbaxy once said, “We are recruiting well and take on good people. Somehow, our environment does not allow them to remain good and they become sub-optimised”. By ‘our environment’, he was referring to Ranbaxy’s internal behavioural context, and emphasised that having good people was not enough; a company needs to create the context in which good people could become the best to perform at the highest level.

**Appraiser’s Personality Traits**

Barick and Mount (1991) identified the five factors of personality, and found consistent relationship between the dimensions of the five-factor model and job performance. The five personality dimensions that correlate positively and
strongly with job performance, would be helpful in empowering the employees as it helps in selection, training and appraisal. They further stated “to improve the overall flexibility and efficiency of the organisation, many companies have replaced their traditional hierarchical management structures with empowered (semi autonomous and self managing) work teams”. According to them, those individuals who exhibit traits associated with the strong sense of purpose, obligation and persistence generally perform better than those who do not. The five personality dimensions that correlate positively and strongly with job performance would be helpful in selection, training and appraisal of the employees.

In the opinion of McCrae (1993), personality indicates how people affect the others and how they understand and view themselves, as well as their pattern of inner and outer measurable traits. Personality is defined as combination of the stable physical and mental characteristics, and reveals to the individual his/ her identity. Such characteristics including how one looks, thinks, acts and feels, are the products of interacting genetic and environmental influences.

According to Lawler (1988) for having an effective performance appraisal system, the high involvement organisations use the multiple management systems to create work environment in which all the employees get encouraged to think strategically about their jobs and business and assume personal responsibility for quality of their work.

**Feedback**

Supervisor’s feedback has been defined as “the degree to which the employee receives clear information about his or her performance” (Hackamn and
Oldham 1975). So also, Teas and Horrell (1981) defined it similarly: “Feedback is defined as the degree to which people receive information that indicates the quality of their performance.” Interestingly, Hegarty (1974) found that upward feedback leads to subordinate perceiving positive changes in superior’s subsequent behaviour i.e. the managers generally improve their performance (at least as perceived by their subordinates) after receiving feedback, and improvement turns out to be the greatest among the managers who initially receive the most negative feedback. (Atwater et. al., 1995). Many world-class organisations do have a coherent strategy for encouraging feedback - a strategy system to collect it and use the same as strategic mean for helping to improve performance and thus profit. Feedback relates to the following main areas:

- Performance of the others (superiors, peers and subordinates).
- Ideas to improve organisational effectiveness.
- Ideas to improve individual employees’ performance (Roebuck, 1996).

When questioned whether the raters respond differently if feedback is used for assessment, promotions and salary decisions rather than developmental purposes, research indicates that feedback is more lenient when the raters think if it is to be utilised for assessment rather than development.

As regards gender differences in the rating, Fletcher (1997) found some evidence to suggest that self-ratings of the female managers are closer to the ratings given to them by their colleagues than those of the male managers being much higher than their colleagues’ ratings for them.
Several experimental studies (Honig, 1966; Ulrich, Stachnik, and Mabry, 1966, 1970, 1974; Honig and Stadden, 1977) do show substantial improvement in performance when clarified and when contingent and frequent feedback was provided.

When one considers $360^\circ$ appraisal as feedback mechanism, being its ultimate objective is improvement of individual behaviour, research does show mixed results in this regard (Hegarty, 1974; Antonioni, 1995). Research confirmed that $360^\circ$ appraisal feedback can change individual’s self-rating based on understanding of expectations from the others (Atwater and Yammarino, 1992). Studies further indicated that the individuals who rated themselves higher than their $360^\circ$ appraisal rating tended to reduce their self-rating in subsequent self-appraisal (Moses, Hollenbeck and Sorcher, 1993). Further, the individuals with more accurate self-perceptions turned out to be better performers and more successful (Atwater and Yammarino, 1992).

**Role of Subjectivity in Performance Appraisal**

### Pre-1980

In as much as objectivity is held to be a characteristic of scientific status, subjectivity poses a threat to any scientific pursuit (Hebb, 1974) and presents a fundamental problem for science of psychology. Subjective experience is fallible, imperfect, subject to illusion, unique and can be seen to threaten validity, objectivity and scientific status.

As Wertheimer (1972) stated “only those concepts which can be externalised into publicly verifiable operations are admissible into the inner sanctum of sciences”.

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In the field of performance measurement, inevitability of subjectivity has to an extent been accepted. Klimoski and London (1974) observed that people supervising others would always involve subjective evaluation. They recognised that elimination of the judgemental criteria and their associated subjectivity is unlikely.

According to Poulton (1977), subjective judgement is a mean of complementing the deplete or unobtainable objective measures while Landy and Trumbo (1976) argued that as objective data only reflect behavioural results, subjective judgement would be needed for information about behaviour itself. They suggested that not only is subjective judgement inevitable, it is also potentially valuable. Barret (1966) believed that no such thing as an ideal rater who observes and evaluates what may be termed as important exists and reported his judgement without bias or error.

The stumbling block in relying on subjective judgement appears to come with quantification. As Poulton (1977) suggested that quantitative subjective assessment thus almost always turned out to be biased and sometimes misleading.

While Ronan and Prien (1971) categorically stated that human element is at its lowest ebb in rating performance, Robinson (1975) in elaboration emphasised that such dependence on subjective judgement leads to inaccuracies. In the opinion of Madden and Bourdon (1964), the conditions which distort judgement and lead to invalid results, should be identified and eliminated from judgemental position.
Role of Subjectivity in Performance Appraisal: Post - 1980

The subjective measures of individual's performance got widely used in research and typically interpreted as equivalent to the objective measures. Wall et. others (2004) found that a) the subjective and objective measures of a company performance were positively associated (convergent validity), b) that relationship was stronger than those between the measures of differing aspects of performance using the same method (discriminant validity) and c) relationship of the subjective and objective company performance measures with a range of the independent variables were equivalent (construct validity).

The studies of human resource management focused on how practices such as selection, training, empowerment and communication collectively contributed to company performance (Huselid, 1995; Becker and Huselid, 1998). Similarly in strategy and marketing literature, many attempts were made to link strategy to performance (Dess and Robinson, 1984; Robinson and Pearce, 1988; Wensley, 1999; Pleshko and Souiden, 2002). In operations management, interest did focus on performance benefits for company practices such as just-in time and total quality management (Sakakibara, Flynn, Schroeder and Morris, 1997; Cua McKone and Shroeder, 2001; Shah and Ward, 2003)

Although some studies used the objective measures of company performance such as productivity, profits and return on assets taken from externally recorded and audited accounts, they also relied on the subjective measures as reported by the respondents. For example, approximately half of the published studies on HRM and performance used subjective data (Youndt, Snell;
Dean and LePak, 1996; Delaney and Huselid, 1996; Guthrie, 2001; Wright, McCormick, Sherman and McMahan, 1999). Similarly, a large majority of the industrial relations studies (notably those from the U.K.’s Workplace Employee Relations Survey) were also based on the subjective measures (Wood and De Menezes, 1998; Addison and Belfield, 2001). Approach to the subjective and objective measures of individual employee performance, is crucial when the researchers continue to treat different performance measures synonymously. Conclusions were indeed intended to generalise a broad performance construct, irrespective of the measures (Bommer, Johnson, Rich, Podsakoff, and Mackenzie, 1995). Recent research began not only to address the question of validity of the subjective measures in HRM area of inquiry, but also focused on measurement practices rather than performance itself. This is exemplified by a recent series of articles (Gerhart, et al., 2000).

**Differences in Subjective and Objective Measures**

Two differences discriminate the subjective and objective measures. First, the subjective measures tend to focus on overall performance, whereas the objective ones typically use the more specific financial and quantifiable indicators. In this context, the subjective measures of overall performance have either been the performance ratings, where performance remains largely undefined (Dess and Robinson, 1984) or consists of a set of specific items that are aggregated to create a composite score (Hoque, 1999; Wright et al., 1999; Youndt et al., 1996). The other difference is that subjective measures tend to ask respondents to rate their company’s performance relative to their competitors, whereas objective measures remain absolute (e.g., profit per
employee). Interestingly, and as stated earlier, Toby Wall et al (2004) found that the subjective and objective measures of company performance were positively associated (convergent validity), that relationship was stronger than those between the measures of differing aspects of performance, using the same method (discriminant validity) as compared to the relationship of the subjective and objective company performance measures with a range of independent variables those are equivalent (construct validity).

When the subjective measures treated as equivalent to the objective ones, it glosses over the fact that there exist differences in measurement both within the subjective and objective measures, and especially between them. Nonetheless, there could be three reasons for believing that such confounding may not be a problem as it appears. First, the subjective measures aim at the employees at CEO, director and equivalent levels for whom financial considerations of the kind captured by the objective measures would likely to dominate their view. Secondly, evidence exists to prove that the subjective measures of overall performance continue to be closely associated with more specific measures. In a stimulating study by Dess and Robinson (1984), a single item of overall performance rating correlated strongly with total sales ($r = .80$) and with return on assets ($r = .79$). Robinson and Pearce (1988) presented similar findings. Thirdly, Bommer et al.’s (1995) meta-analysis of 50 studies, in parallel domain of employee performance, found no effect of such differences on the measurement approach (overall v composite and relative v absolute), to the extent to which the subjective measures were associated with the objective ones.
Performance Appraisal and Its Measurement

Gilbert’s foreword in Stolvitch and Keeps (1992) tells us the following: “Acceptable evidence about performance must rely on measurement. If science does nothing else, it measures, and hence we must become very good at measuring human performance. As a general rule, our clients in the workplace are not good at it, and here is where we can be of especially great help. We can have our great effects on human performance just by measuring performance correctly and making the information available.” Similarly Gilbert (1978) devoted partly to measurement in his earlier classic ‘Human Competence’. Measurement accounted for the third of Crosby’s (1984) fourteen quality – improvement steps.

So why is ‘measurement’ a weak link? Perhaps, the pundits fail to provide leadership by example – to practice what they preach.

What gets measured gets done and what gets done needs to be measured (Brown, 1990). As advances in the technique and technology finally make measurement viable for human resources, the HR organisations struggle to discover a catalyst for true transformation. Said Ms. Caplan, Consultant in Hewitt’s HR Effectiveness Practice “the talent crisis and movement to a knowledge economy demand that organisations know their workforces as well as they know their customers.”

Many companies began to link performance to the pay of those accountable. These companies moved forward by engaging the line managers in measurement conversations to help them better manage their business. “They measure what matters, rather than what they’ve always measured. Often, these
companies report their measures in an HR balanced scorecard that is integrated into company’s enterprise measurement system. Eventually, linking measurement to an incentive or rewards program is also critical to success, as is unwavering support from senior management. Help your HR executives become passionate about importance of measurement,” said Caplan. However, measuring what matters can meet some resistance cautioned Caplan, because “the value of the measure is often in inverse proportion to the level of HR’s control.” Caplan further argued, “turnover, for example, is a serious issue for many companies. The job of human resources is to influence manager behaviour, pay, benefit design, and other things that affect turnover. If you have a bad manager, or can’t afford to pay at market levels, the solution may be out of your direct control – but the problem will still be reflected in your turnover numbers. Even so, studying turnover is strategically more important than studying something within your control, such as staffing cycle times”.

**Why Measurement of Performance?**

Jones (1976) explained “the statement about an observation necessarily must contain specification of the conditions under which it is performed” and suggested that it is in this respect that precision of psychological measurement suffers in comparison with that of physical measurement. Astin (1964) referred to ecological nature of a criterion on observing that, it’s difficult to speak of standards of performance without also defining the social context in which it occurs.
Borman (1974), Heneman (1974) and Klimoski and London (1974) found that the raters' organisational level relative to the ratee determined his/her frame of reference and concluded that relative appraiser-apraisee position should be regarded as a 'critical condition' of performance measurement. In the clinical sphere, Hartman, Roper and Bradford (1979) observed that the different methods of measuring behaviour can yield divergent results and thus lead entirely to different conclusions about behaviour.

**Can Ratings From Different Raters Be Compared?**

Given the formal performance appraisal system serves a variety of functions within the organisation (Cleveland, Murphy, and Williams, 1989) and the fact that in most organisations ratings are obtained only from the employees' supervisors (Bernardin and Neatty, 1984), it is not surprising that considerable research focused on psychometric quality of the supervisory ratings. Unfortunately, a number of studies over the past several decades indicate that the supervisory ratings often get plagued by a host of the potential problems, including halo, leniency, intentional manipulation, race, gender and age biases (Landy and Farr, 1980; Cascio, 1991; Cardy and Dobbins, 1994).

Perhaps, the most consistent findings in empirical literature on the performance appraisal systems prove that the ratings obtained from different sources generally do not converge. For convergence of ratings, quantification of the subjective parameters would be desirable. Intercorrelation among the ratings provided by the different types of the raters tends to be moderate at the best. In a meta-analysis, Harris and Schaubroeck (1988) reported mean self-supervisor, self-peer and self-supervisor rating correlation (corrected for
unreliability) of 0.35, 0.36 and 0.62 respectively. Similarly, Mount (1984) reported mean supervisor – subordinate and subordinate-self rating correlation of 0.24 and 0.19 respectively. Finally, Conway and Huffcutt (1997) pointed out that correlation (corrected for unreliability) among the ratings made by the self, peer, supervisor and subordinate raters ranged from a high of 0.79 (supervisor-peer) to a low of 0.14 (subordinate-self).

A number of different explanations do emerge to account for why the different types of the raters (e.g., subordinates, supervisors) do not agree in their ratings. Campbell and Lee (1988) argued that the different rater groups might have diverse conceptualisation of what constitutes effective performance in a particular job. Murphy and Cleveland (1995) suggested that the raters differ in their opportunity to observe any given individuals’ work behaviour and that difference in perspective may account for disagreement among their ratings. All these differences originated in a lot of subjectivity in the appraisal system.

Experts’ Additional Comments

Hale and Whiltman (1999) summarised the major findings in a study ‘Performance Management in UK – an analysis of the issues’ undertaken by the Institute of Personnel management, London in 1992, as follows: Performance management in the organisations is likely to express the performance targets in terms of measurable output, accountability and training or the learning targets. Success is likely in the organisations stressing importance of ensuring human resources development activities and relating these to the needs of the organisation rather than those where remuneration dimension dominates performance management. The challenge for personnel
function is to facilitate ownership of performance management by line management. Further it stated, “Organisations implementing the performance management systems should consider extrinsic needs of employees such as reward packages and intrinsic needs in terms of personal growth”. It also highlighted that “Training and development can be important motivators particularly if linked to career development”.

These findings clearly stress the following three characteristics in the practice of performance management.

➢ Measurable performance targets.

➢ Managee- learning linked with organisational goals on the one hand and with career development on the other.

➢ Ownership of performance management by line management rather than the personnel function.

According to Armstrong (1996), performance management concerns the whole organisation, how the various constituents of performance contribute to planned outcome at the organisational, departmental, team and individual levels and what needs to be done to improve the same.

**Status of Performance Appraisal**

In the United States in 1995, over 15 million persons worked in the public sector, and another five million worked in the non-profit sector (Daley, 1992). When looked at the US municipalities nationwide, it was observed that one in four did not have a formal performance appraisal system (Roberts, 1994 a). Those with city manager form of government were more likely (86 per cent) than others (64.9 per cent) to have the performance appraisal system.
Geographical differences of the municipalities did engulf their functioning. These municipalities used the performance appraisal system to provide feedback to the employee (94 per cent), to support information for her / his discharge or demotion (93 per cent), to determine merit pay (87 per cent) and to make training decisions (85 per cent). The most cited reasons for not having a performance appraisal system include lack of both expertise and technical resources (Roberts 1994b).

Research in the private sector provides even a stronger case of performance appraisal practices today. However, the most common method of appraisal is the ‘graphic rating scale’, though the ever-popular Management by Objectives (MBO) is still most often used to evaluate the managers (Bretz, Milkovich and Read, 1992). A vast majority of the appraisal ratings comes from the immediate supervisor despite research support for using self peer and the subordinate’s ratings (Daley, 1992). Not surprisingly, a comprehensive study concluded that as resources used increase, so is the accuracy of performance information (Stone and Stone, 1986). The employees, however, prefer the ratings by the supervisors, peers and the self to those by the subordinates (Jordon and Nasis, 1992).

Gaps Identified Post Literature Review

After reviewing literature, several gaps were identified. A few studies in addition to those cited, went indepth on delegation and four dimensions of intrinsic task motivation. Before getting deeper in identification of right performance appraisal objectively, addressing importance of measuring the appraisal parameters quantitatively would be desirable. Measurement of
performance appraisal with an objective approach should be conceived as important for many reasons: (a) performance appraisal takes in account not only the jobs where quantification such as sales and production is possible, but also includes the qualitative jobs or support/staff functions such as HR, administration, purchase, legal which manages employee retention and employee relation, (b) appraisal of the qualitative jobs is difficult and many times a matter of discretion, (c) performances that are quantified can be measured easily, (d) quantification of the appraisal parameters plays a vital role when it comes to choosing from two persons for only one senior position and (e) the appraisal system especially where the subjective parameters are concerned, does not accurately capture actual performance, and thus there is absence of relationship between performance and organisational outcome.

Thus, the focus of present research is to identify the gaps in five areas namely,

1. Conversion of the qualitative parameters into the quantitative parameters.

2. To reduce bias in rating by increasing quantification and objectivity.

3. Deciding the promotion criteria, when it comes to quantitative and qualitative assessment of the jobs.

4. To find out whether qualitative aspects of the jobs can be quantified even approximately in order to make promotions simpler and authentic?

5. Whether a company can reduce subjectivity in the performance appraisal process?

An influencing factor pertains to the claim that performance appraisal
continues to be a deficient tool for managing employee performance. Such an argument is particularly evident in North American literature (Schneier et al., 1986; Heisler et al., 1988), besides finding the example elsewhere such as in South African literature (Spangenberg, 1994) provides deeper insights. In the opinion of Spangenberg (1994:3), sources of problems of performance appraisal contain the following:

**Context**

- **Organisational Characteristics**
  - Emphasis on the past clashes with managerial preference for current information.
  - No commitment to appraisal.
  - Conducting appraisals not reinforced, e.g. no rewards for conscientious appraisals.
  - Performance appraisals not declared as an important managerial function.
  - Redundant in democratic participative climate.

- **Position Characteristics**
  - Inability to observe performance.

**System Characteristics**

- Implementation
  - No user participation in system development.
  - Failure to develop performance measures from job analysis.
  - Rating systems administered subjectively.
  - Results used to discriminate the employees on the basis of race and gender.
Performance appraisal policies

- No standard policy regarding rater's tasks/roles in appraisal.
- No standard policy regarding the frequency of appraisal.

Performance Appraisal Elements

Rater and rating process

Observation

- Lack of knowledge of ratee’s job.
- Possession of erroneous or incomplete information.
- Differing expectations because of the level in hierarchy and the role.

Judgement

- Bias and errors in human judgement.
- Stereotypes and prejudicial.

Performance appraisal instrument

Criteria for performance measures

- Ambiguity in performance measures: incompleteness.
- Absence of specificity and behaviour-based language.
- Irrelevant performance criteria.
- Criteria not communicated explicitly to the ratee.

Performance appraisal system

- Inability of the present system to reflect on dynamic nature of jobs and to measure the changes in technical skills that the present day jobs demand to achieve proficiency.
- Credibility loss from the outdated system.
Performance Appraisal Performance Outcome

➢ Evaluation

- Failure to recognise excellent performance.
- Errors in decision form wrong feedback at different levels.
- Staffing jobs with inadequate skills mix.

➢ Guidance and development

- Failure to recognise potential.
- Failure to build skills through training.
- Grievances because of subjectivity and bias.

Eventually, the major challenge to the HR professionals in area of performance appraisal lies in bringing in maximum objectivity in performance appraisal measurement. Furthermore, such option should be the subject of future research. Attaching weightages to the various performance parameters will be another area of research. These aspects should enlighten the scholars as to how far quantification of qualitative parameters in performance appraisal can be undertaken.