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Performance Appraisal in a Constantly Changing Work World

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Adler et al. (2016) present a comprehensive review of the fundamental and painful problems of performance appraisal in organizations, from which it appears that we cannot do without performance appraisal because of its benefits, and we cannot do with it because of its flaws. If so, how can organizations make a decision on this issue? Mend them or end them? (See also Culbertson, Krome, McHenry, Stetzer, & van Ittersum, 2013.)

The goal of this commentary is to suggest a performance appraisal of the kind that organizations can embrace, performance appraisal that is a personally customized appraisal, amenable, and appropriate to the constant changes in organizations' structure, in particular, and to the work world, in general.

In our opinion, the problems of the current form of performance appraisal stem mainly from two sources:

1. Performance appraisal is uniform and not personal. There is poor distinction between average employee performance and an employee's dynamic performance.
2. Performance appraisal in its current state does not suit the changing work world.

Personalization of Performance Appraisal

Customizing Worker Appraisals

In a world where so much has become customized to the individual—medical care adjusted to one's genetic profile, insurance policies determined by the insured's medical profile, training adapted to professional level

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reached, and so on—there is no reason why performance appraisal should not also be personalized. Why should performance appraisal be so uniform, incorporating identical processes for the entire organization, with only minor adjustments for specific jobs?

Thus, beyond the specifics of the specific job descriptions concerned, we posit that employees be appraised according to their KSAO (knowledge, skills, abilities, and other personal qualities), thus creating what we call personalized performance appraisal (PPA). Indeed, positive psychology contends that every employee has individual strengths and virtues. Likewise, customizing appraisals may enhance employees' perceptions of procedural organizational justice and legal compliance. Consequently, it makes sense that employees' performance appraisals can and should be customized to fit both their specific jobs *and* their individual characteristics as they impinge on their work performance. If so, it behooves managers to identify these virtues and strengths, to allow their employees to maximize them at work, and to assess their individual contributions to work productivity.

In fact, appraisal interviews based on positive psychology are already in use (Bouskila-Yam & Kluger, 2011; Kluger & Nir, 2009). This strength-based performance appraisal is completely personalized. The employee brings up a successful and productive work performance event in which he/she felt “full of life,” vibrant, and at his/her best and, together with the manager, tries to identify the facilitating conditions for success and how to recreate them in the future (namely, feedforward).

From both practical and theoretical perspectives, we see that performance appraisal does not necessarily have to be executed by means of an approach that is formal, preplanned, and uniform in style. Hackman and Oldham (1976) offer a further interesting example. They asserted that feedback could be sourced directly in the work itself without the need for formal feedback from the manager. (Feedback is defined here as “the degree to which carrying out the work activities required by the job results in the individual obtaining direct and clear information about the effectiveness of his or her performance,” Hackman & Oldham, p. 258). That feedback leads to higher motivational potential.

When we examine this argument from the perspective of specific types or subsets of workers, the points that emerge in favor of PPA are effectively enhanced. Here follow two examples:

1. *Employees with high achievement motivation.* McClelland (1965) noted that highly motivated employees “prefer work situations where there is a challenge, concrete feedback on how well they are doing, and personal responsibility for achieving the work” (p. 326). That is to say, employees with high achievement motivation have an inbuilt desire to improve

and reach a high personal achievement standard. If they are in a relatively autonomous and challenging job situation, they perform optimally. Here, the ongoing and personal feedback that characterizes PPA is critical to these employees because it triggers the work improvement that they crave in order to achieve their personal goals. Conversely, “political” performance appraisal, to which we have referred and that does not reflect their true achievements, is detrimental to their motivation. Such highly achievement motivated employees should be allowed to request performance appraisal whenever they need it—and certainly not have to wait for the formal, impersonal annual rating.

2. *Research and development (R & D) engineers.* R & D employees, who are at the spearhead of technology research and who are developing new products, require time and information sharing. No form of performance appraisal is suitable for long-term projects that may take up to several years to reach the production stage. How can annual performance appraisal measure a technological vision such as developing an aircraft that can orbit earth in 1 hour? Indeed, we might rightly ask, how do we measure project initiation at all, because projects of this nature cannot be compared with easily measured outcomes such as sales or construction?

Paradoxically, standard performance appraisal could actually sabotage a long-term technological project by creating a competitive atmosphere that stifles information sharing. Moreover, development requires trial and error. R & D engineers are afraid that mistakes/errors will lower their ratings in their performance appraisal and therefore might dare less. Hence, their potential contribution to technological progress will be hampered. Notwithstanding any other considerations, management should assess R & D employees based on such paradigms as teamwork and interpersonal trust. Indeed, there is perhaps a good argument that the appraisal of the group as a whole is more important to management than the performance assessment of the individual.

Naturally, when performance appraisals are personalized, they are not standardized. Each appraisal is shaped differently, as is its subsequent feedback. Therefore, PPA is far more appropriate for employee development purposes than administrative purposes. Indeed, many problems of performance appraisal are dwarfed when the goals for which it is employed are employee development rather than administrative. Moreover, when both goals are operational, this “dual purpose system” creates an unbearable tension that actually results in inefficiency and ineffectiveness in many companies (Macfarlane & Shah-Hosseini, 2014).

Those who are associated with organizational behavior and human resources management apply enormous efforts with the goal of enhancing positive behaviors and attitudes in the workplace. If so, this constituency should particularly value PPA in light of its ability to improve work attitudes and behaviors. Focusing on developing employees (rather than rating them) creates a better employee experience, increases motivation, and has the potential to remove administrative hassle and to improve the performance of the organization (Macfarlane & Shah-Hosseini, 2014). Ultimately, employees' performance improvement has a financial value (Tziner, Fein, & Birati, 2014).

Managers hold a key position in this process. They might not be able to supply full information about the employee (much of it comes from peer appraisals and hard results), but they are required to utilize high emotional intelligence. Nonstandardized personal appraisal necessitates complex analyses of the situation. Ultimately, the manager has to combine various appraisals of each individual employee to achieve a balanced picture of his/her performance and to take into consideration dynamic performance rather than average performance.

Performance Appraisal in a Changing World

Breakdown of Traditional Work Environments

Having presented a proposal within the context of the current debate, we now move forward to a broader discussion of the status of performance appraisal, looking forward. Put bluntly, present methods of performance appraisal, as executed in most organizations, are not compatible with developments in the work world. Organizations are changing, as is the employee population. It seems that the current discourse addresses a problem that in the near future will be relevant only to a limited number of employees.

In his book *The Fissured Workplace*, David Weil (2014) refers to the changing characteristics of occupation, asserting that large corporations have shed their role as direct employer in favor of outsourcing work to small companies that compete fiercely with one another. Consequently, they produce brand-name products and services without the cost of maintaining an expensive workforce.

The market has become a freelancers' market. More and more, workers are not part of the organization as salaried employees. Neuner (2013) contends that by 2020, more than 40% of the U.S. force will be freelancers. Their performance appraisal is very important to them, because it affects the job offers they receive in the future (unlike tenured employees). Curiously, however, the performance of outsourced workers is usually not appraised, yet their future employment depends on recommendations related to past performance.

In addition, flat organizations are more common today, with few or no levels of middle management, and each manager is immediately responsible for more employees but less involved in their actual performance. Consequently, precise performance appraisal is more difficult. Fewer promotion avenues are available, so administrative decisions regarding promotion are limited, and outstanding workers need to be given alternative rewards. This delimited opportunity to appraise workers sufficiently in flat organizations only compounds the current demise of performance appraisals that, as noted, at best are somewhat inadequate and at worse are pushed in the development direction (see Murphy & Cleveland, 1995).

Today's young, up-and-coming generation of professionals is known as the Y Generation. The Y Generation is characterized by frequent job changes, by the need to diversify, and by less tolerance for traditional job definitions (work hours and attendance). Many workers in this category utilize flexible work arrangements and work remotely (from home), so their supervisor has less information about their work. From their subjective perspective, these workers actually prefer to be measured by output. As a consequence, performance appraisal by results (ROWE—Results Only Work Environment; see, for example, Kelly, Moen, & Tranby, 2011) become common. However, the more complex, dynamic parameters to be measured, such as cooperation with coworkers and sharing of information, are often ignored. As indicated above, this situation requires much more peer assessment and highly PPA than traditional supervisor assessment based on pure productivity.

We might add that due to rapid technological developments, managers are sadly often not proficient in their employees' actual work. Moreover, work environments today are often very diverse; for instance, several international teams, working at a number of different sites, may all be working on the same, given project. In addition, many tasks are not performed by permanent teams. Consequently, managers of such complex jobs are less apt to conduct performance appraisals on their workers.

These are but some examples of the rapidly changing parameters of the work world, which makes performance appraisal very difficult. These changes are occurring at a time when there is emerging a clear dialectical tension between the traditional, uniform, and formal development-based performance appraisal and the more dynamic PPA, each with their respective methodologies and roles within the organization. Although we have emphasized the overall advantages of PPA, we do recognize the need for a balanced approach. For if performance appraisals become overly personalized, how would managers make the administrative decisions such as who to employ, promote, or dismiss, traditionally based on average ratings?

A Project Approach

Given some of the changes in work arrangements and manager–worker relationships here outlined, it seems worthy to suggest that administrative decisions be made according to project requirements. For example, following a somewhat recent investigation of W. L. Gore & Associates (Paul Restuccia, 2007, as cited in Pink, 2009), we might posit that project managers should have the autonomy to choose the employees who work with them on a specific projects, just as employees should have the freedom to choose which managers to work with. Because managers are appraised and rewarded for the performance of an entire team, and because managers achieve goals by means of others (Hill, 2003), they will choose only workers that suit the job, the team, and their particular management styles.

In this case, the questions to be asked are simple. For the manager, “Whom would you ask to join your next project?” Thus, an employee whose performance is disappointing will not be offered the chance to join a work team. For the employee, “Would you be willing to join a project run by a certain supervisor?” Similarly, managers unable to recruit workers for their projects will suffer reduced esteem and rewards.

Individuals who want to join a project could provide a job portfolio including testimonies of their previous performance. Likewise, managers could present substantiation of employees who consistently want to work with them, and so on. In this context, managers and employees actually constitute a pool of internal freelancers. Workers who remain in the employee pool over a certain period, not having been accepted to one of the proposed projects, are eliminated from the employee pool. In the same way, managers who receive many rejections might find themselves outside the managers’ pool.

The project approach holds the prospective of balancing managers’ and employees’ power inasmuch as both parties enjoy the latitude to elect their work partner.

This proposed model is based on the supply and demand market forces, rather than on politics. There will probably be more demand for managers and employees who perform well. Therefore, if in the past, managers tended to inflate appraisals in order to maintain a calm and peaceful work atmosphere, we claim that this harmonious and productive climate will be achieved only if high-performance workers, appraised and rewarded accordingly, will constitute the makeup of a manager’s work team. For both managers and employees, the autonomy to choose and to be chosen for projects increases their motivation and involvement (Pink, 2009). The employee’s remuneration will be determined through negotiation between the manager and the employee, subject to the overall budget and the manager’s constraints, such that the joint consultation produces a high level of worker

motivation and manager satisfaction based on mutual respect and trust between the two parties.

Summary

Albert Einstein said, "We cannot solve our problems with the same thinking we used when we created them." Thus, with the above considerations in mind, we believe that there is room to advance a substantially novel approach to performance appraisal.

Our discussion has taken a broad look at the current state and potential future of performance appraisal in the workplace. We have made a number of suggestions as to the direction the field might take based on parameters that are operative today and potential models of executing workers' performance appraisals as we move forward. In summary, we believe a greater distinction needs to be made between performance appraisal and PPA, that is, between a unitary, formal, and impersonal performance that serves mainly political/administrative organizational goals and a PPA that is more personal and dynamic and that serves to examine what makes the employee work better as an individual and as part of a team.

Given the changes of work habits and constellations in the developing workplace, we propose that a project-based approach that builds on a mutually selected manager/work team will provide a suitable model to answer the administrative needs of the organization, such as hiring and firing and promotion.

We believe that, if implemented, our proposals will considerably enhance work performance and the ultimate financial productivity of the organization.

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