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Performance Appraisal Dysfunctions: A Review and A Suggestion

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This paper reviews the inherent inconsistencies of performance appraisal. It explains why its dual use of account for the past and to improve future performance can be paradoxical. The paper describes the concept of performance targeting as a possible approach for productivity enhancement without some of the dysfunctions of performance appraisal.

Introduction

Performance appraisal is usually used in industrialized societies to study the accomplishment of an employee or a team in the past. But the present method is expensive, has a limited value, and may even be dysfunctional for improving future performance. Thus, the replacement of *performance appraisal* with *performance targeting* is proposed. Performance targeting is a concept that embraces a strategic perspective and an orientation toward the future. It shifts the focus from documenting and evaluating an employee's work to assessing the partnership between a subordinate and a supervisor. The focus is on partnership because when it works, the supervisor creates the necessary conditions for the subordinate to do his share to meet organizational objectives.

Performance targeting establishes not only the responsibilities of the subordinate but the supervisor's responsibilities as well. It replaces the management by objectives' (MBO) passive "contract," to which employees are held accountable, with a functional relationship between supervisors and subordinates. This relationship requires an ongoing effort by the partners to accommodate and complement each other as a condition for a successful attainment of organizational goals.

The conventional performance appraisal cannot yield a useful worker evaluation because of the following reasons:

(1) an inherent inconsistency develops from the dual purpose of performance appraisal–as a means for creating a record of the past and as a means for influencing future performance;

(2) a crucial difficulty lies in dealing with the two cross-purposes simultaneously;

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(3) organizations tend to use performance appraisal for other purposes that may actually work against recording the past and influencing the future;

(4) most organizations do not have a clear idea about the actual (tangible and intangible) costs incurred in connection with the bureaucratic ritual of performance appraisal; and

(5) by using questionable appraisal data, performance appraisal does not contribute to an organization's strategic management.

The concept of performance targeting makes the supervisor and the subordinate share the responsibility for attaining desired results. It suggests that there may be a place for a joint review of the supervisor's work by his superior and the subordinate. Such a review can examine the supervisor's contribution to the subordinate's effort to achieve prescribed organizational goals. Replacing the current one-way reciprocal relationship may produce a new functional interactions between the superior and the subordinate.

Why Performance Appraisal is Doomed: The Inherent Inconsistencies

Many writers have pointed out that performance appraisal does not work (Halachmi and Holzer 1987; Thayer 1987, 1990; Heneman and Young 1991; Shoop 1991). However, most do not point out how some built-in problems make it unrealistic to expect it to work. The conceptual weakness of performance appraisal lies in the logic that the managers use to introduce it.

Paradox I: The Dual Purposes of Performance Appraisal

From a management perspective, performance appraisal is done for two purposes: to account for the past and to improve future performance of the individual employee, a team, or a group of employees with similar characteristics. The basic premise of performance appraisal is that a careful examination of the record can provide supervisors and organizations with important means for finding out what took place and what must be done to bring about desired accomplishments.

This dual effort seems logical and consistent until one realizes that performance appraisal's greatest value to the organization is the data it generates for many other purposes. The appraisal can emphasize issues concerning the employee's *past* performance or emphasize what the employee should do to improve performance in the *future*. One inherent problem, therefore, is that, though the two may be mutually exclusive, the selection of emphasis on the past or on the future has more to do with the needs of various line and staff units than with any desire to measure an employee's performance. These other needs emerge in the inevitable list of miscellaneous subgoals attending the performance appraisal effort, the design of the appraisal instruments, the timing, and the process that is used to accomplish the appraisal. The assorted subgoals may serve one or several functions such as:

(1) providing mechanism for getting subordinates to contribute to management development (Halachmi 1992). In this case, the review concentrates on the past, with special emphasis on the subordinate's perspective, perception, and reasons. Performance appraisal in this context is used as a vehicle for alerting and educating supervisors about the factors that influence performance. The focus of the review process is on the job rather than on the employee.

(2) helping employees understand their responsibilities and their relationships to organizational goals. The appraisal is a vehicle for improving productivity by educating and motivating employees.

(3) informing employees about management expectations. The appraisal becomes an instrument for reducing uncertainty and helping employees focus their efforts in the desired direction.

(4) providing employees with periodic feedback about how well they are meeting performance levels. The purpose is to provide employees with the necessary input for updating, refining, or developing realistic career and employment aspirations.

(5) developing the necessary documentation for career and manpower planning. The information collected as part of the appraisal is used by human resource management departments (HRM) for making decisions about training, retraining, compensation, promotion, and transfer or separation. The information may be used to make decisions about a single employee, a group of employees, or the whole organization. Personnel departments are also likely to use this information in connection with efforts to recruit new employees.

(6) generating data which the organization may need for dealing with outside agencies and organizations, e.g., unions, courts, labor/employment security agencies. Some of the data may be collected in order to comply with legal or contractual requirements.

(7) collecting data for assessing the need to redesign job classifications, job descriptions, organizational structure, work practices, and standard operating procedures.

(8) asserting authority, establishing self-confidence, and meeting supervisors' needs for a sense of power, control, and status.

The data by-products of the performance appraisal process are not without cost. Though there may be better ways of collecting these kinds of data, organizations use the performance appraisal process. The willingness to use a system which is completely unfocused and undermine the efficiency of the performance appraisal process suggests that managers doubt the usefulness of the process.

A second inherent problem is in the notion that managers must study past performance to prepare for the future. While this notion is not without some merit, it cannot be used by managers as a universal guide. The conviction, in its absolute value, assumes that one must limit his study to the past in order to chart future progress.

Though it is true that those who are ignorant of history are bound to repeat it, dwelling too much on the past may contribute to myopic vision, stifle creativity, and consume time and resources that could be better used for studying the future. The paradox is that the manager who gets too involved in documenting the past and assessing its value for purposes of merit pay may do so at the expense of studying and preparing for the future. Such a manager risks getting less out of subordinates than the manager leading them without knowing much about their past performance.

A third inherent problem is the notion that managers can study the past, prepare for the future, and manage the present simultaneously. Such a notion is based on these assumptions: (1) the three activities may be of equal value to the organization; (2) that all managers are above average and can do all three things simultaneously; and (3) if the organization needs to give one of the three tasks a higher priority, a supervisor will be informed about it in a timely manner and can switch easily between any two of the tasks. Switching from past to present orientation or from present to future may not be difficult for most managers. However, switching easily from a past to a future orientation--from reviewing historical data to anticipating future needs, without stopping to deal with the problems of the moment, demands more. Managers relate easily to the present while trying to deal with the past or the future. They tend to spend more time on present issues because they sense their own stake in these. The issues they can most easily ignore at the present will be the issues they will have to deal with as "present issues" in the future. The metaphor of the traffic light illustrates the existence of three different managerial postures. The mental traffic light that controls the behavior of managers stays yellow (the present) longer than it stays either red (stop to examine the past and reflect) or green (take action to move forward).

Organizations should document the past achievements of employees only if the procedure yields more benefits than costs to the organization. Assessing the benefits of performance appraisal is, at best, a speculative exercise, but the costs are always real and easily recognizable. Among others, the costs include the following: (1) the expenses for designing the system and for training supervisors to do the evaluation properly; (2) productivity lost in the very time and effort used to compile the assessment; (3) expenses for developing and improving the instruments used for the appraisal; (4) expenditures for keeping the records for possible inspection by government agencies in case of future complaints by employees; and (5) loss of goodwill, motivation, and employees' loyalty in the aftermath of an appraisal. Even when the benefits of the exercise exceed the costs, recording past achievements should be separate from the supervisor's concerns for the present and future--that is, managing daily operations and influencing the future accomplishments of a given employee. Even dividing attention between the present and the future may stretch the leadership skills of many managers to the limit. Frederick Taylor (1910), the father of "scientific management," realized the need to separate the two functions and assigned them to different supervisors.

Under optimal conditions, performance appraisal that involves evaluation of past achievements should come only after the manager or that organization is aware of what will be needed in order to deal with the anticipated conditions in the future. It is only on this basis that a manager can determine the real value of the employee's past performance. Evaluating past performance without reference to future needs of the organization raises questions about the prudent use of scarce organizational resources. However, since the future needs of the organization may not be a function of the employee's past performance, dwelling on the past rather than finding out what the employee should do in the future is as wasteful. If either the supervisor or the employee is experienced enough, he is likely to contribute to the organization more by joining hands with others to explore the future than by haggling over what took place in the past.

What's Good for the Goose Is Good for the Gander

The decision to evaluate the performance of employees is an important decision about the present and future use of organizational resources.

The total outlay for performance appraisal may not be significant; yet, it is hard to calculate its bottom line in advance. Thus, one would expect organizations to scrutinize the rationale behind the decision to use it. To be consistent with other administrative practices, managers should try to find out if the benefit of performance appraisal justifies what it costs the organization. But the fact is that many organizations use performance appraisal of individual employees because "it's the right thing to do" and because other organizations use it. Most do not realize that they may be starting a ritual that will turn means into ends and take on a bureaucratic life of its own. Managers institute periodic appraisals in the name of merit pay even though fair measuring and/or evaluation of performance is almost impossible in today's service industries. They proclaim pay for performance in spite of the fact that cost implications make the benefits an implausible myth (Brennan 1985).

Periodic assessment of employees is also done as a symbolic gesture. It is a way of telling concerned stockholders that the organization embraces the principle of accountability. This gesture explains the finding of the US General Accounting Office that "even though the results of the Performance Management and Recognition System (PMRS) have been generally disappointing, Congress recently reauthorized the program through March 1991 with only minimal change." According to that October 1990 report, "Congress decided to reauthorize PMRS because there was a general support for the concept of pay for performance but little agreement on how it could be improved" (USGAO 1991:2). Shoop (1991) observes that the motivation for making pay-for-performance part of the Federal Employee Pay Compatibility Act of 1990 is not to save money. "There is also some public relations value in linking federal workers' pay to their performance" (Shoop 1991:16). He points out that this is not going to be easy given that those managers who are already subject to pay-for-performance under the PMRS do not think there is a strong link between their performance and their pay (Shoop 1991:16).

Most organizations are willing to underwrite the expenses of performance appraisal. However, few are willing or able to commit the additional resources for a benefit-cost analysis of this bureaucratic ritual. It is not surprising that most budgets do not include a specific line item for performance appraisal since such an allocation will require managers to document what the organization or the stockholder gets in return. The direct costs of performance appraisal are typically carried as part of other budgetary items. The initial expenditure for developing the performance appraisal system and the recurring costs for maintaining the database after each round of assessment are buried under "personnel" expenditures. The bill for printing and keeping an inventory of the necessary forms and manuals is bound to be paid out of the line items for "printing" or "supplies." Teaching a supervisor how to conduct the appraisal is "training" and alleviating the concerns of an employee is "organizational development (OD)." The time spent by employees and supervisors in connection with different aspects of the evaluation, rather than in perusing the mission of the agency, is lost in "operations."

The indirect and/or intangible costs of performance appraisal and their dysfunctional causes are likely to be ignored by managers or attributed to other factors. The behavioral changes in the individual employee anticipating the milestone dates in the cycles of collective bargaining and performance appraisal reflect the syndrome of effects on the organization at large. Yet, many experienced administrators who are mindful of the dysfunctional effects of collective bargaining on the organization pay little attention to the indirect cost of performance appraisal.

Paradox II: The Rear-view Mirror or Working Against Both Purposes

To justify the direct and indirect costs of performance appraisal, managers must assume that a review of past performance is useful for encouraging improved performance in the future. This assumption is as valid as the assertion that studying a car's rear-view mirror can be used to steer it forward. Under the best of circumstances the rear-view mirror can provide an accurate picture of the road that was just traveled. As will be explained below, the inherent problems of the performance appraisal process make it impossible to get a true picture even of the employee's past performance. Thus, a driver can get better clues about the road ahead by looking at the rear-view mirror than a supervisor can get about the future performance of an employee by doing a performance appraisal.

Thus, the performance of a dedicated employee who makes a suggestion that saves an agency ten percent of its annual operational expenses is duly recognized by a glowing appraisal. But not much can be derived from the evaluation of this exemplary achievement that will benefit the future performance of the employee. The "follies of the regression artifact will work against a repeat performance by the employee" (Mohr 1988). The regression artifact means that those scoring extremely high or extremely low while performing a given task are going to score not so high or not so low, respectively, on subsequent performances. It is easy to see that realistically, the supervisor should not expect the same outstanding performance to continue. Yet, both supervisor and employee are likely to come out of the appraisal exercise with new and heightened expectations about the future. The manager will be looking forward to the same or even to a better performance. The subordinate will expect that keeping the same level of effort will earn the same evaluation. The possible deprivation of the employee of a similarly glowing appraisal in a subsequent evaluation cycle is a recipe for a spoiled relationship between a supervisor and a subordinate. The subordinate will end with a frustration, declined motivation, and low morale. Paradoxically, while an appraisal that reveals an exceptional performance can be dysfunctional, the appraisal indicating poor performance can be functional. In the case of the low performer, the supervisor may only be surprised by a better than expected performance.

One may assume that the organization is better off whenever it uncovers poor performance than when it labels performance as excellent. After all, the poor performance is more likely to tell something about the future than the remarkably good one. A poor performance may indicate not only a need for improvement but that the organization is incapable of performing above a certain level. A good performance may give a misleading message about a potential that does not exist. However, all this is to assume that the supervisor and the organization use the appraisal for the same purpose. But supervisors at different levels of the organization may use the appraisal for different purposes. Thus, no organization can readily determine the instrumental value of any appraisal system focused exclusively on subordinate performance.

A Double Burden

In the case of the exemplary employee, performance appraisal establishes the high water mark as a record of past performance. It provides a basis for reward and recognition for the past as it sets the stage for a future cost. Supervisors need only go once through this experience to conclude that from their perspective, an honest and robust evaluation of employees is dysfunctional. To maintain harmony and good working relations with employees, supervisors exaggerate the positive and minimize the negative aspects of the accomplishments they evaluate. According to Larson (1989:410), supervisors "will tend to avoid giving negative feedback when they can, and when they cannot, they will tend to delay its delivery and/or distort the feedback so that it is less negative than the performance might actually warrant." The result is that after a while, the documented assessment does not reflect even the supervisor's image of the performance, let alone its true nature.

According to Hall, Posner, and Harder (1989:52), several studies have found that few employers rate their performance appraisal system as effective. They also reported that in their own study, 42 percent of the organizations surveyed implemented either significantly revised or completely new systems within the past twelve months. Based on these findings, they concluded that "the velocity of change in organizations' performance appraisal systems also indicates dissatisfaction with many current practices." Once again, the emerging conclusion seems to be that to avoid the cost of performance appraisal, recognition of the past must be separated from expectations about future performance.

The inherent inconsistency of performance appraisal is that its justification requires a future orientation, but it deals with the past. If the future orientation is to be taken seriously, managers should be involved in performance targeting. As pointed out by Halachmi and Holzer (1987), performance targeting moves the supervisor away from a position where relationships with subordinates are contaminated by the prospects of rewards and punishment to one that involves a mutual search for the best way of doing the job in the future.

Organizational Performance and Organizational Behavior

Behavior should be subject to appraisal only to the extent that it is instrumental or dysfunctional for achieving organizational goals. From an organizational perspective, the result rather than the effort counts. However, from a manager's point of view, there is more to performance than just the achievement of organizational goals. Managers cannot ignore the behavior associated with effort. As Clement and Aranda (1984:35) see it, "Good results often can be achieved through undesirable activities, and exemplary job behavior does not guarantee desired results." The twenty-five-year-old proposition offered by Smith and Kendall (1963) to remedy some of the problems by basing performance appraisal on a behaviorally anchored rating scale (BARS) has yet to live up to its promise. The time and effort involved in constructing and using BARS do not seem to yield better results than other supervisory rating systems (Jacobs, Kafry, and Zedeck 1980).

The professional literature indicates serious reservations about the appropriateness of trait-oriented performance appraisal methods as well (Clement and Aranda 1984:35). However, because of idiosyncratic or cognitive reasons, managers consider behavior and behavioral traits in approximating performance, whether they admit it or not (Bedeian 1976; Lee 1985). They consider salient behavioral traits and other attributes of subordinates even when those traits do not contribute or hinder the achievement of goals which the appraisal is presumably based. According to Heneman, Greenberger, and Anonyuo (1989), leaders assign internal attributions that are consistent with the perceived status of their subordinates as in-group or out-group members.

They attribute effective performance of subordinates to internal factors and ineffective performance to external causes for in-group members. When managers recognize an existing behavior as desired and give the employee credit for it in the appraisal, they boost morale and encourage organizational loyalty. By approaching appraisal in this way, administrators help the organization to fulfill its self-maintenance function (Etzioni 1960). Managers must do so to assist the organization to achieve its formal goals in the future. However, not recognizing such a behavior may bear directly on employee performance in the present, even if the valued behavior is not relevant to the organizational needs at the time of the evaluation.

When managers are not expected to go through the formal ritual of appraising employees, no harm is done if irrelevant behavior is not recognized. The efforts to attain short term survival goals are not compromised for the sake of the long term maintenance functions of the organization. Managers do not have to tell employees how well they are doing when they need to impress on them the seriousness of the situation. Many employees may find it difficult to switch their responses properly between personal praise offered on the one hand and a nonpersonal but grim review of the performance on the other. The psychological state that evolves after the first situation seems to be carried over to the second. This leads the employees that cannot make the necessary cognitive switch between the two mental states to equate the negative review with blame. In such cases, the meeting of supervisor and subordinate that could have been used to explore what the situation calls for (Follett 1921) may turn, from the subordinate's perspective, into a showdown and thus counter any potentially productive purpose for the organization.

Even when an employee of a public agency exhibits exemplary behavior, a manager cannot accord him the earned recognition and a high performance appraisal unless the organization as a whole is doing well. When the organization fails miserably, how can employees be recognized for excellent performance? When an agency is accused of incompetence, of negligence, and of being unresponsive, recognition for one's hard work does not mean much. Being hailed as an industrious employee under such circumstances, may even suggest that one should shoulder more of the blame for the undesired results. When it comes to bad performance, a hard- working employee causes more damage than the lazy one. Thus, the comptroller with a high performance appraisal from the organization reputed for serious financial irregularities is less likely to be hired compared to the one with an average appraisal from an organization on stable financial footing.

Another problem involves the evaluation of results, efforts, traits, or skills. Subordinates and supervisors may not agree on the various aspects of the evaluation: its purpose, relevance, components, measurement instruments or on the rating a subordinate received for a performance (Clement and Aranda 1984:36). The source of these problems lies in the difference between the ways employees and supervisors evaluate employee performance. Reviewing the literature on the relationship between self-evaluation and supervisor evaluation, Steel and Ovalle (1984:668) note that "a group of studies that had reported some incidence of significant correlations was effectively counterbalanced by a comparable number reporting little or no agreement between the two sources of the appraisal."

The discrepancy between self-appraisal and supervisor appraisal should be considered by the organization in the context of turnover and organizational loyalty. Lance (1988:271) points out that current attrition models focus mainly on explaining voluntary behavior, and most of the models ignore the importance of job performance. Another important finding is that employees who indicate that their leaving would be costly for the organization describe themselves as contributing less than employees who associate their leaving with a cost reduction for the organization (Meyer, *et al.* 1989:153). This finding suggests that those that are more likely to leave are also more likely to give themselves a high performance appraisal. Those employees inclined to overrate their performance are more likely to get a lower rating from a supervisor and are more likely to turn an inclination to leave into active job hunting. Hence, performance appraisal may not only prevent the organization from improving performance but may generate cost by inducing turnover.

For the rating supervisor, complexities grow. First, raters need to take into consideration that their superiors and subordinates have different objectives for the appraisal. Second, managers must understand that there might be a discrepancy between the formal and informal appraisal objectives of the subordinates and their own supervisors. Third, supervisors need to know how the formal or informal objectives of *their* supervisors correspond to the formal and informal goals of the organization in order not to jeopardize their own positions with their immediate supervisors and, quite possibly, with their bosses' bosses. Fourth, though evaluators attempt to address what they perceive to be immediate and long term objectives for the performance appraisal, a rater's own administrative and psychological needs may not agree with any of the needs listed above. The rater that is astute enough to recognize that some of the objectives for the appraisal are mutually exclusive must now deal with role conflict(s) and a conflict of loyalty. In such a case, the ambivalence or the reluctance of a supervisor to do the appraisal (Beer 1981:27) is not surprising.

Lee (1985) made the observation that "the performance appraisal literature shows no consistent advantage for using one type of performance rating format in increasing performance rating accuracy." The validity of this observation is supported by the survey findings of Giffin (1989:130), who reviewed published results on personnel research between 1963-1988 and concluded that one form of rating employees is no better than any of the others. According to Weekley and Gier (1989), the existing research suggests that human ability seems to place a limit on the attainable levels of reliable and valid ratings. As they see it the question is, what are the upper limits of rating reliability?

Then there is the psychological viewpoint of the employee to consider. The employee undergoing appraisal is likely to assume a defensive position which is not conducive to smooth communication when the feedback from the supervisor does not match his expectations (Beer 1981:26). Employees are even less likely to be open to feedback about needed improvement or performance deficiencies when the report serves as basis for determining merit raise or promotion (Clement and Aranda 1984:36). As indicated by Halachmi and Holzer (1987), such uses of performance appraisal turn the opportunity to improve performance into a bargaining session. According to Beer (1981:26), "as long as the individual employee sees the appraisal process as having an important influence on their reward (pay recognition), on their career (promotions and reputation), and on their self-image, there will be reluctance to engage in the kind of open dialogue required for valued evaluation and personal development."

Several writers (e.g., Larson 1989, Daley 1990) have pointed out that employees have little regard for performance appraisal because the feedback from supervisors comes so late that it is of little use. According to Bedeian, the immediate supervisor provides an invalid source of information due to personal bias, which undermines the measurement process (Bedeian 1976). These findings support the claim that the future orientation of performance appraisal is a myth. They imply that the organization realizes few real benefits in return for the undesired effects--such as low moral, reduced loyalty, or lost motivation--which result from the appraisal exercise. The benefits of recognizing past performance are important because they create, in theory, a basis for a fair and equitable treatment of employees. However, for most organizations it is as important to learn what would help it perform better in the future. Current appraisal techniques are not geared to generate that kind of information.

Strategic Weaknesses

In securing the proper fit between the organization and its environment by taking advantage of strengths to exploit opportunities and avoiding the pitfalls of organizational weaknesses, performance appraisal systems are of little value. There are two main reasons behind these: (a) the logic and the common approach to performance appraisal; and (b) the role of the supervisor in assuring performance.

According to the personnel manager for the City of Denver Colorado (1989), "most (performance appraisals) are fine, but unless you monitor and assure that it is being done as designed, they will all fall apart." The expectation that each, or at least most, of the involved administrators will follow the design is unrealistic because most organizations do not make promotion to supervisory position contingent on demonstrated ability to perform performance appraisal. Even when it comes to priorities for training, skills in areas such as technical planning, cost control, conflict resolution, or ways to motivate employees get higher priority.

Yet, the problem is more serious than that. Even when an organization has a good design for a performance appraisal system and even when its well trained employees implement it as intended, good performance at the organizational level is not guaranteed. That is because most current performance appraisal systems are geared to assess the performance of the individual employee/team. In other words, existing approaches to performance appraisal are not geared to, or capable of, contributing directly to the strategic management of an organization because they focus solely on employees and not on the organization.

The aggregate result of performance appraisals across the board cannot help a manager assess the agency's strengths and weaknesses because the actual performance is mitigated, enhanced, or curtailed by the fit of procedures, structure, technology, or culture. The influence of that fit, or lack of it, is not accounted for in the evaluation. Thus, excellent performance may be the result of reasons other than the employee's effort, talent, or dedication. This weakness is going to exist as long as the logic and administration of performance appraisal dictate that the ritual be a function completed by a supervisor with (or without) input from the subordinate.

The other strategic weakness of current approaches to performance appraisal is that they do not factor in the role of the supervisor. Specifically, most designs ignore the role and responsibility of the supervisor in providing the necessary conditions for excellent performance. The responsibility for the results is the employee's, even though, many times, the supervisor by doing his job well could have influenced the results. Thus, a supervisor's prompt responses to changing situations (perhaps beyond the employee's awareness), reassignments, or timely revisions of guidelines could help the employee attain higher levels of achievement. In the aftermath of the MBO approach, the administrative routine in most organizations does not allow the dedicated supervisor the flexibility he needs to respond promptly and logically to changes affecting employee performance. The instruments that are used for evaluation call for the establishment of performance goals and for all required documentation to pertain to the pre-established goals. Michael Scriven's (1972) "Goal Free Evaluation" approach, where performance is valued according to intrinsic worth rather than by a comparison to initial goals, has yet to be accepted as a legitimate approach for performance appraisal.

The problem of the inflexibility of an appraisal system can be aggravated in a highly specialized area if the supervisor is a professional in one field and must assess the performance of a subordinate who is a professional in another. Rather than a substantive evaluation that uses relevant professional standards, performance appraisal in such a case will be based on superficial references to secondary indicators. For example, in an organization that manages a pension fund, a supervisor with expertise in actuarial computation was sure he had an outstanding employee whose apparent expertise in investment decisions resulted in a yield greater than the average of the returns across a wide spectrum of the company's investments. It took some time to find out that the organization's returns from the employee's investment decisions were consistently below average in the specific segment of the market where the employee's decisions were applied.

In today's organizations, Max Weber's notion that supervisors rise through the ranks to manage like-minded subordinates does not hold. Realistically, a supervisor who once performed a subordinate's job may not be the best person to determine what it takes to do the job well. This issue is of particular importance in the case of the political appointee supervising the career civil servant. Political appointees and career employees of a public agency may have different ideas about how to do a job, especially since the agency has to go on dealing with constituencies even after appointees end their tour of duty with the agency. In service agencies (public or private)--more so than in manufacturing where organization-wide evaluation standards can be more easily established--the character of performance appraisal is likely to depend on who is doing the assessment.

Toward the Implementation of the Concept of Performance Targeting

Halachmi and Holzer (1987) argue that performance targeting should replace performance appraisal as the vehicle for improving performance. Performance targeting is a joint effort by a supervisor and a subordinate to find out what needs to be done to meet organizational goals, what and how the employee can contribute toward that end, and what must be done by the supervisor to create the necessary conditions to help the subordinate contribute to those goals. The MBO concept of management involves a joint effort by a supervisor and subordinate to decide what the *subordinate* should do to achieve organizational goals.

In performance targeting, the supervisor's exchanges with nis subordinate include information about the expectations of the supervisor's superiors. This does not assume that the subordinate enters the discussion thoroughly ignorant of the expectations of the organization's hierarchy. The concept of performance targeting only implies that the supervisor may get a better understanding of his own boss's expectations by re-exploring them from a different perspective--that of the subordinate. Such perspective is useful for two reasons: The subordinate may have informal information that may view official goals from a different, more objective perspective which is closer to that of the supervisor's boss and the subordinate's perspective and understanding of what is involved, rather than the supervisor's, is going to influence what that employee does. To influence results, it follows that a supervisor must first understand the subordinate's perspective and personal interest. This approach implies that an employee is not taken for granted and is not passive or without an opinion about the job. It also means that the process of actuating involves interaction between the various management levels of the organization. Such an approach urges subordinates not to assume that the boss will magically know the assistance or information that the subordinates need and provide it to them (Gabarro and Kotter 1980:93). It also urges them to understand that to achieve organizational goals, there is mutual dependence between the boss and the subordinates (Gabarro and Kotter 1980). Performance targeting allows subordinate and superior to explore their mutual dependencies in terms of concrete issues and to find a way to accommodate each other's needs. It lets managers take advantage of the fact that the work force of the future will expect to have more and more say about what they do and how they do it, with less supervision (Brown 1991). Performance targeting gives subordinates an opportunity to evolve into what Kelly (1988) calls "effective followers"--those who think for themselves and carry out their duties with energy and assertiveness. Effective followers "see themselves--except in terms of line responsibility--as equals of the leaders they follow.... They can see that the people they follow are, in turn, following the lead of others, and try to appreciate the goals and needs of the team and the organization" (Kelly 1988:144).

Performance targeting starts with the premise of McGregor's Theory Y (1960) but goes on to change the pattern of communication as well the employee's role in defining needs for accomplishing assigned tasks. Theory Y changes the boss's assumptions and attitudes toward subordinates' behavior but retains a Theory X-like pyramidal flow of communication and interactions. Theory Y is supervisor oriented. The boss is expected to assume a non-Theory X posture but not to make allowance for the role that should be played by the subordinate. Performance targeting acknowledges the possibility of reversing the direction in which orders and reports flow, that power and information can run upward as well as downward (Yukl and Taber 1983; Mintszberg 1985; Porter, Allen, and Angee 1981; Mowday 1978; Blackburn 1981). Accordingly, performance targeting delineates the subordinate's role in defining his job, assigning responsibility, and requiring accountability.

As a result of dealing with employees as active rather than passive participants, performance targeting can move the supervisor from a position where relationships with subordinates are contaminated by the prospects of rewards and punishment, to a more comfortable position of guidance, support and cooperation (Halachmi and Holzer 1987). Performance targeting retains the functional aspects of performance appraisal because it preserves the notion of evaluation and accountability. However, it is relatively free from some of the older system's dysfunctions in terms of motivation. In particular, performance targeting concentrates less on doing what counts toward the evaluation (i.e., doing things right) and more on an ongoing search for what needs to be done (i.e., doing the right things).

In many work situations, persons who are both willing and able to accomplish a task successfully may be either inhibited or prevented from doing so due to situational factors which are beyond their control. According to Peters and Acinar (1980:392), "inhibiting situational constraints are hypothesized to have their strongest effect on those persons with the greatest task-relevant abilities." As a process, performance targeting has the greatest promise for would-be high performers. Such employees are more likely to be in a position to identify accurately the kind of help they need to do the job and thus benefit greatly from involving their supervisor in solving problems in the work place.

The joint efforts of supervisors and subordinates to identify constraints can help to clarify intentions. When a subordinate and a supervisor become aware of each other's intentions, they are more likely to find out what needs to be done, what each can or should do (achieve), and what their mutual responsibilities are. The role of intentions in work motivation and productivity is already clear in the research agenda (Tubbs and Ekeberg 1991). However, from an organizational point of view, clarifying intentions to allow employees to be more effective followers (Kelly 1988; Gabarro and Kotter 1987; Wortman 1982) may not be enough. To provide the organization with the necessary information for all the other functions of performance appraisal, performance targeting must go beyond superior-subordinate relations. The key, it seems, is the review of the documented performance not by the supervisor but by his superior.

Performance Targeting and Performance Review

Evaluation of performance fulfills several needs of the organization. Because an employee's use of time and resources are of utmost importance to the organization, performance targeting requires the supervisor and subordinate to concentrate on its results. Any attempt to deal with the other organizational functions is likely to confuse the issue and divert attention from the highest priority--evaluating results. Yet, the organization does need a system for gathering the information on those other functions and for determining the degree to which the interaction between the supervisor and the subordinate is target oriented. An important component of such a system is the requirement that the supervisor's report of the subordinate's performance be discussed between the subordinate and the supervisor's boss. Such a review is necessary for proper evaluation of the supervisor's performance by his own boss (which, in turn, should be subject to review by that boss's superior). Another important attribute of such reviews is that they provide a measure of accountability and quality control, which results from knowing in advance that the appraisal is subject to review (Weekley and Gier 1989).

As each boss reviews the performance appraisals produced by reporting supervisors in consultation with their subordinates, the organization gets a chance to account for possible bias in the evaluative approach of various supervisors toward a person, a group, or a given performance dimension (Edwards 1983). Consequently, at least for each level of the organization, the odds for consistency in appraisals increases. That consistency, in turn, may improve the quality of information supporting various organizational functions.

The performance review can reduce the number of capricious and arbitrary ratings based on something other than the actual performance. It provides the employee with an opportunity to point out the role of the supervisor in creating the necessary conditions for the subordinate to achieve the desired targets. As such, it creates the necessary conditions for reminding the supervisor of his own responsibilities for a subordinate's performance. Consequently, the prospect of the performance review of a subordinate by one's own boss may induce a more responsible behavior toward the subordinate before, during, and after the evaluation period. This, in turn, may induce loyalty and organizational commitment that may result only as a function of an intrinsic sense of satisfaction due to improved performance (Meyer, *et al.* 1989).

Introducing a review of a subordinate's performance by the supervisor's boss deprives the supervisor of some authority. It can make the assessment of performance less capricious and arbitrary and introduce a notion of partnership. In short, it can flatten the organizational pyramid a little bit. Since the better-educated work force of today has greater expectations for fairness and for having a say about what should be done, performance targeting and performance review may be the necessary steps in the right direction.

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