Managerial appraisals - a systems view

James Thomas Hatlan
MANAGERIAL APPRAISALS - A SYSTEMS VIEW

BY

JAMES THOMAS HATLAN, 1947-

A THESIS

Presented to the Faculty of the Graduate School of the

UNIVERSITY OF MISSOURI-ROLLA

In Partial Fulfillment of the Requirements for the Degree

MASTER OF SCIENCE IN ENGINEERING MANAGEMENT

1972

Approved by

[Signatures]
ABSTRACT

In the past decade much has been written concerning the performance appraisal which can be defined as the systematic analysis of the individual with respect to his performance on the job. The appraisal's importance lies in the fact that its impact is felt in the areas of control, promotion, and managerial development all of which are essential for the progressive firm. This study is an attempt to offer something new and something different. The author offers a systematic study of industry in general with specific help from key corporations and utilities. His investigations encompass the three elements of appraising and specific problems in implementing sophisticated appraisal systems. The author in combining the expertise of academicians, personnel directors, and his own experiences emphasizes the major criteria of appraising managers to be the functions of managers (planning, organizing, staffing, directing, and controlling) and on the individual's ability to accomplish predetermined objectives. In light of this study the author makes recommendations to industry concerning the implementation of an effective managerial appraisal system.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>ii</td>
</tr>
<tr>
<td>LIST OF ILLUSTRATIONS</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>vii</td>
</tr>
<tr>
<td><strong>I. INTRODUCTION</strong></td>
<td>1</td>
</tr>
<tr>
<td>A. Industry's Interest</td>
<td>1</td>
</tr>
<tr>
<td>B. Statement of the Problem</td>
<td>1</td>
</tr>
<tr>
<td>C. The Research Design</td>
<td>1</td>
</tr>
<tr>
<td>D. Conclusions</td>
<td>2</td>
</tr>
<tr>
<td><strong>II. REVIEW OF LITERATURE</strong></td>
<td>4</td>
</tr>
<tr>
<td>A. A Need to View the Total System</td>
<td>4</td>
</tr>
<tr>
<td>B. The Confusion of the Meaning of M.B.O</td>
<td>4</td>
</tr>
<tr>
<td>C. The Appraisal as a Part of Control</td>
<td>6</td>
</tr>
<tr>
<td>D. Summary</td>
<td>7</td>
</tr>
<tr>
<td><strong>III. MANAGERIAL APPRAISAL SYSTEMS PAST AND PRESENT ANALYSIS</strong></td>
<td>8</td>
</tr>
<tr>
<td>A. The Two Surveys</td>
<td>8</td>
</tr>
<tr>
<td>B. The Three Elements of Appraising</td>
<td>8</td>
</tr>
<tr>
<td>1. Top Management's Support</td>
<td>9</td>
</tr>
<tr>
<td>2. Training for All of the Managers</td>
<td>12</td>
</tr>
<tr>
<td>3. Methods or Techniques of Appraising</td>
<td>14</td>
</tr>
<tr>
<td>C. The Role of the Personnel Department</td>
<td>17</td>
</tr>
<tr>
<td>D. Analysis of Appraisal Techniques</td>
<td>18</td>
</tr>
<tr>
<td>E. Analysis of Categories in Which Managers Have Been and Are Being Appraised</td>
<td>22</td>
</tr>
<tr>
<td><strong>IV. RECOMMENDATIONS</strong></td>
<td>27</td>
</tr>
<tr>
<td>A. Introduction</td>
<td>27</td>
</tr>
<tr>
<td>B. Gaining Top Management Support (Event 1)</td>
<td>29</td>
</tr>
</tbody>
</table>
1. The Appraisal's Goals Help to Achieve Company Long Term Objectives.................. 29
2. The Need for a PERT Network..................... 30
3. The Appraisal's Role in Growth and Profit Improvement................................. 30
4. The Appraisal as a Part of the Company's Information System.......................... 31
5. The Need to Evaluate the Appraisal System.................................................... 31
C. Training for All Managers................................. 34
D. Use of Appraisal Techniques................................. 36
   1. Ranking (Event 10)........................................ 36
   2. Checklist or Rating Scales (Event 13)......... 38
   3. Management By Objectives (Event 14)........ 40
      a. Types of Objectives or Goals and Their Hierarchy.................. 40
      b. Setting Goals to Measure the Unmeasurable............ 42
      c. Preparing for the Appraisal Discussion............... 42
      d. Discussion Concerning Performance.................. 44
      e. Possible Routes for Managerial Development............. 45
      f. When Performance Improves.......................... 47
      g. A Completed System.................................... 48
V. SUMMARY OF RESULTS AND RECOMMENDATIONS............................................. 49
   A. Results................................................ 49
   B. Recommendations....................................... 50
      1. Gaining Top Management Support.......................... 50
      2. Training for All of the Managers......................... 50
      3. Use of the Appraisal Techniques.......................... 50
VI. FUTURE CONSIDERATIONS................................................. 51
BIBLIOGRAPHY .......................................................... 52
VITA ............................................................................ 53
APPENDIXES .............................................................. 54
A. FIRST SURVEY .......................................................... 54
B. SECOND SURVEY AND QUESTIONNAIRE ............... 55
C. RANKING MANAGERS .............................................. 58
D. POSITION GUIDE FORMAT ..................................... 60
E. DEVELOPMENT OF SUBORDINATES ....................... 62
**LIST OF ILLUSTRATIONS**

<table>
<thead>
<tr>
<th>Figures</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Effective Appraisal System and Its Elements.</td>
<td>10</td>
</tr>
<tr>
<td>2. PERT Network for the Implementation of the Appraisal System.</td>
<td>28</td>
</tr>
<tr>
<td>3. Total Appraisal System With Feedback.</td>
<td>32</td>
</tr>
<tr>
<td>4. Goal Setting Sequence.</td>
<td>41</td>
</tr>
<tr>
<td>5. Possible Routes for Managerial Development</td>
<td>46</td>
</tr>
</tbody>
</table>
LIST OF TABLES

<table>
<thead>
<tr>
<th>Tables</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. RATINGS GIVEN APPRAISAL TECHNIQUES BY RESPONDING PERSONNEL DIRECTORS</td>
<td>21</td>
</tr>
<tr>
<td>II. 31 CATEGORIES OF APPRAISING MANAGERS</td>
<td>23</td>
</tr>
<tr>
<td>III. HISTORICAL RATING TRENDS</td>
<td>24</td>
</tr>
<tr>
<td>IV. HISTORICAL TRENDS FOR M.B.O.</td>
<td>24</td>
</tr>
<tr>
<td>V. PERCENTAGE CHANGES FOR 31 CATEGORIES FOR RATING MANAGERS</td>
<td>26</td>
</tr>
</tbody>
</table>
A. Industry's Interest

The well organized and efficiently run corporation is a composite of many factors. One of these factors is the managerial performance appraisal. Too often the appraisal is considered independent of other organizational functions; however, it is a definite segment which must be incorporated into the total operation of the company. If the appraisal is considered separate and something that has to be done, performance suffers. Firms are realizing that through the use of a well designed and coordinated appraisal program they can increase the effectiveness and productivity of the company at large. Because of this potential result, many companies are either seeking to improve their present programs or seeking a new approach altogether in order to meet the needs of the 70's. Due to this great interest, this study was initiated.

B. Statement of the Problem

There is a definite need to investigate past and present appraisal systems with the objective to identify the key elements of appraising and to propose recommendations for the implementation of an effective managerial appraisal system. This study will extensively use the systems approach in its analysis.

C. The Research Design

To find out what has been done and what is currently being done in
regard to appraising, our investigation proceeded along three paths.

First, there was a survey of current literature in order to find out what both the academicians and the practitioners felt concerning this subject. As will be shown, the majority of articles deal with Management By Objectives; while M.B.O. is essential, it cannot stand alone and likewise it cannot be initiated without considerable preparation. In general, literature lacks viewing appraisals as a total system and this study intends to help make up for that deficiency.

Secondly, to acquire a more accurate picture of what is currently happening in appraising we consulted with representatives from Uniroyal, Mallinckrodt Chemical Works, Monsanto Co., Emerson Electric, Charmin Paper Products, and Southwestern Bell Telephone Co. From these discussions information concerning present problems and possible solutions were gathered.

In addition to these investigations, two surveys were circulated to the "Fortune 200". In the first survey (Appendix A) we requested each company's current forms and manuals in addition to any available historical information concerning appraisals. From this data a second survey (Appendix B) was composed and circulated to those who responded to the first survey. This survey and its questionnaire considered specific problems which arose in analyzing the forms and manuals.

D. Conclusions

There will not be any one conclusion drawn from this study, but rather it will present recommendations for a systems approach to the problem of appraising managers. These recommendations are based on the two major findings of the research.
First, that the appraisal process is composed of three elements: the support of the top managers, training for all managerial personnel, and the methods or techniques of appraising. Secondly, that companies should not launch into a Management By Objectives Appraisal System without detailed preparation and to combine other appraisal methods with all M.B.O. programs.
II
REVIEW OF LITERATURE

A. A Need to View the Total System

In surveying the available information on appraisals, there seemed to be an apparent lack of viewing the appraisal process as a total system. The majority of articles dealt with only one aspect of performance evaluation -- Management By Objectives. There is little doubt that M.B.O. is essential because companies are run on achieving objectives and accomplishing accountabilities, but as an evaluatory procedure it cannot stand alone. Managers should be appraised on more than just dollar or percent achievement, they should also be evaluated as managers (6,454). The manager is more than just a machine to get results, he is a system himself with inputs (skills, values, and knowledge), a process (planning, organizing, directing, staffing, and controlling), and outputs (achieving objectives) (13,29). While this total systems view is excellent there have been no concrete proposals on just how to evaluate the manager in this setting, only on results and composites of other factors. We need an appraisal system to view this total manager!

B. The Confusion of the Meaning of M.B.O.

There are presently two schools of thought concerning Management By Objectives. The one centers itself around the individual fulfilling company objectives and the other revolves around the personal fulfillment in accomplishing personal objectives.

Management By Objectives dawned with Douglas McGregor's introduction
of his Theory X and Theory Y managers and with his view "that one of the fundamental characteristics of an appropriate managerial strategy is that of creating conditions that enable the individual to achieve his own goals (including those of self actualization) best by directing his efforts toward organizational goals" (8,11). With this beginning, Dr. Odiorne developed the concept of Management By Objectives which is a process "whereby the superior and the subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contributions of each of its members" (11,40). Many articles support this concept of M.B.O. They emphasize the manager's place in the company, that is, his individual goals, the end points of agreed upon tasks, are useless unless they directly correspond to the needs of his department and ultimately to the objectives of the company. It is important to note that Odiorne did not say that M.B.O. was the only guide in measuring because any effective appraisal program needs more than M.B.O.

On the other hand, there are those including Harry Levinson in his "Management By Whose Objectives" who feel that the role of M.B.O. is "considering the individual personal goals first" (7,134). While the individual must be considered and his need to fulfill personal goals are important, this latter approach is not only far afield from the original intent of McGregor and Odiorne but it is also hard to achieve in reality. We would have a difficult time making a call from St. Louis to Kansas City if each one of Southwestern Bell's 10,000 managers were out trying to achieve their own personal goals!

While this report will emphasize the original meaning of M.B.O. as
discussed by Odiorne, it will not exclude the individual but rather re-
late the individual's role in achieving the objectives of the company.

C. The Appraisal as a Part of Control

Koontz and O'Donnell define the managerial function of control as
"the measurement and correction of the performance of activities of subordinates in order to make sure that the enterprise objectives and the plans devised to attain them are being accomplished" (6,582). Control implies the existence of goals and plans. Because of the use of standards and measuring against these standards, the appraisal process is closely allied to the process of control. This can be reenforced by quoting Odiorne when he said, "that increasing management by control can easily result from an effort to fulfill objectives" (11,40); and also by reading McGregor's integration of goal setting and the control system in his "Do Management Control Systems Achieve Their Purpose?" (8,4). The relationship between control and goals is likewise contained in William Guthries's "Control and Review: The Catalyst of Management By Objectives and Results" (1,67). Peter Drucker summarized the appraisal and especially M.B.O. as a part of control most effectively.

So far ... I have not talked of "control" at all; I have talked of "measurements." This was intentional. For "control" is an ambiguous word. It means the ability to direct oneself and one's work. It can also mean the domination of one person by another. Objectives are the basis of control in the first sense; but they must never become the basis of "control" in the second, for this would defeat their purpose. Indeed, one of the major contributions of management by objectives is that it enables us to substitute management by self control for management by domination, (3,131).
D. Summary

While numerous articles have evolved since McGregor and Odiorne introduced the idea of M.B.O., for the most part, they do not have the scope that one would desire, and in many cases they confuse the reader on what M.B.O. was really meant to be. While the panacea is nonexistent, the correct approach is not solving any one problem or implementing any one method of appraising. The more correct approach is to view the appraisal process as a total system, and this view lies in looking to the past and the present and from these identify the elements of the appraisal system, indicate the variables which affect the system, and investigate to see where the past and the present are taking us in regard to evaluating the total manager; and from this analysis initiate a step by step approach with a simple beginning leading to a M.B.O. process which combined will evaluate a manager as a manager and appraise him on his accomplishments.
III
MANAGERIAL APPRAISAL SYSTEMS
PAST AND PRESENT ANALYSIS

A. The Two Surveys

The responses from the two surveys were excellent in regard to percentage returned and in the material which was obtained. This was due to the current interest in industry concerning the performance appraisal. In the first survey to which some fifty companies answered, five of the responses were in Fortune Magazine's top ten and twenty were in the top one hundred. Industrywise it included car manufacturers, oil corporations, railroads, steel companies, the tire and rubber industry, aerospace firms, public utilities, the paper industry, and more. To those who responded to the first survey a second was sent in which a questionnaire was enclosed. This questionnaire was developed from specific problems which arose in analyzing the forms and booklets which were received in the first survey. The percentage return on the second survey was slightly over 50%. Both survey forms are contained in Appendixes A and B.

B. The Three Elements of Appraising

In consulting with various personnel directors nearly all agreed that the appraisal system can be thought of in two aspects:

First, it can be thought of as a method in which the company might improve the performance of its management process. This improvement could be aligning personal goals to those of the company, or promoting competent managers to higher positions of authority, or it could strengthen its management process by sending some of its managers through a developmental program.
Secondly, it can be considered as a part of the company's information flow from the lower level managers to the top managers of the company. For instance, as the subordinates send their monthly or quarterly reports to their superiors, the superiors are made aware of the subordinate's ability to achieve predetermined goals. The appraisal session then can cover major job accomplishments, planning new objectives and become a coaching session on what could be improved. Both know or should know what will take place during the appraisal interview.

Based on these two facts we find that the appraisal system is composed of three basic elements; support of the system by the top managers, training for all of the managers including those who conduct the appraisal and who will use the information that comes from the appraisal, and those methods or techniques which procure the necessary information concerning performance. Some responding personnel directors indicated that the support of the top managers makes up 50% of the effectiveness of the system, the training about 40%, and the structure only about 10%. This relationship is illustrated in Figure 1.

1. Top Management's Support.

The support given to the appraisal program by the top managers within the firm centers around two critical areas. The first deals with the respect of the personnel department by the other sections within the company, and the second deals with the willingness of the top managers to use the information that is generated from the appraisal because they see a need to use it.

When many of the present middle size companies began, they usually
Training For All Managers (40%) → Effective Appraisal System (100%) → Accurate Information Concerning Performance

Top Management Support (50%) → Effective Appraisal System (100%) → Techniques Of Appraising (10%)
had an individual in charge of production, someone else for the accounting, and a salesman or two with each of these individuals reporting to the president-owner. During the early years a personnel department was not necessary. Finally, when union intervention and other factors necessitated the addition of the personnel department the "original" managers did not consider the personnel manager their equal. Hence, any program that they tried to implement company-wide was considered only of marginal importance. It was the "We didn't need it before, so we don't need it now" attitude. Personnel proposals and programs were considered only of marginal importance, after all they were not making the money. It is essential that if the personnel department is to initiate an effective appraisal program, or any program for that matter, then it must be prepared to defend the program by showing all the participants how both they and the company can benefit from such a proposal. The other departments think in terms of dollars, production units -- man hours, machine hours, etc.; if the personnel department is to gain their respect and backing then they must have a method of evaluating the value of the program, some technique to compare the status-quo manager with the new manager that results in effective appraisal programs.

This idea of respect was not only mentioned in discussion with consultants, but also it was contained, implicitly, in one of the responses to the first survey:

... there have been several abortive attempts to institute and conduct such programs -- most with little success. This was due to a combination of ill-conceived programs and a lack of top management support . . . Recently we have had some top management changes. It now appears that we will be able to set some of this top management support and expect to develop a program to meet our specific needs.

While each manager at his own respective level of authority can use
the information generated from the appraisal process, the information due to its company-wide implications achieves maximum usage only when received by the top managers; and if they are to run the company well, then they need to know which managers are functioning well and meeting their objectives. The top managers know the value of having good personnel ready to be promoted when vacancies occur. To obtain this information they must actively support the program because if conducted properly, the appraisal system will generate the appropriate information. In turn if the lower echelon of managers know that the top men are seeking the data produced in the appraisal process, then they will get it.

One way in which management supports the appraisal program is to establish policies and procedures concerning appraisal review. The second survey inquired, "How do your appraisal results move up the managerial ladder, and approximately what percent are reviewed by 'top' management?" While the responses were too diversified to be placed into a histogram or chart, many firms have every appraisal reviewed from two to five levels above the level of the appraisee.

In companies where the appraisal system is well established, the president and the personnel vice president review with each member of the president's staff the performance of from 5 to 10% of their total salaried personnel.

2. Training for All of the Managers.

If the managers lack the proper training for conducting an appraisal, no pressure from the top will produce accurate information; the data will be completed and passed upward but its intrinsic value is highly questionable. Hence, if the system is to forward accurate information then the
managers must be trained, and not just the first and second level managers but all echelons. For if the training is stopped part way then the information flow could be stifled (14,570).

All too often the higher level managers feel that they are either too busy or "far above" to receive any training on appraising from the company personnel department. They will attend an A.M.A. conference concerning appraisals, that has status, but attend a seminar by the director of personnel, forget it! Again, the personnel director must put on the cloak of a salesman and sell the idea of training for all. This training for all is essential "for a management system is effective when the people influenced by it understand its purpose, agree with its purpose, know how to use it, are in control of it, can influence its revision and receive timely feedback" (9,14).

In regard to the training of managers in the operation of the appraisal system the second survey inquired as to the length of time being spent in training.

<table>
<thead>
<tr>
<th>Training Time</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No training</td>
<td>15.4%</td>
</tr>
<tr>
<td>One to three hours</td>
<td>46.2%</td>
</tr>
<tr>
<td>One day seminar</td>
<td>23.0%</td>
</tr>
<tr>
<td>More than one day</td>
<td>15.4%</td>
</tr>
</tbody>
</table>

While the time spent on training should be as flexible as possible, it is hard to believe that almost 62% of the responding companies provide three hours or less on training for their appraisal program.

One member of the chemical industry is having considerable success in offering short courses in training, the description for the appraisal short course is as follows:

**Objectives/Performance Appraisals**

... It will cover the mechanics of goal setting, the pitfalls to avoid, the use of an effective goals program in development and appraisal of employees. Case studies and practical problems will be emphasized.
3. Methods or Techniques of Appraising.

While most of the personnel managers with whom we conferred felt that the methods were the least of importance, they do achieve one important function and that is providing a unifying effect so that the appraisals of one department can be compared to one in another department (granted that all managers avoid the pitfalls of appraising -- halo effect, leniency, strictness, etc.). It would be impossible to compare two men for promotion if one was rated on initiative and creativity and the other on planning, emotional maturity, and compatibility.

In conducting our survey concerning the different types of methods used in appraising, we used the same terminology that is used in standard personnel textbooks. However, in order to make sure that the reader is familiar with this terminology we would like to discuss briefly several appraisal techniques. It is interesting to note that a couple of the questionnaires were returned because those who received them were unfamiliar with the terms!

Rating Scales appear on most conventional evaluation forms. The appraiser marks either on a continuous scale or in a box that location which most describes the appraisee. For example:

```
0  5 10 15 20 25

Indicate his Job Knowledge
```

```
1  2 3 4 5

Job Knowledge:
Extent of theoretical knowledge
and practical know-how as related
to the present job.
```
The Weighted Checklist on the preceding page is quite similar to the rating scale. With the addition that there could be a summation of the total points, some could be multiplied by a weighting factor, or some could indicate ranges for numerical ratings.

Knowledge:
Familiarity with all aspects and details.

- Expert knowledge of all aspects: 10-9
- Generally well versed: 8-7
- Knows most of the details: 6-5
- Unfamiliar with some important details: 4-3
- Lacks basic knowledge of job: 2-1

The method of Ranking requires that each member in a work group be compared to each other member in that same group. This ranking of individuals can be on overall performance or it can be on certain aspects of the individual's job. One company suggested that first the highest be listed and then the lowest and so on (Appendix C). This is to prevent the appraiser from ranking his men in order without much thought.

Similar to the ranking is the Forced Distribution. Instead of an exact listing of 1, 2, 3, ..., the individuals in the work group are placed in five categories: the top 10%, the above average 20%, the average 40%, the below average 20%, and the bottom 10%. If this method is used only in relation to one group as is the ranking, then it is a valuable tool. But if one concludes that because one man appears in the bottom 10% of Group A, he is in the bottom 10% of the company, he is making a serious mistake.

These two methods can be most useful tools but they also can be easily misused. Usually they act as a group summary and are substantiated by other methods.
In the Forced Choice method, there are a number of tetrads or groups of four statements. In each group, there are two which seem favorable and two which seem unfavorable. However, only one of the two favorable is indicative of high performance and only one of the unfavorable indicates low performance. This method has a great deal of objectivity but it is difficult to construct, and the manager has difficulty relating to the subordinate exactly what his score meant. In our survey we found no example of its use.

The Critical Incident method requires that the managers record in some fashion significant incidents concerning the actions of their subordinates. This technique was used extensively as a supportive measure when either ranking or some form of checklist or rating scale was used.

In the Field Review form of appraising, a member of the personnel department discusses with the manager all of the pertinent information regarding the subordinate, then later the personnel representative fills out the form. While it is more objective it requires two men to do a job that only needs one and it is also hard to communicate to the subordinate exactly what his rating is. If it comes out low the superior can always say that he was misunderstood.

Free-form essay, peer ratings, self-appraisals and group appraisals are self explanatory.

While Management By Objectives has already been mentioned in the survey of literature and will also be discussed in detail later, six of its basic elements can be mentioned:

1. Superior and subordinate get together and jointly agree upon and list the principal duties and areas of accountabilities of the individual's job.
2. The person sets his own goals, but the superior guides the goals-setting process to insure that they are related to the realities of the company.
3. They agree upon criteria for the evaluation and measuring of performance.
4. They have progress meetings to discuss or to modify the goals.
5. The superior plays a supportive role; he does not act as judge.
6. The process emphasizes results and not personal traits, (2,331).

C. The Role of the Personnel Department

The responsibility of organizing and coordinating the appraisal system belongs to the Personnel Department. However, when they are planning this system they should consult with the line managers. One of the limitations of any staff position is thinking in a vacuum (6,321). The appraisal program is no exception; it must be constructed in order to meet the needs of the line managers. For this reason, there must be a close relationship between line and staff members in developing the appraisal system. While this approach seemed to be the trend indicated in the second survey, the questionnaire showed that 1/3 of the systems were developed by the personnel department only. The results were as follows:

The current appraisal system was organized by:

<table>
<thead>
<tr>
<th>Organizational Model</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Department only</td>
<td>33.33%</td>
</tr>
<tr>
<td>Personnel Department and the Line Managers</td>
<td>40.00%</td>
</tr>
<tr>
<td>Reading and analyzing literature</td>
<td>13.33%</td>
</tr>
<tr>
<td>Other (usually a consultant)</td>
<td>13.33%</td>
</tr>
</tbody>
</table>

The appraisal system generates information that is highly valuable and useful. The personnel department with the support of top management should encourage to the point of insisting that it be used to accomplish management's objectives in the areas of performance, promotions from within, and adequate number of trained replacements.
D. Analysis of Appraisal Techniques

Besides investigating the appraisal system qualitatively in terms of its elements, we were interested in finding out what methods would produce the best results and in connection with these methods what areas would be most beneficial in evaluating managerial performance. The importance of such a study and the need to analyze the trends taking place in this area was indicated by one of the responses of the first survey:

We are continually concerned with finding a more effective rating system and would be very interested in your conclusions of appraisal trends. You have our best wishes for a successful project.

We have just mentioned several methods for evaluating managerial performance. The question is, which one or ones do I use? This can be answered by deciding what the company wants from the appraisal. In responding to the first survey many companies included their handbooks for conducting the appraisals; with no exceptions, the first page contained the objectives or purposes for which the appraisal program was established. While the wording differed slightly from company to company the basic objectives of the appraisal program are these three:

1. To provide a record of accomplishments or results and by concentrating on these results and achieved goals the company has better control of its activities.

2. To determine those areas of each individual's performance where improvement and development are most needed.

3. To facilitate internal selection, promotion, and placement.

In analyzing the various techniques, one finds that no single method will easily satisfy all three objectives. From this we can hypothesize that more than one method should be employed. This hypothesis was confirmed both by studying the forms from the first survey in which almost
all forms were a mixture of appraising techniques, and by the second survey in which 93% of the responding personnel directors indicated that they were in favor of combining appraisal methods in evaluating managerial performance.

In addition to seeking those methods which will match up in achieving our objectives we discovered another problem, that of administration. Many companies decided in the beginning to let M.B.O. satisfy all three objectives, and without a testing program launched a M.B.O. program. This was a very aggressive approach but M.B.O. is complex and thus in many cases the companies were not at first successful. For instance, a large St. Louis firm recently implemented a M.B.O. process and then had their managers "appraise" their appraisal system. The results were most revealing. From 21 questions asked, the results of two are as follows:

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Were specific plans made to help you do a better job?</td>
<td>76</td>
</tr>
<tr>
<td>Did you leave the discussion with a clear idea of what would happen next regarding improving your performance?</td>
<td>56</td>
</tr>
</tbody>
</table>

Hence, we are looking for a series of methods which will accomplish our objectives as well as a series of methods which will have a simple administrative beginning and from that beginning build into a more sophisticated appraisal system. Those techniques which fall under our two criteria of achieving the objectives of the appraisal program and of easy administration are: Ranking, Checklists, and Management By Objectives.

Ranking is a solid beginning because it is quite easy to administer with a minimal amount of training. In addition it immediately gets out
the necessary information for internal promotion and placement which are a must for any forward moving organization.

The checklists are an appropriate follow-up not only because they are a little more difficult to administer correctly but they can substantiate what the ranking has indicated and give more details on those who need more development and improvement.

While it would be desirable to have M.B.O. come first in light of its concentration on objectives, it is impossible because of administrative difficulties. The optimum solution is to save M.B.O. to last and therefore give it a better chance of success.

To compare our analysis against the expertise of the personnel directors we asked in the second survey the directors to indicate in numerical order the three most effective methods in appraising. For each rating of one the value of three was given, for a rating of two the value of two was ascribed, and for each third place ranking the value of one was given. The total score values are tabulated and listed in TABLE I.

From our previous descriptions of the appraisal methods we could validly regroup four of the twelve classifications. The rating scales and the checklists can be combined because their output is essentially the same, and we could combine ranking and forced distribution since they have the same result. With this regrouping the three techniques which lead the survey are:

<table>
<thead>
<tr>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ranking and distribution</td>
</tr>
<tr>
<td>2. Scales and checklists</td>
</tr>
<tr>
<td>3. Management By Objectives</td>
</tr>
</tbody>
</table>

Thus, our analysis of what methods to use are in agreement with the personnel directors.
<table>
<thead>
<tr>
<th>APPRAISAL TECHNIQUES</th>
<th>TOTAL SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management By Objectives</td>
<td>50</td>
</tr>
<tr>
<td>Ranking</td>
<td>14</td>
</tr>
<tr>
<td>Self Appraisals</td>
<td>13</td>
</tr>
<tr>
<td>Weighted Checklist</td>
<td>12</td>
</tr>
<tr>
<td>Group Appraisals</td>
<td>12</td>
</tr>
<tr>
<td>Rating Scales</td>
<td>10</td>
</tr>
<tr>
<td>Forced Distribution</td>
<td>8</td>
</tr>
<tr>
<td>Critical Incident</td>
<td>8</td>
</tr>
<tr>
<td>Field Review</td>
<td>8</td>
</tr>
<tr>
<td>Peer Ratings</td>
<td>7</td>
</tr>
<tr>
<td>Forced Choice</td>
<td>4</td>
</tr>
<tr>
<td>Free Form Essay</td>
<td>4</td>
</tr>
</tbody>
</table>
E. Analysis of Categories in Which Managers Have Been and Are Being Appraised

In order to find out what has been done and to see if there is a trend from one to another area of appraising, forms from some fifty companies and public utilities were coded and sorted into 31 categories as shown in TABLE II. (This table was partially constructed from a study by the General Motors Corporation in 1960. With the help of their supervisors the GMC was able to identify numerous synonyms for any given rating description and from these listings our study coded and sorted the diversified descriptions that appeared in the appraisal forms of many companies.) The categories were grouped into five divisions. This was done for three time periods: before 1963, 1963-1968, and 1969-1971. TABLE III illustrates the divisions, the time periods, and the respective percentage of occurrence. This percentage indicates what fraction that particular division had in relation to the other four divisions for a particular time period. These divisions were exclusive of tabulating the occurrences of Management By Objectives.

In addition to the major shifts in the areas of personal traits and management functions, the percentage increased for those firms adopting a Management By Objectives program from the first period to the last. However, while many firms were swinging to a results oriented approach they were not abandoning other techniques in their programs.

From TABLES III and IV it is noticeable that the current trend is to appraise managers as managers and not on personal traits, and to evaluate him on achieving his predetermined objectives and not on unspecified tasks.
### TABLE II

<table>
<thead>
<tr>
<th>31 CATEGORIES OF APPRAISING MANAGERS</th>
</tr>
</thead>
</table>

1. Organizing ability; adherence to organizational principles; proper use of staff, service groups, and committees; clarity of authority delegations.

2. Planning ability: clarity of objectives, policies, and premises; consideration of alternative plans; implementation of plans; availability of plans; decision making; judgement.

3. Controlling ability: of critical points for control; standards for measurement for completed plans; ability to pin-point responsibility; ability to take corrective action promptly.

4. Staffing ability: selecting effective subordinate managers; skill in training subordinates; adequate provision for management succession.

5. Directing ability: skill in orienting, motivating, and guiding subordinates; communication skill; response of subordinates to direction.

6. Quantity.

7. Quality; accuracy; attentiveness to detail; thoroughness.

8. Ability to concentrate; alertness.

9. Ability to get along with others.

10. Aggressiveness; drive; initiative; willingness to accept responsibility; ambition; desire to succeed.

11. Dependable; reliable; trustworthy; loyal.

12. Honesty; integrity; conscientiousness; fairness.

13. Creativeness; imagination; objective.

14. Ability to carry out responsibility; resourcefulness.

15. Leadership.

16. Adaptability; flexibility; versatility; ingenuity.

17. Industriousness; interest in the job; enthusiasm; willingness to work; endurance.

18. Attentiveness; willingness to learn; constructive attitude.
TABLE II (Continued)

19. Analytical ability; knowledge, ability to solve problems.
20. Ability to learn; intellectual capacity.
21. Emotional maturity; emotional stability; intellectual maturity.
22. Promptness.
23. Courage; forcefulness.
24. Neatness; orderliness.
27. Coordination.
29. Appearances and other personal traits.
30. Safety.
31. Miscellaneous.

TABLE III

HISTORICAL RATING TRENDS

<table>
<thead>
<tr>
<th>DIVISION</th>
<th>-1962</th>
<th>1963-68</th>
<th>1969-71</th>
</tr>
</thead>
<tbody>
<tr>
<td>Miscellaneous</td>
<td>7%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Relations With Others</td>
<td>9%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Problem Solving Ability</td>
<td>9%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Personal Traits</td>
<td>51%</td>
<td>38%</td>
<td>35%</td>
</tr>
<tr>
<td>Management Functions</td>
<td>22%</td>
<td>32%</td>
<td>37%</td>
</tr>
</tbody>
</table>

TABLE IV

HISTORICAL TRENDS FOR M.B.O.

<table>
<thead>
<tr>
<th>TIME</th>
<th>% USING M.B.O.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period A -1962</td>
<td>15.4%</td>
</tr>
<tr>
<td>Period B 1963-68</td>
<td>28.8%</td>
</tr>
<tr>
<td>Period C 1969-71</td>
<td>66.7%</td>
</tr>
</tbody>
</table>
This manner of evaluation is logical. Few companies would want a man promoted who did everything right as a manager but could not accomplish the goals or accountabilities of his position; likewise a corporation would not want a performer who could not function as a manager (6,454). This trend also suggests a solution to evaluating the many traits of a manager; if we design an appraisal system based on the results or the objectives of a given position and at the same time evaluate the manager as a manager then in fact we do not need a personal trait evaluation because if the manager can produce results and function as a manager then he has those "traits" necessary to carry out his job.

For instance, for a manager to accomplish his objectives and execute the functions of a manager extremely well, then he will necessarily need initiative, creativity, etc., and an evaluation of those traits is unnecessary.

Another reason for the decline of trait rating is that evaluation played "too much" a role in the organization in the fifties, and consequently "everything" was being rated. This, of course, took up much valuable time. Since then management has placed the appraisal in its proper place -- another facet of a well organized corporation. Thus, there is only so much time for rating, the forms are shorter and the rating covers the important areas -- results and management functions. Most companies have realized that trait rating cannot be used due to the time element and even if they did the value of it could be doubtful. It is just hard to rate industriousness on a one to five basis!
The percentage changes for all 31 categories are contained in TABLE V, as follows.

**TABLE V**

PERCENTAGE CHANGES FOR 31 CATEGORIES FOR RATING MANAGERS

<table>
<thead>
<tr>
<th>DIVISION</th>
<th>CATEGORY</th>
<th>-1962</th>
<th>1963-68</th>
<th>1969-71</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Miscellaneous</td>
<td>6.7%</td>
<td>4.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>2</td>
<td>Ability To Get Along</td>
<td>8.9%</td>
<td>7.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td></td>
<td>With Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Problem Solving</td>
<td>2.2%</td>
<td>6.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td></td>
<td>Learning ability</td>
<td>0.0%</td>
<td>1.1%</td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td>Creativeness</td>
<td>4.4%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td></td>
<td>Resourcefulness</td>
<td>2.2%</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>4</td>
<td>Initiative</td>
<td>4.4%</td>
<td>6.5%</td>
<td>5.4%</td>
</tr>
<tr>
<td></td>
<td>Honesty</td>
<td>0.0%</td>
<td>2.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td>Industriousness</td>
<td>4.4%</td>
<td>3.3%</td>
<td>4.6%</td>
</tr>
<tr>
<td></td>
<td>Attentiveness</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td>Emotional Maturity</td>
<td>2.2%</td>
<td>2.2%</td>
<td>3.1%</td>
</tr>
<tr>
<td></td>
<td>Promptness</td>
<td>2.2%</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>Forcefulness</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td>Appearance</td>
<td>0.0%</td>
<td>1.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>Neatness</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td></td>
<td>Safety</td>
<td>4.4%</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>Self Confidence</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>Quantity</td>
<td>6.7%</td>
<td>5.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td>Quality</td>
<td>8.9%</td>
<td>6.5%</td>
<td>5.4%</td>
</tr>
<tr>
<td></td>
<td>Dependability</td>
<td>6.7%</td>
<td>2.2%</td>
<td>2.3%</td>
</tr>
<tr>
<td></td>
<td>Strength/Weakness</td>
<td>6.7%</td>
<td>4.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td>5</td>
<td>Planning</td>
<td>4.4%</td>
<td>6.5%</td>
<td>6.9%</td>
</tr>
<tr>
<td></td>
<td>Organizing</td>
<td>2.2%</td>
<td>4.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td></td>
<td>Staffing</td>
<td>4.4%</td>
<td>3.3%</td>
<td>3.8%</td>
</tr>
<tr>
<td></td>
<td>Directing</td>
<td>4.4%</td>
<td>7.6%</td>
<td>9.2%</td>
</tr>
<tr>
<td></td>
<td>Controlling</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td></td>
<td>Leadership</td>
<td>2.2%</td>
<td>4.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td></td>
<td>Budgeting</td>
<td>2.2%</td>
<td>3.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td></td>
<td>Coordinating</td>
<td>2.2%</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
A. Introduction

The intent of this section of the report is to submit recommendations for the implementation of an appraisal from conception through the execution of Management By Objectives. The need for such an approach was not only necessitated by its lack of appearance in literature but also in consulting with companies who have only M.B.O. and have found that by itself it is insufficient. This is not a cookbook on establishing an appraisal system, but it will be a discussion of the variables which will affect the system, of the key elements which compose the system, and it will include a time-event network to illustrate the relationship of those items which make up an effective managerial appraisal system.

The discussion of recommendations will be based on the three elements of Top Management Support, Training for all of the managers, and the Methods of appraising which were found to be most effective -- ranking, rating scales, and Management By Objectives. For easy analysis, we have summarized the implementation of the system in Figure 2.

Since there will be a great diversity in respect to money and time from company to company we will exclude them from further discussion and concentrate only on activities and events.

In analyzing our proposal the reader must realize that this is one possible PERT network, and it does not include every event that is necessary for every company. It does include the important events and activities and a sound manner in which these are related. This is a staff
Phase 1
Conceptual

Phase 2
Ranking

Phase 3
Checklist

Phase 4
M.B.O.

From | To | Description |
-----|-----|-------------|
0   | 1   | Research system to gain T.M.S. |
1   | 2   | Design human relations program |
1   | 5   | Design program for prin. of mgt. |
1   | 3   | Design training for Phase 2 |
3   | 6   | Train managers for Phase 2 |
1   | 14  | Develop developmental programs |
1   | 4   | Design forms for Phase 2 |
4   | 6   | Print forms for Phase 2 |
6   | 10  | Execute Phase 2 |
2   | 13  | Train managers in prin. of H. Rel. |
5   | 10  | Train managers in prin. of mgt. |
6   | 7   | Design training for Phase 3 |
7   | 10  | Train managers for Phase 3 |
6   | 8   | Design forms for Phase 3 |
8   | 10  | Print forms for Phase 3 |
8   | 9   | Managers write job description |
9   | 13  | Develop function analysis |
10  | 13  | Execute Phase 3 |
10  | 11  | Design training for Phase 4 |
11  | 13  | Train managers in Phase 4 |
10  | 12  | Design forms for Phase 4 |
12  | 13  | Print forms for Phase 4 |
13  | 14  | Execute Phase 4 |

Figure 2. PERT Network for the Implementation of the Appraisal System
proposal and to implement it effectively the personnel departments must continually work with the line managers and modify this system to meet the needs of each corporation.

B. Gaining Top Management Support (Event 1)

1. The Appraisal's Goals Help to Achieve Company Long Term Objectives.

Few companies would survive in today's competition if they did not concentrate on achieving various objectives. They might be in terms of sales volume, production volume, or whatever, but they still have goals to be strived for. The strongest selling point for the appraisal program is that its objectives will help the company at large to achieve its goals. This is because the appraisal system is directed at managers and only managers achieve the company's objectives.

All would agree that the company has the obligation to the stockholders to invest their money properly, and there is no way for the company to succeed if this investment is done haphazardly by poor managers. Based on this fact, if the management process is to continue effectively or increase in effectiveness, only competent managers can be promoted. Competent managers are those who both perform well as managers and accomplish that for which they are accountable. Thus, a company must be looking for a system that actively seeks out these men and secures recognition of them by the top managers who have the authority to promote both horizontally and vertically. Hence, in reviewing the appraisal forms or their summaries, the top executives can find the best men in the company and then promote them to positions of higher authority and at the same time reenforce the management process.
The final key to a well executed management process is, needless to say, to have good managers. The best way to insure this for a corporation is to decide what particular area(s) needs improvement for each manager (for both self-betterment and for the betterment of the organization) and through discussion decide what program or what steps should be taken. As the individual manager improves so does the whole management process. The appraisal system as well as an indicator of where development is needed is a check on the training programs in the company.

Superiors should keep in mind that it is unlikely that they can develop their subordinates unless these men have sufficient salary. All too often many first level supervisors make less than the men they direct. Only after the subordinate does not have to concern himself with his paycheck, can the superior begin to develop him in the art of managing.

2. The Need for a PERT Network.

The PERT format is not only helpful in planning the program to ensure its success but also it is a strong selling point with the top managers because of the inherent organization of the network. With solid objectives defined this type of planning procedure indicates how this system is to be employed and how it will help accomplish the objectives of the system. This format is also very helpful in forecasting both monetary and manpower needs from event to event.

3. The Appraisal's Role in Growth and Profit Improvement.

The appraisal program also makes a large contribution to the company's Growth and Profit Improvement Program. For a very small investment (consider the ratio of the expenses of the appraisal program to the ex-
penses of the total operation of the company and one finds a very small number indeed) the return is potentially tremendous. There is the concentration upon specified objectives; there is the seeking out of the top managerial performers in order to promote them to higher positions of authority; and there is the willingness to develop all managers for both personal needs and for the needs of the company. What other program within the company has such a potential for growth and profit improvement?

4. The Appraisal as a Part of the Company's Information System.

The appraisal system accumulates information pertaining to the management process and relays it on to the control system, to the top managers in order that they might select and promote capable men to higher authority, and to indicate to all managers those areas in which more development is needed; hence, it is an intrinsic part of the company information system. Its value is not in accumulated information but in the manner in which this information is used in the feedback to the management process. This can take the form of either the correction of deviations from desired objectives, competent managers with a broader span of authority, or better developed managers. This system can be represented by Figure 3.

5. The Need to Evaluate the Appraisal System.

While little has been done in evaluating the effectiveness of an appraisal system a concrete appraisal of the system is most important. It is not enough simply to say, "We think we are getting good results." Something more is needed. While the following questionnaire is far from perfect, it is at least a start in the right direction.
Figure 3. Total Appraisal System With Feedback
Performance Appraisal Questionnaire

1. Was your performance formally appraised and discussed with you?  
   Yes  No

2. Before your appraisal was discussed with you, did your immediate superior give you advance notice of the discussion he planned to have with you?  
   Yes  No

3. In advising you of the discussion, did he ask you to be prepared to appraise your own performance?  
   Yes  No

4. Was it clear from his preliminary discussion with you that the purpose of the discussion was to help you improve your performance on the job?  
   Yes  No

5. In the discussion of your performance, do you feel that you had sufficient opportunity to raise questions and make comments?  
   Yes  No

6. Do you believe your performance was objectively appraised?  
   Yes  No

7. Was your "personality" being appraised rather than your performance on the job?  
   Yes  No

8. During the discussion, were you asked to appraise your performance in any areas of your responsibilities?  
   Yes  No

9. Did the discussion clarify what your immediate superior expects of you?  
   Yes  No

10. Did the discussion clarify your responsibilities and authorities?  
    Yes  No

11. Do you understand your immediate superior's job better as a result of the discussion?  
    Yes  No

12. Do you believe your supervisor understands you better as a result of the discussion?  
    Yes  No

13. From the discussion, do you think he knows what you do well and in which areas you need improvement?  
    Yes  No

14. Was he hesitant about telling you that you needed improvement in certain areas?  
    Yes  No

15. Did he have any helpful suggestions as to how you could improve?  
    Yes  No

16. Did you contribute to the discussion as to how you could improve?  
    Yes  No

17. Were specific plans made to help you do a better job?  
    Yes  No
Performance Appraisal Questionnaire (Continued)

18. If plans were made, who was to follow through to see that they were carried out?

19. Were the plans carried out?

20. Did you leave the discussion with a clear idea of what would happen next regarding improving your performance?

21. Give any suggestions which you think would make the appraisal and development program more helpful to you.

C. Training for All Managers

Management training supplements other developmental techniques such as the performance appraisal. Training is necessary to help promotable managers prepare for advancement, to assist managers having difficulties with their present job, to prevent managerial obsolescence, and to build morale in lower-level managers by illustrating top management's interest in them (14,568). The support of the organization and particularly that of the top managers is crucial to the success of any training program.

In many companies management looks at the training programs and considers them of only marginal importance. The trainees are soon to sense this attitude and begin to feel that they are wasting their time. With attitudes of this nature, the chances that the training program will affect the trainees' behavior is remote.

In those instances where higher management does not by example support the objectives of the training programs, managers feel uncertain on which theory to follow. The result is considerable inconsistency.

Too often, training is for the subordinate managers and yet the subordinate's biggest problem is dealing with his boss. "Only limited results can be obtained by training lower management alone" (14,570).
Hence, if the appraisal system is to achieve its maximum effectiveness, then all managers must be exposed to some training. To the extent of what training should be given to complement the appraisal system, we consulted various personnel directors and from their recommendations and other considerations training should be along three lines: principles of management, certain aspects of human relations, and principles of the appraisal system.

The principles of management (Event 5) are important because they are not only the keys to efficient and effective operations but also for managers, as well as for superiors and subordinates, they are the standards in which they will appraise and be appraised on.

Certain aspects of human relations (Event 2) training are just as necessary because they concentrate on the managerial functions staffing, developing one's subordinates. Managerial development is crucial for without it no company can survive. This development can be accomplished through accurate evaluation, discussion, and coaching on the part of the superior. Hence, it is necessary that the managers have a basic idea of perception and evaluation, communication and discussion, and techniques in interviewing.

While closely allied to the first two areas of training, the principles of the appraisal system deal more with the mechanics of the system. They consider the do's and the don'ts, scheduling the interview, establishing the proper atmosphere, and eventually the philosophy and workings of Management By Objectives.

In analyzing these three programs one finds numerous occasions for overlapping and redundancy. This is intentional, because the overlapping is the connecting link of the training program and the appraisal
system. This redundancy not only solidifies the effectiveness of the appraisal system but of the training program as well. Hence, these three programs whether combined or as separate presentations are essential for the success of the appraisal system.

Training for appraising has come to take many shapes and forms. Each company after assessing its own needs usually has devised programs which will satisfy their own needs. However, the following is a possible list of techniques which are applicable to the three phases of training previously mentioned:

1. Information Presentation Techniques
   a. lecture or conferences
   b. training groups (10-15)
   c. programmed instruction or reading lists

2. Simulation Methods
   a. case studies
   b. role playing
   c. business games

3. On-the-Job Training
   a. job rotation
   b. committee assignments
   c. on-the-job coaching

While the time varies according to both the company and the individual manager's knowledge and experience, one public utility has had great success with a one week program. Yet, others recommend that the superior manager does all of the training of his subordinates. The important factor is that the individual manager understands the reason for the appraisal system, sees in it a real need, and is motivated to execute the system properly.

D. Use of Appraisal Techniques

1. Ranking (Event 10).
While the methods themselves are not that important they can provide part of the framework for the implementation of the system. In developing the following sections the manuals that were gathered in the first survey will be extensively used.

The position guide (Event 9) or job description is a written summary of the areas of accountability, responsibilities, and relationships within a given job or position.

This description can greatly facilitate the achievement of four important objectives:

1. Providing both the supervisor and the subordinate with a clear, mutually agreed upon understanding of exactly what is expected of the latter;

2. Offering an objective basis upon which both the supervisor and the subordinate manager can evaluate the latter's job performance;

3. Permitting a review and determination of how well a department's overall responsibilities have been apportioned among the individual members of the organization;

4. Making possible the establishment of salary ranges for all exempt positions, based on an equitable analysis of the content and responsibility level of each job, and the relative contribution each is expected to make to the achievement of corporate goals.

An example of a corporation Position Guide Format is contained in Appendix D.

The technique of ranking serves two purposes. First, it is the easiest to administer which is important because all of the training has not been completed. Second, it fulfills the objective to facilitate internal selection, placement, and promotion of the better performers
in the organization. It is based on the premise that the most effective people deserve more consideration for promotion than do average performers. There should not be any concern for ranking someone "low" in his group because low ratings can easily be offset with the checklist's analysis and explanations of his ability to achieve his objectives. This is only the first part of the managerial analysis and it should not be conclusive. An example of both procedure and forms for ranking are contained in Appendix C.

2. Checklist or Rating Scales (Event 13).

The purpose of this part of the program is to provide a more detailed analysis of each manager. While the ranking listed who was on top, this adds information to that listing concerning some of the reasons why they are in their respective positions. It is also an aid to individual development because it investigates certain aspects of the managers and depending upon the evaluation, appropriate development can be forthcoming.

In literature we have seen that there is more to rating a manager than just an evaluation of his results and on where he stands in his group. From Shrode and Wilkinson (13,29) and Koontz (6,455) it is evident that a manager should be rated as a manager as well. "The primary purpose for which a manager is hired, and against which he is measured, however, is his performance as a manager" (6,455). Hence, he should be appraised on how well he undertakes the managerial functions of planning, organizing, staffing, directing, and controlling. The standards in which to measure this performance are the fundamentals of management themselves. The most common and practical way to summarize this evaluation is to use a form of a checklist or rating scale.
Koontz has devised a process in which the five fundamentals of management are covered by seventy-three checkpoints, each checkpoint receives a rating of 1 through 5 (5, Chapters 5 and 6).

Another approach currently developed by a large public utility is combining the rating scale with a critical incident. Instead of seventy-three checkpoints there are only five. For each of the five scales they have end point descriptions which serve as company-wide standards and a listing of the important activities for any given function. An example of one of their scales is listed in Appendix E.

Our recommended approach would be a combination of these techniques. While Koontz's is probably the best, it is not practical because it is too long and to understand what the evaluation means is not easy. It is necessary then to replace the end point description with several of Koontz's descriptions of managerial activities but yet instead of seventy-five checkpoints have only five dealing with the fundamentals of management. It is also beneficial to retain the critical incident. This has the advantage of having a variety of activities in which to consider before selecting the rating, it is easy to administer, and it is supported by a specific incident. The new form for one of the five fundamentals of management could look something like this:

**ABILITY TO ORGANIZE**

**Considerations:**

Does he delegate authority to his subordinates on the basis of results expected of them?

When he has delegated authority to his subordinates, does he refrain from making decisions in those areas?

Does he regularly teach his subordinates, or otherwise make sure that his subordinates understand the nature of line and staff positions?
Does he distinguish in his operations between lines of authority and lines of information?

Place an appropriate X on the line:

\[ \begin{array}{ccccc} 1 & 2 & 3 & 4 & 5 \end{array} \]

The other four rating scales can be similarly developed.

3. Management By Objectives (Event 14).

Successful organizations generally are those which focus their resources on well-defined objectives. The best way to accomplish these objectives is to utilize the administrative process described as "Managing By Objectives." While many definitions exist, they all boil down to whether or not the manager established adequate but reasonably attainable objectives and how he and his subordinates performed against them in a certain period (6,460).

These objectives go hand in hand with the accountabilities of the position description. The position description is to illustrate what the manager is responsible for to the corporation. The objectives are specific end points of the accountabilities. In addition to being end points of the accountabilities, they may also be special projects either handed down from above or conceived by the manager himself but with the approval from the managers above him. In summary, M.B.O. aids the individual manager in accomplishing the results for which his position is accountable.

a. Types of Objectives or Goals and Their Hierarchy.

Innovative goals are the highest order of goals. They call for creation, invention, and often high levels of technical competence. These are the kind of goals which would change the character of the organization. They are essential to growth of the firm.
Problem-solving goals are goals which restore normality. They heal things that are not well, they patch up holes, bind wounds, and, when things have gone astray from the normal and routine, restore them back to the status quo.

Routine goals are the essential, recurring goals; they can be counted and measured (unlike some problems and innovations) and will happen again and again. Their effect when under control is organizational stability (12,114).

The order in which goals are established is really a function of the nature of the position. The market researcher or labor relations research manager are more innovative in respect to their goals as would be the production manager. Their job is indeed different, and requires a different approach. This approach is suggested in Figure 4.

Figure 4. Goal Setting Sequence (12,116)
b. Setting Goals to Measure the Unmeasurable.

Many times goals are hard to measure. Dr. George S. Odiorne suggests several ways to measure the unmeasurable goals:

It is often necessary to devise measurements of present levels in order to be able to estimate or calculate change from this level.

The most reliable measures are the real time or raw data in which the physical objects involved comprise the measures to be used (dollars of sales, tone of output, number of home runs hit).

When raw data can't be used, an index or ratio is the next most accurate measure. This is a batting average, a percentage, a fraction, or a ratio.

If neither of the above two can be used, a scale may be constructed. Such scales may rate "from one to ten," a nominal rating against a checklist of adjectives such as "excellent, fair, poor" or one which describes "better than or worse than" some arbitrary scale. These are useful but less precise than the above.

Verbal scales are the least precise but can be extremely useful in identifying present levels and noting real change. Verbs such as "directs, checks, and reports" are indicative of actions to be taken.

General descriptions are the least useful, but still have value in establishing benchmarks for change. "A clear, cloudless fall day" is obviously not the same as a "cloudy, foggy misty day" and the two descriptions could be used to state conditions as they exist and conditions as they should be.

The statements of measurement should be directed more towards results than towards activity. (Much activity may prove impossible to state in specific terms, whereas results of that activity can be stated.)

In stating results sought or defining present levels, effort should be made to find indicative, tangible levels and convert verbal or general descriptions into such tangible scales, ratios or raw measures where possible.

If you can't count it, measure it, or describe it, you probably don't know what you want and often can forget about it as a goal, (11,42).

c. Preparing for the Appraisal Discussion.

To obtain maximum benefits from the discussion, and to avoid an embarrassing and fruitless interview each manager should carefully prepare for it. As the first step in getting ready for performance review, both
the manager and his subordinate should understand clearly what is expected in terms of results. For each position there should be an awareness of the conditions, facts, and figures which indicate that satisfactory (standard) performance has been obtained. Just as the superior prepares, likewise the subordinate should prepare for the discussion by thinking about the results he is getting; a few areas in which he can do even better; what will be required for this improvement; and what he thinks his superior, other managers or the company can do, refrain from doing, or do differently which will help him improve his results.

The superior should schedule a time and place that will be convenient, private, and comfortable. Uninterrupted discussion is essential, as well as adequate time for the discussion.

Think through in objective terms what is expected of the subordinate on his present job. What results are expected in each of his areas of accountability? What measurements are at hand to determine how well he is doing? Review the man's job description, performance standards, job objectives, and any related records. It is wise to review his personnel record to refresh your memory on his education, training, past experience from both inside and outside the organization. What results are being obtained? How is he doing in each area of responsibility? Are there functions in which he is doing too well to the neglect of other important functions? The superior should remember to limit the areas for improvement to those two or three most vital.

How can the superior improve the subordinate's performance? What more can be done in the way of delegation, communications, coaching, counselling, facilities, stimulation, and recognition? What is being done that impairs his performance? The approach should be as much as possible
tailored to the man and the situation. The emphasis is placed on good listening and good communication.

The subordinate should be given the appraisal form to be used ahead of time and ask him to fill in all parts he thinks are applicable, or where he has pertinent information. The superior can then compare the forms. Together these can be the basis for discussion, and one prepared jointly as a result of this discussion.

d. Discussion Concerning Performance.

The initial objective is to minimize the subordinate's tension by helping him relax so that he feels like talking freely. The superior should consider results, accountabilities, accomplishments, problems, and areas for improvement, and save any discussion of promotion potential, and long-range career plans for another time. (Only in a few rare cases is it wise to discuss present performances, short-term (one year) future performance, and long-range potential during one discussion.)

The superior should encourage the subordinate to talk and to ask questions, while keeping his current performance the central subject of the discussion. The discussion should also contain several areas he has selected for improvement and how he plans to improve. The superior should provide a list of what he or the company could do, refrain from doing, or do differently that would help the subordinate do an even better job. Look to the future, not the past!

Nearly every subordinate has ideas how his supervisor could help. Questions that may bring out suggestions are, "How do you think I could improve recognizing jobs well done?" "What additional authority do you think you need to meet your responsibilities?" The superior should especially avoid dwelling on isolated incidents or mistakes of bygone
years.

There should be discussion of mutual impressions of the performance of the subordinate's major accountabilities; use examples to illustrate. Concentrate on a few areas for improvement. When both agree on what can and should be done, both should make notes of all the plans, goals, and objectives. Each man's performance should be compared with the demands of his present job.

The superior should encourage each person to work out his own plan for improvement, and also help him develop insight into the reasons of his behavior and the consequences of his actions. In general, use questions to stimulate thinking, but avoid leading questions. In most cases "open-ended" questions are better than a "yes/no" type question.

Be very cautious in making promises. Remember to keep the ones that are made. The superior should not state something in such a way that it can be construed as a promise. If anything comes up during a performance interview which is beyond the superior's authority or ability to handle, it should be discussed with his supervisor. In some instances it is wise to ask the subordinate's permission to do so.

Toward conclusion of the discussion, the points agreed upon should be reviewed. Be sure notes of important points have been made, particularly plans for improvement, objectives, and targets. Whenever possible, let the subordinate put the conclusions in his own words. Finally, summarize the points for future action upon which there is mutual agreement.

e. Possible Routes for Managerial Development.

There are many avenues for managerial development. One member of the tire and rubber industry has ten such paths which are illustrated in
Figure 5. Possible Routes for Managerial Development
f. When Performance Improves.

When performance improves, the supervisor must in some way both realize it and reward it.

The employee wants evidence that his or her efforts to improve were productive. Only suitable recognition and reward for initial improvement efforts will stimulate an employee to pursue further improvement.

A compensation increase is usually the most appropriate and meaningful reward when an employee has made progress. It can also provide a strong incentive to continue trying to improve. For this form of reward to be effective, the increase needs to be commensurate with the performance improvement. An increase received earlier or in a larger amount than the employee might have anticipated can have a stimulating effect.

If improvement efforts result in increased and broadened competence, the most appropriate reward may be building or finding a bigger job for the employee. Some jobs can be "enriched" by adding new responsibilities, perhaps enough to warrant a higher classification. If "enrichment" is not feasible, other forms of recognition and reward might be explored, such as non-job-related activities, seminar attendance, temporary leadership or advisory roles, committee membership, etc.

If increased responsibilities cannot be provided, then every effort should be made to find a higher position for the employee in another department or division. No supervisor wants to lose a good employee whom he has helped develop, but it is better to transfer a good employee to another department than to have the employee leave the company.

Every manager has a strong vested interest in the improved performance and career advancement of his people. As they improve in perfor-
mance and capability, so too does the supervisor.

g. A Completed System.

With the completion of Event 14 we have not completed the appraisal system but actually have only begun. The importance is not just to implement a system but to keep it working efficiently. A smooth working appraisal system is one in which all three methods are used simultaneously to achieve the three main objectives of the system. The system is no longer a four step process but rather a unified free flowing process which now has been incorporated into the day to day running of a company. To set up the format has been relatively easy but to achieve this free flowing unified and workable system is a noteworthy challenge to any personnel department.
A. Results

Any appraisal system is composed of three basic elements: The Support of the Top Managers, Training for All Managers, and the Methods of Appraising. In addition to these three key elements, the appraisal system has three primary objectives:

1. It provides a record of results.
2. It determines those areas where each manager needs development and improvement.
3. It facilitates internal selection, placement and promotion.

This study found that the appraisal program cannot be suddenly launched without detailed preparation and a sequenced approach in its implementation. This sequenced approach should be in the following four phases:

1. The Personnel Department should plan the system in order to gain the support of the top managers.
2. Ranking should be the first technique used because of its ease in administration.
3. The Rating Scales and appropriate training should be introduced second.
4. Management By Objectives should be implemented last.

This suggested approach will rate a manager as a manager and on his ability to achieve his objectives, which is the current trend in appraising.
B. Recommendations


The three objectives of the appraisal system help the management process achieve the goals of the company because the appraisal system concentrates on developing good managers. The appraisal system should be submitted in a PERT format to insure a better plan and an effective method of control during the period in which the system is implemented. The appraisal program can potentially contribute a great deal to the company's Growth and Profit Improvement Program because growth and profit depend on good managers and the appraisal program is directed at improving, developing, and controlling managerial performance. It is an intrinsic part of the company's management information system. To insure the support of the top managers the Personnel Department, who is responsible for the program's success, must develop an appraisal of the appraisal system in order to illustrate the program's worth.

2. Training for All of the Managers.

In order to insure the success of the appraisal program training should be along three lines. While there is much overlapping, these three lines include aspects of principles of management, areas in human relations, and the mechanics of the appraisal system.

3. Use of the Appraisal Techniques.

In order to achieve all three objectives of the program the methods of Ranking, Rating Scales, and Management By Objectives were selected. These techniques also aid in a sequenced approach to the implementation of an effective appraisal system.
VI
FUTURE CONSIDERATIONS

While research in many areas dealing with appraisals is still needed, one particular area which deserves prime consideration is that of evaluating the effectiveness of the training programs in the appraisal system and those training programs designed to develop managerial weaknesses. Are these programs designed to achieve what the personnel department said they would? Are these programs achieving their objectives? A yes or no answer is not sufficient, top management wants and needs to know the degree of effectiveness. An appraisal program to evaluate training is essential, especially if the personnel department wants 100% backing by the top managers.

The Department of Engineering Management has recognized the need in this area. Preliminary studies on evaluating the effectiveness of training will begin in the Summer Session of 1972.


VITA

James Thomas Hatlan, born March 4, 1947 in St. Louis, Missouri, attended St. Mary's College in Perryville, Missouri and Southeast Missouri State College in Cape Girardeau. In May 1971 he received his Bachelor of Science degree in Physics and Mathematics from Southeast Missouri State.

He has been enrolled at the University of Missouri-Rolla since August 1971 and has received a scholarship from the Department of Engineering Management.

He is employed by the Charmin Paper Products Company in Cheboygan, Michigan.
APPENDIX A

FIRST SURVEY

University of Missouri - Rolla

DEPARTMENT OF ENGINEERING MANAGEMENT

June 30, 1971

TO: THE DIRECTOR OF PERSONNEL

Dear Sir:

We are making a survey covering the changes that have taken place in personnel appraisal over the past twenty years. We would appreciate it if you would consider sending us the following:

1. Copies of personnel appraisal forms that have been used in the past twenty years with dates indicating approximate periods during which they were used. If you have not kept these on file your latest one would be satisfactory.

2. Instructions to appraiser for the various periods.

3. An indication of the organizational levels to which the appraisals apply.

In addition to the above, I would appreciate receiving typical function analyses for salaried personnel for either a production, sales, or R & D advancement ladder. You probably divide the function analyses into three or four areas such as "know-how", problem solving, and accountability. Could you also provide us with the "importance" rating, i.e., 50%-25%-25% for each function analysis of one ladder?

We are interested in the chronological changes in performance appraisal and job ratings. For instance, with respect to job ratings, during the past ten years there seems to be a trend towards a higher rating for management accountability at the expense of technical know-how. This is also indicated by a change in rating profile as a man proceeds up the ladder of success in all fields. Any comments that you would like to make would be much appreciated.

This information will be used for a thesis preparation by a master's candidate in our engineering management department. This request is being sent to most of the major companies in industry and we will not single out the policies of any particular company.

Thank you in advance for your consideration. When the thesis is completed, we will send you a summary.

Sincerely yours,

G. Ray Cuthbertson
Acting Chairman

GRC:cc
TO: THE DIRECTOR OF PERSONNEL

Dear Sir:

We would like to thank you for your cooperation in helping us with our study of appraisals. The data which we have thus far have been very informative in regard to the thesis work which is being conducted here at the University of Missouri - Rolla. However, in analyzing them a few questions have arisen.

We would appreciate it if you would complete the enclosed questionnaire and make additional comments.

Thank you again for your help. When our work is completed we will certainly send you the results.

Sincerely yours,

James T. Hatlan
Engineering Management Scholar

JTH:gm

cc: Dr. Cuthbertson,
    Advisor
APPRAISAL QUESTIONNAIRE

Please check the appropriate box.

1. To what extent are your managers trained to appraise their subordinates?

☐ No training (except reading the directions)

☐ Discussion with a member of the Personnel Department (1-3 hrs.)

☐ Seminar (1 day)

☐ More than one day

Comments:

2. Could you briefly describe your use of the computer to handle appraisal results. Do you have a Manpower Inventory System?

3. In your estimation, indicate by 1, 2, and 3 the best three appraisal methods:

   — Rating Scales
   — Ranking
   — Forced Distribution
   — Weighted Checklist
   — Forced Choice
   — Critical Incident
   — Field Review
   — Free Form Essay
   — Group Appraisals
   — Self Appraisals
   — Peer Ratings
   — Appraisal by Results
4. Would you be in favor of a mixture of 1 or more of the above?

☐ Yes
☐ No

5. How often is your appraisal conducted?

☐ Annually
☐ Semi-annually
☐ More than 4 times a year
☐ Quarterly

If the amount of time depends upon the level of management, please indicate.

6. How did you arrive at your present appraisal system?

☐ Developed by the Personnel Department
☐ By Consultation with Management and Supervisors
☐ Literature
☐ Other

Please comment on Other:

7. How do your appraisal results move up the managerial ladder and about what percent are reviewed by "top" management?
RANKING MANAGERS

1. Put your name and location in the space provided in the upper left corner of the form.

2. Carefully read the definition in the box on the upper right side of the form.

3. Next, list in the column under the word PEOPLE the names of all exempt personnel regardless of their length of service on the job who report directly to you. List these names in alphabetical order.

4. From the list of names, select the person you judge to be most effective on the basis of the definition in the box. Cross his name off the list at the left and write his name above the word HIGHEST.

5. Next, select the person you judge to be the least effective on the basis of the definition in the box. Cross his name off and write it above LOWEST.

6. Repeat this process alternately selecting the next highest and the next lowest according to the definition. Strike off each name on the list at the right and write each in the next highest and next lowest space. Do this until all names have been crossed off and entered in the center column.
RANKING MANAGERS

Appraisal Group No. _____  Manager/Supervisor  ________________

| PEOPLE | HIGHEST | | | |
|        |         | | | |
|        |         | | | |
|        |         | | | |
|        |         | | | |
|        |         | | | |
|        |         | | | |
|        | Next Highest | | | |
|        | Next Highest | | | |
|        | Next Highest | | | |
|        | Next Highest | | | |
|        | Next Highest | | | |
|        | Next Highest | | | |
|        | Next Highest | | | |
|        | Next Lowest | | | |
|        | Next Lowest | | | |
|        | Next Lowest | | | |
|        | Next Lowest | | | |
|        | Next Lowest | | | |
|        | LOWEST | | | |

JOB FUNCTIONS

Consider relative skill and effectiveness on the job regarding:

Planning; Organizing; Coordination; Problem Solving; Controlling
APPENDIX D

POSITION GUIDE FORMAT

I. ACCOUNTABILITY OBJECTIVE(S)

A. Write a general statement of the primary function of the job that will be a capsule statement of its end results.

1. The statement should reflect what the job is accountable for and explain its reason for existence.

2. This will normally be a one-sentence statement and should be as brief as possible.

II. NATURE OF THE POSITION

A. This section should be a series of narrative statements, in paragraph form, that describe:

1. Nature or character of the job; areas of principal concern.

2. Know-how.

   (a) product responsibility
   (b) territorial coverage
   (c) customers - competitors
   (d) type and numbers of equipment
   (e) manufacturing processes
   (f) division, plants, or departments serviced
   (g) and the like

3. Principal organization relationships outside of own department or unit.

   (a) List departments or specific positions as appropriate and describe the nature of them.
   (b) Relationships outside the corporation, important to the position.

4. Problem solving requirements for original self-start thinking. This is the frame of reference for applying job knowledge in decision making, analyzing, evaluating, exercising judgement, and the like.

   (a) It should include those kinds of problem solving primarily unique to the position.

5. Number and kind of organization and personnel supervised or managed, if any.
(a) Positions reporting directly, and other key positions, should be stated by job title.

III. PRINCIPAL ACTIVITIES TO ATTAIN ACCOUNTABILITY OBJECTIVES

A. This section is a series of numbered paragraphs, each sentence of which begins with an action verb typed in full caps. These paragraphs should include, in the following order:

1. Statements covering managerial or supervisory responsibilities in own area for organizational structuring, employee selection, personnel development and appraisal, and recognition.

2. Statements covering activity in, or responsibility for, development of practices, procedures, or policies (policies are corporate) and for approving or recommending, and/or implementing them.

3. Statements (several) covering activities which are typical and inherent to the function of the job.

   (a) These should be an explanation of Section I, "Accountability Objectives," and they should be the specifics of those generalities described in Section II, "Nature of the Position."

4. Special activities required of the position; i.e., committee memberships and outside organizations.
APPENDIX E

DEVELOPMENT OF SUBORDINATES

Frequently discourages effective discussion of the job. Frequently discourages risk taking/or fails to use mistakes constructively. Places more or less authority and responsibility upon subordinates than is warranted by their competence. Tends to view subordinates' strengths and weaknesses unrealistically.

Relates to subordinates so that they feel completely free to discuss things about the job. Uses mistakes to constructively coach the subordinate. Places as much authority and responsibility in each subordinate as is warranted by subordinate's competence. Views subordinates' strengths and weaknesses realistically.

Low High

Statement: ________________________________________________________________

___________________________________________________________________________

___________________________________________________________________________

___________________________________________________________________________

___________________________________________________________________________