7

Evaluating Employee Performance

Learning Objectives

- Learn about the increased use of 360-degree feedback
- Know how to create a performance appraisal instrument
- Know how to administer a performance appraisal system
- Understand the problems associated with performance ratings
- Be able to conduct a performance appraisal review
- Understand how to legally terminate an unproductive employee

Step 1: Determine the Reason for Evaluating Employee Performance
- Providing Employee Training and Feedback
- Determining Salary Increases
- Making Promotion Decisions
- Making Termination Decisions
- Conducting Personnel Research

Step 2: Identify Environmental and Cultural Limitations

Step 3: Determine Who Will Evaluate Performance
- Supervisors
- Peers
- Subordinates
- Customers
- Self-Appraisal

Step 4: Select the Best Appraisal Methods to Accomplish Your Goals
- Decision 1: Focus of the Appraisal Dimensions
- Decision 2: Should Dimensions Be Weighted?
- Decision 3: Use of Employee Comparisons, Objective Measures, or Ratings Evaluation of Performance Appraisal Methods

Step 5: Train Raters

Step 6: Observe and Document Performance

Step 7: Evaluate Performance
- Obtaining and Reviewing Objective Data

Step 8: Communicate Appraisal Results to Employees
- Prior to the Interview
- During the Interview

Step 9: Terminate Employees
- Employment-at-Will Doctrine
- Legal Reasons for Terminating Employees
- The Termination Meeting

On the Job: Applied Case Study: Firing an Employee at Kohl’s Department Store
Focus on Ethics: The Ethics of the At-Will Doctrine
Have you ever received a grade that you did not think was fair? Perhaps you had an 89.6 and the instructor would not “round up” to an A, or the test contained questions that had nothing to do with the class. If so, you were probably upset with the way your professor appraised your performance. In this chapter, we will discuss the process of evaluating and appraising employee performance, which is similar to evaluating a student’s performance.

As shown in Figure 7.1, the performance appraisal process can be divided into nine interrelated steps. Each of these steps will serve as a major section in this chapter.

**Figure 7.1**
The performance appraisal process

1. Determine purpose of appraisal
2. Identify environmental and cultural limitations
3. Determine who will evaluate performance
4. Select the best appraisal methods to accomplish goals
5. Train raters
6. Observe and document performance
   - Provide immediate feedback as needed
   - Daily
   - Annually
   - As needed
7. Evaluate performance
8. Communicate appraisal results to employees
9. Make personnel decisions
Step 1: Determine the Reason for Evaluating Employee Performance

The first step in the performance appraisal process is to determine the reasons your organization wants to evaluate employee performance. That is, does the organization want to use the results to improve performance? Give raises on the basis of performance? This determination is important because the various performance appraisal techniques are appropriate for some purposes but not for others. For example, a performance appraisal method—the forced-choice rating scale—(see appendix at the end of the chapter) is excellent for determining compensation but terrible for training purposes. Likewise, the use of 360-degree feedback is an excellent source for improving employee performance but is not appropriate for determining salary increases. Surprisingly, most organizations do not have specific goals for their performance appraisal systems. As a result, it comes as no surprise that several national surveys found that the vast majority of performance appraisal systems are not successful (Coens & Jenkins, 2002).

Though there are many uses and goals for performance appraisal, the most common include providing employee feedback and training, determining salary increases, making promotion decisions, making termination decisions, and conducting personnel research.

Providing Employee Training and Feedback

By far, the most important use of performance evaluation is to improve employee performance by providing feedback about what employees are doing right and wrong. Even though employee training should be an ongoing process (see Chapter 8), the semiannual performance appraisal review is an excellent time to meet with employees to discuss their strengths and weaknesses. But more important, it is the time to determine how weaknesses can be corrected. This process is thoroughly discussed later in the chapter.

Determining Salary Increases

As mentioned in Chapter 2, a job’s worth is determined by many factors, including the degree of responsibility and level of education required to perform the job. But the difference in compensation between two individuals within the same job is a function of both tenure and job performance. That is, it would not seem fair to pay a poor-performing employee the same amount as an excellently performing one. Thus, one important reason for evaluating employee performance is to provide a fair basis on which to determine an employee’s salary increase. If performance appraisal results are to be used to determine salary increases, a numerical rather than narrative format is probably needed.

Making Promotion Decisions

Another reason for evaluating performance is to determine which employees will be promoted. Although it would seem only fair to promote the best employee, this often does not occur. For example, the policy in some organizations is to promote employees with the most seniority. This is especially true of organizations whose employees belong to unions. Even though promoting employees on the basis of performance or tenure seems fair, it may not always be smart. The best employee at
one level is not always the best at the next level. Promoting the best or most senior employee often results in the so-called Peter Principle—the promotion of employees until they reach their highest level of incompetence. If performance evaluations are used to promote employees, care should be taken to ensure that the employee is evaluated well on the job dimensions that are similar to those of the new position.

For example, the five important job dimensions of a salesperson might be sales, communication skills, accuracy of paperwork, client rapport, and responsibility. The four important job dimensions of sales manager would be communication skills, accuracy of paperwork, motivational ability, and employee rapport. The salesperson with the highest scores on the overlapping dimensions, which in this case are communication skills and accuracy of paperwork, should be the one promoted. Sales volume might not even be used as a factor in this decision.

Another use of performance appraisal data is in training-needs analysis, which will be discussed in greater detail in Chapter 8. If many employees score poorly on a performance appraisal dimension, an increase or change in training is probably necessary for all employees. If only a few employees have low scores, training at an individual level is indicated. Thus, performance appraisal can provide useful information about an organization's strengths and weaknesses.

Making Termination Decisions

Unfortunately, providing feedback, counseling, and training to employees does not always increase performance or reduce discipline problems. When performance management techniques are not successful, the results of a performance review might suggest that the best course of action is to terminate the employee. Methods for doing this and the legal issues that surround such decisions will be discussed in great detail at the end of this chapter.

Conducting Personnel Research

A final reason for evaluating employees is for personnel research. As discussed in previous chapters, employment tests must be validated, and one way this can be done is by correlating test scores with some measure of job performance. To do this, however, an accurate and reliable measure of job performance must be available. The same is true in evaluating the effectiveness of training programs. To determine effectiveness, an accurate measure of performance must be available for use in determining whether performance increases as a result of training.

Although not the most important reason for evaluating employee performance, personnel research is still important, especially in organizations where union contracts forbid the use of performance evaluations in personnel decisions. In those situations, performance evaluations are still needed for effective personnel research.

Step 2: Identify Environmental and Cultural Limitations

The second step in the performance appraisal process is to identify the environmental and cultural factors that could affect the system. For example, if supervisors are highly overworked, an elaborate, time-consuming performance
appraisal system will not be successful. In an environment in which there is no money available for merit pay, developing a numerically complex system will become frustrating, and the results of the evaluation may not be taken seriously. In an environment in which employees are very cohesive, the use of peer ratings might reduce the cohesiveness.

**Step 3: Determine Who Will Evaluate Performance**

Traditionally, employee performance has been evaluated solely by supervisors. Recently, however, organizations have realized that supervisors see only certain aspects of an employee’s behavior. For example, as shown in Figure 7.2, a branch manager might observe only 30% of a teller’s work behavior; the rest is observed by customers, peers, and support staff in other parts of the bank. Furthermore, the teller might behave very differently around her supervisor than around other people. Consequently, to obtain an accurate view of the teller’s performance, these other sources should provide feedback. The buzzwords for using multiple sources to appraise performance are **360-degree feedback** and **multiple-source feedback**. About 28% of large U.S. organizations use some form of multiple-source feedback (Mercer Consulting, 2005). A survey by the Society for Human Resource Management (SHRM, 2000) reported that 360-degree feedback was used by 18% of organizations for nonexempt positions, 29% for exempt positions, and 32% for executive-level positions. Sources of relevant information about employee performance include supervisors, peers, subordinates, customers, and self-appraisal. As shown in Table 7.1, often there is little agreement in the way two supervisors evaluate an employee or a supervisor and a peer might rate an employee. Interestingly, supervisors whose self-ratings agree with others’ ratings tend to be better performers than supervisors whose rating are not consistent with those of others (Witt, 1996).
Table 7.1  Correlations between Raters

<table>
<thead>
<tr>
<th>Agreement Between</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two supervisors</td>
<td>.50</td>
</tr>
<tr>
<td>Two peers</td>
<td>.37</td>
</tr>
<tr>
<td>Two subordinates</td>
<td>.30</td>
</tr>
<tr>
<td>Supervisors and peers</td>
<td>.34</td>
</tr>
<tr>
<td>Supervisor and subordinates</td>
<td>.22</td>
</tr>
<tr>
<td>Supervisor and self</td>
<td>.22</td>
</tr>
<tr>
<td>Peers and subordinates</td>
<td>.22</td>
</tr>
<tr>
<td>Peers and self</td>
<td>.19</td>
</tr>
</tbody>
</table>

Source: Conway & Huffcutt, 1997

Supervisors

By far the most common type of performance appraisal is the supervisor rating. In fact, Bernardin and Beatty (1984) estimated that more than 90% of all performance appraisals are conducted using supervisors’ ratings of performance. Though supervisors may not see every minute of an employee’s behavior, they do see the end result. A supervisor may not actually see a teller sign up customers for Visa cards but will review the daily sales totals. Likewise, a professor does not see a student actually research and write a paper but infers the levels of these behaviors by viewing the results—the finished term paper.

Peers

Whereas supervisors see the results of an employee’s efforts, peers often see the actual behavior. Peer ratings usually come from employees who work directly with an employee; a bank teller could be rated by other bank tellers. However, other employees in the organization, those who often come in contact with the employee, can also provide useful information. For example, our teller could be rated by employees from the loan support or Visa card departments.

Research has shown that peer ratings are fairly reliable only when the peers who make the ratings are similar to and well acquainted with the employees being rated (Mumford, 1983). Most important, peer ratings have been successful in predicting the future success of promoted employees, as they correlate highly with supervisor ratings (Cederbloom, 1989).

Research suggests that certain employees are more lenient in their peer ratings than are other employees. Saavedra and Kwun (1993) found that high performers evaluate their peers more strictly than do low performers. This difference in ratings is probably because employees compare others to themselves. Thus, the average employee does not appear impressive to a high performer but may do so to a less productive employee. Though peers may provide a unique view of performance, employees tend to react worse to negative feedback from peers than from experts (Albright & Levy, 1995). Employees who score high in self-esteem, high in self-monitoring, and low in individualism react most favorably to peer ratings (Long, Long, & Dobbins, 1998).
Subordinates

Subordinate feedback (also called upward feedback) is an important component of 360-degree feedback, as subordinates can provide a very different view about a supervisor’s behavior. However, with the exception of students rating teachers, formal methods are neither common nor well regarded by managers (McEvoy, 1988, 1990). Subordinate ratings can be difficult to obtain because employees fear a backlash if they unfavorably rate their supervisor, especially when a supervisor has only one or two subordinates. For example, when the supervisors at one mental health facility gave poor performance ratings to their boss, each was “called on the carpet” for having the audacity to rate the boss poorly. After such a browbeating, what do you think is the probability the subordinates will be honest in the future? Subordinates’ feedback can be encouraged if supervisors appear open to employee comments (Baumgartner, 1994); if the ratings are made anonymously (Antonioni, 1994); if the ratings are used for developmental purposes (Avis & Kudisch, 2000); and if the employee feels competent to make the rating, feels there will be no retaliation for making honest ratings, and will somehow benefit by providing honest ratings (Smith & Fortunato, 2008).

Interestingly, subordinate ratings correlate highly with upper-management ratings of supervisors’ performance (Furnham & Stringfield, 1994; Riggio & Cole, 1992). A meta-analysis (Smither, London, & Reilly, 2005) of the effect of multisource feedback found that although the effect was small, feedback from direct reports ($d = .24$) resulted in greater performance changes than did feedback from peers ($d = .12$) or supervisors ($d = .14$). Multisource feedback is most effective when the feedback indicates that the employee needs to change his or her behavior, the employee perceives that the changes are feasible, and the employee is open to receiving constructive feedback (Smither et al., 2005). Performance increases can be enhanced when the feedback is provided in a workshop conducted by a feedback facilitator rather than by a direct supervisor (Seifert, Yukl, & McDonald, 2003). Though supervisor performance might increase from upward feedback, such feedback does not appear to improve the overall performance or stock value of an organization (Pfau & Kay, 2002a).

Customers

Although it would be unlikely that an organization would ask customers to fill out a performance appraisal instrument on an employee, organizations do value customer feedback. Informally, customers provide feedback on employee performance by filing complaints or complimenting a manager about one of her employees. Formally, customers provide feedback by completing evaluation cards such as that shown in Figure 7.3.

Organizations also seek customer feedback in the form of secret shoppers—current customers who have been enlisted by a company to periodically evaluate the service they receive. In exchange for their ratings, secret shoppers get a few dollars and a free meal. For years, I have been “employed” by a national marketing company to eat at local restaurants and secretly complete a rating of the quality of food and service. The compensation is only $4 per visit plus reimbursement for the meal, but it is a fun experience. I only wish they would have granted my request for sunglasses and a trench coat!
Self-Appraisal

Allowing an employee to evaluate her own behavior and performance is a technique used by only a small percentage of organizations (Atwater, 1998). In Bismarck, North Dakota, self-ratings account for 25% of city employees’ evaluations (peer ratings account for 25% and supervisor ratings 50%).

Research on self-appraisal, however, has found what we might expect to find: Employee self-appraisals tend to suffer from leniency (Beehr, Ivanitskaya, Hansen, Erofeev, & Gudanowski, 2001) and correlate only moderately (.29) with actual performance (Mabe & West, 1982) and poorly with subordinate (Conway & Huffcutt, 1997) and management ratings (Beehr et al., 2001). However, when evaluations are made with clear rating standards and social comparison information, agreement is increased between self- and supervisor-ratings (Keeping & Sulsky, 1996; Schrader & Steiner, 1996). When peer ratings are lower than self-ratings, employees react negatively to, and question the accuracy of, negative feedback (Brett & Atwater, 2001).

The leniency found in the self-ratings of U.S. workers may not generalize to other countries. Self-ratings of Japanese, Korean, and Taiwanese workers suffer from modesty rather than leniency, whereas self-ratings from workers in the United States, mainland China, India, Singapore, and Hong Kong are characterized by leniency (Barron & Sackett, 2008). Further research is still needed to investigate potential cultural differences in self-ratings.

Self-appraisals of performance appear to be most accurate when the self-appraisal will not be used for such administrative purposes as raises or promotions (Atwater, 1998). They are also more accurate when employees understand the performance appraisal system (Williams & Levy, 1992) and when employees believe that an objective record of their performance is available with
which the supervisor can compare the self-appraisal (Farh & Werbel, 1986). To think more about who should evaluate performance, complete Exercise 7.1 in your workbook.

**Step 4: Select the Best Appraisal Methods to Accomplish Your Goals**

The next step in the performance appraisal process is to select the performance criteria and appraisal methods that will best accomplish your goals for the system. *Criteria* are ways of describing employee success. For example, it might be decided that attendance, quality of work, and safety are the three most important criteria for a successful employee. Now the methods for measuring the criteria must be chosen and created. That is, how can we measure attendance, quality, and safety?

Prior to developing the actual performance appraisal instrument, two important decisions must be made: the focus of the performance appraisal dimensions and whether to use rankings or ratings.

**Decision 1: Focus of the Appraisal Dimensions**

As shown in Table 7.2, the appraisal dimensions can focus on traits, competencies, task types, or goals.

**Trait-Focused Performance Dimensions**

A trait-focused system concentrates on such employee attributes as dependability, honesty, and courtesy. Though commonly used, trait-focused performance appraisal instruments are not a good idea because they provide poor feedback and thus will not result in employee development and growth. For example, think

<table>
<thead>
<tr>
<th>Competency Focus</th>
<th>Task Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report-writing skills</td>
<td>Crime prevention</td>
</tr>
<tr>
<td>Driving skills</td>
<td>Arrest procedures</td>
</tr>
<tr>
<td>Public speaking skills</td>
<td>Court testimony</td>
</tr>
<tr>
<td>Knowledge of the law</td>
<td>Use of vehicle</td>
</tr>
<tr>
<td>Decision-making skills</td>
<td>Radio procedures</td>
</tr>
<tr>
<td>Physical ability skills</td>
<td>Following rules and regulations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal Focus</th>
<th>Trait Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevent crimes from occurring</td>
<td>Honesty</td>
</tr>
<tr>
<td>Arrest/cite lawbreakers</td>
<td>Courtesy</td>
</tr>
<tr>
<td>Finish shift without personal injury</td>
<td>Responsibility</td>
</tr>
<tr>
<td>Have arrests and citations stand up in court</td>
<td>Dependability</td>
</tr>
<tr>
<td>Minimize citizen complaints</td>
<td>Assertiveness</td>
</tr>
<tr>
<td>Ensure public safety</td>
<td>Cooperation</td>
</tr>
</tbody>
</table>

---

**Table 7.2** Four Ways to Focus Performance Dimensions (Police Officer)
of a performance-review meeting in which the supervisor tells an employee that she received low ratings on responsibility and friendliness. Because traits are personal, the employee is likely to become defensive. Furthermore, the employee will want specific examples the supervisor may not have available. The only developmental advice the supervisor can offer would be to “be more responsible and friendly.” Such advice is not specific enough for the employee to change her behavior.

**Competency-Focused Performance Dimensions**

Rather than concentrating on an employee’s traits, competency-focused dimensions concentrate on the employee’s knowledge, skills, and abilities. For example, competency-focused dimensions might include writing skills, oral presentation skills, and driving skills. The advantage to organizing dimensions by competencies is that it is easy to provide feedback and suggest the steps necessary to correct deficiencies. That is, if an employee is evaluated as having poor writing skills, the obvious corrective measure would be for the employee to take a writing course.

**Task-Focused Performance Dimensions**

Task-focused dimensions are organized by the similarity of tasks that are performed. For a police officer, such dimensions might include *following radio procedures or court testimony*. Note that a task-focused dimension usually includes several competencies. For example, to receive a high rating on the dimension of *court testimony*, the officer would need the competencies of public speaking, organization, and knowledge of the law. The advantage of this approach is that because supervisors are concentrating on tasks that occur together and can thus visualize an employee’s performance, it is often easier to evaluate performance than with the other dimensions. The disadvantage is that it is more difficult to offer suggestions for how to correct the deficiency if an employee scores low on a dimension. That is, is the low score on *court testimony* due to a lack of knowledge or to poor public speaking skills?

**Goal-Focused Performance Dimensions**

The fourth type of performance dimension is to organize the appraisal on the basis of goals to be accomplished by the employee. Sticking with our police officer example, goals might include preventing crimes from occurring, finishing the shift without personal injury, and minimizing the number of citizen complaints. The advantage of a goal-focused approach is that it makes it easier for an employee to understand why certain behaviors are expected. Take, for example, the behavioral expectations of having a police officer wear a seat belt and body armor. If these expectations were listed under the dimension of *Following Department Policy*, the officer might not be too concerned about changing behavior about following “some stupid rule.” If, however, these two expectations were listed under the goal of *staying alive*, it would be clearer that they are there for an important purpose.

**Contextual Performance**

In the above discussion, the four ways to focus performance dimensions all concentrated on the technical aspects of performing a job. In recent years, psychologists have begun to study *contextual performance*, that is, the effort an employee makes to get along with peers, improve the organization, and perform
tasks that are needed but are not necessarily an official part of the employee’s job description. Many organizations include rating scales addressing the technical aspects of the job as well as the contextual aspects. That is, they want employees who will be not only effective performers but good organizational citizens as well. In academia, it is not uncommon to deny tenure to a faculty member who is technically competent but does not “play well with others.”

Contextual performance is important because not only are these prosocial organizational behaviors important to the success of an organization, but they also tend to be similar across jobs, whereas the dimensions involved in task performance differ across jobs (Borman & Motowidlo, 1997). Furthermore, the selection tests that might best predict task performance (e.g., cognitive ability, job knowledge) are not the same tests that might predict contextual performance (e.g., integrity tests, personality inventories). To better understand how to choose the type of dimension, complete Exercise 7.2 in your workbook.

Decision 2: Should Dimensions Be Weighted?

Once the type of dimension has been determined, the next decision is whether the dimensions should be weighted so that some are more important than others. Grading systems in the classes you have taken provide good examples of weighting dimensions. For example, you may have had a class where the final exam was given more weight than other exams or a class in which a particular project carried more weight than others.

Weighting dimensions makes good philosophical sense, as some dimensions might be more important to an organization than others. For example, the dimension of patient care would be more important for a nurse than would be keeping a professional appearance. Though both are important parts of the job, providing poor patient care has more of an impact for the organization than not wearing the proper clothing. Another advantage to differentially weighting dimensions is that it may reduce racial and other biases (McFarland, Wolf, & Nguyen, 2005).

Though differential weighting of dimensions makes sense and has some advantages, many organizations choose to weight all performance dimensions equally because it is administratively easier to compute and to explain to employees.

Decision 3: Use of Employee Comparisons, Objective Measures, or Ratings

Once the types of dimensions have been considered, the next decision is whether to evaluate performance by comparing employees with one another (ranking), using objective measures such as attendance and number of units sold, or having supervisors rate how well the employee has performed on each of the dimensions.

Employee Comparisons

To reduce leniency, employees can be compared with one another instead of being rated individually on a scale. The easiest and most common of these methods is the rank order. In this approach, employees are ranked in order by their judged performance for each relevant dimension. As Table 7.3 shows, the ranks are then averaged across each dimension to yield an overall rank.
Rank orders are easily used when there are only a few employees to rank, but they become difficult to use with larger numbers. Ranking the top few and bottom few employees is relatively easy, but deciding which 2 of 50 employees should be placed at the 30th and 31st ranks is more difficult.

To make this process easier, paired comparisons can be used. This method involves comparing each possible pair of employees and choosing which one of each pair is the better employee. An example is shown in Figure 7.4. Practice using the paired-comparisons method by completing Exercise 7.3 in your workbook.

<table>
<thead>
<tr>
<th>Employee</th>
<th>Knowledge</th>
<th>Dependability</th>
<th>Quality</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrino</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1.00</td>
</tr>
<tr>
<td>Underwood</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2.33</td>
</tr>
<tr>
<td>Hicks</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2.67</td>
</tr>
<tr>
<td>Sparks</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4.33</td>
</tr>
<tr>
<td>Cook</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>4.67</td>
</tr>
</tbody>
</table>

Rank orders are easily used when there are only a few employees to rank, but they become difficult to use with larger numbers. Ranking the top few and bottom few employees is relatively easy, but deciding which 2 of 50 employees should be placed at the 30th and 31st ranks is more difficult.

To make this process easier, paired comparisons can be used. This method involves comparing each possible pair of employees and choosing which one of each pair is the better employee. An example is shown in Figure 7.4. Practice using the paired-comparisons method by completing Exercise 7.3 in your workbook.

**Table 7.3** Ranking Method of Evaluating Performance

<table>
<thead>
<tr>
<th>Employee</th>
<th>Knowledge</th>
<th>Dependability</th>
<th>Quality</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrino</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1.00</td>
</tr>
<tr>
<td>Underwood</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2.33</td>
</tr>
<tr>
<td>Hicks</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2.67</td>
</tr>
<tr>
<td>Sparks</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>4.33</td>
</tr>
<tr>
<td>Cook</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>4.67</td>
</tr>
</tbody>
</table>

**Figure 7.4** Example of paired-comparison method

<table>
<thead>
<tr>
<th>Employees</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td></td>
</tr>
<tr>
<td>Briscoe</td>
<td></td>
</tr>
<tr>
<td>Rey</td>
<td></td>
</tr>
<tr>
<td>Logan</td>
<td></td>
</tr>
<tr>
<td>Ceretta</td>
<td></td>
</tr>
</tbody>
</table>

**Paired Comparisons:** Circle the better employee in each pair.

- **Green**  
- **Briscoe**
- **Rey**
- **Logan**
- **Ceretta**

**Scoring**

<table>
<thead>
<tr>
<th>Employee</th>
<th>Number of Times Name Circled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>4</td>
</tr>
<tr>
<td>Briscoe</td>
<td>3</td>
</tr>
<tr>
<td>Rey</td>
<td>1</td>
</tr>
<tr>
<td>Logan</td>
<td>2</td>
</tr>
<tr>
<td>Ceretta</td>
<td>0</td>
</tr>
</tbody>
</table>
Even though comparing one pair of employees at a time is easier than simultaneously comparing a large number of employees, it does have its drawbacks. With large numbers of employees, the time necessary to make all of the comparisons becomes prohibitive. For example, to determine how many comparisons must be made, we can use the following formula:

\[
\text{number of comparisons} = \frac{n(n-1)}{2},
\]

where \( n \) = the number of employees. Thus, if we have 10 employees to compare:

\[
\text{number of comparisons} = \frac{10(10-1)}{2} = \frac{10(9)}{2} = \frac{90}{2} = 45.
\]

Thus, we would need to make 45 comparisons for each performance dimension. Although this number is not extreme, evaluating 100 employees would result in 4,950 separate comparisons! And with five performance dimensions, some unfortunate supervisor would have to make almost 25,000 separate comparisons! Obviously, the supervisor would not favor such a task.

The final type of employee comparison system is called **forced distribution**. With this method, a predetermined percentage of employees are placed in each of the five categories shown in Table 7.4. Forced distribution systems are used by more than 20% of Fortune 1000 companies (Bates, 2003a). Also called “rank and yank,” forced distributions were a favorite method of Jack Welch, the former chief executive officer of General Electric, who required managers to fire the bottom-performing 10% of their employees each year. Though such systems seem harsh, the limited research on the topic suggests that rank-and-yank systems result in increased levels of organizational productivity, especially during the first few years in which the system is in place (Scullen, Bergey, & Aiman-Smith, 2005). Employees, however, consider forced distribution scales to be the least fair method of performance appraisal (Roch, Sternburgh, & Caputo, 2007).

Forced distribution systems are much easier to use than the other two employee comparison methods, but they also have a drawback. To use the method, one must assume that employee performance is normally distributed, that is, that there are certain percentages of employees who are poor, average, and excellent. As will be discussed in more detail in Chapter 8, employee performance probably is not normally distributed because of restriction of range. There probably are few terrible employees because they either were never hired or were quickly fired.

<table>
<thead>
<tr>
<th>Table 7.4 Forced-Distribution Method of Performance Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zellweger</td>
</tr>
<tr>
<td>Diaz</td>
</tr>
<tr>
<td>10%</td>
</tr>
<tr>
<td>Terrible</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Likewise, truly excellent employees probably have been promoted. Thus, employee performance is distributed in a nonnormal fashion.

Perhaps another way to look at this concept is by examining the grades given in a class. When students ask an instructor to “curve” a test, technically they are asking her to force their grades into a normal curve—that is, there will be approximately 10% As and 10% Fs. (Of course, what these students are really often asking for is extra points.)

Suppose that you are at the bottom of your class, yet you still have a 75% average on class exams. Do you deserve an F? What if you are the last person in the D category, and a student withdraws from the class with two weeks to go. To keep the distribution normal, you are given an F. Do you consider this fair?

Perhaps the greatest problem with all of the employee-comparison methods is that they do not provide information about how well an employee is actually doing. For example, even though every employee at a production plant might be doing an excellent job, someone has to be at the bottom. Thus, it might appear that one worker is doing a poor job (because she is last), when in fact she, and every other employee, is doing well.

**Objective Measures**

A second way to evaluate performance is to use what are commonly called objective, or hard, criteria. Common types of objective measures include quantity of work, quality of work, attendance, and safety.

**Quantity of Work.** Evaluation of a worker's performance in terms of quantity is obtained by simply counting the number of relevant job behaviors that take place. For example, we might judge a salesperson's performance by the number of units she sells, an assembly line worker's performance by the number of bumpers she welds, or a police officer’s performance by the number of arrests she makes. Even Oprah Winfrey is evaluated on the number of viewers who watch her show.

Although quantity measures appear to be objective measures of performance, they are often misleading. As shown in Figure 7.5, it is important to realize that many factors determine quantity of work other than an employee's ability and performance. Furthermore, for many people’s jobs it might not be practical or possible to measure quantity; computer programmers, doctors, and firefighters are examples.

---

**Figure 7.5**

Factors affecting performance
Quality of Work. Another method to evaluate performance is by measuring the quality of the work that is done. Quality is usually measured in terms of errors, which are defined as deviations from a standard. Thus, to obtain a measure of quality, there must be a standard against which to compare an employee’s work. For example, a seamstress’s work quality would be judged by how it compares with a “model” shirt; a secretary’s work quality would be judged by the number of typos (the standard being correctly spelled words); and a cook’s quality might be judged by how her food resembles a standard as measured by size, temperature, and ingredient amounts.

Kentucky Fried Chicken, for example, evaluates the quality of its franchises’ food by undercover inspectors. These inspectors purchase food, drive down the road, and after parking, use a thermometer to see whether the food has been served at a standard acceptable temperature and also a scale to determine whether the weight of the mashed potatoes is within the acceptable range.

Note that the definition of an error is any deviation from a standard. Thus, errors can even be work quality that is higher than a standard. Why is this an error? Suppose a company manufactures shirts that are sold for $20. To keep down the manufacturing cost of its shirts, the company probably uses cheaper material and has its workers spend less time per shirt than does a company that manufactures $150 shirts (these are not the shirts I buy). Thus, if an employee sews a shirt with 15 stitches per inch instead of the standard 10, the company will lose money because of higher quality!

When I was working my way through school, I held a summer job at an amusement park. The job involved wearing a pink and purple uniform and cooking prefabricated pizza. The standard for the large pepperoni pizza was 2 handfuls of cheese and 15 pieces of pepperoni. Now all pizza lovers recognize this to be a barren pizza. The cooks thus tried to increase the pizza quality by tripling the number of pepperoni pieces. The management quickly explained to the young “gourmet chefs” that exceeding the standards was considered poor work performance and that employees who did so would be fired.

Quality is a relevant criterion for many jobs.
A similar situation developed at a factory that produced parts for telephones. Most of the employees were older and took great pride in their work quality and in the fact that their parts had the lowest percentage of errors in the company. They were told, however, that their quality was too high and that the parts were lasting so long that the company was not getting much repeat business. Quality errors can occur in many strange ways!

**Attendance.** A common method for objectively measuring one aspect of an employee’s performance is by looking at attendance (this is discussed in greater detail in Chapter 10). Attendance can be separated into three distinct criteria: absenteeism, tardiness, and tenure. Both absenteeism and tardiness have obvious implications for the performance appraisal process. The weight that each has in the overall evaluation of the employee largely depends on the nature of the job.

Tenure as a criterion, however, is used mostly for research purposes when evaluating the success of selection decisions. For example, in a job such as food preparer at McDonald’s, there is probably little difference in the quantity and quality of hamburgers or French fries that are cooked. But an employee might be considered “successful” if she stays with the company for at least four months and “unsuccessful” if she leaves before that time. In fact, the importance of tenure can be demonstrated by noting that several major fast-food restaurants and convenience stores have established bonus systems to reward long-tenure employees—that is, those who have worked for a company at least six months. For each hour the employee works, the company places a specified amount of money into an account that can be used by the employee to pay such education expenses as books and tuition.

**Safety.** Another method used to evaluate the success of an employee is safety. Obviously, employees who follow safety rules and who have no occupational accidents do not cost an organization as much money as those who break rules, equipment, and possibly their own bodies. As with tenure, safety is usually used for research purposes, but it can also be used for employment decisions such as promotions and bonuses.

**Ratings of Performance**

The most commonly used option in evaluating performance is to have supervisors rate how well the employee performed on each dimension. Though there are many variations of how these rating scales can be created, the two most common are the graphic rating scale and the behavioral checklist.

**Graphic Rating Scale.** The most common rating scale is the graphic rating scale. An example is shown in Table 7.5. As you can see, such scales are fairly simple, with 5 to 10 dimensions accompanied by words such as “excellent” and “poor” anchoring the ends of the scale.

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Poor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation</td>
<td>Poor</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>Excellent</td>
</tr>
<tr>
<td>Dependability</td>
<td>Poor</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>Excellent</td>
</tr>
<tr>
<td>Attendance</td>
<td>Poor</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>Excellent</td>
</tr>
</tbody>
</table>
The obvious advantage of graphic rating scales is their ease of construction and use, but they have been criticized because of their susceptibility to such rating errors as halo and leniency, which are discussed later in this chapter.

Behavioral Checklists. As shown in Figure 7.6, behavioral checklists consist of a list of behaviors, expectations, or results for each dimension. This list is used to force the supervisor to concentrate on the relevant behaviors that fall under a dimension. Behavioral checklists are constructed by taking the task statements from a detailed job description (e.g., “Types correspondence”) and converting them into behavioral performance statements representing the level at which the behavior is expected to be performed (e.g., “Correspondence is typed accurately and does not contain spelling or grammatical errors”).

When creating the statements for each dimension, one should carefully consider whether to write the statements in the form of behaviors or in the form of results. Examples of behavior-based statements for a bank teller might include “Properly greets each customer,” “Knows customers’ names,” and “Thanks customer after each transaction.” The obvious advantage to a behavior-focused system is the increased amount of specific feedback that can be given to each employee.

Result-focused statements concentrate on what an employee accomplished as a result of what she did. For example, “Distributed at least 25 Visa applications each month,” “Teller drawer was not short at the end of the day,” and “Completed annual report on time.” Result-focused systems are tempting because they
evaluate employees on their contribution to the bottom line: Did their behavior on the job result in a tangible outcome for the organization? To practice writing behavioral statements, complete Exercise 7.4 in your workbook.

A problem with result-focused statements is that an employee can do everything asked of her by an organization and still not get the desired results due to factors outside of her control. These factors are referred to as contamination. In banking, a teller might not be successful in getting customers to sign up for Visa cards because the bank’s interest rate is not competitive. In law enforcement, a police officer might not write many traffic citations because she patrols an area in which there are few cars. In retail, a salesperson has poor sales because of her geographic location. For example: Two salespersons work in different locations, Mary Anderson sells an average of 120 air conditioners per month, while Tamika Johnson averages 93. Is this criterion free from contamination? Definitely not.

The number of sales is based not only on the skills of the salesperson but also on such factors as the number of stores in the sales territory, the average temperature in the territory, and the relations between the previous salesperson and the store owners. Thus, if we used only the number of sales, Mary Anderson would be considered our top salesperson. But if we take into account that sales are contaminated by the number of stores in the territory, we see that Mary Anderson sold 120 air conditioners in 50 possible stores, whereas Tamika Johnson sold 93 air conditioners in 10 stores. Thus, Mary Anderson sold an average of 2.4 air conditioners per store in an area with an average temperature of 93 degrees; Tamika Johnson sold an average of 9.3 air conditioners per store in an area with an average temperature of 80 degrees. By considering the potential areas of contamination, a different picture emerges of relative performance. As this example clearly shows, factors other than actual performance can affect criteria. Therefore, it is essential to identify as many sources of contamination as possible and to determine ways to adjust performance ratings to account for these contamination sources.

After considering the behaviors in the checklist, a supervisor provides an overall rating of the employee’s performance on each dimension. As shown in Figure 7.7, employees can be rated in three ways: how they compared with other employees, the frequency with which they performed certain behaviors, and the extent to which the behaviors met the expectations of the employer.

**Comparison with Other Employees.** Supervisors can rate performance on a dimension by comparing the employee’s level of performance with that of other employees. It is important to note that when such scale anchors as “below average,” “average,” and “above average” are used, the evaluation involves rating employee performance in comparison with other employees. Though this approach will reduce such problems as overly lenient or overly strict ratings, it potentially forces a supervisor to rate employees who are performing well as being worse than other employees.

**Frequency of Desired Behaviors.** Behaviors can be rated based on the frequency with which they occur. For example, we expect our production workers to follow safety guidelines. As part of our performance appraisal system, supervisors are asked to decide whether their employees “always,” “almost always,” “often,” “seldom,” or “never” follow the rules. As you can imagine, it is often difficult for a supervisor to distinguish between levels such as “almost always” and “often.”

**Extent to Which Organizational Expectations Are Met.** Perhaps the best approach is to rate employees on the extent to which their behavior meets the expectations of the
such an approach allows for high levels of feedback and can be applied to most types of employee behavior. Some behaviors, however, are not suitable for such a scale. Take, for example, the expectation that a police officer always wear her seat belt. If she wears it all the time, she has met expectations (a rating of 3): There is no way to get a higher rating because one cannot wear a seat belt more often than always and thus cannot ever exceed expectations. When such a situation is possible, the scale can be adjusted to be similar to that shown in Figure 7.8.

As shown in Figures 7.9 through 7.11, in addition to graphic rating scales and behavioral checklists, a variety of methods to rate performance are available, including behaviorally anchored rating scales (BARS), mixed-standard scales, and forced-choice scales. Because these scales are not commonly used, but are historically and psychometrically interesting, information about them has been included in the appendix to this chapter.

### Evaluation of Performance Appraisal Methods

In the previous pages and in the chapter Appendix, several methods for evaluating employee performance are offered. Of course, we might now ask, Is any one of these methods the best? Probably not. Research has shown that such complicated techniques as BARS, forced-choice scales, and mixed-standard scales are only occasionally superior to the inexpensive and uncomplicated graphic rating scale (Murphy, 2008).

Although techniques such as behavioral checklists are only slightly more psychometrically sound, they still have some advantages over graphic rating scales. Because employees are directly involved in creating them, they tend to see
performance-evaluation results as being more fair. Furthermore, many supervisors who make such ratings prefer many of the behavioral approaches (Dickenson & Zellinger, 1980). Finally, feedback from behavior-based methods is easier to give and to use to provide suggestions for improvement.

It is important to understand that although the various performance appraisal methods may yield results that are technically similar, the way in which the performance appraisal system is administered can affect employee trust and satisfaction. Gaby and Woehr (2005) found that the greater the employee perception of the fairness of the performance appraisal system, the greater was their job satisfaction and commitment to the organization.

Though many of the behavioral methods yield similar results, the same is not true when comparing subjective and objective methods. A meta-analysis by Bommer, Johnson, Rich, Podsakoff, and Mackenzie (1995) indicates that objective and subjective results are only slightly correlated ($r = .39$). Interestingly, there was a stronger relationship between objective and subjective ratings of quantity ($r = .38$) than between objective and subjective ratings of quality ($r = .24$).

From a legal perspective, courts are more interested in the due process afforded by a performance appraisal system than in its technical aspects. Reviews of 295 circuit court (Werner & Bolino, 1995) and 145 federal district court cases (Foster, Dunleavy, Campion, & Steubing, 2008) suggest that decisions based on performance appraisal ratings are most likely to survive a legal challenge if they are based on a job analysis, raters received training and written instructions, raters had the opportunity to actually observe the performance of the employee, performance standards had been communicated to the employee, employees were allowed to review and comment on the appraisal results, employees were warned

**Use of Weapons and Vehicle**

**Behaviors that can meet or exceed expectations**
- Effectively handled vehicle in pursuit or emergency situations
- Demonstrated marksmanship above minimum requirements
- Demonstrated appropriate judgment in determining the use of force
- Demonstrated appropriate judgment in making pursuit decisions

**Behaviors that can only meet expectations**
- Weapons ratings are current and meet minimum requirements
- Weapons were carried in an appropriate manner
- When weapons were used, reports were filed on time
- When weapons were used, reports contained accurate information
- When driving, seat belts were always worn
- Carried only weapons issued and/or authorized by the Department
- Applied force only when use of force was justified

**Dimension Rating**
- 5 Consistently exceeds requirements, no improvements needed
- 4 Exceeds most requirements
- 3 Usually meets requirements, acceptable performance
- 2 Usually meets most requirements, but needs improvement
- 1 Does not meet minimum requirements, needs immediate and extensive improvement
Figure 7.9
Example of a behaviorally anchored rating scale (bank teller)

Use of knowledge

<table>
<thead>
<tr>
<th>Use of knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

A customer wanted to deposit a large amount of money. The teller explained to the customer that he could earn more interest on a money market account than with a savings account.

4

A customer applied for a new auto loan and had an E/I too high for approval. This employee suggested a lower-priced auto with a lower payment to reduce his E/I.

3

When a customer called, this employee accurately answered her question about finance charges.

2

When a customer came to the bank for a loan, this employee had to search for instructions and kept the customer waiting.

1

A customer wanted to cash a large check. The teller said that it could not be cashed but did not realize that it was all right as long as the customer had that amount in her account.

Directions: In each of the following items, check the one statement that is most like the teller being rated and the one statement that is least like the teller being rated.

1. a) [ ] [ ] Teller is always on time (neutral).
   b) [ ] [ ] Teller is never short at end of day (poor).
   c) [ ] [ ] Teller smiles at each customer (excellent).

2. a) [ ] [ ] Teller usually cross-sells (excellent).
   b) [ ] [ ] Teller keeps work area neat and orderly (poor).
   c) [ ] [ ] Teller is friendly to other employees (neutral).

Figure 7.10
Example of a forced choice rating scale (bank teller)
of performance problems and given a chance to improve their performance, and ratings from multiple raters are consistent. Interestingly, an analysis of appellate court cases suggests that conservative courts (e.g., 4th Circuit) are more likely to base their decisions on the validity and accuracy of the performance appraisal instrument, whereas liberal courts (e.g., 9th Circuit) are more likely to base their decisions on fairness issues (Lee, Havighurst, & Rassel, 2004).

Step 5: Train Raters

Although training supervisors to evaluate performance is essential to a sound and legal performance appraisal system, few organizations spend the time and resources necessary to do this properly (Hauenstein, 1998). This lack of training is surprising given that research has indicated that training supervisors to become aware of the various rating errors and how to avoid them often increases accuracy and reduces rating errors (Hauenstein, 1998), increases the validity of tests validated against the ratings (Purseell, Dossett, & Latham, 1980), and increases employee satisfaction with the ratings (Ivancevich, 1992). This is especially true when the training technique uses discussion, practice in rating, and feedback about rating accuracy rather than lecture (Smith, 1986). These training effects, however, are short-lived (Noble, 1997) unless additional training and feedback are provided, and they can even reduce the accuracy of ratings by substituting new errors (Bernardin & Pence, 1980).

The effectiveness of rater training also is a function of training format. Raters who receive frame-of-reference training make fewer rating errors and recall more training information than do untrained raters or raters receiving information about only job-related behaviors (Athey & McIntyre, 1987; Day & Sulsky, 1995; Sulsky & Day, 1992). Frame-of-reference training provides raters with job-related information, practice in rating, and examples of ratings made by experts as well as the rationale behind those expert ratings (Hauenstein & Foti, 1989). The goal of frame-of-reference training is to communicate the organization’s definition of effective performance and to then get raters to consider only relevant employee behaviors when making performance evaluations (Uggerslev & Sulsky, 2008).
Though training raters is certainly important, it is also important to explain the performance appraisal system to employees. Not surprisingly, the better that employees understand the performance appraisal system, the greater is their satisfaction with the system (Whiting, Kline, & Sulsky, 2005).

**Step 6: Observe and Document Performance**

The next step in the performance appraisal process is for supervisors to observe employee behavior and document critical incidents as they occur. Critical incidents are examples of excellent and poor employee performance. Such documentation is usually written in a critical incident log—formal accounts of excellent and poor employee performance that were observed by the supervisor. Critical incidents should be communicated to the employee at the time they occur (details on how to provide feedback will occur later in this chapter as well as in Chapter 9). Documentation is important for four reasons. First, documentation forces a supervisor to focus on employee behaviors rather than traits and provides behavioral examples to use when reviewing performance ratings with employees.

Second, documentation helps supervisors recall behaviors when they are evaluating performance. As shown in Figure 7.12, without documentation, instead of recalling all of an employee's behavior or at least a representative sample of

---

**Figure 7.12**

Information loss in the performance appraisal system
behavior, supervisors tend to recall only a small percentage of an employee’s actual behavior. Supervisors tend to remember the following:

- **First impressions.** Research from many areas of psychology indicates that we remember our first impression of someone (primacy effect) more than we remember later behaviors. Consequently, supervisors recall behaviors that are consistent with their first impression of an employee, even though those first behaviors may not have been representative of the employee’s typical performance. Being aware of first impressions is important because performance can be *dynamic*, meaning that a person who is the top performer one year may not be the top performer during another year (Reb & Greguras, 2008).

- **Recent behaviors.** In addition to first impressions, supervisors tend to recall the most recent behavior that occurred during the evaluation period.

- **Unusual or extreme behaviors.** Supervisors tend to remember unusual behaviors more than they remember common behaviors. For example, if an average-performing police officer captures an important criminal, the officer’s performance evaluations are likely to be inappropriately high. Likewise, a good officer who makes a terrible mistake is likely to receive inappropriately low ratings.

- **Behavior consistent with the supervisor’s opinion.** Once we form an opinion of someone, we tend to look for behaviors that confirm that opinion. If a supervisor likes an employee, she will probably recall only behaviors consistent with that opinion. The opposite would be true for a supervisor who disliked an employee. Once you get on someone’s bad side, it is hard to get off of it.

Third, documentation provides examples to use when reviewing performance ratings with employees. Instead of telling an employee that she is constantly
Evaluating Employee Performance

Step 7: Evaluate Performance

Obtaining and Reviewing Objective Data

When it is time to appraise an employee’s performance, a supervisor should first obtain and review the objective data relevant to the employee's behavior. For example, a police sergeant might review the numbers of tickets an officer wrote,
arrests made, and citizen complaints received. A production supervisor might review the number of days an employee was absent, number of units produced, and the tons of material wasted. These data, when combined with criticalincident logs, provide a solid basis on which to rate an employee. As mentioned earlier in the chapter and shown in Figure 7.5, when reviewing objective data, it is essential that potential sources of contamination (e.g., shift, equipment, training, coworkers, geographic area) be considered. Complete Exercise 7.5 in your workbook to get experience dealing with contamination problems.

**Reading Critical-incident Logs**

After obtaining objective data, the supervisor should go back and read all of the critical incidents written for an employee. Reading these incidents should reduce errors of primacy, recency, and attention to unusual information.
Completing the Rating Form

Once critical-incident logs have been read and objective data reviewed, the supervisor is ready to assign performance appraisal ratings. While making these ratings, the supervisor must be careful not to make common rating errors involving distribution, halo, proximity, and contrast.

Distribution Errors

A common type of error in evaluating employee performance involves the distribution of ratings on a rating scale; such errors are known as distribution errors. Distribution errors are made when a rater uses only one part of a rating scale. For example, on a five-point scale, a supervisor might rate all of her employees a 4 or a 5. One kind of distribution error is called leniency error, because certain raters tend to rate every employee at the upper end of the scale regardless of the actual performance of the employee. For example, on our five-point scale, the supervisor rates everyone a 4 or 5. Leniency error can in part be explained by the discomfort felt by supervisors about giving low ratings. That is, supervisors who are uncomfortable about how employees react to a low rating are more likely to be lenient than supervisors who are comfortable with negative employee reactions (Canali et al., 2005). Another partial explanation for leniency is that supervisors don't really know the difference between good and bad performance, so they err on the positive side.

A related error is central tendency error, which results in a supervisor rating every employee in the middle of the scale. For example, in our five-point scale, the supervisor rates everyone a 3. Still another error, strictness error, rates every employee at the low end of the scale. For example, on our five-point scale, our supervisor rates everyone a 1 or 2. You have probably encountered such errors in your academic career when you took classes from “easy graders” or “hard graders.”

Halo Errors

A halo error occurs when a rater allows either a single attribute or an overall impression of an individual to affect the ratings that she makes on each relevant job dimension. For example, a teacher might think that a student is highly creative. Because of that, the teacher might rate the student as being intelligent and industrious when, in fact, the student’s grades are below average. In this case, the instructor has allowed the student’s creativity to cloud her judgment of the student’s other abilities. Halo effects occur especially when the rater has little knowledge of the job and is less familiar with the person being rated (Kozlowski, Kirsch, & Chao, 1986). Halo error is also more common in peer ratings than in supervisor ratings of subordinates (Viswesvaran, Schmidt, & Ones, 2005).

Usually, halo error is statistically determined by correlating the ratings for each dimension with those for the other dimensions. If they are highly correlated, halo error is often said to have occurred. As one might expect, there are explanations other than halo error for the high correlation among rating dimensions. Some psychologists have argued that consistent ratings across several dimensions might indicate actual consistencies in employee performance across
dimensions rather than rating error. Thus a teacher who is rated highly in classroom teaching, ability to work with students, knowledge, and fairness of grading actually may excel in those things. At this time, the best explanation for the consistency across rating dimensions is that some of the consistency is due to actual performance and some to halo and other rating errors (Viswesvaran et al., 2005).

Halo errors may or may not be a serious problem (Balzer & Sulsky, 1992), but they can be reduced by having supervisors rate each trait at separate times. That is, the supervisor might rate the employee on attendance one day and then on dependability the next. Of course, in reality, such a practice is seldom possible. Examples of halo, leniency, central tendency, and strictness errors are shown in Figure 7.14.

**Proximity Errors**

Proximity errors occur when a rating made on one dimension affects the rating made on the dimension that immediately follows it on the rating scale. For example, a supervisor gives an employee a rating of 5 on the first dimension. Because the second dimension is *physically located* on the rating form next to the
agency heads, and constitutional officers writing position competencies specific to each of their positions. They vary in number; the smaller the number, the larger the weight they carry, since position competencies represent one-half of the total score. Two positions classified the same but crossing departmental lines may have different position competencies based on the particulars in each department/agency.

As part of the original development of the program, plans were included for a career-development component. This has begun to take shape as small groups of employees in career families are planning career paths. These are reviewed for consistency across the board, both internally within departments and agencies and externally across departmental lines within the county. Since local governments do not always have the opportunity for employees to progress upward through the pay system, “lateral” paths are also being developed, whereby individuals may progress within the same pay range. This allows for professional development and growth throughout the county, thereby encouraging retention.

I have found that a dynamic performance management system is crucial to our workplace. It has to fit the culture of our organization and the expectations of our leadership. It is primarily a communications tool through which feedback and opportunity are intertwined. Without the benchmark of performance appraisal, the employee is left adrift missing the benefit of knowing where he/she stands. Its absence can be a breeding ground for assumptions and often disappointment. I believe that the basics of a good performance appraisal system can be summarized as follows:

1. The fundamental tenets support the mission or goals of the organization;
2. It is consistently applied.
3. It is supported by the leaders of the organization.
4. It is manageable and simple to understand.
5. It provides information to both the employee and the employer.

Although the mechanics of the right system can seem difficult to figure out, in the end it’s about people. The performance appraisal process is often viewed as time-consuming, but it is also time well spent. It is an investment in the employee and the organization. It yields the rewards that come with paying attention as we lead very hectic lives in the workplace. The process presents an opportunity to celebrate accomplishments, along with providing for planning and direction. It allows for open dialogue about the challenges and concerns that can be present in the employment relationship. Finally, I believe that it provides an assurance that the employee’s successful performance is a priority to the organization. After all, it is in the best interest of both the employer and the employee for that to be so

first, there is a tendency to provide the same rating on both the first and second dimensions. The difference between this error and halo error is in the cause of the error and the number of dimensions affected. With halo error, all dimensions are affected by an overall impression of the employee. With proximity error, only the dimensions physically located nearest a particular dimension on the rating scale are affected; the reason for the effect, in fact, is the close physical proximity of the dimension rather than an overall impression.

**Contrast Errors**

The performance rating one person receives can be influenced by the performance of a previously evaluated person (Bravo & Kravitz, 1996). For example, a bank manager has six employees who are evaluated twice a year—on February 5 and again on August 5. The manager makes the evaluations in alphabetical order, starting with Joan Carr and then going to Donna Chan. Joan Carr is the best employee the bank has ever had, and she receives the highest possible rating on each dimension. After evaluating Carr, the manager then evaluates Chan. When compared with Carr, Chan is not nearly as effective an employee. Thus, Chan receives lower ratings than she might normally receive simply because she
has been evaluated immediately after Carr. Her performance has been contrasted to Carr’s performance rather than to some objective standard.

Such contrast errors can also occur between separate performance evaluations of the same person. That is, the ratings received on one performance appraisal will affect the ratings made on an appraisal six months later. For example, an employee’s performance during the first six months of the year is “excellent,” and she receives outstanding performance ratings. For some reason, the employee’s actual behavior in the next six months is only “good.” What type of performance ratings will she receive? Based on the results of a study by Murphy, Gannett, Herr, and Chen (1986), the answer probably is that her ratings will be less than “good.” In contrast to her initial excellent performance, the employee’s subsequent performance (which may indeed have been “good”) appeared to be lower than it actually was. Contrast effects occur only when the person making the evaluation actually sees the employee perform (Smither, Reilly, & Buda, 1996) and rates the employee (Summer & Knight, 1998) during both rating periods.

If a new supervisor reads that an employee’s previous evaluations were excellent but she observes poor performance by the employee, she will probably continue to give excellent ratings—even though the employee’s performance deteriorated. Smither and his colleagues call this rating error assimilation. To get a better feel for rating errors, complete Exercise 7.6 in your workbook.

**Low Reliability across Raters**

As shown back in Table 7.1, two people rating the same employee seldom agree with each other (Conway & Huffcut, 1997; Viswesvaran, Ones, & Schmidt, 1996). There are three major reasons for this lack of reliability. First, raters often commit the rating errors previously discussed (e.g., halo, leniency). Thus, if one rater
engages in halo error and another in contrast error, it is not surprising that their ratings of the same employee are different.

Second, raters often have very different standards and ideas about the ideal employee. For example, I recently conducted a performance appraisal workshop for a police department. After viewing a video clip of an officer handling a disturbance call, one sergeant rated the officer’s performance as excellent and another rated the officer’s performance as being terrible. When asked about their different ratings, one sergeant indicated that he thought officers should be aggressive and take command of a situation, whereas the other sergeant thought officers should be more citizen oriented. Thus, the same employee behavior elicited two very different ratings because each sergeant had a different “prototype” of the ideal cop.

Third, as mentioned earlier in the chapter, two different raters may actually see very different behaviors by the same employee. For example, a desk sergeant may see more administrative and paperwork behaviors, whereas a field sergeant may see more law enforcement behaviors. Thus, different ratings by the two sergeants may simply reflect the fact that each has observed the officer perform in very different situations. As mentioned earlier, one way to reduce the number of rating errors and increase reliability is to train the people who will be making the performance evaluations (Hauenstein, 1998).

**Sampling Problems**

**Recency Effect.** Performance appraisals are typically conducted once or twice a year. The evaluation is designed to cover all of the behaviors that have taken place during the previous 6 months to a year. Research has demonstrated, however, that recent behaviors are given more weight in the performance evaluation than behaviors that occurred during the first few months of the evaluation period. Such an effect penalizes workers who performed well during most of the period but tailed off toward the end, and it rewards workers who saved their best work until just before the evaluation.

In baseball, the Los Angeles Dodgers had several years where they lost many games early in the season, which eliminated them from pennant contention. But several players played well and produced great statistics during the final month of the season; the press called this period the “salary drive,” as opposed to the “pennant drive.” This suggests that the players may have been aware of the recency effect. They hoped that high performance before contracts were renewed would bring better evaluations and thus higher salaries for the next year. It seems that students are well aware of the recency effect when they argue that the high score on their final exam should carry more weight than the lower scores on previous exams!

**Infrequent Observation.** As shown back in Figure 7.2, another problem that affects performance appraisals is that many managers or supervisors do not have the opportunity to observe a representative sample of employee behavior. **Infrequent observation** occurs for two reasons. First, managers are often so busy with their own work that they have no time to “walk the floor” and observe their employees’ behavior. Instead, they make inferences based on completed work or employee personality traits (Feldman, 1981). A good example involves a teacher who completes a reference form for a student. Reference forms commonly ask about characteristics such as the applicant’s ability to cooperate or to get along with others. The teacher must base her evaluation on the term papers that she has
seen and the student’s test grades. Rarely does she have the opportunity to watch the student “get along with” or “cooperate with others.” Instead, because a group project was turned in on time and received an excellent grade, she surmises that the student must have cooperated and gotten along well with other group members.

Employees often act differently around a supervisor than around other workers, which is the second reason managers usually do not make accurate observations. When the supervisor is absent, an employee may break rules, show up late, or work slowly. But when the boss is around, the employee becomes a model worker. In the eyes of the supervisor, the employee is doing an excellent job; the other workers, however, know better.

As discussed earlier in the chapter, this problem can be alleviated somewhat by having several raters evaluate the employee. Other raters can be other supervisors, fellow workers (peer ratings), and even customers. A meta-analysis by Conway and Huffcutt (1997) indicated that supervisor ratings on the average correlate .34 with peer ratings. Thus, even though the two groups somewhat agree, the agreement is certainly not perfect.

Unfortunately, ratings from these sources are often subject to more errors than the uninformed ratings made by a supervisor. For example, customers may complain about a worker even though she is following policy, and a worker may provide low evaluations of her coworkers so that she will receive a higher raise. Even with these problems, multiple raters remain a good idea.

**Cognitive Processing of Observed Behavior**

**Observation of Behavior.** As shown in Figure 7.15, just because an employee’s behavior is observed does not guarantee that it will be properly remembered or recalled during the performance appraisal review. In fact, research indicates that raters recall those behaviors that are consistent with their general impression of an employee (Cooper, 1981a; Feldman, 1981; Martell, Guzzo, & Willis, 1995), and the greater the time interval between the actual behavior and the performance rating, the greater the probability that rating errors will occur (Murphy, Martin, & Garcia, 1982; Nathan & Lord, 1983). Furthermore, raters who are familiar with the job being evaluated recall more judgments about performance but fewer behaviors than do raters who are unfamiliar with the job (Harriman & Kovach, 1987; Hauenstein, 1986). The decrease in memory accuracy over time can be reduced if several raters, rather than one, are used to evaluate performance (Martell & Borg, 1993).

But even though memory-based ratings lead to more distortion, in many circumstances they are more accurate than ratings made immediately after the behaviors occur (Murphy & Balzer, 1986). The reason for these increases in halo and accuracy is not yet clear. Supervisors perhaps realize that it will be a long interval between observation of employee behavior and the formal evaluation of that behavior and that they will not be able (without great effort or the use of log books) to remember specific behaviors. Thus, they form an overall impression of the employee and an overall impression of an ideal and a poor employee and evaluate the employee based on comparison with the ideal.

**Emotional State.** The amount of stress under which a supervisor operates also affects her performance ratings. Srinivas and Motowidlo (1987) found that raters who were placed in a stressful situation produced ratings with more errors than did
Figure 7.15
Factors affecting information loss

- Logbooks used to record observed behavior result in more accurate performance appraisals than reliance on memory alone (Bernardin & Walter, 1977).
- Logbooks organized by employee will be more accurate than random recordings or logbooks organized by dimension (DeNisi, Robbins, & Cafferty, 1989; DeNisi & Peters, 1996).

- Raters knowledgeable about the job recall more judgments about performance but fewer behaviors than do raters unfamiliar with the job (Hauenstein, 1986).
- Raters recall behavior consistent with their general impression (schema) of the employee (Cooper, 1981a, 1981b; Feldman, 1981).

- Training raters will increase accuracy (Smither, Barry, & Reilly, 1989).
- The longer the interval between actual behavior and ratings of the behavior, the greater the halo errors (Nathan & Lord, 1983) and distortion errors (Murphy, Martin, & Garcia, 1982).
- Stress increases rating errors (Srinivas & Motowidlo, 1987).
- Raters rate employees of same race higher than employees of a different race (Kraiger & Ford, 1985; Pulakos, White, Oppler, & Borman, 1989).

Raters who were not under stress. This finding is important because performance evaluations are often conducted hurriedly, as supervisors evaluate employee performance so they can return to their “real” work. Methods for reducing this problem will be discussed later in this chapter.

Bias. Raters who like the employees being rated may be more lenient (Lefkowitz, 2000; Varma, DeNisi, & Peters, 1996) and less accurate in their ratings than would
raters who neither like nor dislike their employees (Cardy & Dobbins, 1986). But this does not mean that a person who is liked will always receive higher ratings than someone who is disliked. The rater may overcompensate in an effort to be “fair.” The rater’s feelings, or affect, toward an employee may interfere with the cognitive processing of actual performance information.

Research on the presence of racial bias in performance evaluations is both controversial and mixed. Two reviews of the literature (Landy, Shankster, & Kohler, 1994; Latham & Wexley, 1994) concluded that racial biases do not play a significant role in performance appraisals. A meta-analysis of 74 studies by Kraiger and Ford (1985) found a racial similarity bias in that White raters gave higher performance ratings to White employees, and African American raters gave higher ratings to African American employees. Interestingly, this bias occurred only with studies involving real organizations—laboratory research seldom revealed racial bias in performance ratings. Complicating this issue is a study by Stauffer and Buckley (2005) arguing that much of the research in this area is flawed and that when the proper method (repeated measures) is used, evidence of racial bias in performance ratings exists.

A meta-analysis by Bowen, Swim, and Jacobs (2000) and a large data set of 360-degree feedback ratings by Church, Rogelberg, and Waclawski (2000) suggest that gender bias does not seem to be an issue in performance ratings. Meta-analysis results also indicate that age is not related to performance ratings (Ng & Feldman, 2008).

### Step 8: Communicate Appraisal Results to Employees

As was stated in the beginning of this chapter, perhaps the most important use of performance-evaluation data is to provide feedback to the employee and assess her strengths and weaknesses so that further training can be implemented. Although this feedback and training should be an ongoing process, the semiannual evaluation might be the best time to formally discuss employee performance. Furthermore, holding a formal review interview places the organization on better legal ground in the event of a lawsuit (Foster et al., 2008; Malos, 1998).

Normally, in most organizations a supervisor spends a few minutes with employees every 6 months to tell them about the scores they received during the most recent evaluation period. This process is probably the norm because most managers do not like to judge others; because of this dislike, they try to complete the evaluation process as quickly as possible (Greensing-Pophal, 2001b).

Furthermore, seldom does evaluating employees benefit the supervisor. The best scenario is to hear no complaints, and the worst scenario is a lawsuit. In fact, one study demonstrated that dissatisfaction and a decrease in organizational commitment occurs even when an employee receives an evaluation that is “satisfactory” but not “outstanding” (Pearce & Porter, 1986). Finally, in the “tell and sell” approach to performance appraisal interviews, a supervisor “tells” an employee everything she has done poorly and then “sells” her on ways she can improve. This method, however, accomplishes little.

Research suggests that certain techniques can be used to make the performance appraisal interview more effective: time, scheduling, and preparation.
Prior to the Interview

**Allocating Time**
Both the supervisor and the employee must have time to prepare for the review interview. Both should be allowed at least an hour to prepare before an interview and at least an hour for the interview itself.

**Scheduling the Interview**
The interview location should be in a neutral place that ensures privacy and allows the supervisor and the employee to face one another without a desk between them as a communication barrier. Performance appraisal review interviews should be scheduled at least once every 6 months for most employees and more often for new employees. Review interviews are commonly scheduled 6 months after an employee begins working for the organization. If this date comes at a bad time (such as during the Christmas season, a busy time for retail stores), the interview should be scheduled for a more convenient time. It is important to note that although the formal performance appraisal review occurs only once or twice a year, informal “progress checks” should be held throughout the year to provide feedback.

**Preparing for the Interview**
While preparing for the interview, the supervisor should review the ratings she has assigned to the employee and the reasons for those ratings. This step is important because the quality of feedback given to employees will affect their satisfaction with the entire performance appraisal process (Mount, 1983). Furthermore, employees perceive and react to the amount of time that a supervisor uses to prepare for the interview.

Meanwhile, the employee should rate her own performance using the same format as the supervisor (Roberts, 2003). The employee also should write down specific reasons and examples that support the ratings she gives herself, as well as ideas for personal development.

**During the Interview**
Because employees and supervisors are often anxious about performance reviews, it is a good idea to begin the interview with some small talk until the jitters go away. Once the employee and supervisor are feeling as comfortable as they are going to get, the supervisor should communicate the following: (1) the role of performance appraisal—that making decisions about salary increases and terminations is not its only purpose; (2) how the performance appraisal was conducted; (3) how the evaluation process was accomplished; (4) the expectation that the appraisal interview will be interactive; and (5) the goal of understanding and improving performance.

The review process is probably best begun with the employee communicating her own ratings and her justification for them (Bacal, 2004). Research indicates that employees who are actively involved in the interview from the start will be more satisfied with the results (Gilliland & Langdon, 1998; Roberts, 2003).

The supervisor then communicates her ratings and the reasons for them. The supervisor should limit this communication to statements about behavior and performance rather than traits that are or are not possessed by the employee. Of course, it would be nice to avoid negative feedback because employees then are more satisfied with their reviews and don’t develop negative attitudes toward
management (Brett & Atwater, 2001). But few employees are perfect, and some negative feedback is inevitable. Because of this, positive feedback generally should be given first, followed by the negative feedback, and finishing with more positive feedback (Stone, Gueutal, & McIntosh, 1984). This process is often referred to as the “feedback sandwich,” in which the negative feedback is sandwiched between positive feedback. Liberal use of positive feedback not only helps employees accept the negative feedback, but also helps supervisors who tend to avoid providing negative feedback in an effort to reduce the chance of interpersonal conflict (Waung & Highhouse, 1997). Any major differences between the employee’s self-ratings and those given by the supervisor should be discussed until both understand the differences.

The next step is perhaps the most important. Because few employees receive perfect evaluations, it is essential to discuss the reasons an employee’s performance is not considered to be perfect. The employee may lack some knowledge as to how to perform the job properly, may have been assigned too many duties, or may have outside problems that affect her work performance.

The supervisor’s acknowledgement that there may be external reasons for an employee’s poor performance can increase the employee’s satisfaction with the review and enable her to perceive the feedback and evaluation as accurate and helpful. In addition, it will help the employee understand and appreciate the supervisor’s perceptions (Bannister, 1986). Feedback should be candid, specific, and behavioral rather than personal. Awareness and acknowledgment of external factors for performance is especially important because we have a tendency, called the fundamental attribution error, to attribute others’ failure or poor performance to personal rather than situational factors.

Once the problems have been identified, the next and most difficult task is to find solutions. What can the supervisor do to help? What can the organization do? What can the employee do? The idea here is that solutions to the problems result from joint effort. Too often we attribute poor performance solely to the fault of the employee, when, in fact, performance is affected by many factors (see Figure 7.5).
At the conclusion of the interview, goals should be mutually set for future performance and behavior, and both supervisor and employee should understand how these goals will be met (Bacal, 2004). Goals and goal setting will be thoroughly discussed in Chapter 9. For now, however, we should keep in mind that goals should be concrete and reasonable and set by both employee and supervisor. The Career Workshop box gives tips on how employees can help themselves in terms of performance appraisals. To practice conducting a performance appraisal review interview, complete Exercise 7.7 in your workbook.

---

**Step 9: Terminate Employees**

As discussed in the preceding pages, the primary use of performance appraisal results is to provide feedback to employees about their behavior. Performance appraisal results are also used to make positive personnel decisions such as raises and promotions. Unfortunately, there are times when managers have to terminate an employee’s employment. Over the next few pages, we will discuss the legal aspects of terminating an employee.

**Employment-at-Will Doctrine**

In the United States, there is a big difference between terminating an employee in the public sector and terminating an employee in the private sector. In the private sector, the employment-at-will doctrine in most states allows employers freedom to fire an employee without a reason—at will. In the public sector, an employee can be fired only for cause.

The idea behind employment at will is that because employees are free to quit their jobs at will, so too are organizations free to terminate an employee at will (Delpo, 2009). Though employment-at-will is common in the United States, countries such as France enforce the restriction that no employee can be fired unless it is for cause.

There are some limitations to the employment-at-will doctrine (Falcone, 2002):

- **State law.** States such as California, Montana, and New York have laws that an employee can be fired only for cause—e.g., breaking a rule, demonstrating an inability to perform.
- **Provisions of federal or state law.** Employees cannot be fired for reasons protected by federal or state law. For example, an employer cannot fire an employee because she is female, pregnant, nonwhite, or over the age of 40.
- **Public policy/interest.** Employers cannot terminate an employee for exercising a legal duty such as jury duty or refusing to violate the law or professional ethics. For example, a large savings and loan institution ordered one of its appraisers to appraise homes higher than their actual values so that its customers could qualify to finance property. Citing federal regulations and professional ethics against inflating property values, the employee refused the company order. After being terminated, the employee successfully filed a lawsuit (one of more than 200 filed by employees against this institution) claiming that he had been fired for refusing to violate the law and the ethical standards of his profession.
Contracts. Obviously, if an individual employee has a signed employment contract stipulating a particular period of employment, an organization cannot fire the employee without cause. Likewise, unions enter into collective bargaining agreements (contracts) with employers that also limit or negate employment-at-will.

Implied contracts. Employment-at-will is nullified if an employer implies that an employee “has a job for life” or can be fired only for certain reasons. For example, if an interviewer tells an applicant, “At this company, all you have to do is keep your nose clean to keep your job,” the employer will not be able to terminate the employee for minor rules infractions or for poor performance.

Covenants of good faith and fair dealing. Though employers are generally free to hire and fire at will, the courts have ruled that employers must still act in good faith and deal fairly with an employee. These rulings have been based on an item in the Uniform Commercial Code stating, “Every contract...imposes an obligation of good faith in its performance or enforcement,” and the fact that courts consider employment decisions to be a form of a contract.

To protect their right to use a policy of employment-at-will, most organizations include employment-at-will statements, such as that shown in Figure 7.16, in their job applications and employee handbooks. These statements usually hold up in court.

Legal Reasons for Terminating Employees

In situations not covered by employment-at-will, there are only four reasons that an employee can be legally terminated: probationary period, violation of company rules, inability to perform, and an economically caused reduction in force (layoffs).

Probationary Period

In many jobs, employees are given a probationary period in which to prove that they can perform well. Though most probationary periods last 3 to 6 months, those for police officers are usually a year, and the probationary period for professors is 6 years! Employees can be terminated more easily during the probationary period than at any other time.

Violation of Company Rules

Courts consider five factors in determining the legality of a decision to terminate an employee for violating company rules. The first factor is that a rule against

---

Figure 7.16
Sample employment-at-will statement

I understand that, if employed, I have the right to end my employment with Sordi Industries. Likewise, I understand that my employment with Sordi industries is not for any definite period of time, and Sordi Industries has the right to terminate my employment with or without cause and with or without notice. I understand that no representative of Sordi Industries is authorized to imply any contract for permanent employment.
a particular behavior must actually exist. Though this may seem obvious, organizations often have “unwritten” rules governing employee behavior. These unwritten rules, however, will not hold up in court. For example, a manufacturer fired an employee for wearing a gun under his jacket at work. The employee successfully appealed on the grounds that even though “common sense” would say that guns should not be brought to work, the company did not have a written rule against it.

If a rule exists, a company must prove that the employee knew the rule. Rules can be communicated orally during employee orientation and staff meetings and in writing in handbooks, newsletters, bulletin boards, and paycheck stuffers. Rules communicated in handbooks are the most legally defensible. To prove that an employee knew a rule, organizations require employees to sign statements that they received information about the rule, read the rule, and understand the rule.

The third factor is the ability of the employer to prove that an employee actually violated the rule. Proof is accomplished through such means as witnesses, video recordings, and job samples. Human resources professionals almost have to be detectives because proving rule violations is often not easy. For example, two supervisors saw an employee stagger into work and could clearly smell alcohol on her breath. She was terminated for violating the company rule against drinking. During her appeal of the termination, she claimed that she staggered because she had the flu and what the supervisors smelled was cough syrup rather than alcohol. The employee won the appeal. As a result of this case, the company now has an on-site nurse, and breathalyzer tests are administered to employees suspected of using alcohol at work.

The fourth factor considered by the courts is the extent to which the rule has been equally enforced. That is, if other employees violated the rule but were not terminated, terminating an employee for a particular rule violation may not be legal (Huske v. Honeywell International, 2004; Pineda v. United Parcel Service, 2003). This factor poses a dilemma for many organizations. Because courts look at consistency, lawyers advise organizations to fire any employee who violates a rule. To not fire a rule breaker sets a precedent, making termination of future rule breakers more difficult. There are many times when a good employee breaks a rule, a situation that normally would result in termination. However, because the employee is highly valued, the organization does not want to fire the employee.

Such a situation occurred at a bank. In violation of a bank rule, a teller did not ask for the ID of a customer who cashed what turned out to be a forged check. The bank was torn as to what it should do. Because the employee was one of their best tellers, the bank did not want to fire her. However, not firing her in this case would increase the chance that they would lose a future lawsuit if they terminated another employee for doing the same thing. The bank’s unusual decision was to terminate the employee, but it called a competitor, told it of the situation, and asked if it would hire her—which it did.

The fifth and final factor is the extent to which the punishment fits the crime. Employees in their probationary period (usually their first 6 months) can be immediately fired for a rule infraction. For more tenured employees, however, the organization must make a reasonable attempt to change the person’s behavior through progressive discipline (Janove, 2005). The longer an employee has been with an organization, the greater the number of steps that must be taken.
to correct her behavior. Discipline can begin with something simple such as counseling or an oral warning, move on to a written warning or probation, and end with steps such as reduction in pay, demotion, or termination.

For violations of some rules, progressive discipline is not always necessary. It is probably safe to say that an employer can terminate an employee who steals money or shoots someone at work.

**Inability to Perform**

Employees can also be terminated for an inability to perform the job. To do so, though, an organization will need to prove that the employee could not perform the job and that progressive discipline was taken to give the employee an opportunity to improve. For an employer to survive a court challenge to terminating a poor-performing employee, it must first demonstrate that a reasonable standard of performance was communicated to the employee. The organization must next demonstrate that there was a documented failure to meet the standard. Such documentation can include critical-incident logs and work samples (e.g., poorly typed letters for a secretary, improperly hemmed pants for a tailor).

A properly designed performance appraisal system is the key to legally terminating an employee (Martin, Bartol, & Kehoe, 2000). Legal performance appraisal systems (Smith, 1993)

- are based on a job analysis
- have concrete, relevant standards that have been communicated to employees
- involve multiple behavioral measures of performance
- include several raters, each of whom has received training
- are standardized and formal
- provide the opportunity for an employee to appeal

**Reduction in Force (Layoff)**

Employees can be terminated if it is in the best economic interests of an organization to do so. Reductions in force, more commonly called layoffs, have been used by the vast majority of Fortune 500 companies in the past few decades. In cases of large layoffs or plant closings, the Worker Adjustment and Retraining Notification Act (WARN) requires that organizations provide workers with at least 60 days’ notice. Though layoffs are designed to save money, research indicates not only that force reductions have a devastating effect on employees (Leana & Feldman, 1992), but that they often do not result in the desired financial savings (Cascio, 2002). Layoffs are extensively discussed in Chapter 14.

**The Termination Meeting**

**Prior to the Meeting**

Once a decision has been made to terminate an employee, certain steps should be taken to prepare for the meeting in which the decision will be communicated to the employee. The first step is to ensure that the legal process has been
followed. For example, if an organization is about to terminate an employee for a rule violation, it must be sure that a rule actually existed, that the employee knew the rule, that the organization has proof that the rule was violated, that progressive discipline was used, and that the rule was applied equally to all employees. An important responsibility for human resources professionals is to ensure that a termination decision is legally defensible.

The next step is to determine how much help, if any, the organization wants to offer the employee. Forms of help can include references, severance pay, and outplacement assistance. Usually, greater levels of help are given to employees who sign agreements not to sue the organization.

The final step is to schedule an appropriate place and time for the meeting to occur. The meeting should be held in a neutral, private location. To avoid potential damage caused by a hostile reaction to the termination decision, the meeting should not be held in a supervisor’s office. Rather than late on Friday afternoon, as is traditional, the meeting should take place on a Monday or Tuesday so that the employee has an opportunity to seek advice and the organization has a chance to talk to its employees (Karl & Hancock, 1999; Scrivner, 1995). When a termination is made on a Friday afternoon, the employee is unable to contact sources of help over the weekend. Likewise, the terminated employee has all weekend to get on the phone to tell her side of the story to other employees, while the organization must wait until Monday to refute the gossip.

**During the Meeting**

During the meeting, the supervisor should get to the point about terminating the employee. The employee usually knows why she has been called in, and there is no reason to prolong the agony. The supervisor should rationally state the reasons for the decision, express gratitude for the employee’s efforts (if sincere), and offer whatever assistance the organization intends to provide. Administrative duties such as obtaining copies of keys and completing paperwork are then performed. Finally, the employee is asked to gather personal belongings and is escorted out the door.

I realize that this advice sounds cold. However, terminating an employee is a difficult task, and there is little that can be done to make it pleasant. If you have ever ended a romantic relationship, I think you will understand the feelings that go into terminating an employee. It is an emotional time, and the key is to be brief and professional.

**After the Meeting**

Once the meeting is over, the natural reaction of the supervisor is to feel guilty. To relieve some of this guilt, a supervisor should review the facts—she gave the employee every chance to improve, but the employee chose not to. A human resources professional for Valleydale Foods tells employees this: “Through your behavior, you fired yourself. I’m just completing the paperwork.”

When an employee is fired, other employees will be tense. Consequently, it is important to be honest with the other employees about what happened; at the same time, negative statements about the terminated employee’s character must be avoided.
Applied Case Study

Three employees were fired from the Kohl's Department Store in Mechanicsville, Virginia, for violating the store policy about using coupons. The store sent each employee 11 15%-off coupons as part of a "friends and family" sale: one coupon was for the employee and the other ten were to be given to family and friends. There were a lot of extra coupons, so on a Saturday, 18-year-old Rikki Groves, Rebecca Hagen, and Katie Kombacher gave the coupons to customers who did not have one. They assumed that these coupons were similar to other sale coupons used by the store and that the cashier could scan an already used coupon for a customer who did not have one. They assumed that these coupons were different from those processed every day. A few days after the incident, the person in charge of store security called Groves into a closed-door meeting a few hours before the end of her shift. He began to interrogate Groves, telling her that he had observed her using the coupons through the store camera and that she would have to pay the store $1,000 to cover the coupons she gave to customers or the store would call the police and have her arrested for embezzlement. The head of store security then began taking pictures of her and required her to sign a document that barred her from returning to the store for the next year. Groves started making payments toward the $1,000 when the story was published in a local newspaper. After outraged citizens complained and threatened to cut up their Kohl's credit cards and stop patronizing the store, the store returned Groves's money and said she would not have to pay it back. The three women were not offered their jobs back nor were they given an apology. A spokesperson for the local police department indicated that the threat of arrest used by Kohl's was incorrect because what Groves did was not a crime, but a matter of internal policy.

- How could the store have better handled the termination? Should the three employees have been fired?
- What could Kohl's have done to have prevented the situation in the first place?
- What could the employees have done differently?

Focus on Ethics

The Ethics of the At-Will Doctrine

As mentioned in this chapter, the employment-at-will doctrine has been around for a very long time. It is based on English Common law of the eighteenth century, which said that the length of employment was presumed to be for one year when there is work to be done and when there is not. A New York State treatise writer, Horace Gay Wood, in his book Master and Servant (1877), expanded on the doctrine, stating that a hiring with no definite ending date is a hiring at will. That is, unless both master and servant agree that service was to extend for a specified time, it should be considered an indefinite hiring, and it is up to the servant, should he be terminated, to prove otherwise. From what was then called "Wood's Rule", came the U.S. interpretation of employment law: an employer is free to discharge individuals at any time for cause or for no cause at all, and the employee is equally free to quit at any time for any reason.

Many debates have arisen over the years as to the fairness or ethics of such a doctrine. Critics have long feared that it gives too much power to businesses over the lives of their employees. To have such a rule that allows a company to fire even good employees whenever and for whatever reason is unfair and unethical. The doctrine provides little protection to employees who work hard and who work well. And there is little job security in an at-will company. Theoretically, employees can be fired just because a supervisor may not like them or because of how they dress or look. An excuse often given to employees who are terminated
under “at-will” is: “You just aren’t the right fit for this company.” Then there was a case where an armored truck driver was fired for leaving his post even though he only did so to save someone’s life (Gardner v. Loomis Armored, Inc., April 4, 1996).

Opponents say that from a business perspective, the doctrine provides little incentive for people to work hard, because, if employees can be terminated no matter how hard they work, what’s the benefit of putting in the extra effort? Motivation can even suffer if employees are working under “fear” of their jobs. Finally, because at-will employees are treated differently than “for just cause” employees, critics state that it is unfair and unequal treatment under the law, which violates the Fourteenth Amendment. Also, motivation can suffer when employees fear that they can be terminated at any time.

Supporters state that the doctrine provides equal fairness to both the employer and employee when it comes to termination of employment. They say it is only fair that if an employee can terminate employment at anytime, then the employer should have that same right. They cite the limitations to the doctrine, outlined in this chapter, provide further protection to employees. Supporters further state that the doctrine is not totally free from lawsuits, as evidenced by the lawsuit filed and won by the defendant in the above Gardner case. Additionally, applicants don’t have to work for or sign an employment at-will statement at an at-will company if they think the doctrine is unfair. They have the right to seek employment elsewhere.

What Do You Think?

■ What are other ethical dilemmas in the at-will doctrine?

■ Which argument do you agree with: that of critics of the doctrine or supporters?

■ Are there other limitations that should be imposed on the doctrine, other than those outlined in your textbook, that would make the doctrine more ethical, and therefore, fairer?

■ Do you agree that having different laws for public and private sector employees (at-will versus for just cause) is fair?

Chapter Summary

In this chapter you learned:

■ The use of 360-degree feedback is increasing.

■ There are five steps in creating a performance appraisal system: (1) determine the reasons for performance evaluation, (2) create an instrument to evaluate performance, (3) explain the system to those who will use it, (4) evaluate employee performance, and (5) review the results of the evaluation with the employee.

■ Common rating errors such as leniency, central tendency, strictness, halo, proximity, contrast, recency, and infrequent observation of behavior hinder the accuracy of performance appraisal results.

■ Important factors in the success of the performance appraisal review include scheduling the review to eliminate or minimize interruptions, letting the employee discuss her feelings and thoughts, and mutually setting goals for improvements in future performance.

■ In organizations not subject to employment-at-will, employees can be terminated only for violating a company rule or inability to perform or as part of a force reduction.
Questions for Review

1. What do you think is the most important purpose for performance appraisal? Why?
2. What problems might result from using a 360-degree feedback system?
3. The chapter mentioned a variety of ways to measure performance. Which one do you think is the best? Why?
4. What do you think is the best way to communicate performance appraisal results to employees?
5. Is the employment-at-will doctrine a good idea? Why or why not?

Media Resources and Learning Tools

- Visit our website. Go to www.cengage.com/psychology/aamodt, where you will find online resources directly linked to your book, including chapter-by-chapter quizzing, flashcards, crossword puzzles, application activities, and more.
- Want more practice applying industrial/organizational psychology? Check out the I/O Applications Workbook. This workbook (keyed to your textbook) offers engaging, high-interest activities to help you reinforce the important concepts presented in the text.