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An Investigation of Performance Appraisal With Recommendations for White Collar and Blue Collar Workers

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An Investigation of Performance Appraisal With Recommendations for White Collar and Blue Collar Workers

Abstract

The accurate evaluation of an employee's performance, whether it be a salary or wage worker, is one of the most challenging problems confronting any organization. According to Lazer (1977), which is still true today, performance appraisal is absolutely necessary if an organization is to prosper in the highly competitive world of modern business.

Regardless of all that has been written about the how and why of performance appraisal, there still seems to be constant problems and areas of clear disagreement. Published writings about performance appraisal cover approximately the past 30 years and deal mostly with private corporations. Before that, performance appraisal systems were used in the public sector, but the guidelines for their development and use were not widely circulated.

As organizations developed and became larger, a discreet and persistent ethic evolved. This ethic said that if we grow, we ought to know more about whom to select, how to supervise, and how to assess performance for promotion and salary decisions. What had once been an informal process, with a good amount of flexibility, had to be changed and standardized for use with more employees at all levels in the organization (Keil, 1977).

AN INVESTIGATION OF PERFORMANCE APPRAISAL WITH
RECOMMENDATIONS FOR WHITE COLLAR AND BLUE COLLAR
WORKERS

A Research Paper For Presentation
to the Graduate Faculty
of the
Department of Industrial Technology
University of Northern Iowa

In Partial Fulfillment of the Requirements for
the Non-Thesis Master of Arts Degree

By

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December 4, 1992

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INTRODUCTION

This research paper has been written to fulfill the requirements of the Department of Industrial Technology for the Master of Arts degree, majoring in Technology with an emphasis in Industrial Supervision and Management. Its focus is on performance appraisal in general and on identifying the best performance appraisal methods available to managers for use with white collar workers, and supervisors for use with blue collar workers.

Statement of Need

The accurate evaluation of an employee's performance, whether it be a salary or wage worker, is one of the most challenging problems confronting any organization. According to Lazer (1977), which is still true today, performance appraisal is absolutely necessary if an organization is to prosper in the highly competitive world of modern business.

Regardless of all that has been written about the how and why of performance appraisal, there still seems to be constant problems and areas of clear disagreement. Published writings about performance appraisal cover approximately the past 30 years and deal mostly with private corporations. Before that, performance appraisal systems were used in the

public sector, but the guidelines for their development and use were not widely circulated.

As organizations developed and became larger, a discreet and persistent ethic evolved. This ethic said that if we grow, we ought to know more about whom to select, how to supervise, and how to assess performance for promotion and salary decisions. What had once been an informal process, with a good amount of flexibility, had to be changed and standardized for use with more employees at all levels in the organization (Keil, 1977).

Purpose Statement

The purpose of this research was to accomplish the following objectives:

1. To investigate techniques and characteristics of successful performance appraisal systems.
2. To analyze inherent problems of performance appraisal.
3. To propose a best performance appraisal method to be used by managers with white collar workers.

4. To propose a best performance appraisal method to be used by supervisors with blue collar workers.

Problem Statement

The problem of this research investigation was to identify good and bad characteristics of performance appraisal and recommend a performance appraisal method to be used by managers for white collar workers and supervisors for blue collar workers.

RESEARCH QUESTIONS

The research questions listed below were developed to guide and complete the investigation, analysis, and recommendations for performance appraisal systems.

1. What are characteristics of successful performance appraisal systems?
2. What are the problems associated with performance appraisal systems?

3. What are the recommendations for a performance appraisal system to be used by managers for white collar workers?

4. What are the recommendations for a performance appraisal system to be used by supervisors for blue collar workers?

Answers to these research questions would increase the overall understanding of the performance appraisal processes and provide a basis for recommendations for managers and supervisors for a superior performance appraisal system.

Definition of Terms

A number of terms need to be defined in order to clarify their meaning in the context of this research report.

Evaluation is a general term used to describe the process of what is to be examined, compared to some set standard (Pattern, 1982). This comparison is done to identify discrepancies in what is being examined.

Performance appraisal is a special form of evaluation which involves comparing the observed performance of an employee with a performance standard which describes what

the employee is expected to do in terms of behavior and results (Cummings, 1973).

A performance appraisal system is defined as a number of actions that are performed in a set order by supervisors and employees (Caroll, 1982). This is done to plan what employees are to do, to insure that employees understand what is expected of them, to assist the employees to perform up to standard, and to provide information for making management decisions.

Assessment refers to the process of deciding the potential of an employee or job applicant for future job assignments. This usually involves using criteria that have been identified as valid and predictive of future performance (Berk, 1986).

A performance review or interview is used in the context of performance appraisal. It refers to a formal discussion between a supervisor and an employee concerning the employee's level of performance (Alexander, 1988).

Assumptions

The assumptions used in the pursuit of this research investigation were:

1. Performance appraisal is a critical part of any organization in productivity development.
2. Performance appraisal systems are used and accepted by firms industry wide.
3. This research assumed that good performance appraisal methods do exist and can be found.

REVIEW OF THE LITERATURE

Characteristics of Good Performance Appraisal Systems

There are many characteristics of a good performance appraisal system. In order for a performance appraisal system to be useful to a company, it must be reliable and valid in every situation in which it is used. To serve a company's purpose of appraising current and past performance and to meet the test of legal challenges, a performance appraisal system must appraise current performance. In meeting the needs of estimating a person's potential for greater responsibilities, an appraisal system must provide accurate data about such potential. The system must yield consistent data about what it is to appraise, in order to be reliable and valid (Lazer, 1977).

If a system is exhibiting inconsistent and unreliable data, it may not be measuring or estimating employee behavior or potential. For example, if an employee's performance appraisal varies depending on who does the appraising, the system may be providing measures of the differing attitudes of the appraisers, rather than measuring the employee's performance.

Some systems may be reliable and yet invalid. The system may exhibit consistent data about an employee's current performance, but if it is being used to make judgments about potential for jobs other than the current one and it was not designed to do so, the validity may be in question. When the requirements for a future job and the current one are the same, current performance may be a valid indicator of employee potential. If the requirements are different, the appraisal will be invalid for estimating potential. However, it still would be a valid appraisal for the purpose of getting information about current performance.

Another issue in good performance appraisal is answering the question, "What is to be measured?" An accurate picture of an employee's job behavior or performance can be developed only if the appraisal has measured criteria which are relevant and important to that employee's job. The

appraisal should be based on observable and measurable elements in the job (Lazer, 1977).

Appraisal systems must be standardized throughout a company so that discrepancies between employees' appraisals are not because of different systems, but because of a real difference in employees' performances.

An appraisal system must be practical so that it is not so cumbersome and difficult that it can not serve the purposes for which it was established. The development of a sound performance appraisal system can be an expensive and lengthy process with detrimental effects on employee productivity.

When a performance appraisal system is considered in terms of its usefulness to an organization, several operational performance appraisal objectives are critical. These include the ability to provide adequate feedback to employees to improve subsequent performance, the identification of employee training needs, the identification of criteria used to allocate organizational rewards, the validation of selection techniques to meet Equal Opportunity requirements, and the identification of promotable employees from internal labor supplies. In order to accomplish these objectives, the

appraisal system must be an accurate measure of actual job performance (Baird, 1982).

An appraisal system's adequacy to provide feedback and improve performance requires that it possess many necessary characteristics. It should be unambiguous and clearly specify the job-related performance expected. The system should use behavioral terminology, set behavioral targets for ratees to work toward, and use a problem solving focus which results in a specific plan for performance improvement. If appraisal systems are to identify training needs, the format must specify ratee deficiencies in behavioral terms, include all relevant job dimensions, and identify environmental roadblocks to desired performance levels (Frisch, 1985).

Performance appraisal systems are also used in the allocation of organizational rewards, such as merit pay, and punishments, such as disciplinary actions. Effective reward allocation may require a valid appraisal system which ranks employees according to a quantifiable scoring system. Sufficient variance in scores is essential to differentiate across performers. In allocating rewards, appraisal systems must have credibility with employees. The same appraisal format must also be used for disciplinary action, which may range from warnings to termination. Thus, the documentation

required for such decisions must also be facilitated by the appraisal systems format. The importance of appraisal systems was greatly enhanced with the passage of the Civil Service Reform Act and its provisions which linked performance to merit pay and bonuses (Baird, 1982).

Appraisal systems should be designed to facilitate the validation of selection techniques. The process requires measures of employee output or job-related dimensions that tap the behavioral domain of the job analysis, the facilitation of inter-rater reliability measures, professional and objective administration of the appraisal system and continual rater observation of ratee performance.

The identification of promotion potential requires that job-related appraisal systems have several dimensions in the incumbent's job, the same, or similar to, the job to which the incumbent may be promoted (Frisch, 1985). This indicated the incumbent's ability to assume increasingly difficult assignments. The appraisal system must also rank ratees comparatively, measure the contribution to departmental objectives and perhaps capture a ratee's career aspirations and long-term goals.

The final and perhaps most important appraisal objective is its accuracy in measuring employee performance or behavior. It could be conceived as essential for meeting the appraisal's objectives mentioned above. The issues of concern here would include systems which minimize rater response set errors like leniency, restriction of range, and the halo effect. Another would be those which agree with other measures of performance using alternative formats which would include direct indices such as salary or number of promotions. Other main issues of concern would be those systems which obtain reliability across raters, those which have flexibility to reflect changes in the job environment, and those possessing credibility with raters such that they complete the format seriously (Baird, 1982).

Problems with Performance Appraisal Systems

Regardless of what appraisal system is used, problems can arise that deter the systems effectiveness. The cause of the ineffectiveness of any particular appraisal system is a function of many variables, acting singularly or in groups, which characterize the job, organization setting, and users. However, most often specific causes are located within the areas of human judgment, raters, criteria and formats, organization policy, legal requirements, Equal Employment

Opportunity legislation, and inflexibility (Baird, 1982). Each one of these could contain several possible sources for a system to have problems or an ineffective process.

Human judgment is a fundamental source of problems in performance appraisal systems. Individual differences among people influence their attitudes, values, perceptions, behavior, and judgment. Intelligence, cognitive style, amount of education, age, sex, and self-esteem are a few individual characteristics which influence the making of judgments of others. The expectations raters' supervisors hold for them, as well as a rater's own level of job performance and competence, also affects ratings (Raia, 1974).

Appraisal problems can arise from conscientious raters who have inadequate and/or erroneous information about ratee performance. Many supervisors, due to their own job duties which may physically separate them from their subordinate ratees, are able to observe ratee performance too infrequently to accurately judge typical performance over a long period. Non-representative sampling or allowing a typical positive or negative performance occurring during their infrequent observation periods to bias their judgments of performance over the entire period can lead to inaccurate appraisals.

In addition, members of each hierarchical level within an organization may view a ratee's performance from a different vantage point or hold differing expectations for desired performance based upon their roles. As a result, a rater's supervisor may be in an excellent position to judge the ratee's technical competence, but not his/her ability to effectively interact with others (Baird, 1982). Peer raters may possess the best information regarding a ratee's interpersonal effectiveness. Supervisors of ratees, as critics and evaluators of their subordinates, typically judge performance less harshly than do job incumbents themselves.

The identification of a specific, consistent, performance criteria is the first objective of any performance appraisal system. The easiest way to assure that a ratee's performance can be evaluated based upon only the impulse of a rater is to keep the criteria ambiguous and/or secret, to change them erratically, or never to develop them at all (Baker, 1988).

Problems in performance appraisal systems can arise from the relationship between organizational policies regarding performance, promotion, merit raises, and other decisions and the uses for which the appraisal's results are intended. If these types of decisions are to be made on the basis of performance, rather than on the basis of seniority or

other criteria, the results of an appraisal system assume a great deal of importance. The problems arise when the appraisal system's formats are ambiguous, criteria are not communicated to raters and ratees, and/or if each of several characteristics of performance like good, fair, poor, do not have observable, behavioral meanings (Baker, 1988).

The risk of precipitating charges of discrimination as a result of policy decisions based upon an appraisal system's results is now itself a serious cause of problems in performance appraisal systems. Organizations must present performance appraisal forms and any instructions given to raters as part of the evidence for the validity of selection techniques such as employment test. Also, the appraisal system is open to scrutiny by the courts and must therefore be thorough and bias-free as possible (Baird, 1982).

The final cause of problems in performance appraisal systems is a systems inflexibility. As job responsibilities, duties, requirements and job environments change over time, a performance appraisal system may become obsolete. Also, as worker's performance levels change over time, perhaps due to training and experience, the standards set in an appraisal format may become too low, geared only for newer workers. Performance appraisal systems must be flexible and able to

adapt to the changing times if they are going to survive in today's organizations.

Most Popular Type of Performance Appraisal System

The first standardized and most popular method of performance appraisal is the graphic rating scale method. The graphic rating scale method was introduced in 1922, by Donald Paterson, to the general psychological community (Landy, 1983).

This method lists a set of performance traits such as quality of work, job knowledge, cooperation, loyalty, attendance, honesty, and initiative. These traits are considered characteristics of good performers and the rater goes down the list and rates each on incremental scales (Baker, 1988). A line is provided by each trait on which the supervisor places a mark. The scales usually consist of approximately five points, one for poorest performance and five for very good performance. A rating form should also provide enough space under each trait for comments associated with each trait.

The major problems with the rating scales are that the judgments required by supervisors make the ratings highly subjective, conclusionary, vulnerable to human error, and

difficult to explain to employees. The graphic rating scales also do not have valid measures for providing feedback or for making management decisions.

PERFORMANCE APPRAISAL FOR WHITE COLLAR WORKERS

This research has concluded that the best performance appraisal system that should be used by managers for white collar workers is Management by Objectives. Management by Objectives (MBO) is a participative system of managing in which managers and workers look ahead for improvements, think strategically, set performance objectives at the beginning of a time period, develop action and supporting plans, and ensure accountability for results at the end of the time period.

It is a philosophy which reflects a "proactive" rather than a "reactive" way of managing. The emphasis is on trying to predict and influence the future rather than on responding and reacting by the seat of the pants. It is also a "results-oriented" philosophy of management, one which emphasizes accomplishments and results. The focus is generally on change and on improving both individual and organizational effectiveness. According to Mold (1972), which is still true today, it is a philosophy which encourages increased

participation in the management of the affairs of the organization at all levels and very appropriate for higher level workers who can and want to take more responsibility for their work.

MBO is the well known name for a process of managing that focuses on the performance of individuals in an organization. MBO was first introduced into the management world in 1954 through a book, *The Practice of Management*, written by Peter Drucker. "Management by Objectives and Self Control" was an important chapter in Drucker's book. This chapter described the process of involving management at successive lower levels in the organization in setting objectives. It also involved increasing the opportunities available for managers at these successively lower levels in the hierarchy to direct their own work activities (Henderson, 1984).

According to Mali (1986), Drucker said that this participation in the goal-setting process makes it possible for the manager to control his own performance. To do this, however, he must be able to measure performance and results against his objectives. These measurements need not be rigidly quantitative, nor exact, but they must be clear and rational. Self-control, coupled with clearly defined

objectives, is presumed to lead to greater motivation on the part of the individual manager.

Essentially, MBO is a goal setting process whereby objectives may be established for the organization, each department, each manager within each department, and each employee (Bernardin, 1984). According to Cummings (1973), which has remained a basis for this process, it is based on two related concepts. These two concepts express the belief that the clearer the idea people have of what they are trying to accomplish, the greater the chances of accomplishing it, and the belief that progress can be measured only in terms of those things toward which people are trying to make progress.

MBO has been acclaimed as a process that can successfully combine organizational and work-unit goals as well as organizational and individual goals. It also provides a way to analyze organizational requirements and the organization's ability to meet changes in demands (Henderson, 1984).

One of the drawbacks with MBO is that it does not provide numerical scores that can be used to compare the performance of different employees. What is measured for each employee may be different and the degree of goal

achievement for employees may not be comparable. Goals set by one employee may be easier or harder to achieve than those set by another. Goals are not always easy to set because they may be difficult to measure for some types of jobs and may also change rapidly. Another drawback is that many supervisors feel that MBO requires too much time and paperwork (Caroll, 1982).

Implementing MBO

Management by Objectives starts with corporate top management carrying out its responsibilities for planning overall organizational goals and objectives. Managers at the divisional and departmental levels then develop goals and objectives to achieve those of the organization. Next, supervisors and their subordinates establish unit goals and objectives. Finally, the employee establishes individual goals and objectives to achieve those of the department (Patten, 1982).

These goals and objectives are usually recorded on some type of form for each employee. The form usually has columns for goals and objectives, the degree to which goals and objectives were achieved, reasons for not achieving what was planned, and areas that need improvement. The subordinate's

individual goals are usually short-term performance goals that are made no longer than a year in advance (Raia, 1974).

The manager retains veto power on all goals, but assists the subordinate only after he/she has done a great deal of thinking about his/her job, made a careful assessment of his/her own strengths and weaknesses, and formulated some specific plans to accomplish his/her goals (Patten, 1982). Once the objectives are set, the employee and the manager conduct frequent reviews to determine progress, identify and solve problems blocking goal achievement, and formulate changes in plans when necessary. They may conduct these reviews quarterly or monthly.

Any time a manager defines responsibilities and expectations with subordinates, sets target dates and interim check points, and provides feedback, he or she is managing by objectives (Batten, 1966). The manager is going a long way toward establishing relationship with his or her subordinates that dramatically eases the pain of the traditional, yearly quantitative evaluation or appraisal process. Involvement with subordinates as they begin to understand their responsibilities collaborating with them on how those responsibilities will be met, and providing the kind of recognition and feedback that is directive and useful all help

to create a good relationship between superior and subordinate (McConkey, 1976).

The goal of this relationship is to permit the subordinate to view his or her boss as a facilitator rather than a evaluator. Such a relationship opens channels of communication, reduces perceptive disagreements or rationalizations for inadequate performance, and establishes a work climate in which both the superior and the subordinate can maximize their potential.

PERFORMANCE APPRAISAL FOR BLUE COLLAR WORKERS

The performance appraisal method that has been researched more in recent years than any other method is the behaviorally anchored rating scales (BARS). The BARS method was originally developed by Patricia Smith and Lorne Kendall in 1963, in a study sponsored by the National League for Nursing. The original BARS was derived from a mixture of the Fels parent-behavior rating scales and Thurstone's attitude scales (Bernardin, 1984). Since that time, there have been many changes in scale development and formats proposed for the BARS method.

BARS is an appraisal format made up of several rating scales, one scale for each of the important aspects of job

performance or dimensions. These job dimensions may include knowledge, skills, abilities, duties, responsibilities, or personal characteristics. The number of job dimensions, which is the number of individual scales in a set of BARS, depends on how complex the job is. It also depends on the range of behaviors required to perform the job, and the degree of specificity or generality of each dimension used. Each individual job dimension becomes a title of a behaviorally anchored rating scale (Carroll, 1982). If a job is comprised of six separate dimensions, there will be six separate scales with anchors used to describe total performance on that job. Anchors are those very specific statements generated to illustrate various degrees of performance along each scale. They are behaviors, or worker activity. As they appear beside each level or degree of performance, they are said to anchor, or describe, each of the scale values along a scale.

BARS can display the potential spread of behavior on a job from best to worst for each employee. A BARS for any particular job would consist of identifying a complete range of behaviors appropriate to that job and developing the applicable scales. This allows employees to understand the behaviors expected of them, and those behaviors that are considered less acceptable (Patten, 1977).

BARS are intended to help supervisors make more exact judgments. The supervisors are to select behaviors that could be expected from the employee for each job dimension. However, they are not required to actually observe the subordinate behaving in a manner stated by one of the anchors. (Baker, 1988). The supervisors are to interpret or predict the behavior of the subordinate in terms of the scales, based on the supervisor's past observations of the subordinate's work performance. The specific job behaviors used to anchor a rating scale are usually a small sample of the population of job behaviors. Therefore, it is quite likely the supervisor will not have had the opportunity to observe whether the subordinate has behaved in such a manner as described by the anchors. Having the supervisor make a prediction about the subordinate's expected job performance, as stated by the anchors, conceals this problem (Landy, 1983).

Legal difficulties may occur if supervisors make predictions about subordinates' work performances, rather than having the supervisors describe and evaluate the past work behaviors of the subordinates. It may be difficult to justify during legal proceedings predictions of a subordinate's job performances made in reference to behavioral anchors that may not have been observed.

An additional problem that supervisors seem to have with BARS is the order of the behavioral anchors on a given scale. The scale anchors, in most instances, are ordered in terms of the average effectiveness rating obtained in the scaling of the developmental phase. Even though anchors are selected with small standard deviations for these ratings, it is still common for the confidence intervals for the means of close-by anchors to overlap. This may result in supervisors believing that lower placed anchors describe more effective performances than higher placed anchors. The credibility of the scales can be damaged if this occurs. Another problem is that supervisors may have difficulty distinguishing any behavioral similarities between employees' performances and the behavioral examples used to anchor the scales. Also, the supervisors could be lacking data for the whole year, which could lead to the use of bias opinion of the performance of an employee.

Implementing BARS

The first step for developing behaviorally anchored rating scales is to identify job dimensions. This is done by several of the job incumbents and their supervisors. They meet and discuss the job in question and identify all of the relevant job dimensions for the job. It is best either to

compare the list generated with that of another group or to ask the initial group to review their list after a few days in order to make sure all of the relevant job dimensions were identified. Once this is completed, each supervisor and subordinate identifies several behavioral statements that he/she considers are examples of good, average, and poor job performance for each job dimension (Baird, 1982).

This is done so that anchors can be selected to measure the degree of achievement for each dimension. Writing anchors is not an easy task for some people as they typically think of job performance in terms of results rather than behavior. Using many job incumbents as possible suppliers of anchors not only helps to assure a large and representative pool of behaviors, but also facilitates the participation of a wide number of people in the development of their appraisal system. (Baird, 1982). Such participation fosters commitment.

These behavioral statements are then assigned to job dimensions, usually by a second group of supervisors and subordinates. They are then given a list of the job dimensions and behavioral statements, and then asked independently to assign each behavioral statement to one of the job dimensions (Lazer, 1977).

If there is disagreement among them as to which job dimension best illustrates a behavioral statement, even though the anchor's original author intended it for a specific dimension, the anchor is probably too ambiguous to be meaningful. Statements not assigned to one of the dimensions by a majority of the group are thrown out in order to reduce unclear items and overlapping statements. As a general rule, any anchor which 75 percent or more of the participants have not agreed to as a job dimension should be discarded due to ambiguity. In addition, dimensions which have very few or no anchors attached to them should be eliminated, reworded and/or combined into others (Landy, 1983).

Values are then assigned to each behavioral anchor. The original supervisors and job incumbents are given a booklet and a list of twenty or more behavioral statements for each dimension. Each is asked to rate each statement by assigning a number on a scale, with a low number indicating poor performance and a high number indicating excellent performance. The mean scale value given by the group is used as the final scale value. This would be an "average" of the group's opinion. The remaining anchors are renamed "expected behaviors" and placed in their correct positions on the scale according to their exact mean group scale value or the values

can be rounded to the nearest whole number and attached to the scale opposite the scale value. (Baker, 1988).

The next step is to have the members of the groups and top management read the scales over carefully to be sure that the job incumbent's terminology was used in the anchors, that any additional anchors required to illustrate certain performance levels are added and that all anchors reflect the organization's policy regarding performance.

Finally, the behaviorally anchored rating scales are pilot-tested with a sample of supervisors who are asked to rate their subordinates on each of the dimensions. Each subordinate is rated independently by at least two raters, and the ratings are correlated to provide an estimate of inter-rater reliability. Scale scores are also intercorrelated as a check on dimension independence. Periodically thereafter, the behavioral anchors are checked for their continued relevance, clarity, and scale values (Baird, 1982).

CONCLUSION

The need for continual management change is more evident today than ever before. Management should be flexible and open for change in the way an employee's performance is appraised. In today's society better technology, avenues of

communication, competition, and the need for improved productivity have made cooperation on projects and programs play an increasing part in making performance standards more difficult to track.

Performance recognition should take into consideration an individual's output, how well the person achieves goals and objectives, the intensity of effort, and the level of innovativeness that the person puts forth. Two way communication is also very important. It should always take place so that employees know if they are headed in the right direction (Alexander,1988).

Deciding on one best performance appraisal method that would be perfect for every organization is a difficult task. The two methods this research have concentrated on are Managing by Objectives and the Behaviorally Anchored Rating Scales. Upon examining the appraisal methods available in this paper it can be concluded that these two performance appraisal methods are the best available. They have both been around for over 25 years and have proven to be very effective. Some sort of combination of the two methods would be an interesting research study. However, it is concluded that both methods are required for white collar and blue collar workers.

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