ANALYSIS OF MUNICIPAL GOVERNMENT PERFORMANCE APPRAISAL SYSTEMS

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AN APPLIED RESEARCH PROJECT (POLITICAL SCIENCE 5397) SUBMITTED TO
THE DEPARTMENT OF POLITICAL SCIENCE
SOUTHWEST TEXAS STATE UNIVERSITY
IN PARTIAL FULFILLMENT
FOR THE REQUIREMENTS FOR THE DEGREE OF

MASTERS OF PUBLIC ADMINISTRATION

(Spring 1998)

FACULTY APPROVAL.

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CHAPTER 1

INTRODUCTION

Local governments are faced with operating an efficient and effective government with limited resources while delivering a variety of services. To provide such services, mayors, city councils, and city managers must rely on their employees. The largest single expenditure for local governments is salary and benefits to these employees. To ensure that employees understand what is expected of them and how they are performing, cities may use performance appraisals.

Performance appraisal is defined as the process of identifying, measuring and developing human performance in organizations. This definition is not limited to one-on-one situations in which a supervisor discusses with an employee areas deserving recognition and areas needing shifts in behavior. Performance appraisals include any personnel decisions that affect an employee's retention, termination, promotion, demotion, transfer, or change in salary. (Latham, 1994: 4).

Although performance appraisals are used to make many personnel decisions, managers often see performance appraisals as another time-consuming personnel paperwork requirement that has little utility in solving such "real"

managerial problems as meeting deadlines, containing costs, or improving productivity (Schneier, 1988: 74). A study presented in a 1992 *Journal of Management*[1] article consolidated surveys of hundreds of companies. The study found that the average performance appraisal system is over 11 years old and that the typical system was designed by personnel specialists with little or no input from managers or employees. The study showed that supervisors and managers typically spend about seven hours per year evaluating the performance of high level employees and about three hours per year in the evaluation of employees at lower levels. Many companies reported spending less than one hour per employee per year. Most companies claimed to conduct extensive evaluator training, however, much of it occurred only when a new performance appraisal system was adopted. Only one-fourth of the companies claimed they held evaluators responsible for how well they conducted performance appraisals (Frierson, 1994: 121).

Design and implementation of an effective performance appraisal system is seen as one of the most difficult tasks faced my managers and human resource development professionals. The frustration of those in human resource

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[1] *See The Current State of Performance Appraisal Research and Practice; Concerns, Directions, Implications, by R.* Bretz, G. Milkovich, & W. Reed, Journal of Management 16, no. 2, 330-33.

development over performance appraisal is matched by that of the users. Roush (1991: 267) suggests that public sector managers are engaged in a never-ending search for an evaluation instrument that at once minimizes bias and subjectivity, promotes motivation and individual productivity, and maximizes the achievement of effectiveness and efficiency.

Research Purpose

The purpose of this research is three-fold. The first purpose is to describe ideal characteristics of an effective performance appraisal system. The second purpose is to assess performance appraisal systems among small cities in Texas using the ideal characteristics developed in the first section. The final purpose is to make recommendations for improvement of small Texas city performance appraisal systems. It is hoped that by describing a practical ideal type and making recommendations, Texas cities will benefit from this research. Such benefits may include finding ease in implementing or revising performance appraisal systems.

Chapter Summaries

Chapter 2 provides historical background information on performance appraisals. The chapter then focuses on the roles of performance appraisals in the

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workplace. At the conclusion of the chapter, components of an "ideal"

performance appraisal system are discussed. The legislation and case law

affecting performance appraisals are presented in Chapter 3. In addition, the

conceptual framework for this research is developed. Chapter 4 discusses the

methodology used in this research and the operationalization of the descriptive

categories developed in the conceptual framework. The results of the study are

presented in Chapter 5. Finally, Chapter 6 presents the overall results and

identifies whether the components of the performance appraisal systems studied

meet the ideal type developed in this study. Recommendations are presented for

improvements for municipal performance appraisal systems.

CHAPTER 2

LITERATURE REVIEW

The purpose of this chapter is to review the literature available on performance appraisals. More specifically, this chapter describes the history of performance appraisals and the role performance appraisals play in human resource management. Additionally, performance appraisal methods and components of the performance appraisal system are discussed. This chapter contributed to the overall goal of this research to develop a practical ideal type performance appraisal system. The practical ideal type is used as a framework for the empirical portion of this paper

History of Performance Appraisals

Although the interest in and use of performance appraisals has increased over the past 30 years[2], the practice of formally evaluating employees has existed for centuries in other countries[3]. In the United States, performance appraisals can be traced to 1887 with the implementation of the merit rating system in the

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[2] In 1962, a survey was conducted of various employers on the use of performance appraisals. The survey revealed that 61% of the organizations surveyed were conducting performance appraisals (Murphy, 1996: 4). Another survey was conducted in 1988 which revealed that 94% of the organizations surveyed were conducting performance appraisals (Latham, 1994: 8).

[3] In 1648, the Dublin (Ireland) Evening Post allegedly rated legislators using a rating scale based on personal qualities (Murphy, 1995: 3).

federal Civil Service (Murphy, 1995: 3).

By the early 1950's, appraisal was an accepted practice in many

organizations in the United States. After the passage of the 1964 Civil Rights Act

and the 1966 and 1970 Equal Employment Opportunity Commission Guidelines

for regulation of selection procedures, legal considerations exerted strong

pressure on organizations to formalize their appraisal systems (Murphy, 1996: 4).

The Civil Service Reform Act of 1978 mandated that each federal agency

establish a performance appraisal system. Instead of prescribing a uniform

appraisal instrument, the act allowed individual agencies to develop their own

appraisal procedures and objective standards. The chief purpose was to form the

pay-performance linkage necessary for implementing merit pay provisions

required by the Act (Condrey, 1994: 45).

In the early 1970's David W. Ewing, executive editor of the Harvard

Business Review, edited a collection of articles about performance appraisal that

had appeared in the magazine in the preceding 25 years. He wrote,

> Performance appraisal has come a long way since its origin as a
> simple, principally one-way communication between a boss and his
> subordinate. Judging from the articles in this series, the technique
> still has a way to go before most managers will be satisfied with it.
> It seems safe to conclude, however, that performance appraisal is
> not a passing fad. Any technique that can stimulate the kinds of
> experiment and inquiry described in this series should be around for
> many years to come (Grote, 1996: 15).

With the increase in the use of the formal appraisal system, performance appraisals will continue to play key roles in human resources management.

Roles of Performance Appraisals

Historically, performance appraisals have played four different roles in human resources management. The roles are as follows: (1) a communication/ information tool; (2) a behavior modification tool; (3) a personnel decision making tool; and (4) a legal document.

Role as a Communication/Information Tool

Research reflects that performance appraisals serve as a two-way communication tool between employers and employees. As part of this communication, employers provide specific feedback on employee performance. The role of feedback should be viewed as a central element of the communication process in which the sender conveys a message to the recipient. The extent to which feedback is accepted depends on: the credibility of the source of the feedback; the nature of the message conveyed; and the characteristics of the employee who is receiving an appraisal (Anderson, 1993: 64).

In addition to providing feedback, performance appraisals provide the opportunity to ensure employers and employees have a mutual understanding of

effective performance. Performance appraisals also provide the means for employees to understand how their performance is evaluated. "Research reflects that more than half the professional and clerical employees working today do not understand how their work is evaluated" (Maddux, 1993: **8).**

Performance appraisals also foster communication that may be lacking otherwise. Employers can use the appraisal to counsel and motivate employees. In addition to serving as a communication tool, performance appraisals serve as behavior modification tools.

Role as a Behavior Modification Tool

During the performance appraisal interview, the supervisor or the employee may determine that the employee is not fulfilling job responsibilities or behaving in a satisfactory manner due to lack of knowledge or skill. In such cases, "training that brings about a relatively permanent improvement in an employee's behavior is critical for effective human resource development" (Latham, 1994: 5).

If a person has both the knowledge and skill to do the job but is doing it in an unsatisfactory manner, the problem may be one of motivation. The key components of effective motivation strategies include feedback, goal setting, team building, and incentives.

"Performance appraisal lies at the heart of motivation because it is through the appraisal interview that the employee receives feedback from a manager regarding job performance" (Latham, 1994: 4). In addition, goals are set in relation to this feedback, problems that surface are resolved through manager-employee discussions, and rewards can be given contingent on satisfactory performance. Performance appraisals also serve as a personnel decision making tool.

Role as a Personnel Decision Making Tool

Performance appraisals form a central element of an organization's human resources system since, to ensure an integrated approach to human resources management, performance appraisals interlock with a number of other areas of human resources management including recruitment and selection, organization design, compensation, career development, training and development and succession planning (Anderson, 1993: 57). Appraisals can become part of an organization's personnel information and selection policies, because by determining whether suitable people are obtained they validate selection and hiring procedures. Past appraisals may be used as background information for decisions regarding the promotion, demotion or termination of employees. Performance appraisals also are able to act as a comparative information base for

such decisions.

Appraisals are also used to award merit pay or bonuses. By relating performance and pay, employees can gain a since of equity. Employees can see a clear relationship between pay and performance. When employees see this relationship, the increase in pay acts as a motivator. Also, by tying pay to performance, organizations can stay ahead of the game and attract and retain the best people. Performance appraisals also serve as legal documents.

Role as a Legal Document

There is a consensus in the literature that there is a need for a truly effective and meaningful performance appraisal process in virtually every employing organization[4]. The legal and human implications of such a process are becoming more evident as challenges to personnel actions are approaching near-epidemic stages (Morrissey, 1983: 1).

An appraisal instrument can be described as a contract between the organization and an employee. Therefore, it is important that it be properly developed in that it makes explicit what is required of the employee and the organization (Latham, 1994: 4). Additionally, when managerial freedom to make

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[4] See for example, Lacho, 1991, p. 281-292; Morrisey, 1983, p. 21-26; Roberts, 1995(b), p. 197, Roberts, 1996, p. 36.

personnel decisions is increasingly circumscribed by legal considerations,

performance appraisal records provide the documentation needed if and when

these decisions are challenged in court (Latham, 1994: 6).

In addition to the roles performance appraisals play in an organization, the

components of the performance appraisal system are an integral part of the

overall appraisal system. The following section addresses the performance

appraisal system.

The Performance Appraisal System

Design and implementation of an effective performance appraisal system is

one of the most difficult tasks faced by managers and human resources

development professionals. The frustration of those in human resources

development over performance appraisal is matched by that of the users.

Managers required to complete the ratings often see performance appraisal as

another time-consuming, personnel-paperwork requirement, having little utility in

solving such "real" managerial problems as meeting deadlines, containing costs,

improving productivity, or deciding whom to promote. (Schneier, 1988: 74).

Roush (1 991: 267) suggests that public sector managers are engaged in a never-

ending search for an evaluation instrument that at once minimizes bias and

subjectivity, promotes motivation and individual productivity, and maximizes the

achievement of effectiveness and efficiency.

To design an effective system, the literature states that emphasis should be on identifying and selecting the best evaluation method that fits both the objectives set and the culture of the organization[5]. The following section addresses the types of appraisal methods available.

Performance Appraisal Methods

Most performance appraisals fall broadly into three categories: traditional performance appraisal (emphasis on traits of the individual); use of behavioral criteria; and objective-setting (results oriented) performance appraisal. There are various methods used to assess the performance of employees. Such methods include trait checklist, responsibility rating, Management by Objective (MBO), free form, essay, graphic rating scale, forced choice, critical incident and work standards.

Trait checklist features standardized rating forms for broad groups of employees. For each group, qualities or "traits" of employee performance are listed. Examples are as follows: quantity of work, quality of work,

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[5] See for example, Anderson, 1993, p. 57; Condrey, 1994, p. 58; McMillan, 1982, p. 65: Roberts, 1996, p. 361.

dependability, effort, initiative, job knowledge, cooperativeness, planning, timeliness, and attitude. The advantage of the trait checklist method is that it is easy to install and **administer**. All employees are ranked on the same traits. There are some disadvantages to this method. The traits are general and do not specifically relate to job performance. There is a tendency to focus on personal characteristics rather than job performance (McMillian, 1982: 67-68).

Responsibility rating involves the development of and use of position descriptions for each position to include all major responsibilities and, where appropriate, standards of performance. Supervisors rate employees on responsibilities identified on the position description. The advantage of responsibility rating is that rating factors are specific to the job and rating scales are the same for all employees. Employees see a direct relation between superior performance and superior rating. The disadvantages of responsibility rating is that it may lead to proliferation of position descriptions (to make duties and performance standards apply specifically to each employee) (McMillian, 1982: 68).

The key features of **Management by Objective (MBO)** is that the employee suggests and the supervisor agrees on the employee's performance objectives for corning year. MBO focuses directly on the achievement of business results and not on the personal characteristics that may contribute to the

results. The disadvantage of MBO is that each employee is rated on different factors and on different scales. This could lead employees to perceive inequity in the system. MBO is also very time consuming because extensive goal setting is required (McMillian, 1982: 69).

The **free form** rating method has little or no prescribed format. The advantage to fiee form is that supervisors are fiee to rate performance directly without being forced to rate specific aspects and attributes. The disadvantage to fiee form is that it is totally susceptible to **varying** standards of problems associated with rating employees because employees are rated without either common rating factors or rating scales. Thus, it is difficult to reach an overall rating needed for salary administration when the free form method is used (McMillian, 1982: 69). In addition to the four commonly used performance appraisal methods, there are six techniques that can be applied to most of these methods.

Essay appraisal is the simplest form and is easily by most raters. Raters are asked to write a paragraph or more covering an individual's strengths, weaknesses, potential, and so on. The drawback is the variability in length and content and the difficulty in combining or comparing ratings (Oberg, 1991: 48).

A graphic rating scale does not yield the depth of essay appraisal but is more consistent and reliable. Graphic rating assesses a person on the quality and

quantity of work (outstanding, above average, etc.) and on a variety of other factors that vary with the job (reliability, oral and written communication) (Oberg, 1991: 48).

Forced-choice rating was developed to reduce bias and establish objective standards of comparison between individuals. Raters choose from among groups of statements those which best fit the individual being rated and those which least fit him. The statements are then weighted or scored (Oberg, 1991: 48).

Critical incident appraisal gives a supervisor actual, factual incidents to discuss with an employee. Supervisors keep a record on each employee and record actual incidents of positive or negative behavior. The discussion deals with actual behavior of the employee (Oberg, 1991: 50).

Using the work-standards approach, organizations set measured daily work standards. These standards establish work and staffing targets aimed at improving productivity (Oberg, 1991: 50). This method is most commonly used in manufacturing and production organizations.

The appraisal method is one component of the overall appraisal system. The following section addresses the recommended components as presented in the literature.

Components of the Performance Appraisal System

There is a consensus among the literature of the necessary elements of the performance appraisal system[6]. Such elements include rater training, setting of objectives, performance planning, employee participation, support from top-level management, establishment of formal written policies, and documentation of appraisal.

According to Roberts and Pavlik (1996: 386), the lack of formal rater training is a very common and serious error in the implementation of a performance appraisal system. Rater training provides raters with the requisite skills and abilities required in the appraisal process. In training sessions, raters receive instruction on how to document performance, preferable through a diary, and to be cognizant of the existence of various biases that distort decision making. Also, through training, the rater receives an understanding of (1) the rating form and procedures; (2) proper ways to provide specific positive and negative feedback; (3) how to develop specific goals and standards; (4) effective means for cultivating employee participation; and (5) strategies for avoiding rating errors (Roberts, 1995a: 23).

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[6] See for example, Anderson, 1993, p. 57; Grote, 1996, p. 19; Harris, 1995, p. 155; Roberts, 1995(a), p. 18, 23; Roberts, 1996, p. 367-68, 375; Roberts/Pavlik, 1996, p. 396; Warfle, 1988; p 116.

In addition to rater training, the setting of objectives by organizations is part of the performance appraisal system. Objective setting is the setting and agreeing on objectives as a basis for subsequent appraisal of performance. Setting objectives is seen as an appropriate way for managers to agree on performance criteria with each member of their staff (Anderson, 1993: 59).

Managers also need to learn how to plan the desired performance from employees. Planning includes the following steps:

- Writing of plans
- Involving employees in all stages of planning
- Considering all aspects of a job
- Determining priorities
- Setting performance standards that are specific, measurable, realistic, and challenging
- Being sure that employees understand and accept the sequence of activities required to fulfill each performance standard
- Setting goals that relate directly to the employee's development needs (Warfle, 1988: 116).

As indicated in this process, Warfle recommends employees be involved in all stages of planning. Employee participation has been linked with higher levels of performance appraisal system satisfaction, fairness, acceptance and trust. Employee participation encompasses the following areas: developing performance standards; creating the rating form; appraisal interview participation; and employee self-appraisal.

During the appraisal interview, encouragement of employees to provide

input, present their opinions and be able to rebut rater feedback that they disagree with is recommended. A useful complement to this process is to require the completion of a performance self-appraisal before the actual interview to better prepare the employee and to focus attention on employee strengths and weaknesses (Roberts, 1996: 384).

In addition to employee participation, the support of an organization's top-level management is needed for the performance appraisal system to be successful. Top level support and commitment is demonstrated by holding managers accountable for how well they administer their performance appraisal responsibilities and by providing comprehensive performance appraisal training (Roberts, 1996: 386).

To insure that employees and management understand the policies and procedures of a performance appraisal system, a formal written appraisal policy and procedural manual needs to be developed. This policy needs to be clear and concise with copies being furnished to employees for their review and understanding.

Documentation of the performance appraisal is another key component of the performance appraisal system. To compile a comprehensive performance record, the following may be used:

- performance data such as safety records, deadline records, quality of

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work samples, and absenteeism records
- direct observations of performance
- records of commendation
- disciplinary action reports
- notes taken from previous discussions related to performance
- comments of other employees who have had direct contact with the employee on the job
- special activities performed which are outside the usual work requirements (Wattle, 1988: 117)

According to Daley (1992: 40), performance appraisals must be based on an examination of the specific job that the individual does; appropriate job analysis techniques must be employed in this determination. Furthermore, the job analysis must focus on work behaviors or performance standards clearly linked to the performance of the job.

The components of the performance appraisal system identified in this section were used to develop a "practical ideal" performance appraisal system for this research. In addition to these components, Grote (1996: 19) presented an ideal appraisal cycle which is discussed in the following section.

Ideal Performance Appraisal Cycle

Managers have struggled over performance appraisals for years. Dick Grote has developed an "Ideal Performance Cycle". The cycle is a five-phase process which begins after the organization has established its strategy and overall direction. The first phase of the cycle is **performance planning.** In this

phase, the appraiser and appraisee meet to plan the upcoming year. In their

discussions, the appraiser and appraisee come to agreement on five major areas:

1. The key accountabilities of the subordinate's job--the major areas within which the **subordinate** is responsible for getting results.

2. The specific objectives the subordinate will achieve within each accountability area.

3. The standards that will be used to evaluate how well the subordinate has achieved each objective.

4. The performance factors, competencies, or behaviors that will be critical in determining how the results will be achieved.

5. The elements of the development plan the subordinate will complete during the year (Grote, 1996: 19).

The second phase of the process is the **performance execution stage.**

Over the course of the year, the employee executes the agreed upon plan

developed in Phase 1. During this time the supervisor is responsible for

providing on-going feedback and coaching. The elements of the plan that become

obsolete are abandoned during the year by mutual agreement. New objectives

that respond to changing conditions are established and included in the plan.

Phase three of the process is the **performance assessment phase.** The

appraiser and appraisee independently evaluate the different elements of the plan

to determine how they were achieved. Each will develop their assessment in

preparation for the performance review phase.

The fourth phase is the **performance review phase.** The appraiser and appraisee meet to review their appraisals. They discuss the results that were achieved and the performance factors that contributed to their accomplishments. Items for discussion include the results achieved, performance or behavioral effectiveness, overall performance assessment, and development processes.

The fifth and final stage is the **performance renewal and recontracting phase.** In this phase, phase I is repeated. Additional data and insights gained during the previous appraisal process are incorporated. The components of the "ideal" performance appraisal cycle presented in this section were used in this research to assess the performance appraisal systems of municipal governments.

Due to the legal nature of performance appraisals, Chapter **3** identifies legislation and case law affecting performance appraisals and the trends of such case law. A brief description of the major statues is provided.

CHAPTER 3

LEGAL SETTING AND CONCEPTUAL FRAMEWORK

One of the roles of performance appraisals is the role as a legal document. This role has expanded over the past 15 to 20 years with increasing attention given to the legal rights of employees in the work place. A formidable body of legislation, administrative law, and court rulings have increasingly reinforced the rights of employees to be treated fairly by their employers (Fleenor, 1982: 65).

Employment lawsuits entail substantial costs to employers, even when an employer "wins" the case. Innocent employers may face Equal Employment Opportunity Commission (EEOC) or other federal or state agency investigations, lose valuable management time in preparing for and attending investigations and trials, receive bad publicity, and expend considerable financial resources in legal fees and costs (Frierson, 1994: 1)

This chapter focuses on the legislation and case law affecting performance appraisals. The legislation and case law presented in this chapter are not all inclusive and represent the major laws and cases affecting performance appraisals. The conceptual framework for this research is also presented.

Legislation Affecting Performance Appraisals

     The Civil Rights Act of 1964, Title VII prohibits discrimination in any aspect of employment if it is based upon race, color, religion, sex, or national origin. Title VII covers all terms, conditions, and privileges of employment. Discrimination in performance appraisal against protected classes covered by Title VII is prohibited.

     The Age Discrimination in Employment Act of 1967 (amended in 1978) prohibits employers from discrimination on the basis of a person's age. All employees 40 years and older are protected by this act. Certain groups, for example, airplane pilots, are exempted from the law's provisions based on the belief that public safety might be jeopardized if older workers were in these positions. If an employee wants to work until the age of 95, it is entirely the employee's decision provided their work accords with quality and quantity and other performance standards that the organizations sets for its members (Burchett, 1988: 34).

     The 1978 Uniform Guidelines were issued by the Equal Employment Opportunity Commission, the Civil Service Commission, the Department of Labor, and the Department of Justice as a single set of uniform guidelines on employee selection procedures. These guidelines were designed to eliminate situations in which employers were subject to two different and often

contradictory sets of rules. The Uniform Guidelines apply to:

> tests and other selection procedures which are used as a basis for employment decisions. Employment decisions include but are not limited to hiring, promotion, demotion,...referral, retention.... Other selection decisions, such as selection for training or transfer, may also be considered employment decisions if they lead to any of the decisions listed above (BLR, 1991: *2-6*).

Accordmg to the definition, a performance appraisal itself is a "selection

procedure" and as such may be examined directly by the courts.

The Civil Service Reform Act of 1978 has the most implications on the

public sector regarding performance appraisals than any other law. This Act

applies **only** to the public sector and therefore is included in this research due to

its immediate implications in public administration. Among the provisions and

recommendations of the act are the following:

- Agencies are required to create performance appraisal procedures.
- Appraisal systems will encourage employee participation in establishing performance standards based on critical elements of the job.
- The critical elements of the job must be in writing.
- Employees must be advised of the critical job elements before the appraisal.
- An employee's performance appraisal must be based entirely on the individual's actual performance of the critical elements of the job. It must not include any controls, such as the requirement to rate on a bell curve, that prevents fair appraisal of performance in relation to the performance standards.
- Appraisals should be conducted and recorded in writing once a year.
- The appraisals must provide information that can be used for making decisions regarding the training, rewarding, reassigning, promoting, reducing in grade, retraining, and removing employees.
- Each agency is required to provide training to those who create and

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conduct appraisals.
- The effectiveness of each agency's performance appraisal system must be periodically evaluated to ensure its effectiveness (Grote, 1996: 325 - 329).

The Americans With Disabilities Act of 1990 (ADA) prohibits employers from discriminating in any aspect of employment based upon an individual's physical or mental disability. To comply with the ADA, employers must be able to identify the essential duties of a job in order to determine if a disabled person can perform them.

The Civil Rights Act of 1991 provides that employers are liable for any reliance on prejudice in making employment decisions. Thus, a complaining party may establish that an employment practice is unlawful by demonstrating that a characteristic protected by Title VII was a "motivating factor" in the decision, even though other factors also motivated the decision.

Case Law Affecting Performance Appraisals

There have been various court cases that relate to performance appraisals. One of the first appellate courts to scrutinize performance appraisals was the Fifth Circuit in New Orleans[7]. In this case, appraisals of employees did not relate to performance on the job but to trait characteristics. The court stated that where

the "appraisal is used to make an employment decision or an adverse impact is shown, the appraisal methods must be validated with performance" (Soverign, 1989: 112).

One year later another court held that a company discriminated against Spanish-American workers when it used an invalid performance appraisal for promotion purposes[8]. The court said that the company used an invalid test according to EEOC guidelines because the test was correlated with an invalid performance appraisal. Therefore, the promotion procedure was invalid as a result (Soverign, 1989: 112). In another case the court said that unless there are written guidelines for raters and the raters are trained in the standardized method of appraisal, the process is invalid[9] (Soverign, 1989: 112).

These are three cases affecting performance appraisals. Table 3.1 presents a summary of court cases and significant rulings relating to performance appraisals. As indicated in the table, all levels of courts have heard cases and ruled on cases involving performance appraisals. The court cases began in the early 1970's. The courts ruled in favor of the employees in most of the cases in the 1970's. Beginning in 1979, the organization (employer) became the

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[7] *Rowe v. General Motors,* **457** F.2d **348** (5' Cir. **1972**).
[8] *Brito et al. V. Zia Company,* **428** F.2d **1200** (10th Cir. **1973**).
[9] *Bohrer v. Hanes Corp.,* **715** F.2d **213** (5' Cir. **1985**).

prevailing party.

TABLE 3.1

SUMMARY OF COURT CASES AND SIGNIFICANT RULINGS

Case	Year	Court	Prevailing party	Significant rulings
Griggs v. Duke Power Company	1971	Supreme	Employee	EEOC guidelines first endorsed. Adverse impact requires demonstration of job-relatedness. Employer intent to discriminate irrelevant.
Marquez v. Omaha District Sales Office, Ford Division of the Ford Motor Company	1971	Appeals, 8th Circuit	Employee	Documentation necessary. Misuse of legal appraisal system may violate Title VII.
Rowe v. General Motors	1972	Appeals, 5th Circuit	Employee	Lack of appraiser training condemned. Subjective performance standards condemned. Communication of performance standards required.
Harper v. Mayor and City Council of Baltimore	1972	District	Employee	Neutral results may indicate discrimination. Consistent evaluation dimensions required.
Brito v. Zia Company	1973	Appeals, 10th Circuit	Employee	Performance appraisals are "employment test." Adverse impact requires demonstration of validity of appraisal system. Objective performance standards should supplement subjective standards. standardized administration and scoring of appraisals required.

Case	Year	Court	Prevailing party	Significant rulings
Wade v. Mississippi Cooperative Extension Service	1974	District	Employee	Job analysis required. Appraisal on general traits condemned.
Albemarle Paper Company v. Moody	1975	Supreme	Employee	Appraisals as criteria must be job-related. Endorsement of EEOC guidelines regarding criterion development.
Patterson v. American Tobacco Company	1978	Appeals, 4" Circuit	Employee	Job analysis necessary. Objective performance standards required.
Zell v. United States	1979	District	Organization	Regular evaluations supported. Job-related standards demonstrated. Performance standards properly communicated.
Ramirez v. Hofheinz	1980	Appeals, 5th Circui	Organization	Subjective performance standards supported. Past record of employer important.
Turner v. state Highway Commission of Missouri	1982	District	Organization	Documentation complete.
Carpenter v. Stephen F. Austin State University	1983	Appeals, 5th Circuit	Employee	Updated job analysis. Performance standards required to be demonstrably job-related. Appraiser training required.

Source: Shelley R. Burchett and Kenneth P. De Meuse, Performance Appraisal and the Law, *Performance Evaluation An Essential Management Tool,* 1988: 36-37.

As demonstrated by the summary of court cases, the performance appraisal system has been tried in the courts. Recommended components of a performance appraisal system were presented in Chapter 2 and legal implications were

presented in this chapter. The components were used to develop ideal

characteristics of an effective performance appraisal system. The conceptual

framework is presented in the next section.

Conceptual Framework

This study uses categories to develop characteristics of an effective

performance appraisal system. These characteristics are used to develop a

practical ideal type performance appraisal system. "Practical ideal types can be

viewed as standards or points of reference" (Shields 1997: **30).** The elements of

the ideal type are not rigidly fixed. There is more than one useful way to envision

the "ideal" (Shields 1997: **30).** The ideal components are presented as sub-

headings under the following categories: policies and procedures; managerial

support; training; setting of employee goals; setting of performance standards;

observation of performance; and appraising performance. **Figure** 3.8 summarizes

the conceptual framework at the end of the chapter.

Each performance appraisal category is discussed in the remaining portion

of this chapter. Also included in each discussion is a list indicating the

components of each category.

Policies and Procedures

The first step in developing an effective performance appraisal system is to prepare written policies and procedures. As discussed previously in this chapter, the court said that unless there are written guidelines for raters, the process is invalid[10]. This category presents the items to include in the written polices and procedures (see **Figure 3.1).** In addition to written policies and procedures, Roberts (1994: **233)** states that it is essential to have some type of grievance or appeal procedures to provide protection against abuse and bias.

FIGURE 3.1 POLICIES AND PROCEDURES

A. Explanation of
  1. performance **appraisal process**
  2. setting **employee goals**
  3. setting **performance standards**
  4. rating **criteria**
  5. required **documentation**
B. Indication of
  1. **frequency** of appraisals
  2. **responsible party** for administering appraisals
  3. requirement of **employee self-appraisal**
  4. **appeal** procedures

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[10] See *Bohrer v. Hanes Corp.*, 715 F.2d 213 (5th Cir. 1985).

Managerial Support

According to Roberts and Pavlik (1996: 386), research demonstrates that

performance appraisal systems require top-level management support to be

successful. Top level support and commitment are demonstrated by holding

managers accountable for how well they administer their performance appraisal

responsibilities. Employee acceptance of the performance appraisal system is

also facilitated when the system provides for employee growth and development.

 Such growth and development opportunities are provided by management.

Figure 3.2 presents the items included in managerial support.

FIGURE 3.2 MANAGERIAL SUPPORT

A. **Raters held accountable** for administration of appraisal system
B. Provision for:
    1. **additional compensation/benefits** to employees who perform at or above
       standards
    2. **career opportunities** for employees who perform above standards

Training

Organizations are encouraged to commit to a high level of training for

appraisers and appraisees alike. Training supervisors to properly evaluate

employees is an important consideration in avoiding legal problems[11]. "Rater

training is essential in providing raters with the requisite skills and abilities

essential in the appraisal process" (Roberts 1995(a): 25). These include a

complete understanding of the rating form and procedures, the ability to provide

positive and negative performance feedback, how to develop specific goals and

standards, effective means for cultivating employee participation and strategies

for avoiding rating errors (Roberts 1995(a): 25).

Clear communication to all employees on how the system works and how

it reflects organizational values will build "ownership" of the system between the

employee and the employer. Therefore, the employee becomes a partner with his

supervisor in the evaluation process. **Figure 3.3** presents types of training

necessary for the ideal performance appraisal system.

FIGURE 3.3 TRAINING

A. Raters trained on:
1. components of the **appraisal process**
2. establishing specific **employee goals**
3. establishing **performance standards**
4. continuously **documenting performance**
5. completion of the appraisal **rating document**

---

[11] *See Rowe v. General Motors, Harper v. Mayor and City Council of Baltimore, and Carpenter v. Stephen F. Austin State University.*

6. providing continuous **performance feedback**
7. steps of appraisal process to **include employees** in
B. Employees trained on:
1. performance **appraisal process**
2. conducting **self-appraisals**

Setting of Employee Goals

The setting of employee goals establishes a basis for subsequent appraisal of performance and is a way for managers to agree on performance criteria with each member of their staff. Involving employees will build ownership. To be effective, "objectives should be: verifiable (in the sense that clear criteria are agreed and set); quantifiable (where possible); achievable; challenging; and significant"(Anderson, 1993: 59). **Figure 3.4** presents characteristics of setting employee goals.

FIGURE 3.4 SETTING OF EMPLOYEE GOALS

Employee goals:
1. tailored to the **individual employees' job**
2. **set jointly** by rater **and** employees
3. **prioritized**
4. **documented in** writing
5. **communicated** to employees

Setting of Performance Standards

Performance standards are establish to evaluate how well employees achieve each established goal. Communication of the performance standards both orally and in writing is recommended. Courts have reacted negatively to performance evaluation systems when standards have not been communicated to employees[12]. **Figure** 3.5 presents the ideal characteristics of setting performance standards.

FIGURE 3.5 SETTING OF PERFORMANCE STANDARDS

Performance standards:
1. used to **evaluate employee's achievement** of established goals
2. **set jointly** by rater and employees
3. **documented** in writing
4. **communicated** to employees

Observation of Performance

Observation of performance is an on-going characteristic of the ideal performance appraisal system. On-going observation includes documenting performance during the performance period so when it is time to meet with an employee to review performance, specific examples from throughout the

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[12] *See Rowe v. General Motors and Zell v. United States.*

appraisal period are discussed. Failure to adequately document the justification

for certain personnel actions, favorable as well as unfavorable, has come back to

haunt many managers in both the public and private sectors.

Providing feedback to employees is another characteristic of observation.

"The role of feedback should be viewed as a central element of the

communication process in which the sender conveys a message to the recipient"

(Anderson 1993: **64).** Feedback should be provided on an on-going basis.

Figure 3.6 presents the characteristics of observation of performance.

FIGURE 3.6 OBSERVATION OF PERFORMANCE

Performance:
1. **documented** by raters during performance period
2. on-going **feedback provided** by raters
3. employees encouraged to **document own performance**

Appraising Performance

A performance appraisal provides a periodic opportunity for

communication between the person who assigns work and the person who

performs the work. During the appraisal, the supervisor and employee discuss

what they expect from the other and how well those expectations are being met

(Maddux, 1993: **4)**

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The role of documentation also plays an integral part in appraising performance. Documentation is one of the most important considerations in a legally defensible performance appraisal system. Reasons for personnel evaluations (and subsequent actions) must be properly recorded in writing if employers are to adequately defend themselves in the courts[13]. **Figure** 3.7 presents the characteristics of appraising performance.

FIGURE 3.7 APPRAISING PERFORMANCE

A. Employee completes **written self-appraisal**
B. Rater:
    1. completes **written appraisal** of employees' performance
    2. provides **specific examples** to justify ratings
C. Rater and employee **meet to discuss:**
    1. ratings
    2. changes in performance, if needed
    3. future goals and future performance

The prescribed components of a practical ideal performance appraisal system have been presented. The methodology used for assessing performance appraisal systems in small municipal governments is discussed in Chapter 4. **Figure 3.8** summarizes the conceptual framework.

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[13] See *Marquez v. Omaha District Sales Office, Ford Division of the Ford Motor Company and Turner v. Stare Highway Commission of Missouri.*

FIGURE 3.8

PERFORMANCE APPRAISAL SYSTEM COMPONENTS

I. POLICIES AND PROCEDURES
- **A.** Explanation of
  1. performance **appraisal process**
  2. setting **employee goals**
  3. setting **performance standards**
  4. rating **criteria**
  5. required **documentation**
- B. Indication of
  1. **frequency** of appraisals
  2. **responsible party** for administering appraisals
  3. requirement of **employee self-appraisal**
  4. **appeal** procedures

II. MANAGERIAL SUPPORT
- **A.** **Raters held accountable** for administration of appraisal system
- B. Provision for:
  1. **additional compensation/benefits** to employees who perform at or above standards
  2. **career opportunities** for employees who perform above standards

III. TRAINING
- A. Raters trained on:
  1. components of the **appraisal process**
  2. establishmg specific **employee goals**
  3. establishing **performance standards**
  4. continuously **documenting performance**
  5. completion of the appraisal **rating document**
  6. providing continuous **performance feedback**
  7. steps of the appraisal process to **include employees** in

8. Employees trained on:
9. performance **appraisal process**
10. conducting **self-appraisals**

IV. SETTING OF EMPLOYEE GOALS
Employees goals:
1. tailored to the **individual employees' jobs**
2. **set jointly** by rater and employees
3. **prioritized**
4. **documented** in writing
5. **communicated** to employees

V. SETTING OF PERFORMANCE STANDARDS
Performance standards:
1. used to **evaluate employees' achievement** of established goals
2. **set jointly** by rater and employees
3. **documented in** writing
4. **communicated** to employees

VI. OBSERVATION OF PERFORMANCE
Performance:
1. **documented** by raters during performance period
2. on-going **feedback provided** by raters
3. employees encouraged to **document own performance**

VII. APPRAISING PERFORMANCE
A. Employee completes **written self-appraisal**
B. Rater:
1. completes **written appraisal** of employees' performance
2. provides **specific examples** to justify ratings
C. Rater and employee **meet to discuss:**
1. **ratings**
2. **changes in performance, if** needed
3. **future goals and** future **performance**

CHAPTER 4

RESEARCH METHODOLOGY

This study describes ideal characteristics of an effective performance appraisal system and looks for evidence that small Texas cities' performance appraisal systems incorporate the ideal characteristics. Triangulation was used to gather evidence. The evidence comes from three sources: 1) surveys of small Texas cities; 2) formal written policies and procedures manuals; and 3) appraisal rating forms. Survey research was used to assess the current appraisal systems of small Texas cities and content analysis was used to analyze policies and procedures and the performance appraisal rating forms. This chapter discusses these research methods and describes the methodology used to conduct this study. In addition, the operationalization of the descriptive categories developed in the conceptual framework are discussed.

Survey Research

According to Babbie (1995: 257), surveys are used for descriptive, explanatory and exploratory purposes, and are chiefly used in studies that have individual people as units of analysis. Survey research has advantages in terms of economy and the amount of data that can be collected. The standardization of the

data collected represents another special strength of survey research.

In this study, the population includes 61 human resources directors from Texas cities with populations between 20,000 and 50,000. **Appendix A** provides a listing of cities surveyed. Human resources directors have valuable insight into the performance appraisal system of the city they are employed with.

According to Babbie (1995: 273), survey research also has the weakness of being somewhat artificial and potentially superficial. However, in this study the survey questions are directly tied to the ideal characteristics suggested in the literature reviewed. Thus the problem of superficiality is reduced. Babbie further states that it is difficult to gain a full sense of social processes in their natural settings through the use of surveys (1995: 273). Despite this weakness, the kinds of information required for this research needs to come from human resources directors. Therefore, the use of surveys was appropriate for this research.

The Survey Instrument

A self-administered survey was used to assess the components of performance appraisal systems of small Texas cities. The survey was mailed to 61 Texas city human resources directors. The Texas Municipal League Directory was used to obtain the names of the human resources directors. In cases where cities do not have a human resources director, the survey was mailed to the city

manager. The surveys were mailed on January 15, 1998 and the respondents were asked to return them by February 3, 1998. Reminder notices were mailed on February 4, 1998 requesting that surveys be returned as soon as possible. Self addressed labels were provided to ease the return of the surveys.

Survey Design and Construction

The survey consisted of 33 closed ended statements requiring a response of "always", "sometimes", or "never" (See Appendix B for a copy of the survey instrument). In addition to the closed ended questions, respondents were asked how frequently appraisals are conducted on an annual basis and the number of appraisal systems in place in the city they represent. Respondents were also afforded the opportunity to provide comments. The survey questions are directly linked to the ideal components identified in the conceptual framework.

Test Instrument

The survey was submitted to ten governmental employees for pretesting. Each employee was requested to complete the form and indicate any areas that were unclear or needed rewording. All of the people who pretested the survey are in supervisory capacities and have experience in appraising the performance of employees.

In addition to the survey, respondents were asked to return copies of policies and procedures and the appraisal rating form. This information was requested to provide the researcher with the documentation necessary to conduct the content analysis portion of this study.

Content Analysis

In addition to the survey, a content analysis was conducted on policies and procedures and performance rating form of cities. The content analysis furnished additional information to assess the performance appraisal systems of small Texas cities. According to Babbie (1995: 306), content analysis allows researchers to examine a class of social artifacts, typically written documents. Therefore, content analysis was appropriate to examine the policies and procedures and performance rating forms of cities.

Content analysis has strengths and weaknesses. One strength of content analysis is that it is economic in terms of both time and money. Another strength is that it is safe. If you botch up your research, it is usually easier to repeat a portion of the study in content analysis than for other research methods. Content analysis is also unobtrusive. It seldom has any effect on the subject being studied. However, content analysis is limited to recorded communications (Babbie, 1995: **306-307).**

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Operationalization of the Conceptual Framework

Table 4.1 indicates how the conceptual framework was operationalized. Each component indicates the method used and the questionnaire item that relates to the component (**See Appendix** B for **a** copy of the survey, **Appendix** C for the content analysis coding sheet for the policies and procedures, and **Appendix** D for the content analysis coding sheet for the employee rating performance forms).

TABLE 4.1
OPERATIONALIZING THE CONCEPTUAL FRAMEWORK

Performance Appraisal System Components	Method Used	Item #[*]
I. POLICIES AND PROCEDURES		
A. Explanation of:		
1. performance **appraisal process**	Survey Content Analysis	Q1 PP1
2. setting **employee goals**	Content Analysis	PP2
3. setting **performance standards**	Content Analysis	PP3
4. rating **criteria**	Content Analysis	PP4
5. required **documentation**	Content Analysis	PP5
B. Indication of:		
1. **frequency** of appraisals	Content Analysis	PP6
2. **responsible party** for administering appraisals	Content Analysis	PP7
3. requirement of **employee self-appraisal**	Content Analysis	PP8
4. **appeal** procedures	Content Analysis	PP9
II. MANAGERIAL SUPPORT		
A. **Raters held accountable** for administration of appraisal system	Survey	Q22
B. Provision for:		
1. **additional compensationlbenefits** to employees who perform at or above standards	Survey	Q23
2. **career opportunities** for employees who perform above standards	Survey	Q24

---

[*] Q = Survey Questionnaire Number
PP = Policies and Procedures Coding Sheet Number (See Appendix C for Coding Sheet)

Performance Appraisal System Components	Method Used	Item #[*]
III. TRAINING		
A. Raters trained on:		
1. components of the appraisal process	Survey	Q12 &13
2. establishing specific employee **goals**	Survey	Q14
3. establishing performance standards	Survey	Q15
4. continuously documenting performance	Survey	Q16
5. completion of appraisal rating document	Survey	Q17
6. providing continuous performance feedback	Survey	Q18
7. steps of the appraisal process to include employees in	Survey	Q19
B. Employees trained on:		
1. performance appraisal process	Survey	Q20
2. conducting self-appraisals	Survey	Q21
IV. SETTING OF EMPLOYEE GOALS		
Employee goals:		
1. tailored to the individual employees' jobs	Survey	Q2&3
2. set jointly by rater and employees	Survey	Q4
3. prioritized	Survey	Q5
4. documented in writing	Survey	Q6
5. communicated to employees	Survey	Q7

---

[*] Q = Survey Questionnaire Number

PP = Policies and Procedures Coding Sheet Number (See Appendix C for Coding Sheet)

Performance Appraisal System Components	Method Used	Item #*
V. SETTING OF PERFORMANCE STANDARDS		
Performance standards:		
1. used to **evaluate employees' achievement** of established goals	Survey	Q8
2. **set jointly** by rater and employees	Survey	Q9
3. **documented** in writing	Survey	Q10
4. **communicated** to employees	Survey	Q11
VI. OBSERVATION OF PERFORMANCE		
Performance:		
1. **documented** by raters during performance period	Survey	Q25
2. on-going **feedback provided** by raters	Survey	Q26
3. employees encouraged to **document own performance**	Survey	Q27
VII. APPRAISING PERFORMANCE		
A. Employee completes **written self-appraisal**	Survey	Q28
B. Rater:		
1. completes **written appraisal** of employees' performance	Survey Content Analysis	Q29
2. provides **specific examples** to justify ratings	Survey	Q30
C. Rater and employee meet to discuss:		
1. **ratings**	Survey	Q31
2. **changes in performance,** if needed	Survey	Q32
3. **future goals** and **future performance**	Survey	Q33

Upon receipt of the completed surveys, the researcher used SPSS Software to tabulate the results. The response of "always" was given a score of 2. The response of "sometimes" was given a score of 1 and the response of "never" was given a score of 0. Descriptive statistics (mean, frequency and percentages) were calculated in order to assess whether the ideal characteristics are a part of the cities' performance appraisal systems.

An analysis of the content of city polices and procedures on performance appraisals was also conducted to assess the systems currently being used by cities. **Table 4.1** represents the content items analyzed.

FIGURE 4.1
CONTENT ANALYSIS OF POLICIES AND PROCEDURES

Policies and Procedures
A. Explanation of
  1. performance **appraisal process**
  2. setting **employee goals**
  3. setting **performance standards**
  4. rating **criteria**
  5. required **documentation**
B. Indication of
  1. **frequency** of appraisals
  2. **responsible party** for administering appraisals
  3. requirement of **employee self-appraisal**
  4. **appeal** procedures

The coding procedure used "included (yes or no) to assess whether the

ideal characteristics were included in the policies and procedures for performance

appraisals. **A** coding sheet (see **Appendix C)** was prepared for each city's

policies and procedures. The answers were transferred to SPSS Software in

order to obtain the frequency of each answer.

The degree to which the characteristics are addressed was also assessed.

Degree represents the number of words dedicated to each item. This information

was transferred to SPSS Software in order to obtain an average number of words

on each of the characteristics.

In addition to the content analysis of the policies and procedures, a content

analysis was conducted on the employee performance rating forms used by cities

to assess the characteristics employees are rated on. **Figure 4.2** presents the

content items analyzed.

FIGURE 4.2
CONTENT ANALYSIS OF EMPLOYEE
RATING PERFORMANCE FORMS

Rating Forms
Employees rated:
1. on **attendance**
2. on **quality** of work
3. on achieving specific **goals**
4. in accordance with job **performance standards**
5. on **interpersonal skills**
6. on use of **equipment**
7. on **quantity** of work
8. on **activities** performed **outside** their usual **work requirements**
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The coding procedure used "included (yes or no) to assess if employees are rated on the characteristics presented. A coding sheet (see **Appendix** D) was prepared for each city's rating form. The answers were transferred to SPSS Software in order to obtain the frequency of each answer. In addition, the method of rating each characteristic was determined.

Upon completion of coding the answers, the outcome statistics allowed this researcher to describe whether the performance appraisal systems currently used by small Texas cities meet the ideal type. The results of this study are presented in Chapter 5.

CHAPTER 5

RESULTS

The purpose of this study is to assess the performance appraisal systems in small cities in Texas using the ideal characteristics developed in this study. The results of the survey of human resources directors and the content analyses of the policies and procedures and the appraisal rating forms are presented in this chapter.

Response Rates

Surveys were mailed to all Texas cities with populations between 20,000 and 50,000. There are 61 cities that fall in this population range. Although respondents were provided a short period of time to complete the surveys, **67%** of the surveys were completed and returned. Eighty-eight (88%) percent of the surveys returned were received from cities with the council/manager form of government and 12% were received from cities with the mayor/council form of government. All survey responses were complete and usable. In addition to the survey, respondents were asked to furnish a copy of the performance appraisal policies and procedures and copies of all appraisal rating forms. Twenty-three cities furnished policies and procedures and **65** appraisal rating forms were

received. The number of rating forms received exceeds the number of cities

responding to the survey because 14 cities have multiple rating forms.

Survey Results and Analysis

The survey was designed to assess the performance appraisal systems

using the ideal characteristics developed in this study. Each survey question is

associated with an ideal characteristic. The following describes the results of the

data obtained from the survey.

Policies and Procedures

As revealed in **Table** 6.1, over three-fourths of the cities responding to the

survey have some type of written performance policies and procedures.

TABLE 6.1 POLICIES AND PROCEDURES RESULTS

Elements	% Yes	% No	Total
Written policies and procedures for performance appraisals	**78.0**	22.0	100.0

n=41

Managerial Support

Table 6.2 reveals that in over one-half of the cities surveyed, raters are

always held accountable for the administration of the performance appraisal

system. However, additional compensation/benefits to employees are always provided in one-fourth of the cities and only sometimes provided in one-half of the cities surveyed. Almost seven out of ten cities sometimes provide career opportunities for employees who perform above standards. Overall, managerial support is not always given to the performance appraisal system.

TABLE 6.2 MANAGERIAL SUPPORT RESULTS

Elements	% Always	Y_0 Sometimes	% Never	Total (n=41)
Raters held **accountable** for administration of appraisal system	58.5	22.0	19.5	100.0
Provision for:				
1. **additional compensation/benefits** to employees who perform at or above standards	24.4	46.3	29.3	100.0
2. **career opportunities** for employees who **perform** above standards	12.2	68.3	19.5	100.00

Training

The results of the portion of the survey on training are revealed in **Table 6.3.** Cities do not consistently provide training. Only 36 percent of the cities surveyed always provide training to employees. Of the cities that always or sometimes provide training, approximately one-half always train raters on the components of the performance appraisal process, how to continuously document performance, and how to complete the rating document. The most alarming

statistic is that less than one in ten cities always train employees on conducting

self-appraisals.

TABLE 6.3 TRAINING RESULTS

Elements	Y_0 Always	Y_0 Sometimes	% Never	Total (n=41)
Training provided to employees on **appraisal system**	*36.6*	*36.6*	*26.8*	100.0
Raters trained on:				
1. components of the **appraisal process**	53.7	17.1	29.3	100.0
2. establishing specific **employee goals**	26.8	39.0	34.2	100.0
3. establishing **performance standards**	34.2	26.8	39.0	100.0
4. continuously **documenting performance**	51.2	22.0	26.8	100.0
5. completion of the appraisal **rating document**	56.1	17.1	26.8	100.0
6. providing continuous **performance feedback**	41.5	31.7	26.8	100.0
7. steps of the appraisal process to **include employees** in	46.3	22.0	31.7	100.0
Employees trained on:				
1. performance **appraisal process**	26.8	26.8	46.4	100.0
2. conducting **self-appraisals**	7.3	22.0	70.7	100.0

Setting of Employee Goals

Table 6.4 reveals the results of the survey on setting employee goals. Six

out of ten cities sometimes or never set employee goals. In one-half of the cities

that set goals, the goals are tailored to the individual employees' job and the goals

are communicated to the employees. Overall the cities do not consistently set,

prioritize, or communicate goals to employees.

TABLE 6.4 SETTING OF EMPLOYEE GOALS RESULTS

Elements	$\%$ Always	$\%$ Sometimes	$\%$ Never	Total (n=41)
Goals are set for **employees to accomplish**	36.5	41.5	22.0	100.0
Employee goals:				
1. tailored to the **individual employees' jobs**	53.6	22.0	24.4	100.0
2. **set jointly** by rater and employees	29.3	41.4	29.3	100.0
3. **prioritized**	29.3	43.9	26.8	100.0
4. **documented in** writing	48.7	29.3	22.0	100.0
5. **communicated** to employees	53.6	24.4	22.0	100.0

Setting of Performance Standards

The results of the portion of the survey on setting of performance standards are presented in **Table 6.5.** Approximately seven out of ten cities always or sometimes set performance standards. Of these cities, five out of ten document the standards in writing and communicate the standards to the employees.

TABLE 6.5 SETTING OF PERFORMANCE STANDARDS RESULTS

Elements	% Always	$\%$ Sometimes	% Never	Total (n=41)
Performance standards:				
1. used to **evaluate employees' achievement** of established goals	29.3	43.9	26.8	100.0
2. **set jointly** by rater and employee	17.1	43.9	39.0	100.0
3. **documented** in writing	51 2	22.0	26.8	100.0
4 **communicated** to employees	56.1	17.1	26.8	100.0

Observation of Performance

Table *6.6* presents the results of survey questions on observation of performance. Less than one-fifth of the raters always document employee performance during the performance period and less than one-fifth always provide on-going feedback to employees. Employees are always encouraged to document their performance in less than one-fifth of the cities. The majority of the cities stated that the raters sometimes document performance during the performance period and provide on-going feedback to employees. Four out of ten cities reported that they never encourage employees to document their own performance during the performance period.

TABLE *6.6* OBSERVATION OF PERFORMANCE RESULTS

Elements	Y_0 Always	Y_0 Sometimes	% Never	Total (n=41)
Performance:				
1. documented by raters during performance period	19.5	68.3	12.2	100.0
2. on-going feedback provided by raters	14.6	73.2	12.2	100.0
3. employees encouraged to document own performance	14.6	43.9	41.5	100.0

Appraising Performance

The results of the portion of the survey on appraising the performance of employees is presented in **Table** *6.7.* In eight out of ten cities, the rater and

employee meet to discuss the ratings. In over sixty percent of the cities, the raters always complete written appraisals of employees' performance, always discuss changes needed in performance, and always discuss future goals with employees.

TABLE 6.7 APPRAISING PERFORMANCE RESULTS

Elements	% Always	% Sometimes	% Never	Total (n=41)
Employee completes written **self-appraisal**	7.3	36.6	56.1	100.0
Rater:				
1. completes **written appraisal** of employees' performance	68.2	22.0	9.8	100.0
2. provides **specific examples** to justify ratings	34.1	53.7	12.2	100.0
Rater and employee **meet to discuss:**				
1. **ratings**	80.5	12.2	7.3	100.0
2. **changes in performance,** if needed	65.9	26.8	7.3	100.0
3. future **goals** and future **performance**	56.1	36.6	7.3	100.0

Content Analysis Results of Policies and Procedures

The content analysis was designed to assess the policies and procedures using the ideal characteristics developed in this study. The results of the content analysis are presented in **Table** 6.8. Eight out of ten policies and procedures reviewed included an explanation of the performance appraisal process. An average of 183 words were dedicated to this explanation. Over sixty percent of the policies and procedures discussed the required documentation, the frequency

of appraisals, and the responsible party for administering the appraisals.

However, of these three elements, the most words (57) on average were

dedicated to the explanation of the required documentation. **An** alarming statistic

was revealed regarding appeal procedures. Less than one-fifth of the cities'

policies and procedures revealed any type of appeal procedures. There were only

an average of ten words dedicated to an appeal procedure. Overall, the policies

and procedures reviewed did not consistently include all of the elements of a

practical ideal type.

TABLE 6.8 POLICIES AND PROCEDURES RESULTS

Elements	% Yes	% No	Total (n=23)	Average #Words
Explanation of:				
1. performance **appraisal process**	82.6	17.4	100.0	183
2. setting **employee goals**	13.0	87.0	100.0	20
3. setting **performance standards**	13.0	87.0	100.0	40
4. rating **criteria**	34.8	65.2	100.0	119
5. required **documentation**	65.2	34.8	100.0	57
Indication of				
1. **frequency** of appraisals	69.6	30.4	100.0	40
2. **responsible party** for administering appraisals	78.3	21.7	100.0	21
3. requirement of **employee self-appraisal**	21.7	78.3	100.0	11
4. **appeal** procedures	17.4	82.6	100.0	10

Content Analysis Results of Appraisal Rating Form

This content analysis was designed to assess the rating factors included in

the appraisal rating forms. The results are presented in **Table 6.9.** Sixty-five

rating forms were received. Different numbers of rating forms are used by cities.

 The number of rating forms ranged from one to eight forms. Five of the eight

elements are included in over 50% of the rating forms reviewed. In 94% of the

rating forms, employees are rated on interpersonal skills. However, only 14% of

the rating forms include rating employees on activities performed which are

outside the usual work requirements.

TABLE 6.9 RATING FACTORS RESULTS

Elements	%Yes	% No	Total (n=65)
Employee rated:			
1. on **attendance**	73.8	26.2	100.0
2. on **quality** of work	58.5	41.5	100.0
3. on achieving specific **goals**	30.8	69.2	100.0
4. in accordance with job **performance standards**	53.8	46.2	100.0
5. on **interpersonal skills**	93.8	6.2	100.0
6. on use of **equipment**	55.4	44.6	100.0
7. on **quantity** of work	47.7	52.3	100.0
8. on **activities** performed **outside** their usual **work requirements**	13.8	86.2	100.0

In addition to assessing the elements presented for the performance

appraisal form, **Table 6.10** presents a summary of the characteristics that were

included in a minimum of ten of the rating forms reviewed. The table indicates the

number of times each characteristic was included. The characteristics that

appeared in at least one-half (33) of the rating forms are as follows:

attendance/punctuality; oral communications; customer service/public relations; interpersonal skills/personal relations; job related skills and abilities; observes rules/regulations; safety minded; and use and care of equipment/property.

TABLE 6.10
RATING CHARACTERISTICS

Characteristic	#Times Included
Ability to:	
Accept Responsibility/Adapt to New Assignments	23
Delegate	10
Follow Instructions/Listens	31
Make Sound Decisions and Judgments	30
Plan and Organize	25
Solve Job Related Problems	19
Train and Develop Subordinates	16
Achievement of Goals	11
Adaptability/Flexibility	15
Amount of Supervision Required	15
Appearance/Work Habits	26
Attendance/Punctuality	37
Communications:	
Oral	42
Written	24
Compliance with Performance Evaluation System	14
Customer Service/Public Relations	43
Dependability/Reliability	33
Effectiveness:	
Utilizing Personnel and Materials	13
Under Pressure/Stress	16
Initiative/Self Motivation	25
Interpersonal Skills/Personal Relations	48
Job Related Skills and Abilities	49
Keeping Others Informed	10
Leadership/Motivating Others	10
Observes Rules/Regulations	40

Characteristic	# Times Included
Quality of Work	34
Quantity of Work	22
Safety Minded	37
Team Oriented	24
Time Management	15
Timely Completion of Work	21
Use and Care of Equipment/Property	34

n=65

Methods of Rating

In addition to assessing the characteristics employees are rated on, the methods of rating used by cities were also assessed. **Table 6.1 1** indicates that almost 9 out of **10** cities use the graphic rating scale with forced-choice rating as the second most commonly used method.

TABLE 6.11 METHODS OF RATING RESULTS

Type of Rating Used	% of Cities Using: Rating
Graphic Rating Scale	86.15
Forced-Choice	9.23
Pass/Fail	3.08
Essay	1.54
Total (n=65)	100.0%

Number of Appraisals per Year

In addition to assessing the rating forms, the number of times per year employees performance is appraised was also assessed. Seventy-three percent of the cities surveyed indicated that employees' performance is appraised one time per year. Twenty percent appraise performance two times per year while seven percent do not conduct performance appraisals.

Number of Performance Appraisal Systems

The number of performance appraisal systems in Texas cities ranges from 0 to 8 systems. Seven percent of the cities did not have a performance appraisal system while fifty-nine percent conducted only one system. The majority of the remaining cities conducted two or three different systems.

This chapter presented the results of each of the methodologies used to assess the performance appraisal systems of Texas cities. Chapter 6 presents the overall results and identifies whether the components of the performance appraisal systems studied meet the ideal type developed in this study.

CHAPTER 6

CONCLUSION

The purpose of this study was to describe ideal characteristics of an effective performance appraisal system. This study also assessed performance appraisal systems of small Texas cities using the ideal characteristics described in this study. Finally, the study sought to make recommendations for the improvement of small Texas cities' performance appraisal systems.

A review of the literature on performance appraisal systems was conducted to collect background information and to develop the ideal characteristics of an effective performance appraisal system. This chapter will present the overall results of this study and will identify whether the components of the performance appraisal system met the ideal characteristics developed in this study. Recommendations are made for the improvement of municipal performance appraisal systems.

Overall Conclusions and Results

The overall results and recommendations are presented in **Table** 6.1. As revealed in the table, the performance appraisal systems of small Texas cities either somewhat meet, not consistently meet, or it is unknown whether they meet the ideal characteristics of the performance appraisal system developed in the

conceptual framework. "Somewhat" indicates that the cities meet of the

characteristics under the category heading but do not meet other characteristics.

"Not consistently" indicates that cities are not consistent in the application of the

characteristics. By sometimes and not always applying the characteristics, cities

may be placed a potential liability situation. The characteristics should be applied

evenly to all employees. In categories where "unknown" is indicated, the data

did not reveal whether or not the ideal characteristics are met.

TABLE 6.1 OVERALL CONCLUSIONS AND RECOMMENATIONS

Characteristic	Meets Ideal Type	Recommendations
Policies and Procedures	Somewhat	More comprehensive polices and procedures should be developed and utilized. There needs to be more explanation of setting employee goals, setting performance standards, rating criteria, and appeal procedures (See **Appendix** E for a sample of one of the more comprehensive city policies).
Managerial Support	Somewhat	More emphasis should be placed on the importance of the appraisal system by holding raters accountable and by providing additional compensation/benefits and career opportunities for employees who perform above standards.

Characteristic	Meets Ideal Type	Recommendations
Training	Not Consistently	Training should be provided to raters to insure proper implementation and understanding of the appraisal system. Employees should be included in the training to insure they are knowledgeable of the process. Employees should also be trained on conducting self-appraisals.
Setting of Employee Goals	Somewhat	Goals should be set for employees to accomplish in order for employees to know what is expected of them. Areas of focus should be on jointly setting of goals by rater and employee and prioritizing goals.
Setting of Performance Standards	Not Consistently	Performance standards should be set in order to evaluate how well employees meet their established goals. Cities should focus on setting standards jointly be rater and employee.
Observation of Performance	Unknown	Raters should be trained to observe and document performance on an on-going basis. Raters should also provide on-going feedback to employees. Employees should be encouraged to document their own performance.

Characteristic	Meets Ideal Type	Recommendations
Appraising Performance	Somewhat	Raters should always document performance and provide specific examples of performance to employees. Raters should discuss changes in performance and future goals with employees. Employees should be encouraged to complete a written self-appraisal of their performance.

Conclusion

Although this study addressed small Texas cities, the practical ideal

performance appraisal system developed can be applied universally to all entities

performing appraisals of employees. It is hoped that Texas cities and other

organizations will use this technique developed to review their existing

performance appraisal system and make revisions as necessary. If cities or other

governmental agencies do not have a performance appraisal system, the practical

ideal type developed in this study can be used as a "starting point" for the

development of a system.

APPENDIX A

TEXAS CITIES BETWEEN 20,000 AND 50,000 POPULATION

ID#	NAME	1996 ESTIMATED POPULATION*
1	Alice	20,599
2	Allen	31,177
3	Alvin	20,579
4	Angleton	20,200
5	Bedford	47,810
6	Benbrook	21,139
7	Big Spring	23,248
8	Cedar Hill	25,555
9	Cleburne	23,904
10	Conroe	33,748
11	Coppell	26,545
12	Copperas Cove	30,311
13	Corsicana	23,320
14	Deer Park	30,220
15	Del Rio	34,495
16	Denison	22,136
17	DeSoto	34,993
18	Duncanville	36,008
19	Eagle Pass	27,554
20	Edinburg	37,742
21	Euless	38,149
22	Farmers Branch	25,382
23	Flower Mound	36,340
24	Friendswood	28,218
25	Georgetown	22,393
26	Grapevine	37,500
27	Greenville	23,882
28	Haltom City	35,541
29	Huntsville	29,060
30	Hurst	36,506
31	Keller	20,231

* According to U.S. Bureau of the Census

ID#	NAME	1996 ESTIMATED POPULATION*
32	Kingsville	25,375
33	La Porte	31,949
34	Lake Jackson	25,774
35	Lancaster	23,352
36	League City	40,631
37	Lufkin	33,089
38	Mansfield	20,804
39	Marshall	24,147
40	McKinney	32,462
41	Mission	37,777
42	**Nacogdoches**	**31,188**
43	**New Braunfels**	**33,906**
44	**Paris**	**25,101**
45	Pearland	26,854
46	Pharr	40,425
47	Plainview	22,656
48	Rosenberg	26,442
49	Rowlett	35,746
50	San Benito	23,047
51	San Marcos	34,994
52	Seguin	20,863
53	Sherman	33,155
54	Socorro	25,409
55	Texarkana	32,462
56	Texas City	42,368
57	The Colony	25,453
58	University Park	22,568
59	Watauga	22,639
60	Waxahachie	20.324
61	**Weslaco**	**26,975**

* **According to U.S. Bureau of the Census**

Employee Performance Appraisal Survey

This survey is being conducted to obtain information on employee performance appraisal systems in Texas cities with populations ranging from 20,000 to 50,000.

If your city conducts performance appraisals of employees, please complete the survey and return it in the enclosed envelope.

If your city does not conduct performance appraisals of employees, please indicate at the bottom of the survey, sign and return the survey.

INSTRUCTIONS

Beside each of the questions presented below, please answer with one of the following responses:

                (A) Always,   (S) Sometimes,   (N) Never

		[A]	[S]	[N]
1.	Do you have written polices and procedures for performance appraisals?	[ ]	[ ]	[ ]
2.	Are goals set for employees to accomplish?	[ ]	[ ]	[ ]

(If the answer to Question 2 was "Always" or "Sometimes", proceed to Question 3. If the answer was "Never", proceed to question 8.)

		[A]	[S]	[N]
3.	Are goals tailored to the individual employees' jobs?	[ ]	[ ]	[ ]
4.	Are goals set jointly by the rater and employee?	[ ]	[ ]	[ ]
5.	Are goals prioritized by the rater?	[ ]	[ ]	[ ]
6.	Are the goals documented in writing?	[ ]	[ ]	[ ]
7.	Are the goals communicated to employees?	[ ]	[ ]	[ ]

		[A]	[S]	[N]
8.	Are performance standards set that are used to evaluate how well an employee has achieved each established goal?	[ ]	[ ]	[ ]

(If the answer to Question 8 was "Always" or "Sometimes", proceed to Question 9. If the answer was "Never", proceed to question 12.)

		[A]	[S]	[N]
9.	Are performance standards set jointly by the rater and employee?	[ ]	[ ]	[ ]
10.	Are performance standards documented in writing?	[ ]	[ ]	[ ]
11.	Are performance standards communicated to employees?	[ ]	[ ]	[ ]
12.	Is training provided to employees on the performance appraisal system?	[ ]	[ ]	[ ]

(If the answer to Question 12 was "Always" or "Sometimes", proceed to Question 13. If the answer was "Never", proceed to Question 21.)

		[A]	[S]	[N]
13.	Are raters trained on the components of the performance appraisal process?	[ ]	[ ]	[ ]
14.	Are raters trained on how to establish specific employee goals?	[ ]	[ ]	[ ]
15.	Are raters trained on how to establish performance standards?	[ ]	[ ]	[ ]
16.	Are raters trained on how to continuously document performance?	[ ]	[ ]	[ ]
17.	Are raters trained on how to complete the performance appraisal rating document?	[ ]	[ ]	[ ]
18.	Are raters trained to continuously provide performance feedback?	[ ]	[ ]	[ ]

	[A]	[S]	[N]

19. Are raters trained on the steps of the performance appraisal process that employees should be included,in? [ ] [ ] [ ]

20. Are employees trained on the performance appraisal system? [ ] [ ] [ ]

21. Are employees trained on conducting performance appraisals on themselves? [ ] [ ] [ ]

22. Are raters held accountable for administration of the performance appraisal system? [ ] [ ] [ ]

23. Is additional compensation or additional benefits provided to employees who perform at or above standards? [ ] [ ] [ ]

24. Are career advancement opportunities provided for employees who perform above standards? [ ] [ ] [ ]

25. Do raters document employee performance on an on-going basis during the appraisal period? [ ] [ ] [ ]

26. Do raters provide on-going performance feedback to employees during the appraisal period? [ ] [ ] [ ]

27. Are employees encouraged to document their own performance during the appraisal period? [ ] [ ] [ ]

28. Do employees complete a written appraisal of their performance? [ ] [ ] [ ]

29. Do the raters complete a written appraisal of employees' performance? [ ] [ ] [ ]

30. Do the raters provide specific examples to justify the employees' ratings? [ ] [ ] [ ]

31. Do the rater and employee meet to discuss the ratings assigned to the employee? [ ] [ ] [ ]

		[A]	[S]	[N]
32.	Do the rater and employee discuss changes in performance, if changes are needed?	[ ]	[ ]	[ ]
33.	Do the rater and employee discuss future goals and future performance?	[ ]	[ ]	[ ]

Please answer the following questions:

Does your city administer more than one **performance** appraisal system (i.e. one system for police officers and one system for clerical employees)? _____

If yes, how many systems are administered? _____

How many times are employees' performance appraised during a one-year period? _____

Provide any additional comments you may have regarding the performance appraisal system used by your city.

Please provide the following information:

Name of City:_____

Form of Government: ____ Council/City Manager ____ Mayor/Council

Your Name (optional): _____

Your Position Title: _____

Please return the survey by February 3, 1998 along with a copy of your polices/procedures relating to performance appraisals and a copy of your current appraisal form.

APPENDIX C

CODING PROCEDURE FOR CONTENT ANALYSIS
OF POLICIES AND PROCEDURES

Policies and Procedures	Included	Degree
1. Explanation of performance appraisal system		
2. Explanation of setting employee goals		
3. Explanation of setting performance standards		
4. Explanation of rating criteria		
5. Explanation on required documentation of performance		
6. Frequency of appraisals		
7. Responsible party for administering appraisals		
8. Requirement of employee self-appraisal		
9. Appeal procedures		

APPENDIX D

CODING PROCEDURES FOR CONTENT ANALYSIS OF EMPLOYEE RATING PERFORMANCE FORMS

Rating forms	Included	Method of Rating
1. Rated on attendance		
2. Rated on quality of work		
3. Rated on achieving specific goals		
4. Rated in accordance with job performance standards		
5. Rated on interpersonal skills		
6. Rated on use of equipment		
7. Rated on quantity of work		
8. Rated on activities performed which are outside the usual work requirements		

Performance Planning and Review

THE TOWN OF

FLOWERMOUND

T   E   X   A   S

Contents
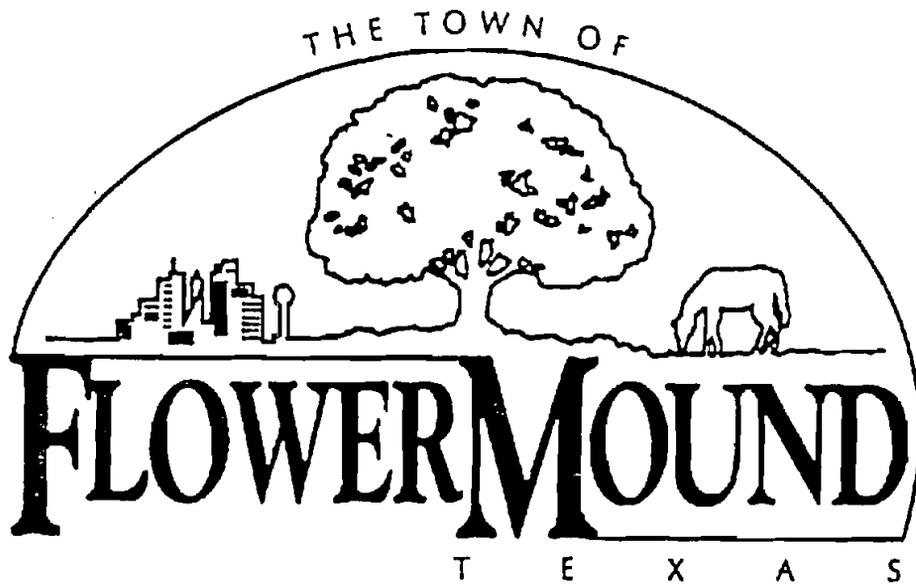
Improvement and Development of Employee Performance

Performance Planning and Review is an ongoing activity designed to accomplish the following principle objectives:

- To provide a valid basis for personnel decisions such as compensation, promotion, training, retention, and performance related disciplinary action.
- To increase employee productivity, improving the Town's effectiveness, and achieving better human resource utilization.
- To coach and counsel the employee in his/her job performance, focusing on how well hefshe is doing his/her job and what can be done to improve that performance.
- To link pay to performance through the application of salary administration guidelines which recognize different degrees of performance with differing salary rewards based upon merit.
- Improve communications and understanding between employees and their supervisors regarding organizational and individual goals and aid the employee in relating individual performance goals to unit objectives.

Most employees want to know where they stand and where improvement is needed m their performance. Accurate performance feedback is the critical link between where they are now and where they might go in the organization. This development is only possible when an employee knows the areas of performance needing attention – whether it be maximizing strengths or bringing weaknesses up to acceptable levels.

The Performance Planning and Review process is the one management tool which fills the employees need to obtain accurate and specific feedback. And it will come from the most credible and knowledgeable source – you, the supervisor. Through the process you will:

- Communicate to the employee what work needs to be done,
- Evaluate how well the employee is performing,
- Communicate with the employee about performance against standards, and
- Work with the employee in developing goals and action plans for improving performance.

Feedback of this nature will serve two functions: it can motivate the employee to focus on relevant and important areas of performance improvement, and it assures that the efforts of the employee are directed toward those goals or activities most important to performance in that job, position or assignment.

Why is there Resistance? The effectiveness of the Performance Planning and Review Process has important implications for the well-being of the Town of Flower Mound, the supervisor's ability to get the job done, and the improvement of the employees performance. In spite of this truth, some supervisors assign a lower priority to this obligation than to other supervisory functions, causing them to fall far short of their potential to utilize and optimize the talents of their employees.

The most common reason for this resistance is that the supervisor feels uncomfortable performing the various roles required to make the Performance Planning and Review Process work. These roles include evaluator, rewarder, coach, counselor, developer and supporter. Other reasons include:

- Discomfort with giving corrective feedback to poor performers,
- Not wanting to admit they have poor performers in their group,
- A feeling that such feedback is irrelevant for experienced, high-performing employees, and
- Traditionally, not being held accountable for the accuracy and quality of their feedback to subordinates.

Goals for the Guide The goal of this guide is to help you set high personal standards for the Performance Planning and Review aspects of your supervisory responsibilities. It is written to help you become more effective and comfortable with the process by giving you:

- An overview of the various components of the entire Performance Planning and Review Process, and
- "How to" information and procedures you need to prepare and conduct the formal Performance Review discussion.

Performance Planning and Review Process Overview

The Performance Planning and Review Process is actually a year-round process, but for explanation purposes it is discussed in this section as a set of "steps."

This flow chart outlines these steps.

```
┌──────────────────────────────────────────┐
│ 1. Performance Planning                  │
│      • Discuss goals and objectives,      │
│        Performance Factors, and standards.│
│      • Mutually set Special Objectives    │
└──────────────────────────────────────────┘
                    │
┌──────────────────────────────────────────┐
│ 2. Daily Coaching and Performance Feedback│
│      • Corrective feedback to help the    │
│        employee meet the goals and        │
│        expectations.                      │
│      • Supportive feedback to ensure      │
│        appropriate performance continues. │
│      • Document on Performance Log        │
└──────────────────────────────────────────┘
                    │
┌──────────────────────────────────────────┐
│ 3. Mid-Year Informal Review              │
│      • Discuss employees performance      │
│        compared to performance factors    │
│        and standards set.                 │
│      • Change or modify Performance       │
│        Factors, standards and Special     │
│        Objectives as needed.              │
└──────────────────────────────────────────┘
                    │
┌──────────────────────────────────────────┐
│ 4. Pre-Review Conference                 │
│      • Allow employee to discuss any      │
│        accomplishments of which you may   │
│        not be aware.                      │
└──────────────────────────────────────────┘
                    │
┌──────────────────────────────────────────┐
│ 5. Formal Performance Review             │
│      • Complete the Performance Review    │
│        Form based on merit factors only.  │
│      • Discuss with the employee.         │
│      • Mutually plan for the upcoming     │
│        review period.                     │
└──────────────────────────────────────────┘
```

Step 1:
Performance
Planning

The beginning of the Performance Planning and Review Process is Planning. It is this initial step which sets into motion the potential for success for both the supervisor and the employee. Planning starts with the supervisor reviewing the job description of the employee, its relevance to the work that needs to be done and its reflection of what the employee is actually doing. It is imperative that the Performance Factors used and the Special Objectives chosen reflect accurately what the employee is actually required to do on the job.

The mutual planning process continues with a discussion of the Job Performance Factors which are relevant to the employee's successful performance of his/her job. Each Factor must be explained so that there is no doubt in the employee's mind what he/she is required to accomplish and what criteria by which he/she will be rated during the upcoming rating period.

Mutually, the supervisor and employee should then determine the Special Objectives applicable to the employee's work. Consideration should be given to the work that must be accomplished, the mission of your part of the organization, and the professional and personal goals of the employee.

The Special Objectives should have the following characteristics:
- They should be Specific - stating in no uncertain terms what is to be done or accomplished by the employee.
- They should be Measurable - There should be a way to determine when and how well the Special Objectives are met.
- They should by Achievable - They must be within the authority, power and capability of the employee to accomplish.
- They should be Relevant - The Special Objectives should require the employee to achieve or accomplish something that pertains to the job or to his/her professional development.
- They should be **Time Limited** - The Special Objective should have a completion date, normally within the rating period. If the Special Objective is long term, milestones should be determined to allow a feeling of accomplishment on the part of the employee and to give the supervisor a criteria for rating the effort already expended during the rating period.

Performance standards reflect the level of performance that an employee must reach to get a particular task done successfully. Communicating standards is important for two reasons:
- The employee needs to know what standards of performance he/she will be judged against, and
- As skills, knowledge and experience change, you may wish to change the standard to assure better quality of work.

Step 2:
Daily
Coaching
and
Performance
Feedback

Once the planning process is accomplished, you need to observe the employee's performance on a regular basis and provide feedback to the employee about accomplishments and areas that need improvement. This will allow you to:

- Recognize the good work performed by the employee,
- Correct unacceptable performance before it becomes a serious problem, and
- Keep the employee on the track that leads to goal accomplishment.

Document both performance that exceeds the norm as well that which fails to meet the norm. This will not only provide motivation and improve productivity, but it will ensure that there will be no "surprises" when it is time to conduct the formal Performance Review.

Step 3.
Mid-Year
Infom al
Review

Halfway through the rating period, the supervisor should meet with the employee and discuss how he/she is doing relative to the Job Performance Factors and Special Objectives. If the employee is not meeting expectations, the supervisor and employee need to work together to develop a performance improvement plan to correct the problem

This is also a good time to review the job description and make sure it still reflects what the employee is actually required to do. If necessary, change the Performance Factors and Special Objectives that are no longer relevant.

This is also the time to ensure the required training has been provided to the employee so that he/she has a realistic opportunity to meet the Factors and Objectives he/she is being rated on.

Step 4:
Pre-Review
Conference

Part of the supervisor's preparation for completing the Performance Review Form (Performance Management Tool) is the Pre-Review Conference. This is a short session which allows the employee to bring to your attention any accomplishments and achievements of which you may not be aware.

Schedule the Pre-Review Conference at least a week prior to its happening so that the employee has some time to think about his/her input. Let the employee know that you will not be discussing the Performance Factors and Special Objectives of the Performance Plan at this meeting, but you would like to have input from him/her on those accomplishments which you may not be aware of and that the employee wishes to bring to your attention prior to your completing the Review Form.

Step 5:
Formal
Performance
Review

The formal Performance Review will be conducted at least once per year on each employee. For a new hire, a sixth month review will be accomplished. For a newly promoted employee, a sixth month appraisal will also be completed. These sixth month reviews will be in lieu of the Mid-Year Informal Review.

The Performance Review consists of the supervisor scheduling a review meeting with the employee at least thirty (30) days prior to the end of the rating period for each employee, and to be completed no later than fifteen (15) days prior to the end of the rating period.

Using personal observation, input from a crew chief if appropriate, employee input from the Pre-Review Conference, and the Employees' Performance Log, complete the Performance Review Form. Each Job Performance Factor and Special Objective must be rated if it is relevant to the employee's job. Using the performance documentation, make comments about the performance of the employee relative to the individual factor or objective. Comments should be specific and relate to how well the job was performed or the objective reached relative to the standards and expectations set during the planning session as modified during the year. Comments are mandatory when a rating of Unacceptable (1), Below Expectations (2), or Clearly Outstanding (5) are awarded. Comments are appropriate for any rating given, however. The comments need not be lengthy and in some cases a key word or phrase may suffice. In any case the comments must specifically express what the employee did that was above or below expectations.

Total the ratings for Section I, Job Performance Factors, divide the total by the number of items rated and transfer this average rating to the Overall Performance Rating page, the last page on the form. Repeat this process with Section II, Special Objectives and transfer that average score to the Overall Performance Rating page, Follow the instructions in the overall rating box to assign the appropriate rating.

The supervisor should then have his/her manager review the form and make any comments in the appropriate section on the Overall Performance Rating page.

Meet with the employee to discuss the Performance Review Form. Every item on the form should be discussed so that there is a clear understanding on the employee's part that he/she has been evaluated fairly. During this discussion, actual performance should be discussed as it compared to the

established factors, objectives and standards. Review with the employee the Overall Performance Rating.

If performance improvement is necessary to raise any rating to at least a Meets Expectations (3), work with the employee to develop a Performance Improvement Plan (PIP). The PIP should state specifically how the performance fails to meet expectations, what must be done to bring the performance to an acceptable level, what the supervisor will do to hetp the employee achieve that level, and when the performance must reach the Meets Expectation level.

Provide the employee an opportunity to make any comments he/she desires in the appropriate section and have the employee sign the form. The form should then be returned to personnel.

At the completion of the formal Performance Review, or at a meeting within the two weeks, conduct the Performance Planning for the upcoming rating period.

General

Performance Planning refers to the identification of relevant job performance factors, development of Special Objectives and explanation of standards of performance which apply to the employee relative to each factor and objective. The standards must be communicated to the employee by the supervisor. The employee and supervisor then develop plans to ensure performance expectations and requirements can be met. Planning continues during the review period , particularly as job requirements, priorities, or environments change. This section contains tips and suggestions on:

- Creating relevant Special Objectives, and
- Conducting the initial interview and assessing its effectiveness.

Creating **Special** Objectives

The supervisor and employee are responsible for creating from three to five Special Objectives. Objectives are critical job results. Since objectives are specific, measurable, achievable, relevant and time-limited, it is important that the employee and supervisor have firm agreement on them

An example of an objective statement might be: "Collect and analyze budget and actual data and prepare reports to provide the Town Manager's office with information for decision making."

Broken down into its basic components, the objective looks like this:

- Action verb (what is to be done)   "collect and analyze
                                             "prepare"

- Object (object or resource)   "budget"
                                           "actual data"
                                           "reports"

- End Result (Why we do it)   "provide Town
                                           Managers office
                                           with information
                                           for decision
                                           making."

Next, you must determine how the end results are to be measured. In the example given, will we measure timeliness, accuracy, utility or maybe all three'? Are the reports error free, clear and understandable?

With changing departmental or organizational requirements and needs, it may become necessary to modify or change the objectives or the levels of measure associated with a particular objective. If this occurs, work with the employee to modify the objective as needed to maintain its relevance to the job the employee is actually doing. If this occurs, you must be careful to rate and weigh the old and new objectives relative to the performance and time spent against each one.

Conducting the Planning Interview

The Performance Planning Meeting is the basis for communicating expectations to the employee. The following suggestions are useful when preparing, conducting and documenting the interview.

☐ Prepare for the interview
  - Review job description.
  - Identify Job Factors and standards that are necessary for successful performance.
  - Give the employee sufficient time to prepare for the interview.
  - Be prompt and allocate enough time for an uninterrupted session.

☐ Conduct the interview with the employee
  - Put the employee at ease.
  - Explain the purpose of the meeting.
  - Give your perspective of each Performance Factor that pertains to the employee.
  - Get the employee's perspective of these Factors.
  - Merge perspectives through discussion and problem solving.
  - Work together to develop Special Objectives.
  - Ask how you can help the employee do a better job.
  - Keep notes on agreed support.

☐ Document the performance plan
  - Write Special Objectives in Section II of the form.
  - Make sure employee has a copy of the Factors and Objectives they will be held accountable for.
  - File the form in the employee's folder.

Assessing Your Performance

Immediately after the Planning interview, use the following checklist to appraise your own performance as a supervisor:

PERFORMANCE PLANNING INTERVIEW CHECKLIST

1. Did I completely develop my own expectations for the employee's performance prior to the interview?

2. Was the employee given sufficient time to prepare for the interview?

3. Did I explain the purpose of the interview?

4. Did I succeed in putting the employee at ease?

5. Did I review and discuss each Performance Factor and standard?

6. Did the employee participate fully in the process, especially in setting Special Objectives?

7. Did I avoid imposing my opinions too strongly?

8. Did the employee have a chance to ask questions for clarification?

9. Did the employee leave with the feeling that he/she understood performance expectations and was committed to them?

10. Did I complete all necessary documentation?

Part of the supervisor's responsibility is to manage performance throughout the rating period. The supervisor must observe carefully and identify problems quickly. These problems may be alleviated once their causes are determined.

Diagnosing problem performance involves defining the problem, analyzing the reasons for the problem, and developing solutions for solving the problem

Define the Problem

To define the problem, document the indicator of the problem on the Employee's Performance Log. This should be done in specific terms such as: "Task A was not completed on time", or "Report turned in late."

Specify discrepancy between actual and expected performance. For example:
Actual performance: "Last three reports have been late."
Expected Performance: "All reports should be on time."

Specify the affect on the organization of the discrepancy. For example: "Late reports cause delays all the way up through the chain." Or "Failure to complete tasks on time causes others to have to pick up his/her work, causing morale problems and overworked conditions."

Analyze the Reason

Analyze the reason for the problem. There are many possible reasons for performance problems. All possibilities should be considered prior to formulating a course of action.

REASONS FOR PERFORMANCE PROBLEMS			
	Physical	**Emotional**	**Intellectual**
P E O P L E	1. **Capacity** Does the employee have the capacity to perform the requirements?	2. **Motives** Does the employee care about the work being performed?	3. **Skills** Does the employee have adequate skills and knowledge to do the task?
E N V I R O N	4. **Resources** Is the employee missing any resources?	5. **Incentives** Does the employee experience the incentive system as functional?	6. **Procedures** Have procedures been developed and communicated to the employee?
I N F O	7. **Tasks** Are the requirements clearly defined?	8. **Mission** Does the employee see why this job is important to the Town?	9. **Flow** Is the information flow sufficient?

Develop Solutions

Developing solutions for solving the problem flows directly from your analysis of the possible reasons for the performance deficit. The chart below is an excellent guide to help you deal with 99% of your personnel problems.

Problem Employee Flow-Chart
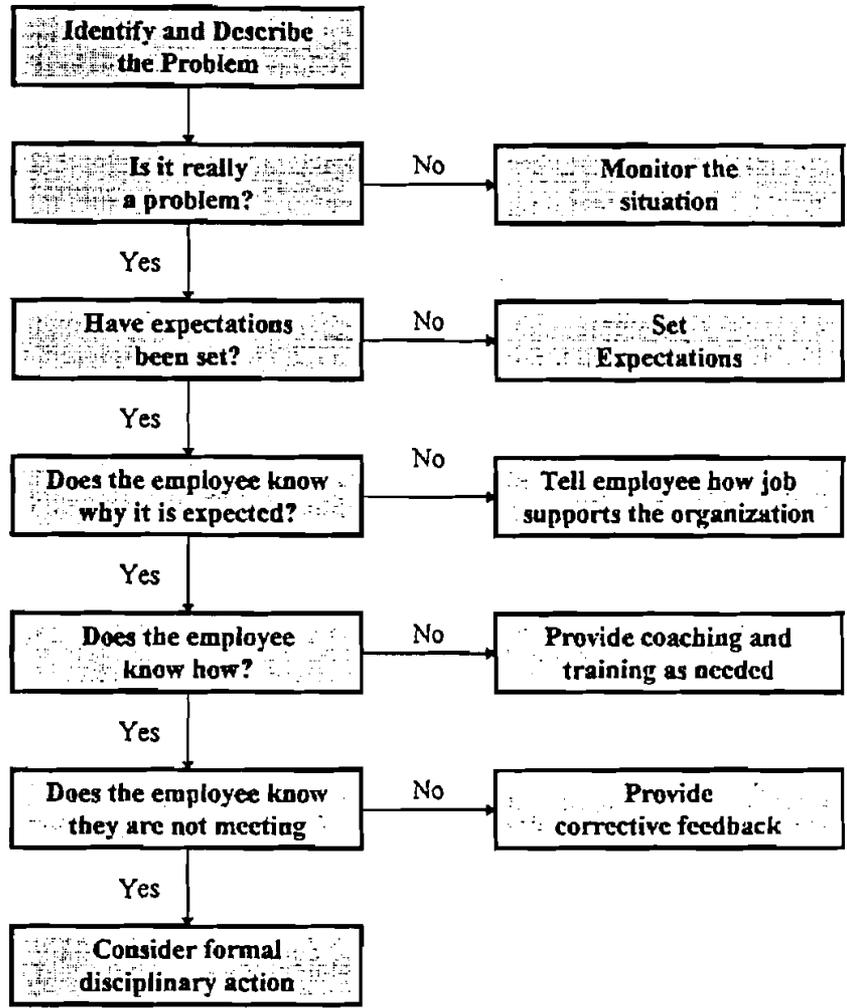
```
        ┌─────────────────────────┐
        │  Identify and Describe  │
        │      the Problem        │
        └─────────────────────────┘
                    │
                    ▼
        ┌─────────────────────────┐   No   ┌─────────────────────────┐
        │      Is it really       │ ─────▶ │      Monitor the        │
        │      a problem?         │        │       situation         │
        └─────────────────────────┘        └─────────────────────────┘
                    │ Yes
                    ▼
        ┌─────────────────────────┐   No   ┌─────────────────────────┐
        │    Have expectations    │ ─────▶ │          Set            │
        │       been set?         │        │      Expectations       │
        └─────────────────────────┘        └─────────────────────────┘
                    │ Yes
                    ▼
        ┌─────────────────────────┐   No   ┌─────────────────────────┐
        │  Does the employee know │ ─────▶ │   Tell employee how job │
        │    why it is expected?  │        │ supports the organization│
        └─────────────────────────┘        └─────────────────────────┘
                    │ Yes
                    ▼
        ┌─────────────────────────┐   No   ┌─────────────────────────┐
        │    Does the employee    │ ─────▶ │   Provide coaching and  │
        │       know how?         │        │    training as needed   │
        └─────────────────────────┘        └─────────────────────────┘
                    │ Yes
                    ▼
        ┌─────────────────────────┐   No   ┌─────────────────────────┐
        │  Does the employee know │ ─────▶ │        Provide          │
        │   they are not meeting  │        │   corrective feedback   │
        └─────────────────────────┘        └─────────────────────────┘
                    │ Yes
                    ▼
        ┌─────────────────────────┐
        │     Consider formal     │
        │   disciplinary action   │
        └─────────────────────────┘
```

Document   Document   Document   Document   Document

Preparation

The cover page of the form contains basic instructions and information about the employee and the supervisor. Be sure to include all the appropriate information, including the processing information on this page.

To provide a valid and fair Review for your employee, you must have done the following:
- Planned the factors and objectives with your employee;

  Provided day to day feedback on performance, both supportive and corrective;
- Held a Mid-Year Informal Review;
- Provided the training necessary for your employee to succeed;
- Made sure the resources needed were available;
- Allowed your employee to provide you input at the Pre-Review Conference;
- Talked to the crew chief if appropriate; and
- Maintained an Employee Performance Log.

**Section I:
Job Performance
Factors**

The Job Performance Factors count ¾ of the employees overall rating. These must be completed for all employees. The Job Performance Factors consist mainly of the job expectations as outlined in the job description.

Comments are required on any rating that is Clearly Outstanding (5), Below Expectations (2), or Unacceptable (1). Comments are encouraged on all ratings. Comments must be specific, but not necessarily long. The comments should explain the actual job performance as compared to the expectations set forth in the individual job performance factor. Sometimes a key word or phrase may suffice.

After comments are made, assign a numerical rating to that specific job performance factor. Ratings are defined as follows:
- **5 - Clearly Outstanding.** Performance at this level is exceedingly rare and is generally reserved for the truly exceptional employee. It is this person who consistently performs in an outstanding manner and gets the best possible results, even under the most difficult of circumstances. This individual's performance is easily recognized by all as truly distinguished.
- **4 - Above Expectations.** This level of performance is noticeable above "Meets Expectations", but doesn't yet fall into the "Clearly Outstanding" category. It means that the employee is performing in a manner well beyond the normal, expected performance of a fully

effective employee. More often than not, this employee's performance will significantly exceed standards m several critical areas.

- **3 -** Meets Expectations. This ratmg should be assigned to those employees that have demonstrated consistently competent work when measured against reasonable job performance standards that are mutually understood by the employee and the supervisor. This standard of work performance is attamable most of the time by a majority of the fully qualified employees. The employee will consistently perform acceptably on the job. He/she is doing a satisfactory quantity of work in a reasonable and expected manner.
- **2 -** Below Expectations. This rating applies to the employee who cannot or does not provide a consistently solid performance that meets or exceeds that which is required to be fully effective m his/her position. They should, however show some promise of becoming fully effective within a reasonable period of time.
- **1 -** Unacceptable. This ratmg is for the employee whose job performance is clearly unacceptable for an individual with his/her experience and training when examined against the expectations of the job.

After all the ratings are assigned total them and divide by the number of factors rated to arrive at an average for Job Performance Factors. Write this total m the appropriate blank on the Overall Performance Rating page.

Section II: Special Objectives

Special Objectives are critical job results. Objectives should be mutually arrived at and agreed to by both the employee and the supervisor. Since objectives are specific, measurable, achievable, relevant, and time limited, it will be easy to rate them in terms of degree, quality and timeliness of completion.

Rate the Special Objectives as you did the Job Performance Factors. When the ratings are assigned, total the scores and divide by the number of objectives you rated to arrive at the average rating for Section II. Write that score on the Overall Performance Rating page in the appropriate space.

Overall Performance Rating

Overall Performance Rating is determined by counting the Section I (Job Performance Factors) grade as ¾ of the overall grade and the Section II (Special Objectives) grade as ¼ of the overall grade. This is easily done by following the formula on the Overall Performance Rating page which simply tells you to multiply the Section I average by **3** and add that product to the Section **II** average, then divide that sum by 4. Carry to two decimal places only. Usmg the guidelines set out for you on that page, assign an

overall rating for that employee. The overall rating should be assigned as follows:

- If the overall grade is 4.5 or higher, the employee is **Clearly Outstanding;**
- If the overall grade is 3.5 - 4.4, the employee **Exceeds Expectations;**
- If the overall grade is 2.5 - 3.4, the employee **Meets Expectations;**
- If the overall grade is 1.5 - 2.4, the employee is **Below Expectations;**
- If the overall grade is 0 - 1.4, the employee is **Unacceptable.**

The adjective rating **does not** relate directly to the pay increase categories.

Common Pitfalls in Rating Employees

There are some common pitfalls to determining ratings which should be avoided. Review these prior to rating an employee so that you will be able to rate him/her fairly and objectively.

- *Halo Effect.* Halo results when the supervisor allows an overall general impression of the individual to influence his or her judgment on each separate factor in the performance rating form. Rater should consider each factor independent of all other factors.
- *Recency Effect.* If an employee makes an outstanding contribution or an untimely mistake just prior to a performance review, this event can color the rater's perception of the employee's performance for the entire rating period.
- *Unforgettable Event. A* single event, good or bad, can unduly influence a supervisor's perceptions.
- *Compatibility.* There is a tendency to rate people whom we find pleasing of manner and personality higher than they deserve. Those who agree with us, nod their heads when we talk, or are skilled flatterers often get better ratings than their performance merits. Conversely, we tend to rate people lower than they deserve when conflict of manner and personality exist.
- *Eflect of past record.* The employee who has performed well in the distant past is assumed to have performed acceptably in the recent past also. Previous good work tends to carry over into the period being appraised.
- *Leniency Effect.* This is the tendency to rate everyone high. This is usually done when the rater feels discomfort in criticism or does not want to "hurt the feelings" of the employee. Understanding the constructive purposes of the performance review and acquiring effective skills in providing feedback should reduce the tendency to commit this error.
- *Similarity Effect.* We tend to rate people more favorably if we perceive them to be similar to us.

Key Points

Key points to remember:
- Friendship with any employee should not influence the ratings
- Avoid quick guesses regarding performance
- Remember you are rating performance as compared to established and communicated expectation. Appearance, race, social status, sex, age or other non-performance factors should not affect the ratings.
- Free yourself from personal preferences, prejudices and biases.

If a supervisor is to be effective in conducting meaningful performance reviews, he/she must recognize these bias tendencies and take steps to compensate for them. Careful observation, description, and documentation of actual performance on an ongoing basis reduces the tendency for bias by emphasizing job performance over a period of time.

There are two main reasons why you conduct the formal Performance Review discussion. First, you can summarize and discuss the employee's past performance relative to established and communicated expectations. Second, you and the employee can lay some ground work for the future by discussing how improvement can be made and what you can do to assist the employee in that improvement.

Preparation

To do this effectively, you must prepare for the discussion so that you can encourage two-way communication and make the discussion meaningful. To prepare properly, take the following steps:

- Schedule the meeting at least one week in advance, letting the employee know the purpose of the meeting and what preparation he/she needs to make prior to the meeting.
- Review the Employee's Performance Log and the completed Performance Review Form, making any notes necessary about possible action plans for improvement and development before the discussion.
- Determine the employee's training needs.
- Set an agenda for the meeting, including a rough idea of what you want to say and how to say it.
- Plan a way to put the employee at ease.

Performance Review Discussion

Devote the first part of the discussion to past performance. Here are some keys to making this a comfortable and successful performance review:

- Establish a friendly and supportive atmosphere. Ensure uninterrupted time and location. You may wish to sit beside the employee rather than across from them.
- Encourage the employee's participation. A good way to establish this is to encourage the employee to evaluate his/her performance.
- Be specific. Be prepared to give reasons, facts, and examples to back up your evaluation. Avoid generalizations.
- Balance corrective and supportive feedback. Make sure you talk about all the positives as well as the areas which need improving.
- Fairness dictates that you do not lower a rating for something over which the employee had no control.
- Listen actively. Pay full attention to the employee's comments. Occasionally restate the employee's comments to make sure that your perceptions are accurate. These comments may provide information needed to improve his/her performance.

In conducting the formal Performance Review, you should cover each Job Performance Factor individually, giving specifics to support the rating you assigned. Don't "fire hose" the employee by covering all the factors at once

without **making** sure he/she understands the justification for the rating and has had an opportunity to comment or as questions. The same criteria apply for the Special Objectives. The following guidelines may help:

- Focus on performance, not personalities.
- Be straight forward in presenting criticism. It is unfair to the employee and to the organization to leave the impression that corrective action is not needed in an employee's performance.
- Compare the employee's performance to job standards and expectations as communicated in the Performance Planning meeting, not to others.
- Do not argue about the rating. Express your opinion with an explanation of the reasons behind it, but avoid argument. Redirect the conversation toward what can be done to improve performance.

To end on a positive note, make sure the employee understands that you value him/her and what they can bring to the job. The best way to do this is by discussing plans for improvement where needed and development to prepare them for professional advancement.

Improvement plans should always be in writing and state what is to be accomplished, who will do it, what resources will be needed, who will provide the resources, and when the action will be completed.

Once the formal Performance Review is completed, double check the form for signatures and completeness and turn in to personnel.

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