

EFFECTIVE MANAGEMENT OF THE PERFORMANCE APPRAISAL PROCESS IN LEBANON: AN EXPLORATORY STUDY

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Abstract

Performance appraisal has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher, 2001). Thus, both practice and research have moved away from a narrow focus on psychometric and evaluation issues to developmental performance appraisal (e.g., Fletcher, 2001; Lefkowitz, 2000; Levy and Williams, 2004; Waal, 2003), which may be defined as any effort concerned with enriching attitudes, experiences, and skills that improves the effectiveness of employees (Boswell and Boudreau, 2002).

The purpose of this study was to examine the performance appraisal system in the Lebanese firms. Twelve in-depth personal interviews with Human Resource Managers in Lebanese firms were used in order to answer the following questions:

- What are the characteristics of the performance appraisal process used in Lebanese firms?
- What are the purposes of the performance appraisal systems in Lebanese firms?
- What are the problems produced by the performance appraisal systems in Lebanese firms?
- What are the different areas to be improved in the appraisal systems?

Introduction

The efforts of employees can determine the success and survival of an organization (Drucker, 1994; Barney, 1995), and appraisal is potentially one way in which those efforts can be aligned with the aims of an organization, employees can be motivated and their performance managed (Orpen, 1997; Martin and Bartol, 1998; Cook and Crossman, 2004). Performance appraisal is among the most important human resource (HR) practices (Boswell and Boudreau, 2002; Judge and Ferris, 1993; Yehuda Baruch, 1996) and one of the more heavily researched topics in work psychology (Fletcher, 2002), a subject of research for over 70 years (Landy and Farr, 1980).

Still, many organizations express dissatisfaction with their appraisal schemes (Fletcher, 1997). According to Fletcher (2001), this may signal a lack of success of performance appraisal as a mechanism for developing and motivating people. There is general consensus among performance appraisal researchers and practitioners that assessment of

appraisal reactions is important (Keeping and Levy, 2000). For instance, it is frequently argued that in order for performance appraisal to positively influence employee behavior and future development, employees must experience positive appraisal reactions. If not, any appraisal system will be doomed to failure (see, e.g. Cardy and Dobbins, 1994; Murphy and Cleveland, 1995). Performance appraisal satisfaction is the most frequently measured appraisal reaction (Giles and Mossholder, 1990; Keeping and Levy, 2000).

This paper is organized as follows: (I) Understanding the performance appraisal system, (II) Performance appraisal system and Performance Improvement and (III) Empirical Study in Lebanese firms.

I. UNDERSTANDING THE PERFORMANCE APPRAISAL SYSTEM

1. Performance Appraisal System: Some Definitions

The term “performance appraisal” refers to the process by which an individual’s work performance is assessed.

Performance appraisal has been defined as the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (Lansbury, 1988).

Performance appraisal is the formal process of observing and evaluating an employee’s performance (Erdogan, 2002).

According to Angelo S. DeNisi and Robert D. Pritchard (2006) “Performance appraisal” is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee’s job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated.

2. Performance Appraisal System: Different Methods

Most appraisal methods used throughout the world today are based, to some extent at least upon the following techniques: Graphic rating scales; behaviourally anchored rating scales (BARS), behavioural observation scales (BOS); mixed standard rating scales; and management by objectives (MBO). Most commentators agree that goal-based appraisal systems, in which an employee’s work performance is measured against specific goals, are the most satisfactory (Dorfman et al., 1986; Locke and Latham, 1984; Latham and Wexley, 1981).

Lastly, in the past few years, there has been growing interest in the practice community for what has been termed “non-traditional” appraisal systems (e.g., Coens and Jenkins, 2000; Lawler, 2000). These systems are less structured than the more traditional systems, with less emphasis on ratings or rankings, and more emphasis on developmental meetings between supervisors and employees as needed. The study of Bladen (2001) indicated that these approaches have been growing in popularity, but most firms that have moved in this direction have developed hybrid models, which still retain some aspects of the traditional systems.

According to Muezyk and Gahle (1987), an organization's success or failure may be determined by the ways in which performance is managed.

Katsanis et al. (1996) provide several recommendations on the basis of their research for the development of performance appraisal methods:

- ✦ Gain support of both human resources and top management;
- ✦ Use qualitative versus quantitative criteria;
- ✦ Allow for input when developing performance standards and criteria;
- ✦ Make sure the performance appraisal system is not dated;
- ✦ Ensure managers take ownership of the performance appraisal system;
- ✦ Attempt to eliminate internal boundary spanning by creating direct reporting relationships where possible;
- ✦ Utilize performance targeting (Halachmi, 1993) to appraise PMs;
- ✦ Be aware and act on environmental forces as they affect the organization.

3. Performance Appraisal System: the specific case of the 360-degree

Whatever method of performance appraisal is used, it's necessary to decide whom to use as the source of the performance measures. Each source has specific strengths and weaknesses. We can identify five primary sources: managers, peers, subordinates, self and customers.

Now, we can clearly see the development of multi-source appraisals, initially as a means of initiating effective organizational change, but eventually as part of what has been termed 360-degree appraisals. By the 1990s, this type of appraisal was extremely widespread and growing in popularity in both the research and practice arenas (see for example, the review by Dalessio, 1998).

Some studies pointed out some issues regarding the design of the 360-degree appraisals. (see review in Seifert, Yukl, and McDonald, 2003), while others have raised questions about the overall effectiveness of this approach (e.g., Waldman, Atwater, and Antonioni, 1998). Yet, research on multi-source and upward appraisals continues (e.g., Smither and Walker, 2004).

Proponents of the 360-degree feedback approach offer it as a “progressive” means of conducting performance appraisal, a means that addresses many procedural justice concerns. Church and Bracken (1997) contend that 360-degree feedback systems and other forms of multi source or multi-rater assessment methods in organizations have evolved from an innovative “nice-to-have” technique administered only to the most senior levels to a “must-have” tool for integration into overall performance and human resource management strategies. These systems appear well suited for the flexible, team-based, change-oriented organizational cultures of many organizations today.

360-degree systems are gaining popularity because they tend to reduce the problems of previous generations of assessment methods (Antonioni, 1996). Barnes (1997) notes that 360-degree appraisal moves the manager back into a “comfort zone” as she or he is now only one among a number of assessors. In addition, it greatly reduces the problems of central tendency, positive skewness, and “halo effects,” it reduces defensiveness on the part of the appraisee because there are a variety of assessors, and it recognizes that subordinates are best placed to assess “leadership” or “people management” skills. The technique is said to be helpful in defending legal challenges of the outcome of appraisals, it meets the demands for employee empowerment and involvement, and it is a useful tool in tapping employee opinions and attitudes.

4. Performance Appraisal System: Different Purposes

Firms engage in the performance-evaluation process for numerous reasons. Managers may conduct appraisals to affect employee behavior through the feedback process, or to justify some sort of human resource management action (termination, transfer, promotion, etc.). However, many other benefits may also accrue from the information yielded by the appraisal. These benefits include increases in knowledge regarding the effectiveness of selection and placement programs, training and development needs, budgeting; human resource planning, and reward decisions (Cocanougher & Ivancevich, 1978; Dubinsky, Skinner, & Whittler, 1989; Thomas & Bretz, 1994; Wanguri, 1995). Perhaps the overriding reason for performance appraisals is provided by Ilgen and Feldman (1983). They contend that organizations cannot function effectively without some means of distinguishing between good and poor performance.

Cleveland and her associates (Cleveland et al., 1989) presented a classification of the reasons for conducting appraisals in organizations, and these included documentation, within-person decisions (feedback on strengths and weaknesses) and between-person decisions (who to promote).

According to Yehuda Baruch (1996), Performance Appraisal systems are used for two main purposes:

- To serve a variety of management functions such as decision-making about promotions, training needs, salaries, etc.

- To enhance developmental processes of employees or as an evaluation instrument (Campbell, D. and Lee, C., 1988; Farh, J.L., Cannella, A.A. and Bedeian, A.G., 1991).

Wendy R. Boswelljohn W. Boudreau (2000), examined two typical performance appraisal uses: evaluative and developmental. The evaluative function includes the use of performance appraisal for salary administration, promotion decisions, retention-termination decisions, recognition of individual performance, layoffs, and the identification of poor performance. This is similar to Ostroffs (1993) conceptualization of the administrative performance appraisal purpose. Developmental functions include the identification of individual training needs, providing performance feedback, determining transfers and assignments, and the identification of individual strengths and weaknesses.

It has been suggested that these purposes often conflict (Cleveland, Murphy, and Williams, 1989; Meyer, Kay, and French, 1965; Ostroff, 1993). This conflict may prevent the appraisal process from attaining its full usefulness to the organization, perhaps even contributing negatively to individual behavior and organizational performance. Other research has found that employees prefer appraisal ratings to be used for certain purposes rather than others {Jordan and Nasis, 1992}.

II. PERFORMANCE APPRAISAL SYSTEM AND PERFORMANCE IMPROVEMENT

Performance management focuses on ways to motivate employees to improve their performance. The goal of the performance management process is performance improvement, initially at the level of the individual employee, and ultimately at the level of the organization.

The performance appraisal is a technique that has been credited with improving performance (Bagozzi, 1980; DeCarlo & Leigh, 1996; Jaworksi & Kohh, 1991) and building both job satisfaction and organizational commitment (which has been related to lower levels of turnover) (Babakus, Cravens, Johnston, & Moncrief, 1996; Babin & Boles, 1996; Brown & Peterson, 1994; Churchill, Ford, Hartley, & Walker, 1985).

Although the relationship between appraisals and performance may not be a direct and causal one, their impact on performance may be attributed to their ability to enhance: role clarity, communication effectiveness, merit pay and administration, expectancy and instrumentality estimates, and perceptions of equity. Duhinsky, Jolson, Michaels, Kotahe, and Lim (1993) discuss the concept that increases in role clarity can affect both the effort/performance expectancy and performance/reward instrumentality estimates. Thus, by reducing ambiguity performance appraisals may positively influence the levels of motivation exhibited by employees. More frequent appraisals and feedback help employees to see how they are improving, and this should increase their motivation to improve further (cf. Kluger and DeNisi, 1996).

Appraisals are generally considered to have a positive influence on performance, but they also may have a negative impact on motivation, role perceptions, and turnover when they are poorly designed or administered (Churchill et al., 1985).

The ultimate goal of performance appraisal should be to provide information that will best enable managers to improve employee performance. Thus, ideally, the performance appraisal provides information to help managers manage in such a way that employee performance improves (**Angelo S. DeNisi and Robert D. Pritchard, 2006**). Providing the employee with feedback is widely recognized as a crucial activity. Such feedback may encourage and enable self-development, and thus will be instrumental for the organization as a whole Yehuda Baruch (1996). Larson (1984) supports the importance of evaluations in terms of their effect on organizational effectiveness, stating that feedback is a critical portion of an organization's control system.

1. Problems in Performance Appraisal

The performance appraisal systems tend to have several problems. Raters' evaluations are often subjectively biased by their cognitive and motivational states (DeNisi & Williams, 1988; Longenecker et al., 1987), and supervisors often apply different standards with different employees which results in inconsistent, unreliable, and invalid evaluations (Folger et al., 1992). In order to create better systems, researchers have traditionally focused on validity and reliability (Bretz et al., 1992) by designing newer "forms" of performance appraisals (e.g., behavioral-based systems that better define specific essential job functions of employees or 360-degree feedback mechanisms that allow for cross-validation via multiple raters). However, despite these recent advances in evaluation design, critics continue to argue that performance appraisal systems are not consistently effective (Atkins & Wood, 2002; DeNisi & Kluger, 2000).

Thomas and Bretz (1994) argue that evaluations are often perceived by employees and supervisors with "fear and loathing." Two possible explanations for the fear and loathing are the absence of a "sense of ownership" and an absence of rewards for properly completing the process. Cardy (1998) describes the appraisal process as "a difficult and error-ridden task." However, Cardy also points out that it is an important task that affects both the individual and the organization. As suggested by Drenth (1984), evaluation is a sensitive matter, often eliciting negative psychological responses such as resistance, denial, aggression, or discouragement, particularly if the assessment is negative. Thus high perceptions of evaluative performance appraisal use may result in negative feelings about the appraisal.

The employee reactions to appraisals can be an important condition to improve the employee's performance. Recently, scholars have begun to argue that employee emotions and perceptions are important in determining the efficacy of performance appraisal systems.

In fact, appraisal reactions such as satisfaction, acceptability, and motivation to use feedback, are cited as an important trend in the appraisal research during the past ten years in a recent review of that literature (Levy and Williams, 2004).

2. Performance Appraisal Satisfaction

Employee satisfaction with performance appraisal would be positively related to work performance (Pettijohn et al., 2001a; Roberts and Reed, 1996). Because performance appraisal often includes equipping employees with new knowledge and skills, it may also contribute to employees' perceived investment in employee development. Using a social exchange lens (e.g., Coyle-Shapiro and Conway, 2004; Eisenberger et al., 1990; Lee and Bruvold, 2003), employees who believe their organization is committed to providing them with developmental activities may feel an obligation to 'repay' the organization through high work performance.

Since Performance appraisal systems will allow to communicate strategies, goals and vision, employees should experience higher levels of commitment to superordinate organizational goals and, therefore, become more affectively committed to their organization. Moreover, developmental performance appraisal is also about increasing employees' perceptions of being valued and being part of an organizational team (Levy and Williams, 2004), perceptions that are central to affective commitment. Also, if performance appraisal satisfaction reflects perceived investment in employee development, employees will probably reciprocate by way of higher affective commitment to the organization (Lee and Bruvold, 2003). Finally, research on sales people suggests that organizational commitment is positively associated with the use of explicit evaluative criteria and openness to discussing the appraisal (Pettijohn et al., 2001a) and negatively related to role ambiguity (Babakus et al., 1996). And, since performance appraisal satisfaction is enhanced by employee participation and perceived clarity of goals (Roberts and Reed, 1996), it may also be positively related to affective commitment.

The arguments about communication of superordinate goals (Latham, 2003), the capacity of performance appraisal to increase employees' perceptions of being valued and being part of an organizational team (Levy and Williams, 2004), and the social exchange argument (Lee and Bruvold, 2003), may also apply to turnover intention. In addition, Poon (2004) recently reported findings indicating that dissatisfaction with performance appraisal influenced employees' intention to quit through reduced job satisfaction.

a. The role of the feedback:

One of the most important conditions is to provide clear, performance-based feedback to employees (Carroll and Schneier, 1982; Ilgen et al., 1979; Larson, 1984). Almost 50 years ago, Maier (1958) highlighted the crucial role of appraisal feedback in the performance appraisal process.

According to Levy and Williams (2004), “. . . if participants do not perceive the system to be fair, the feedback to be accurate, or the sources to be credible then they are more likely to ignore and not use the feedback they receive.”

Indeed, the significance of feedback to the appraisal process as well as to the broader management process has been widely acknowledged (Bernardin and Beatty, 1984; Ilgen et al., 1979; Lawler, 1994; Murphy and Cleveland, 1995). First, from the organization’s point of view, feedback keeps both its members’ behavior directed toward desired goals and stimulates and maintains high levels of effort (Lawler, 1994; Vroom, 1964). From the individual’s point of view, feedback satisfies a need for information about the extent to which personal goals are met (Nadler, 1977), as well as a need for social comparison information about one’s relative performance (Festinger, 1954).

Second, feedback potentially can influence future performance (Ilgen et al., 1979; Kluger and DeNisi, 1996). Third, it is believed to play a significant role in the development of job and organizational attitudes (Ilgen et al., 1981; Taylor et al., 1984).

Performance feedback should include information on *how* to improve performance, along with information about what areas of performance need improvement. The frequency of feedback is also important. The rating scales should focus on results as much as on processes.

Thus, feedback is not only important to individuals but also to organizations because of its potential influence on employee performance and a variety of attitudes and behaviors of interest to organizations.

In summary, the central role of feedback to the appraisal process and the importance of examining ratees’ satisfaction with appraisal feedback are widely acknowledged (Ilgen et al., 1979; Keeping and Levy, 2000; Murphy and Cleveland, 1995).

Some of the relevant characteristics that may influence the effectiveness of the appraisal process include the frequency of the appraisals, the nature of the appraisal (i.e., written vs. unwritten), the perceived fairness of the evaluation process (Huffman & Cain, 2000), and the degree to which the evaluation results are discussed with the employees being evaluated (Dipboye & de Pontbriand, 1981; Landy, Barnes, & Murphy, 1978).

Reactions to feedback are presumed to indicate overall system viability (Bernardin and Beatty, 1984; Cardy and Dobbins, 1994; Carroll and Schneier, 1982) and to influence future job performance (Kluger and DeNisi, 1996), as well as job and organizational attitudes (Taylor et al., 1984).

Satisfaction with appraisal feedback is one of the most consequential of the reactions to appraisal feedback (Dorfman et al., 1986; Giles and Mossholder, 1990; Keeping and Levy, 2000). Several researchers (Giles and Mossholder, 1990; Organ, 1988) have asserted that using satisfaction as a measure of employees’ reactions affords a broader indicator of reactions to appraisal feedback than more specific cognitively oriented

criteria. In fact, cognitively oriented measures, such as perceived utility and perceived accuracy, are positively related to satisfaction with appraisal feedback (Keeping and Levy, 2000). In addition, because appraisals form the basis of several important decisions, satisfaction with feedback signifies recognition, status, and future prospects within the organization.

These various psychological implications of satisfaction with feedback make it a significant determinant of future behavior and job and organizational attitudes (Taylor et al., 1984).

Ratee participation in appraisal feedback discussion was investigated as a predictor because it has been emphasized in several models (Klein et al., 1987) and reviews (Cedeblom, 1982) of the appraisal feedback literature.

The central role of the rater to the feedback process has been acknowledged by several researchers (Ilgen et al., 1979; Cederblom, 1982; Klein et al., 1987). Therefore, satisfaction with rater was included as a potential predictor of satisfaction with appraisal feedback.

b. The organizational justice

The organizational justice literature addresses three principal types of justice - procedural, interactional and distributive justice.

There has been a growing body of research that looks at procedural, interactional and distributive justice in organizations. Exemplars of this trend include Greenberg (1987, 1988, 1993a, 1996), Alexander and Ruderman (1987), Lind(1995), Lind and Tyler (1988), Fryxell and Gordon (1989), Folger and Konovsky (1989), Sheppard *et al.*, (1992), Cropanzano and Randall (1993), Gordon and Fryxell (1993), Hartley (1995), Alexander ef aZ., (1995), Taylor ef a/., (1995), Cropanzano and Kackmar (1995), Beugre (1998) and Folger and Cropanzano (1998).

- **The distributive justice:** The study of distributive justice deals with *the perceived fairness of the outcomes or allocations* that individuals in organizations receive (Folger and Cropanzano, 1998). In the case of performance appraisal, distributive justice requires that “performance appraisal ratings meet employee expectations, outcomes are based on the ratings, and outcomes meet the expectations of employees” (Bowen et al., 1999).

- **The procedural justice:** The study of procedural justice focuses on the fairness of methods that are used in organizations to arrive at distributive justice. It addresses “fairness issues concerning the methods, mechanisms, and processes used to determine outcomes” (Folger and Cropanzano, 1998). Perceptions of procedural justice reflect *an appraisal of the process by which an allocation decision is {or was} made* (Folger and Cropanzano, 1998). Leventhal and colleagues have been credited with importing the concept to organizational settings from the legal literature (Leventhal, 1980). Leventhal’s

theory of procedural justice focused on six criteria that a procedure should meet if it is to be perceived as fair. Procedures should:

- a- be applied consistently across people and time,
- b- be free from bias,
- c- ensure that accurate information is collected and used in making decisions,
- d- have some mechanism to correct flawed or inaccurate decisions,
- e- conform to personal or prevailing standards of ethics or morality,
- f- ensure that the opinions of various groups affected by a decision have been taken into account. (Colquitt et al., 2001)

Applied to questions of performance appraisals, procedural justice underlies two theories: control theory and the group-value model.

In control theory (Thibaut & Walker, 1975) it is assumed that individuals prefer to be in control of decision-making processes rather than be passive recipients. For example, in a recent study of computer-based performance monitoring, Douthitt and Aiello (2001) reported that employee participation (providing input related to the expression of work process preferences) had a positive impact on perceptions of procedural justice. However, they showed that the ability to control the computer monitoring (if it was on or off) did not significantly influence perceptions of justice. Their findings suggest that various forms of control (decision and process) may partially determine the perceived fairness of performance appraisal systems.

Proponents of the group-value model (Lind & Tyler, 1988) hold that individuals want to be respected and valued members of groups and that individuals perceive higher procedural justice when they feel valued and accepted by group members. One recent study (Robbins et al., 2000) showed that group-value concerns explained unique variance in organizational commitment, turnover intentions, as well as in both employee and group-performance. Moreover, group-value concerns explained more unique variance in organizational commitment and performance than did distributive justice or control-based procedural justice. These findings suggest that group-value concerns are correlated with key organizational outcomes, and that perceptions of group membership are important in determining whether a performance appraisal system is fair.

- The interactional justice: Interactional justice refers to 'justice appraisals based on the quality of the interpersonal treatment [people] receive' (Bies and Moag, 1986, as quoted in Cropanzano and Randall, 1993). A concern with *interactional justice* therefore involves raising questions about the type of "interpersonal sensitivity" and other aspects of social conduct that characterize social exchange between parties, including the explanation offered for certain decisions made about the individual (Folger and Cropanzano, 1998). It focuses on "how formal agents of the organization treat those who are subject to their authority, decisions and actions" (Cobb *et al.*, 1995). Such a distinction allows us "to include non procedurally dictated aspects of interaction such as explanation content and the persuasive features of communication efforts" (Folger and Cropanzano, 1998).

While we acknowledge that some authors (e.g., Bies & Moag, 1986; Colquitt et al., 2001; Greenberg, 1990) have suggested additional justice constructs and some have argued that these constructs are distinct from procedural justice (e.g., Blader & Tyler, 2000; Cropanzano, Prehar, & Chen, 2002), the presentation that follows is in keeping with those who contend that distributive and procedural concerns are of primary significance (Brown & Benson, 2003; Gabris & Ihrke, 2001; Tyler & Bies, 1990)

c. The role of the appraiser

Attitudes toward the appraiser are important, particularly because the person providing the performance appraisal is often the employee's supervisor (Milkovich and Boudreau, 1997). The feelings created during the performance appraisal may endure and affect the employee-supervisor relationship in general (Wendy R. Boswelljohn W. Boudreau, 2000). These authors considered that evaluation may create negative feelings toward the appraiser (the immediate supervisor) and could arguably be detrimental to the relationship. This may be particularly true if the employee receives a low PA rating or perceives injustice.

Although negative feelings may upset the relationship between the evaluator and the individual being evaluated (Blau, 1964; Drenth. 1984), evaluation may lead to positive outcomes, such as pay increases or promotions, and ultimately a positive reaction toward the person providing the feedback.

Russell and Goode (1988), for example, found that satisfaction with the appraisal positively associated with satisfaction with the appraisal source: the supervisor.

The Gosselin and colleagues (1997) research suggests that many employees not only prefer developmental performance appraisal uses such as career planning but also prefer that their immediate supervisor provide the performance appraisal feedback.

d. Performance appraisal purposes and attitudes

Previous research has shown that performance appraisal purpose affects rating processes and outcomes (Qawahar and Williams, 1997; Murphy, Garcia, Kerkar, Martin, and Baher, 1982; Shore, Adams, and Tashchian. 1998; Williams, DeNisi. Blencoe, and Cafferty. 1985) and employees indicate a preference for certain performance appraisal uses (Jordan and Nasis, 1992), it is conceivable that employee attitudes may vary depending on perceptions of how the performance appraisal is used. If people perceive performance appraisal purposes differently, as has been suggested (Balzer and Sulsky, 1990; Osiroff, 1993), then attitudes may vary depending on that perception.

Prince and Lawler (1986) study showed a positive effect on employee satisfaction with the performance appraisal when this one is used for salary discussion.

Gosselin, Werner, and Halle, 1997 study found that although employees did not indicate a preference for administrative (that is, evaluative) or developmental performance appraisal use, 29 percent of the respondents ranked using appraisals for promotion decisions their preferred performance appraisal use and 11 percent of respondents ranked appraisals used for salary administration as a "favored" choice of appraisal use.

It has also been proposed that evaluation is often of a negative nature (Blau, 1964; Meyer, Kay, and French, 1965), whereas development is more likely to be viewed positively because of its futuristic and helpful focus (Milkovich and Boudreau, 1997).

In the study of Gosselin, Werner, and Halle (1997), over half the respondents ranked salary increases as their last or second to last (out of five) preferred use of appraisal. Salary increases may even lead to negative feelings if the increase is perceived as inequitable or minimal (Wendy R. Boswelljohn W. Boudreau, 2000).

Development provided by the immediate supervisor has been shown to be an important and common use of performance appraisal (Cleveland, Murphy, and Williams, 1989; Meyer, Kay, and French, 1965). Prince and Lawler (1986) found that the constructs "work planning and goal setting" and "discuss performance attributes" exerted a positive influence on employees' satisfaction with and perceived utility of the performance appraisal. In contrast, the construct "career development" showed little influence on performance appraisal satisfaction.

In the Gosselin and colleagues' study (1997), no clear preference for one use over the other was found. In fact, many respondents actually preferred developmental uses such as career planning and training and development (36 percent and 25 percent, respectively). Dipboye and de Pontbriand (1981) similarly showed that employees were more satisfied and had greater acceptance of the performance appraisal when employee development and performance improvement were emphasized in it. Related research on performance appraisal objectivity, fairness, and accuracy has shown that performance improvement discussions has a positive effect on these variables (for example, Fulk, Brief, and Barr, 1985; Goodson and McGee, 1991).

Previous research on 360-degree feedback has found that ratees approve of these appraisals when they are used for developmental purposes but are not as accepting when they are used for evaluation (for example, Antonioni, 1996; Ash, 1994; McEvoy, 1990; McEvoy, Buller, and Roghaar, 1988).

The relationship between performance appraisal use and performance appraisal satisfaction has been found to be strongest for low performers, where low performers were more satisfied when salary discussion was included in the PA than when it was not (Prince and Lawler, 1986). In contrast, it is conceivable that better performers are happier with the appraisal and are also the employees who were provided development (Wendy R. Boswelljohn W. Boudreau, 2000).

III. EMPIRICAL STUDY

1. Research objective

Our objective consists of examining the way in which the performance of the employees is evaluated in Lebanese firms. We attempt to provide a picture of the characteristics of the performance appraisal process used in Lebanese firms, the purposes of these appraisal systems, the problems emerged and finally the different areas to be improved in the appraisal systems.

We present at the end of this paper a series of specific recommendations for organizations based on this research for the successful implementation of performance management systems. The emphasis of this article is to define ways to manage performance in a way to increase employees' satisfaction with the performance appraisal systems.

The results of the research may help identify components of the appraisal process that have a significant affect on the benefits derived from the performance-evaluation process.

By identifying the crucial components of the evaluation process, practitioners may be provided with additional guidance as they attempt to develop their own appraisal systems.

3. Methodology and Sample Selection

In-depth personal interviews with Human Resource Managers in Lebanese firms were used. The sample for this study consists of the following industries: Banks, Insurance Companies, Hotel, Construction, Restaurant, Consultancy, Commercial, Hospital, Printing firm and Industrial.

For these personal in-depth interviews, an interview guide was developed. The questions in the guide consisted of asking HRMs a description of the performance evaluation process, the employee satisfaction level with the performance appraisal systems and the areas to be improved. The respondents were guaranteed anonymity and confidentiality.

4. Results

All the HRM interviewed indicated that they have a formal performance appraisal system.

a. Characteristics of the performance appraisal process used in Lebanese firms:

- **Methods:** In fact, we can measure performance in various ways. In this section, we are interested to explore the different performance appraisal approaches utilized in the Lebanese firms.

Most Human Resource Managers claimed that the most effective way of measuring performance is to rely on a combination of two or more alternatives. Many HRM declared that the most common types of the performance appraisal employed are the Graphic Rating Scale and the Management by Objectives.

As one HRM noted: *“the Graphic Rating Scale is the most popular method used in Lebanese firms because it’s quite easy to develop and it can be generalizable across a variety of jobs.”*

Another HRM argued: *“the Management by Objective is a very popular performance appraisal method since it minimizes subjectivity and it relies on objective and quantifiable indicators of performance.”*

- Feedback provided: Many authors highlighted the crucial role of appraisal feedback in the performance appraisal process. From the organization’s point of view, feedback keeps both its members’ behavior directed toward desired goals and stimulates and maintains high levels of effort and from the individual’s point of view, feedback satisfies a need for information about the extent to which personal goals are met. The review of literature showed that feedback potentially can influence future performance. In this section, we’ll try to analyze the performance feedback process developed in the Lebanese firms.

All the HRM claimed that the performance feedback is given to the employees once a year during November and December by their direct managers. Most of them declared that the feedback is provided in the manager’s office on a one-on-one basis, in a very official way. This performance feedback session lasts for around 20 minutes.

If an individual’s performance is below standard, all the HRM considered that some criticism must take place. Rare are those HRM interviewed who considered that the feedback should be focused on solving the problems causing a poor performance. Finally, all the HRM agreed that the feedback session should end by setting new goals.

Most of the HRM claimed that, at the end of the feedback session, the appraiser asks the employee to sign his performance appraisal form. As one HRM noted: *“ There are two main purposes for requesting an employee's signature on his or her performance-evaluation form. First, this is a way of formally confirming receipt of the performance evaluation by the employee. Second, employers may require an employee to sign in order to indicate that the employee agrees with the contents of the evaluation.”*

Another HRM added: *“If an employee refuses to sign the evaluation, the appraiser asks him to sign to merely acknowledge that he received the evaluation and to note his disagreement with the evaluation.”*

- **Sources:** Most the HRM affirmed that they ask their employees to complete a self-assessment before the feedback session. As one HRM noted: *“The self-assessment helps us a lot because it can make the feedback session go more smoothly by focusing our discussion on areas where disagreement exists and moreover it allows the appraisee to participate fully in the feedback session.”*

All the HRM agreed that the Managers are the most efficient source to rate the employees since they have extensive knowledge of the job requirements and they have the adequate opportunity to observe their employees.

b. Purposes of performance appraisal systems in Lebanese firms

In the review of literature, we saw clearly that performance appraisal systems are used for two main purposes:

- Administrative: such as decision-making about promotions, training needs, salaries, etc.
- Developmental: to develop employees who are effective at their jobs.

All the HRM interviewed, when asking them about the performance appraisal purposes, cited that they use performance appraisal information for salary administration, promotions and recognition.

None of them mentioned the functions of the development approach such as providing training needs, providing performance feedback, determining transfers and assignments, and identifying the individual strengths and weaknesses.

c. Problems produced by the performance appraisal systems in Lebanese firms

Many different problems have been cited by the HRM interviewed. Here are some of the interviewed HRM citations:

As one HRM noted: *“Appraisal may cause tremendous and anxiety for both the manager and the employee being appraised; In most of the cases, the employees don’t perceive the appraisal as fair. We often hear some of the employees’ complaints regarding the justice of this appraisal process, such as inconsistency across employees, inaccurate information and very distant discussions with the appraiser.”*

In the same direction, one HRM mentioned: *“Appraisals may have a negative impact on motivation and satisfaction if they are poorly designed or administered; if evaluations are not perceived as being conducted fairly and consistently, we can’t expect to reach a high level of employee satisfaction toward the performance appraisal system.”*

Another HRM cited: *“It’s not easy at all to implement a performance appraisal system; some of the major appraisal problems are the subjectivity and the use of inconsistent criteria which may lead to negative attitude toward the appraisal system.”*

One more HRM claimed: **“Sometimes we face problems with the appraisers who lack communication skills and consequently are not able to conduct an effective performance feedback; that’s why in most of the cases, employees were not encouraged to be forthright and candid.”**

An additional argument was given by a HRM: ***“We don’t really have a tool to improve our performance appraisal system and we don’t aim on the short-run to conduct any survey to measure the employee satisfaction toward the performance appraisal system.”***

One more HRM noted: ***“One of the major problems that we face is the lack of the senior management support for the performance appraisal system, so how can we really look to improve the performance appraisal system if we don’t benefit from the management support and belief that the performance appraisal system is one of the most strategic HR practices.”***

d. Different areas to be improved in the appraisal systems

The interviews identified areas of the appraisal process that need to be improved in the Lebanese firms: consistency in the process and timing, improved training for appraisers, good follow-up, firm commitment from the top management and more open and sincere discussions.

For example, as one HRM noticed: ***“Measuring performance is a challenging key to gain a competitive advantage, once performance has been measured, a major component of a manager’s job is to feed that performance information back to employees in a way that results in improved performance rather than decreased satisfaction and motivation, that why, managers should be enough skilled and well trained to be able to conduct an open and sincere feedback. We think that the managers should allocate an adequate amount of time for a conversation regarding the appraisal results.”***

Another example has been provided by a HRM who cited: ***“The performance appraisal system can be improved, first, by changing the perception of the senior management toward the performance appraisal system; We consider that when the performance appraisal is perceived by the top management as playing a crucial role in motivating people and consequently as having a positive impact on performance, certainly the system will be improved and will give better results.”***

One more example seems to be important to cite: ***“Most of the times, the performance appraisal system is not linked to compensation, so how can we really expect an improvement in the performance if the employees do not really perceive a relation between the appraisal result and a merit increase or an annual incentive, that’s why we really recommend that the appraisal system should be inevitably linked to compensation.”***

Additional example can also be useful to cite: *“At this moment, we don’t effectively have the necessary structure that allows us to adjust the appraisal system in a way to increase the employee satisfaction and to minimize as much as possible the areas of dissatisfaction, that why we consider that building a configuration that allows a continuous improvement in the performance appraisal system is a priority. ”*

5. Recommendations

Here are some of the recommendations that we can provide for developing an effective performance appraisal system:

- ✚ The program is well thought out and tailored for the firm.
- ✚ The managers are trained in the appraisal process
- ✚ The appraisal process must be viewed as a continuous activity rather than a one-a-year event. Performance expectations and actual performance must be discussed often and regularly.
- ✚ Even if a formal evaluation is given only once a year, an employee should be made aware of his or her performance periodically throughout the year.
- ✚ It is not enough to tell an employee who has performance problems that his or her performance is poor, or to identify problem areas without specific instructions on how performance can be improved. This only upsets employees without solving the underlying problems. Employees must be given specific instruction on how performance can be improved and must have short- and long-term goals set to show incremental improvements. Management expectations should be realistic; problem employees do not become star performers in a matter of weeks.
- ✚ Performance expectations and developmental targets and activities should be set through mutual agreement with employees.
- ✚ Employees should be full participants in the performance appraisal process. During the feedback session, the appraiser should make sure that the employee has the resources required to do his job and must understand the nature of the existed barriers that might prevent the employee success.
- ✚ A 360 degree feedback could be an interesting performance appraisal approach especially for the most senior levels.

Conclusion

The principal purpose of an appraisal system should be to improve the employee and the organizational performance. The system must be based on a deep regard for people and recognize that employees are the most important resource. The system should first of all contribute to the satisfaction of all the employees. This tenet will require a continuous effort in counseling, coaching and honest, open communications between the employee and supervisors.

The findings of this research conducted in the Lebanese firms seem to suggest that firms interested in improving their performance through the performance appraisal systems should seek to enhance the employee satisfaction toward this appraisal system.

The findings of this research can be summarized as follows:

The most common types of the performance appraisal employed in the Lebanese firms are the Graphic Rating Scale and the Management by Objectives. In all the firms, a performance feedback is given to the employees once a year during November and December by their direct managers. Rare are those HRM interviewed who considered that the feedback should be focused on solving the problems causing a poor performance. In most of the companies, employees are asked to complete a self-assessment before the feedback session and managers are the only source used to rate the employees.

When asking about the performance appraisal purposes, the HRM cited that they use performance appraisal information for salary administration, promotions and recognition. None of them mentioned the functions of the development approach.

Regarding the problems generated by the appraisal systems, we can distinguish five different types of problems according to the HRM citations: An unfair perceived performance appraisal system, the use of inconsistent criteria which may lead to negative attitude toward the appraisal system, unskilled appraisers who lack communication skills and consequently are not able to conduct an effective performance feedback, absence of tools aiming to improve the performance appraisal system and finally the lack of the senior management support

Finally, the findings of this research indicated many areas to be improved in the appraisal system such as the use of explicit evaluation criteria, an open and sincere feedback, a greater senior management support, a process perceived as being fair by employees and finally a structure in which improvements in performance appraisals may be facilitated.

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