



Hyman L. Krieger

Mr. Krieger is the director, Federal Personnel and Compensation Division. He joined GAO in 1946 and has served as manager of the Chicago, New York, Los Angeles, and Washington regional offices, and as deputy director of the Field Operations Division. Mr. Krieger received a B.B.A. degree in accounting from City College of New York. He is a CPA (North Carolina and Illinois) and is a member of the American Institute of CPAs, the American Society for Public Administration, and the International Personnel Management Association. In 1970 Mr. Krieger received the GAO Career Development Award.

Performance Appraisals - An Opportunity for Improved Management

Adapted from a speech given by Mr. Krieger on June 18 at the American Management Association's Performance Appraisal Workshop.

With the enactment of the Civil Service Reform Act, Federal managers now have a tool to help them more effectively evaluate their employees. That tool is the act's most important component—the performance appraisal provisions.

Many managers—and particularly personnel managers—probably feel they are being reformed to death. Civil service reform, ethics reform, pay reform—they all seem to hit at once and certainly do not make the manager's work any easier.

But there is no question that the Civil Service Reform Act addresses some issues which for far too long have been ignored. One of these—and I think it is at the very heart of reform—is the recognition that human resources management is crucial in achieving program goals, that it no longer belongs exclusively in the personnel offices, and that it needs to receive more attention from line managers.

In general, Federal managers have tended to underemphasize human resources activities and focus almost exclusively on program management. Managers who are responsible for program results have too often been unfamiliar with personnel functions like selecting, promoting, and developing employees. It is difficult for them to see a direct connection between human resources management and program goals. Personnel activities tend to be viewed as burdensome—as roadblocks which hamper achievement of program goals. As a result, employees are not evaluated, developed, or coached in ways that would optimize their contribution to an organization.

The Civil Service Reform Act

may make it more difficult for line managers to escape accountability for human resources management. Managers will now be required to set performance standards for their employees and base personnel actions, such as promotion, development, removal, reassignment and, in some cases, pay, on the achievement of these standards.

I want to stress, however, that as with any piece of new legislation, improvement resulting from civil service reform will depend on the commitment of the managers and agencies who must implement it. We must avoid the view that it simply imposes on us new tasks that must be pulled off as expeditiously as possible. It would be impossible for me to overemphasize how crucial it is that civil service reform be viewed as an *opportunity* for improved organizational performance—a tool for *better management*. This requires, of course, the dedication of a tremendous amount of time and resources. Above all, it requires recognition of the importance of the link between human resources management and program results. The key to this link, and therefore to the opportunity for better management, is in a sound performance appraisal system.

GAO's Contribution

The General Accounting Office has long been committed to improving human resources management in the Federal sector. The Federal Personnel and Compensation Division was established in 1972 exclusively to scrutinize the Federal Government's personnel policies and programs. GAO has often stressed the need for more emphasis on and improvement in human resources management. We have specifically addressed problems with performance appraisals

in Federal agencies. A report we issued last year pointed out that performance rating systems for Federal employees have generally failed to

- provide sufficient guidance and training for managers to administer appraisals with an understanding of how they should relate to other management objectives,
- adequately inform employees about the quality of their performance in specific terms, and
- provide management with sufficient information on which to base personnel decisions necessary to improve organizational effectiveness.

The appraisal systems we examined then tended to give a single adjectival rating, based largely on an observation of personal traits. Graphic, trait-based rating scales have simply not provided useful performance data which can be used as a foundation for important management decisions. In addition, it is unlikely that a trait-based system can meet the validation requirements in the Federal Uniform Guidelines on Employee Selection.

Our indictment of existing Federal employee evaluation systems by no means implies opposition to the concept of performance appraisal. We feel that, while present systems often fail to meet many management objectives, performance appraisals can and should be one of the chief instruments, if not the chief instrument, in making personnel decisions. We concluded in our 1978 report that performance appraisal systems could serve as a basis to improve performance and employee development if they provided for

- preestablished performance standards, communication of expectations to employees, and review of and feedback on achievements;
- employee participation in setting performance standards;
- adequate training for managers to make appraisals and use them as a management tool;

- a link between the performance appraisal and other personnel actions; and
- sufficient written justification and review to ensure that evidence of performance matches the rating.

Civil Service Reform—A Response

We feel that our efforts in this area have significantly contributed to the growing recognition of human resources management issues in general and performance appraisal problems in particular. The Civil Service Reform Act is, at least in part, a response to this growing recognition and, specifically, to some of the deficiencies pointed out in the GAO report previously cited.

The act explicitly requires agencies' performance appraisal systems to provide for

- encouragement of employee participation in setting performance standards,
- use of performance standards as the basis for appraisals,
- communication of performance standards and critical job elements to employees at the beginning of the period being appraised, and
- helping employees improve performance.

In addition, the act specifies that appraisals are to serve as the basis for such personnel actions as training, rewards, reassignment, promotion, reduction in grade, and removal. Merit pay decisions for GS-13—15's and performance awards for Senior Executives are also to be based on performance appraisals.

For the first time, line managers in the Federal Government will be required to formally set performance standards and critical job elements for their employees and link pay and other personnel actions to achievement of these standards and elements. If these performance standards and critical elements are viewed in terms of program goals, personnel actions are more likely to be viewed in terms of how they relate to pro-

gram results than they have been in the past.

Implementing Reform

The Civil Service Reform Act by itself, however, does not guarantee the vast improvement necessary to make performance appraisal a useful management tool in the Federal Government. The act lays the groundwork. It provides the impetus for improvement. Its success, however, depends on the commitment of agencies to devote the time, effort, and resources needed to perform the extremely difficult task of integrating personnel functions with program goals—of setting up appraisal systems with a clear, fair, and objective link to personnel activities and program objectives.

What the act does make certain is that, since it requires performance appraisals to serve as the basis for promotions, training, awards, reassignment, grade reduction, removal, and, in some cases, pay, it is extremely important that they avoid the pitfalls of the traditional Federal systems mentioned earlier. As you may know, GAO is required under the Civil Service Reform Act to spot-check agencies' appraisal systems and report its findings to OPM and the Congress. I would like very briefly to discuss a few of the general considerations we will take into account in discharging this responsibility.

First, the traditional trait-based systems which Federal agencies have used for so long must be avoided. As our 1978 report shows, these systems provide inadequate information for both managers and their employees on how to improve performance. Edward Lawler of the University of Michigan writes:

Traits are simply an inadequate basis for appraising performance. They are guaranteed to produce defensiveness, rigidity on the part of subordinates, and inadequate feedback.

Some appraisal systems, which have been tried for several years in private industry, seem to meet most of the requirements of the Civil Service Reform Act. Management-by-objectives, for example,

requires preestablished performance standards, employee participation in setting standards, regular feedback, and a link between appraisals and personnel actions. I understand that many agencies intend to set up some type of MBO system in implementing civil service reform.

While on the surface this appears to be a step in the right direction, MBO is no guaranteed panacea. It does not, by itself, ensure that these agencies will have workable systems. For example, some MBO systems are so output-oriented that they pay inadequate attention to how outputs are achieved. Without also appraising the process of achieving outputs, there is little a supervisor can do to improve effectiveness in the future. A number of considerations come into play, whatever the name of the system is that is being used.

Second, appraisals must be diverse enough to serve the different management functions for which they are intended. They must be capable of, as objectively as possible, making assessments which can serve as the basis for a variety of personnel actions. They must be able to provide criteria for selecting those who deserve pay raises or promotions; identifying areas of deficiency to inform employees of their weaknesses; identifying those who need development and those who have development potential, and in what areas; and determining who should be reassigned and where.

Third, training in administering appraisals must be thorough. It is not enough to briefly introduce managers to the mechanics of an appraisal system. Training must serve at least two additional purposes. These are to

- train the manager to understand the importance of performance appraisal as a management tool so that it will be exercised not just because it is required but also because it helps achieve program goals and
- develop in the manager the interpersonal skills needed to conduct performance appraisals; this involves setting performance standards, communicating them to em-

ployees, completing rating forms, providing feedback on performance to the employees, and translating the rating into personnel actions.

Thorough training will be a complex and time-consuming activity. But we believe it is one of the most crucial determinants of whether or not appraisals will work.

Fourth, managers must be motivated to use the system. A very important element of building an effective appraisal system lies in providing incentives and reducing disincentives for its use. Performance appraisal is a potentially traumatic and conflict-laden event. Many people, both raters and ratees, prefer to avoid it. As a result, appraisals often receive only pro forma attention, and the potential benefits of the process are compromised. Organizations must therefore support the system by tying the rewards of raters to their effectiveness in conducting performance appraisals. The ability to assess feedback and use performance information should be a critical element in the job of every supervisor.

Line managers will inevitably push for relatively simple systems. Their rationale will usually be that they cannot afford to spend time and effort on appraisal because they need to get the work out. This orientation stems from the way in which managers have traditionally viewed the performance appraisal process. It has usually been seen as an "additional duty"—a task which is ancillary to their main job. This way of thinking must be changed. Managers must come to view performance appraisal as a continuous and integral part of their jobs, not as a periodic add-on.

Fifth, the system must be evaluated. Without continuous, thorough evaluation, it is impossible to know whether the system is achieving its aims. An information system must be established and maintained so that data can be compared over time. Only in this way can shortcomings be identified and the system adjusted as needed.

Sixth, a great deal of time, resources, and expertise must be committed to designing, imple-

menting, and administering performance appraisal systems to ensure that the link between appraisals and personnel actions is as clear, fair, and objective as possible. Experience in industry and in some State and local governments shows that implementing a system with minimal subjectivity and maximum employee acceptance is no easy task.

Put yourselves, for a moment, in the position of an employee whose salary increase is soon to be determined according to performance appraisal. In this instance, your supervisor feels that you have just met but not exceeded the performance standards established mutually at the start of the appraisal period. According to agency procedures, your rating entitles you to receive full comparability, but no more. Without the new merit pay system, you would normally have received a step increase during this particular year. This time, of course, you do not. At the same time an employee at your grade level has received an outstanding rating and, thus, a sizeable merit increase. You feel that your work has been at least as good as your colleague's. As you can see, and have undoubtedly already considered, a great deal of animosity and some serious morale problems can result. This same scenario can also apply to promotion decisions and selection for development programs.

At the time decisions such as these are made, no employee should be surprised by his or her supervisor's feelings concerning his or her performance. In implementing appraisal systems, agencies, therefore, should be certain that they include a process of continuous communication between subordinate and supervisor, and that the link between the final rating and any pay or other personnel decisions is clear, fair, objective, and by all means, consistent.

Even the best system, however, cannot be totally free of subjectivity. And there will inevitably be jealousy when some employees receive monetary awards as a result of their appraisals and others do not. Certainly some cases will be appealed to the Merit Systems Protection Board on the claim that they violate prohibited personnel

practices, and some will be challenged in the courts. It is therefore extremely important that each agency include in its appraisal system a formal, concise means of justifying the appraisal process, the rating resulting from each appraisal, and each personnel action resulting from an appraisal.

All that has been described is, of course, an expensive and time-consuming process. But if performance appraisals are truly to serve as a tool for better management, each step of the process is absolutely essential. Performance appraisal can no longer be considered an end in itself, but must be considered part of the entire management process. We too often view performance appraisal as a task to be performed once or twice a year, rather than a process which is an integral part of managing. If agencies do not spend the time and resources to determine how the appraisal process can lead to improved personnel management decisions and how these decisions can be integrated with organizational objectives, they might as well not even waste the effort to set them up.

We believe it is worth the effort. The appraisal process—if implemented and operated properly—can serve to enrich the quality of the Federal workforce. But managers must be aware of how appraisals relate to other personnel actions. And, the thinking of Federal managers on the importance of human resources management as a part of program management must be reshaped.

Conclusion

The most important thing to remember is that civil service reform is only a framework for improved performance appraisal and human resources management. It is by no means a guarantee. One need only be reminded of the Performance Rating Act of 1950 to realize that a law alone cannot force improved management. The 1950 law required that employees be rated on the basis of performance requirements which had been communicated to them. It also required that appraisals be used to improve employee performance. Yet, as our 1978 report pointed out, and as most of you

know, appraisals have generally *not* been based on performance requirements which had been communicated to employees and have *not* been used to improve employee performance.

By the same token, the Civil Service Reform Act's mandate is not enough to guarantee better management unless

- managers themselves become convinced that personnel management is a crucial aspect of program management and
- agencies and managers are strongly committed to taking the time and expending the resources necessary to carefully set up and administer appraisal systems which fairly, objectively, and accurately link appraisals to other personnel decisions.

This sounds like a lot of hard work. It is. But, as I have said, it is well worth the effort for the improvements in management which can result.

We welcome civil service reform's recognition that human resources management must receive more attention from program managers at the working level. It is, after all, *people* who run programs. This is not so much a lofty philosophical notion as it is a practical consideration. Only by improving the ability of people to contribute to organizational goals can organizational improvement occur. And only through continuous, accurate evaluation can people's contributions be enhanced. With the proper awareness and commitment, civil service reform may serve as a foundation for this. Without it, the act is meaningless.