

ARE TWO-THIRDS OF EMPLOYEES ABOVE AVERAGE?

A recent article in the *Wall Street Journal* reported that nearly two-thirds of federal employees received merit bonuses or special time-off awards in 2002. This implies that the vast majority of federal workers are operating at above average levels. To some, this comes as quite a shock – “above average compared to what?”, they might say. But to those who struggle with the annual performance appraisal process in business and industry, the federal statistic is no surprise at all. The open secret among managers today is that many performance appraisal systems are exercises in futility, having more to do with company politics and “halo effects” than with honest feedback about an individual’s strengths or need for improvement.

Difficulties in Performance Appraisal

Performance appraisal in business and industry too often boils down to subjective 1-5 rating scales or unstructured narrative reports. The standards upon which these rating scales and narrative reports are based frequently are vague and amorphous. For example, one performance standard reads “gets along well with others.” Just how is a manager to measure this? Even for performance standards that are well written and measurable, what is the practical difference between an employee who “exceeds standard” and one who is “outstanding”?

To counteract such problems, some managers have resorted to a technique called Direct Behavioral Observations (DBOs) so that they can give specific feedback to employees who question performance ratings or who want to make specific improvements. DBOs certainly have their place; they make abstract judgments more concrete and easier to understand. However, DBOs are limited to specific incidents based on supervisors’ observations that are few and far between. The truth is that supervisors do not have time to collect enough observations to know if a given DBO is typical. Employees can then argue that ratings based on a few DBOs do not reflect routine performance, but rather catch them on a “bad day.”

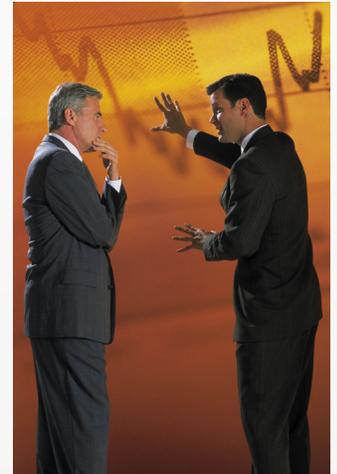
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Other managers have taken the DBO concept and combined it with a 1-5 rating scale to create a Behaviorally Anchored Rating Scale (BARS). For example, with BARS an employee can be rated on cooperation from 1 (refuses to follow directions) to 5 (does everything the boss asks). This approach provides a bit more generalization than DBOs, but still opens up the manager to charges of subjectivity. An employee can always claim that the boss is playing favorites or is “out to get me.” Moreover, BARS also invites debate on gradations in the rating scale: does a

given employee deserve a rating of a 4 or 5, a 3 or 4, etc. Finally, the overall rating with BARS is easy to manipulate. With a 1-5 rating scale, an overall arithmetic average is easy to calculate in advance. This undermines credibility in the process and opens up management to charges of rigging the system.

An Alternative Performance Appraisal System

At PSP, we have found that a different form of performance measurement minimizes the problems of subjectivity, generalization and manipulation. The Wyvern Performance Management System uses multiple raters rather than a single supervisor. Multiple raters can include the employee, peers and “customers” as well as the supervisor. Using multiple raters increases the objectivity of the ratings and minimizes the problem of rater bias and halo effects.



In addition to multiple raters, the Wyvern Performance Management System uses a “paired comparison” approach to ratings. In paired comparisons, employees are compared to one another rather than to an arbitrary 5-point rating scale. This approach prevents manipulation or rigging the outcome. With Wyvern, employees’ rankings are based not on arithmetic averages but on relative standing compared to one another. A rater simply notes how employees rank on a given standard: who is strongest on “X,” Bill, Jane or Fred?

Quick and Objective Ratings

By using multiple raters and paired comparisons, large groups of employees can be rated quickly and objectively. One manager said, “It used to take me all weekend to do ratings on my 17 people for 6 performance standards. With the Wyvern system, I was able to do it in 90 minutes with much better results.” In addition, Wyvern provides individualized graphic printouts showing how each employee compares to the whole work group on each performance standard. The graphs are excellent feedback tools because they change an employee’s focus from a criticism of the rating process to a discussion of strengths and needed improvements. This is especially valuable to supervisors and managers who don’t like giving bad news to their employees, but who genuinely want to help their people perform better in the future.

For supervisors and managers who don’t think that two-thirds of their employees are above average and who are tired of politics, quota systems and sugarcoated performance management methods, the Wyvern system deserves a close look.