
Why managerial performance appraisals are ineffective: causes and lessons

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Claims that, in the quest for competitive advantage, modern organizations are making increasing demands on their change managers. Questions what organizations are doing to help managers develop the skills necessary to operate in a rapidly changing work environment. Suggests that systematic management development efforts at organizational level are vital to accelerate and sustain management change. Seeks to identify why managerial appraisals frequently fail and are ineffective as a management development tool. Proposes that, if an organization is going to rely heavily on the use of formal performance appraisals as a vehicle to foster managerial development (which many do) they had better employ an effective appraisal system.

Maybe it's me but when I look at the process that a lot of organizations use to evaluate their managers I see an awful lot of problems that have a lot of negative consequences ... Hey, we all [managers] want to be evaluated fairly and in a meaningful way but we are not always so willing to do that for the managers that work for us ... It is a paradox for sure. (Observations of a Senior Manager - Fortune 500 Organization.)

Organizations around the world are currently caught up in a flurry of activities designed to enhance key performance variables such as productivity, quality, cost effectiveness, customer service and cycle-time reduction. To achieve improved results in these areas, organizations are employing a host of improvement strategies aimed at producing competitive advantage. These improvement initiatives frequently include re-engineering, technology upgrades, process redesign, employee empowerment efforts, value-added activity assessments, improved customer-supplier linkages and total quality management just to name a few.

Organizations frequently state that "it is no longer business as usual" and that "our organization is recreating itself into a more competitive player in the marketplace". In the midst of all of this change managers (at all levels) are being asked to:

- 1 do more with less;
- 2 move more quickly;
- 3 change their current paradigms and thought processes;
- 4 adopt a more progressive management style that places a greater emphasis on employee empowerment; and
- 5 develop new technical skills.

There is no question that a role of a manager is changing rapidly in the world marketplace. This transformation is necessary to implement and support the myriad of organizational change efforts previously discussed. Yet, a very basic question must be asked, "What are organizations doing to help their managers develop the skills necessary to operate in this rapidly changing environment?"

While much of the burden for management development falls squarely on the shoulders of individual managers, research has demon-

strated that systematic management development efforts at the organizational level are necessary and vital to accelerate and sustain management change. When organizations talk about the management development they frequently mention the practice of formal performance appraisal as a primary vehicle for management change. This tacit admission can be somewhat disquieting because of a growing body of both research and practice that suggests that managerial appraisals are all too often viewed as being ineffective[1]. Specifically, if an organization is going to rely heavily on the use of formal performance appraisals as a vehicle to foster managerial development (which many do) they had better employ an effective appraisal system.

Formal appraisals have been found to be a potentially effective device for:

- 1 performance planning and goal setting;
- 2 providing performance feedback and coaching;
- 3 employee development, counselling and planning; and
- 4 linking performance to compensation and promotion decisions.

Yet, these benefits will be difficult to achieve if the members of the organizations do not use the appraisal process in an effective fashion (which appears to be the case all too often when appraisals are applied to managerial personnel). A number of studies suggest that managers regularly find the formal appraisal process to be frustrating, political and a less than meaningful experience, which does not bode well for management development[2].

The manager in the opening quote states, "I see an awful lot of problems that have a lot of negative consequences associated with managerial appraisals." The purpose of this effort is to identify the specific causes of why managerial appraisals frequently fail and are ineffective as a management development tool.

Exploring why managerial appraisals fail

To explore the causes of ineffective managerial appraisals a qualitative research method was employed using 120 seasoned managers

from five different large US organizations. These managers had an average of eight years of managerial experience and all five of these organizations had formal management appraisal systems in place at the time of this study. These managers were asked to respond individually to the following open-ended research question, “Based on your experience, what factors cause managerial performance appraisals to be ineffective?”. Managers were then placed in five person focus groups to analyze their individual responses and develop consensus as to the primary causes of ineffective managerial appraisals. Responses from these 24 focus groups were then content analysed and frequency counts and corresponding percentages were tabulated. The findings generated by these groups of managers are contained in Table I and the corresponding percentages pertain to the number of focus groups out of 24 that identified each issue as a primary cause.

The causes of ineffective managerial appraisals

In reviewing the primary causes of ineffective managerial appraisals, a number of rather consistent patterns emerged from these discussions that are noteworthy. Managers generated a highly consistent list of factors that create ineffective managerial appraisals with a high degree of consensus. These findings suggest that the very basics of effective appraisal techniques are often neglected in reviewing managerial performance. In addition, each of these findings provides a very specific lesson for organizations employing formal managerial evaluation procedures.

Table I

Top ten causes of ineffective managerial appraisals, *n* = 120

	%
1 Unclear performance criteria/ineffective rating instrument	83
2 Poor working relationship with your boss	79
3 Superior lacks information on actual performance	75
4 Lack of ongoing performance feedback	67
5 Overly negative/second guessing review	63
6 Perceived political reviews	54
7 Lack of focus on management development/Improvement	42
8 An ineffective link to reward systems	50
9 Superior lacks rating skills/motivation	33
10 Review process lacks structure/consistency	29

Unclear performance criteria/ineffective rating instrument (83 per cent)

Managers in this research made it perfectly clear that appraising managerial performance is destined to fail without having clearly established performance criteria by which to judge their performance. If ambiguity surrounds the job description, goals, traits and/or the behaviours that will be the basis for the evaluation the process is doomed to fail from the start. Effective two-way communication must be part of the performance planning process prior to any evaluation to set the standard by which a manager’s performance will be judged. This activity will lead to more focused management action as well as providing a clearly defined basis for assessing a manager’s performance at a later date. At the same time, an appropriate rating instrument must support the appraisal process. The rating instrument should be tailored to capture critical desired behaviours and outcomes with corresponding meaningful performance standards and metrics. Managers frequently stated that organizational ratings instruments did not capture what their jobs actually entailed and were frequently inappropriate for rating management activity.

- *Lesson 1.* For managerial appraisals to be effective performance planning is critical and must be supported by an appropriate performance rating device.

Poor working relationship with your boss (79 per cent)

Managers stated that one of the keys to an effective performance review is the trust and confidence that the manager has in the person conducting the review. While this is true in any evaluation setting, managers stressed that a poor working relationship with one’s boss places a “cloud of credibility” over the entire rating process. If the working relationship is not based on trust, mutual respect, two-way communication and a shared sense of commitment to each other the management review process will lack credibility and effectiveness. The absence of these qualities can breed doubt, cynicism, and suspicion on the part of the manager being evaluated. While the quality of the superior/subordinate manager working relationship might be described as an intangible, it is a primary cause of ineffective appraisals in the mind of many managers.

- *Lesson 2.* Without a solid working relationship between the two parties the managerial review process will be suspect.

Superior lacks information on manager's actual performance (75 per cent)

Managers in these focus groups discussed the fact that they were generally pursuing "multiple goals", "wearing a variety of hats" and "being asked to do more than ever". In this environment those who evaluate managers are under extraordinary pressure to monitor managerial performance on an ongoing basis to be in a position to know what their subordinates are actually doing. Without working knowledge of the manager's actual behaviour and contribution to the organization the review process obviously breaks down. Managers stated that their superiors had only limited knowledge of the actual performance (all too often) and that they relied heavily on an overall "impression" of how well they were performing. While specific performance variables were often used to evaluate a manager's performance, superiors often lacked knowledge of the processes, behaviours and circumstances that either contributed to or hurt performance in these areas. While managers do not want their superiors hovering over their every move, they also do not want their superiors unaware of what they are doing and how they are attempting to get results. Without some degree of awareness and understanding of the specifics of the subordinate managers' actions, the meaningfulness of the appraisal process as a developmental experience suffers. While it is the superiors' right to have a "bottom-line" mentality in rating managerial performance the overall usefulness of the process is called to question when superiors are unaware of the details of the manager's performance.

- *Lesson 3.* Those who rate managerial performance need to possess actual hands-on information of manager's actual contribution to the organization and how these results were achieved.

Lack of ongoing performance feedback (67 per cent)

Managers in this study frequently describe a review process that contained what might be described as "surprises". That is to say, negative feedback about their past performance that had been stored up for delivery during the review process. The problem with the surprise approach to the review process is that the manager being reviewed is thinking, "if it was that bad or important why didn't you say something when the problem occurred?" The rater's credibility is immediately called into question. At the same time, managers stated that the praise and positive feedback they frequently received in the review process would be truly appreciated spread across the entire year instead of

coming in one large dose. To increase the effectiveness of the formal review process managers stated that ongoing performance feedback throughout the year is needed. Positive feedback would be a motivation shot in the arm to many beleaguered and hard-working managers. At the same time managers stated that if they are not performing well in the eyes of their boss they want to know about it sooner rather than later. Managers want ongoing performance feedback to reinforce appropriate actions and to be in a position to make adjustments when their performance needs improvement. Downsizing and re-engineering have heightened managerial concern with job security which ongoing feedback can help allay.

- *Lesson 4.* Ongoing performance feedback throughout the year makes for more effective managerial performance and a more meaningful performance appraisal.

Overly critical/second guessing reviews (63 per cent)

Another prominent feature of ineffective managerial reviews was the commonplace practice of dwelling on only the negative aspects of a manager's performance. Managers made it clear and are the first to admit that there is always room for improvement. But when the formal review is filled with only negatives, criticism and an "I can't believe you actually did that" attitude on the part of the rater the process becomes counterproductive. This heavy dose of negative feedback frequently comes on the heels of receiving little or no feedback throughout the year. The overly negative review becomes an event to be dreaded by the subordinate manager rather than being a performance and development-enhancing vehicle. In addition, second guessing and Monday-morning quarterbacking on the part of the rater can be a negative practice when taken to an extreme. While hindsight is always 20/20 it is not always appreciated unless it comes from someone a manager trusts, respects and believes has their best interests in mind. When managerial reviews are conducted in an atmosphere of negativism with a second-guessing attitude on the part of the rater, the outcomes of the process are rarely those that are desired. Defensiveness, bitterness, bad attitudes, and frustration are frequently the subordinate manager's response to such treatment.

- *Lesson 5.* When raters of managerial performance consistently practice overly negative and/or second-guessing reviews the subordinate manager's response will almost always be negative.

Perceived political reviews (54 per cent)

When the performance of a manager is being evaluated, in theory the performance itself should be the sole focus of the review. In reality, managers in this study suggested that a host of “other variables” can creep into the review process that can influence the ratings a subordinate manager receives. Factors such as loyalty, promotability, connections, current salary and “fitting in” were frequently mentioned as influences that can potentially affect performance ratings. When subordinate managers perceive that potentially political factors are part of the rating their reaction is negative. Political ratings tilted in their favour may not be perceived for what they really are. But the perception of political ratings that provide managers’ performance ratings that are lower than what they believe they deserve will generate a negative response. What is particularly interesting about the entire notion of political ratings is that many of the characteristics of ineffective appraisals can easily help create the perception that the rating process is political according to these managers. Unclear performance standards, a poor working relationship, lack of hands-on knowledge of subordinate performance, and lack of ongoing feedback can help fuel political perceptions on the part of the person being evaluated. When ratings are perceived to be less than honest, candid and objective a favourable rating outcome is seriously in question.

- *Lesson 6.* Perceived political performance ratings damage the credibility of the appraisal process and can be unintentionally created by ineffective rating practices.

Lack of focus on management development/improvement (50 per cent)

From the perspective of the managers in this study ineffective managerial appraisals are those that fail to focus on the issue of management development and performance improvement. When management reviews fail to give adequate attention to this issue the manager being evaluated generally feels short-changed. Managers suggested that many superiors are quick to criticize but are reluctant to or uneasy when helping managers create a development plan of action to enhance performance. The role of manager as “coach” is one that is frequently lacking in managerial reviews. A brief discussion of management development in a formal review setting is a woefully inadequate time-frame to have a serious impact on a manager’s development. Yet, it can be an excellent time to formulate development action plans. This focus also goes a long way to demonstrate a superior’s concern and commitment to a

subordinate manager’s development and organizational viability. Managers suggested that a plethora of management development opportunities exist in most organizations but that they want their superior’s input, direction and blessing in formulating development plans. Cross-training, special assignments, mentoring, formal classroom education, reading requirements, assessment centres and the like could all be woven into a formal effort to enhance manager performance. When such planning activities are not part of the review the potential positive impact of appraisal process is diminished.

- *Lesson 7.* When management development planning is not part and parcel of the appraisal process subordinate managers feel short-changed and a performance improvement opportunity is lost.

An ineffective link to reward systems (42 per cent)

All of the organizations in this study used the formal appraisal process as a proposed vehicle to link managerial performance to the rewards they would receive (pay for performance systems). These rewards focused primarily on merit increases in base salaries and performance bonuses, but could also include other perquisites. In theory, the better the performance, the greater the corresponding increase in compensation. When the primary vehicle for making this determination was the formal appraisal process, several negative things can happen. When managers believe the ratings they receive underestimate their actual contribution to the organization the pay for performance linkage is threatened. Second, when the amount of the merit or bonus they receive does not correlate with their perceived contribution to the organization they feel underappreciated (and even cheated). Thus, if ratings are not conducted in an effective fashion, linkages with reward systems become even more problematic. At the same time managers in this study stated that as merit raise ceilings are lowered and the amount of bonus monies available shrinks, the linkage between ratings and rewards is also a difficult process. Some managers cynically suggested that many pay for performance systems “have everything but the pay”, as organizations regularly attempt to control salary costs but keeping merit raises low. This situation places superiors in the unenviable position of trying to reinforce good managerial performance with fewer resources which creates tension for all parties concerned. While linkages between ratings and rewards are frequently claimed, managers in this

study stated that it is a supporting cause of ineffective appraisals.

- **Lesson 8.** Linkages between appraisal ratings and corresponding organizational rewards are difficult to achieve and limit the appraisal effectiveness in reinforcing high levels of performance.

Superior lacks rating skills/motivation (33 per cent)

When the manager conducting any performance appraisal does not possess either the skill or motivation to rate the subordinate's performance, problems are a foregone conclusion. Many of the causes of ineffective appraisals previously discussed make it clear that both rating skill and motivation are critical to effective appraisals. Yet managers in this study devoted sufficient attention to this issue and addressed it as a stand-alone factor. While all of us informally evaluate people on an ongoing basis, a special level of skill is needed to do this effectively on a formal basis. Raters must possess specific skills such as performance planning, goal setting, coaching, decision making, interviewing and conflict resolution to be effective raters. At the same time, they must have the desire to conduct an effective performance review. This desire goes well beyond the organizational mandate that "appraisals are something that you simply have to do as a manager". When a manager evaluating a subordinate manager does not possess ample quantities of both of these characteristics, positive rating outcomes will be an aberration. Yet, managers suggested that organizations could do a great deal to enhance both the rating skill and motivation of managers. Ongoing rater training, more effective rating instruments and procedures, a more effective top-down approach to ratings, the use of self-appraisal and greater human resource management support in improving the process were just a few of the suggestions generated to enhance rater effectiveness.

- **Lesson 9.** Managers conducting formal appraisals must possess both the skill and motivation to perform effectively if the process is to have positive outcomes.

Review process lacks structure/substance (29 per cent)

It is rather common to hear the nature of managerial work described in such terms as dynamics, ambiguous, and fluid. In this research, managers performing this type of work clearly stated that when the review process lacks structure and substance the outcomes are less than satisfactory. This lack of structure and substance can come during the written phase of the appraisal process

when a superior rushes through the written review and fails to provide specific and detailed examples in writing to support their summary evaluations. Alternatively, this lack of structure and substance can come during the face-to-face performance review that is frequently described with such words as the "non-review review", "the rush job", the "I've-got-more-important-things-to-do review" and the "just sign your review and leave it on my desk approach". Managers made it clear that they want a structured, formal performance review from their superiors that evaluates their performance in an objective and systematic fashion. They want their superiors' time and attention and want substantive feedback on their past performance and specific input on what they must do to improve. When the appraisal process lacks these characteristics cynicism, frustration and tension frequently follow.

- **Lesson 10.** Managers performing unstructured and ambiguous work want a structured and substantive appraisal of their performance.

Discussion

While senior executives review the performance of their junior managers regularly on an informal basis, the formal appraisal process can leave much to be desired in far too many organizations. Managers in this research identified and described the causes of ineffective managerial appraisals with relative ease based on their personal experiences. At the same time, there was a strong degree of consensus among these managerial focus groups as to the top ten causes of ineffective appraisals as illustrated in Table I.

When an organization does not do an effective job of appraising managerial performance a host of negative outcomes can occur at both the individual and organizational level. At individual level ineffective appraisals can cause:

- 1 ineffective performance planning and goal setting;
- 2 managers to be demotivated and frustrated;
- 3 added tension in the working relationship with a superior;
- 4 a loss of confidence on the part of the subordinate manager;
- 5 management performance improvement to be stifled; and
- 6 subordinate managers to develop a "second-guessing mentality" in trying to anticipate what they think their superiors really

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want from them (which breeds paranoia in the long run).

The costs of ineffective managerial appraisals can also be high at the organizational level, as these types of appraisals tend to:

- 1 breed cynicism and low morale among managers;
- 2 cause managers to lose focus on both the goals they are pursuing and the means they are employing;
- 3 cause pay for performance system to breakdown;
- 4 set a poor example for the rest of the organization;
- 5 damage the development of managerial talent; and
- 6 cause human resource departments to lose credibility.

The following is a summary of these negative outcomes, most of which are unnecessary when effective rating practices are applied to managerial reviews:

- 1 Individual level outcomes:
 - Causes ineffective performance planning and goal setting;
 - Demotivates and frustrates managers;
 - Creates added tension in working relationship with superior;
 - Can cause a loss of managers' confidence;
 - Stifles performance improvement;
 - Managers develop a second-guessing mentality.

2 Organizational level outcomes:

- Breeds cynicism and low morale;
- Causes a loss of managerial focus;
- Causes pay for performance systems to break down;
- Sets a poor example for the rest of the organization;
- Damages management development efforts;
- Loss of human resource management credibility.

Organizations and individual managers would be well served to heed the lessons of managerial appraisals identified by these managers. When managerial appraisals are done well they are an effective tool for guiding, enhancing and rewarding managerial performance. When they are done poorly they are a dysfunctional organizational practice with a myriad negative consequences. It is the joint responsibility of top management and human resource managers to make sure that those evaluating managerial performance have both the skill and motivation to do so effectively. In this regard those responsible for managerial appraisals would be well served to complete the "effective managerial appraisal self-assessment" in Table II to evaluate the extent to which the findings of this research are being taken seriously in your organization.

It would be most appropriate to close with the words of one of the managers in this study who said:

Table II
 Effective managerial appraisal self-assessment

To what extent do I ...	Not at all	To some extent	To a great extent
1 Have clearly defined standards by which to assess my managers' performance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Maintain an effective, viable working relationship with each of my managers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Possess actual hands-on knowledge of my managers' actual performance and contribution to the organization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Provide my managers with ongoing feedback on their performance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Attempt to provide a performance review that reinforces positive performance and discusses how to improve?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Allow factors other than a manager's actual performance to affect the ratings they receive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Use the formal review process as an arena to discuss and formulate management development plans?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Try and create linkage between actual performance and performance ratings they receive?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Possess the skills and motivation needed to conduct effective performance-enhancing appraisals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Conduct performance appraisals in a professional and consistent manner?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Managers are the key to running an effective enterprise and their performance is critical ... It would be stupid and short-sighted of me not to take the utmost care with anything that affects their performance and this is especially true in way I handle the entire performance appraisal process ... Do it well, it helps all of us, do it badly and it only makes life tougher.

These are words to remember in approaching the entire process of managerial appraisal.

References

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