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Performance appraisal system in Filiz Gida

Bilgi Guner

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PERFORMANCE APPRAISAL SYSTEM IN FILIZ GIDA

A Thesis
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
Of the Requirements for the Degree
Master of Business Administration

by
Bilgi Guner
September 2003
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ABSTRACT

This study will focus on evaluating the performance appraisal system currently being used by Filiz Gida, a small food processing company, located in Turkey. Filiz Gida was established by Dogus Holding in Bolu and currently employs 284 individuals.

This study involves an evaluation of the current performance appraisal system used by Filiz Gida. This performance appraisal system may help top management at the company make more objective evaluations of employees. Moreover, it can help managers make fair decisions regarding promotions, demotions, salary revisions, etc. If the performance appraisal system proves to be effective, it can serve as a model for other small plants in Turkey.
DEDICATION

To my mother and father
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CHAPTER ONE

INTRODUCTION

This manuscript will focus on evaluating the performance appraisal system currently being used by Filiz Gida, a small food processing company, located in Turkey. Filiz Gida was established by Dogus Holding in Bolu and currently employs 284 individuals. Filiz Gida is dedicated to fair and respectful treatment of all workers, offering voluntary benefits in housing programs, health care, education for their children and professional child care centers. (http://www.filizgida.com) The importance of quality in production at Filiz is reflected by its receipt of ISO 9002 certification in 1994. In 2003, Barilla Group, which is one of the world giants in the pasta business, acquired Filiz Gida due to financial interests that have not been extensively documented by public media.

Filiz Gida implemented a performance appraisal system in 2002 which was selected by the company’s CEO. The company initiated a Management by Objectives (MBO) system to evaluate employee performance, and determine the training needs of employees. The goals and objectives
connected with the MBO System are to be established during the last week of every January and June, and managers are to track a worker's performance and document worker accomplishments through the year.

Performance appraisal is one of most challenging HR functions in Turkish organizations. A recent survey conducted by Arthur Andersen (2000), which focuses on human resources practices in Turkey, identified two key reasons for this situation. First, although most companies have a performance appraisal system generally consisting of a standard evaluation form, it is difficult to obtain "objective" appraisals. Many organizations reported that they evaluate performance on the basis of competencies and behavioral criteria. (Arthur Andersen, 2000) However, there is little evidence documenting or supporting the validity of the measures selected to assess performance.

Second, the Arthur Anderson Study (2000) affirms that in Turkey, evaluators commonly do not receive training prior to conducting performance evaluation. For these reasons, this study examined the performance appraisal system at Filiz Gida. Since performance appraisal methods
for most small business entities in Turkey tend to be randomly chosen, this manuscript will focus on the evaluation of the company’s appraisals system, and thereby relate how other organizations might go about evaluating their appraisal systems.

Research Objectives

The purposes of this study are two-fold: 1) to evaluate the performance appraisal system at the Filiz Gida; and 2) to suggest possible alternatives to the current performance system.

Statement of the Problem

According to a study of human resources practices in Turkey conducted by Arthur Anderson, performance appraisal systems for most small business entities in Turkey are randomly chosen (based very much on the prevailing moods of superiors at the time a performance appraisal system is selected). Moreover, the Arthur Anderson Study (2000) affirms that there is no standardized appraisal system used by small business entities in Turkey. As a result, this lack of knowledge or awareness of the performance appraisal systems may
adversely affect the attitudes of employees who believe that employment decisions are made subjectively. Therefore, it is critical that organizations evaluate their performance appraisal systems and make needed adjustments to enhance the degree of objectivity required for equitable employment decisions.

Importance of the Study

This study is important because it involves an evaluation of the current performance appraisal system used by Filiz Gida. This performance appraisal system may help top management at the company make more objective evaluations of employees. Moreover, it can help managers make fair decisions regarding promotions, demotions, salary revisions, etc. If the performance appraisal system proves to be effective, it can serve as a model for other small plants in Turkey.

Research Methodology

This study of performance appraisal systems is taking place in the spring of 2003, at Filiz Gida in Turkey. However, initial work started in the winter of 2003. The performance appraisal methods and systems
examined in this research project are based on a review of current literature and research. The information about the management by objectives performance appraisal system used at Filiz Gida was obtained through interviews conducted with the CEO and eight supervisors.

The findings from related studies, published in journal articles, books, and theses will be integrated with information obtained through the interviews with the executive managers at Filiz Gida. These sources will be used to conduct an evaluation of the company’s current appraisal system.

**Research Questions**

The review of relevant research and interviews conducted for this study attempt to answer the following research questions:

- What is the nature of the current performance appraisal system used at Filiz Gida?
- What common perceptions does the CEO share with other supervisors about the current performance appraisal system?
How can the current appraisal system be more efficient and effective?

Limitations of the Study

Some of the constraints or limitations confronting this study include limited access to the company's data associated with human resources practices due to confidentiality issues, geographical distance, and time constraints. To address the confidentiality issues, persons interviewed were assured that no individual names would be associated with the results.

Plan of the Study

Chapter One: An introduction to the study, research objectives, statement of the problem, importance of the study, research methodology, research questions, and limitations of the study.

Chapter Two: Company overview, company mission, human resources in Filiz Gida, and performance appraisal system in Filiz Gida.

Chapter Three: Review of the literature - definition of performance appraisal system, importance, purposes and goals of performance appraisal system, responsibilities
in performance appraisal system, review of the performance appraisal methods, rating errors and avoiding rating errors.

Chapter Four: Methodology - a discussion of the responses to the questionnaires and research questions. The responses to each question are reported in this chapter.

Chapter Five: Summary of study questions and interview results.

Chapter Six: Recommendations for introducing 360-Degree feedback into Filiz Gida - piloting the system, implementation, limitations of the 360-degree feedback and key steps to effectively implement 360-degree feedback.
CHAPTER TWO

FILIZ GIDA

Company Overview

Filiz Gida was established by Dogus Holding in Bolu in 1977 and currently employs 284 individuals. In 2003, the acquisition of Filiz Gida with Barilla Group, which is one of the world giants in pasta business, resulted in Filiz Gida being one of Turkey’s leaders in the food processing industry. As of March 5th, 2003 Barilla Group fully owns Filiz Gida. Based on the information given by the CEO, there have not been any significant changes in management structure at Filiz Gida after its acquisition by the Barilla Group.

Filiz Gida produces pasta which doesn't get doughy and sticky, two characteristics that Turkish customers prefer. There are 16 types of pasta that Filiz Gida produces including natural vegetable types and whole wheat types. Filiz Gida’s products are also made with no preservatives or artificial ingredients. Its competitors include Nuhun Ankara Makarnasi, Doga Makarna, and Beslen Makarna. These are small food manufacturing companies which are headquartered in Turkey.
Company Mission

Filiz Gida contributes to its community, to the local and national economy and its shareholders through the added value generated. Filiz Gida’s goal is to become as an international enterprise, a food company having substantial sales in its markets and sub-sectors selected in Turkey. In addition, the company wants to be committed to its employees, consumers, suppliers, shareholders, and recognized by international quality assessment organizations (http://www.filizgida.com).

Human Resources in Filiz Gida

In order to gain a competitive advantage, Filiz Gida is counting on excellent human resources at every level of the organization. This is why Filiz Gida intends to create a professional and fully developed environment in which even the most demanding expectations for continuous learning can be satisfied (http://www.filizgida.com). A staff member's professional path involves the progressive development of the skills needed for the company to grow, encouraging skill variety and, in view of the growing global expansion of the company, the possibility of
gaining international experience (http://www.filizgida.com).

Performance Appraisal System in Filiz Gida

Filiz Gida initiated its performance appraisal system in January 2002. A Management by Objectives (MBO) system was selected arbitrarily by the CEO of the company.

Management by objectives is a process that was introduced at Filiz Gida to help Filiz Gida managers track a worker's performance and document what the worker accomplishes. The first step of MBO programs is to review the employee's job responsibilities based upon existing job description. With a clear understanding of what the employee is expected to do, the next step is that employees and managers establish specific objectives for what the employees of Filiz Gida should accomplish during the subsequent year. Together, these two steps are anticipated to help Filiz Gida management to clearly establish the expectation for what is done in the company.
Review of Job Description

The first step in the management by objectives process is to have each manager develop a description of the major duties and responsibilities of the employees' job. Three areas of responsibilities are to be addressed: knowledge required, skills required and employee traits. Job knowledge includes familiarity with product/services, basic understanding of company operations and policies, and other basic industry related knowledge. Skills required may include previous training, oral and written communication, and problem-solving capabilities. Employee traits can include self-discipline, confidence level and so on (Karahan, 2003).

Objectives and Deliverables

Once the responsibilities are identified, Filiz Gida's managers determine what tasks should be done to accomplish the job. This is the process of developing objectives. Objectives are simply "what tasks need to be done". To avoid situations where employees might believe they are being judged by unfair standards, they are asked to participate in setting their own performance goals. Using the Management by Objective, Filiz Gida hopes to
achieve establishment of objectives, creation of win-win relationships, and development of a positive, and challenging organizational climate.
CHAPTER THREE

REVIEW OF LITERATURE

This chapter presents a review of the literature related to six particular aspects of performance appraisal. These aspects include: 1) Definition of performance appraisal systems, 2) Importance, purposes, and goals of performance appraisal systems, 3) Responsibilities in performance appraisals, 4) Performance appraisal methods, 5) Common rating errors, and 6) Avoiding Rating Errors.

Definition of Performance Appraisal Systems

Latham define performance appraisal as,

"Any judgment or decision that affects an employee’s status in an organization regarding retention, termination, promotion, demotion, transfer, salary increase, or admission into a training program that affects any of the preceding factors, regardless of whether the rationale behind these decisions is made known to the employee." (Latham, 1994)
Importance, Purposes and Goals of Performance Appraisal Systems

Over the past sixty years performance appraisal has become such commonplace in organizational life that virtually every company has an appraisal system. Performance appraisal is one of the most complicated and most studied subjects in the human resources field. Performance appraisal is complicated because it requires intricate coordination of numerous other management skills (Grote, 1996). Given that a performance appraisal system is an organizational system comprising deliberate processes for determining staff accomplishments and to improve staff effectiveness, its importance to organizational success cannot be overstated.

Performance management is critical to a manager’s organizational success. Nowhere is evaluation more important and necessary than it is with human resources. An ongoing process of manager/employee interaction regarding job performance provides an environment in which individuals and organizations achieve goals (Robertson, 1996).
Importance of Performance Appraisal Systems

In the book "Designing Performance Appraisal Systems: Aligning Appraisals and Organizational Realities", Mohrman states that:

"Performance appraisal in a work organization involves some of the most important aspects of people's sense of who they are and what they can be since it deals with their competence and effectiveness. In addition, it is the point where the sometimes conflicting goals of organizations and individuals are dealt with. It is also an activity that has important legal implications and can lead to the courtroom. Most of all, perhaps, it is an interaction between two human beings, who often are nervous, tense, defensive to some degree, poorly prepared to talk about such important issues, and full of their own misinterpretations, biases, hopes, and values." (Mohrman, 1990)

What makes performance appraisals important is that they are predictable consequences of the way organizations are structured and jobs are designed. Evaluations of the performance of an employee's work are also critical and crucial to his or her development. Lavine states that "the evaluation process should be done regularly. Done well, it provides a chance for meaningful feedback on many aspects of a staff member's performance." (Lavine, 1988)
Performance Appraisal is a key human resources management tool for maintaining satisfactory levels of employee performance. The fundamental purpose of performance appraisal is to assess employees' performances to identify skills they lack to perform their jobs effectively. On the basis of the appraisal outcome, employers are able to determine the most appropriate employee selection and promotion, skills training, compensation and rewards as well as career development programs.

Employee performance is usually evaluated by means of a standard form followed by a superior-subordinate discussion between the superior and subordinate (Lavine, 1988). The performance appraisal discussion may be used to gather additional performance data; however, its major use is to provide feedback performance data to the subordinate. Based on this feedback, the intended purposes of performance appraisal are served. How effectively they are served depends on how the appraisal form is designed and how the discussions are conducted.

All organizations face the problem of directing the energies of their staff to the task of achieving
organizational goals and objectives. In doing so, organizations need to devise means to influence and channel the behaviors of their employees so as to optimize their contributions. Performance appraisals constitute one of the major management tools employed in this process. This is based on the notion that an individual's performance in a job is improved by having definite goals, feedback about their performance and complemented by an appropriate reward system. Performance appraisal systems bring the following benefits to the organizations:

- Employees are given feedback regarding their performance, usually at least once a year so that action can be taken to rectify any weaknesses. This would hopefully lead to more effective performance and increased productivity.

- The system provides an opportunity for performance related discussions that could include the following: a) Setting goals and work objectives for the employee; b) Aligning individual and organizational goals; c) Identifying training and development needs; and d) Discussing career
progression opportunities. The system results in a fair and valid basis for recognizing and rewarding individual performance.

- The person or persons doing the appraisal may gain new insight into the person being appraised, and vice versa. In the process, the job of the person being appraised may be clarified and better defined. The appraiser would also be in a better position to understand the problems faced by the appraisee.

- Communication takes place among the individuals in the appraisal process and this constitutes an important part of the organizational management system (Singh, 1999).

In addition to these, the appraisal of employee performance is a process which is intended to be responsive to the following needs:

**Employee Needs.** The employee needs to know the supervisor's and department's expectations, and rewarded for productive behavior.

**Rater's Needs.** The rater should facilitate effective communication between the supervisor and the
employee, and get results from employees to accomplish unit and departmental goals.

**Departmental Needs.** The department should ensure the employees that their work supports and contributes to organizational goals. In addition to that, the department should provide documentation to support administrative decisions as well as planning and budgeting. In terms of improving the output, the department manager should know what kinds of training and development programs could be provided. Performance appraisal systems are gradually becoming more and more important in the life of an organization.

Performance appraisal is fundamental to improving the productivity of an organization's human resources. Thus, a properly developed appraisal instrument is necessary because it "serves as a contract between the organization and an employee in that it makes explicit what is required of that individual." (Singh, 1982) Appraising performance is also necessary because it "serves as an audit for the organization about the effectiveness of each employee." (Singh, 1982) The standards for such a control system should be based on
job behaviors that can objectively be measured and evaluated. The combination of performance feedback and the setting of specific goals based on this feedback enable the appraisal system to fulfill its two most important functions, namely the counseling (motivation) and development (training) of employees (Singh, 1982). These are the primary purposes of performance appraisal because it is on the basis of an employee’s motivation and training that decisions are made regarding that an employee’s retention, promotion, transfer, demotion, salary increase, and termination." (Singh, 1982)

Appraisals are also important because they are a primary source of “data needed for human resource planning, and a means of influencing employee performance and fulfilling the moral obligation of letting people know where they stand. Appraisal systems are also important as a protection against legal suits by employees who have been fired or demoted.” (Singh, 1982)

**Purposes of Performance Appraisal Systems**

The purpose of the performance appraisal system is set by those in the organization who establish the performance appraisal system (Lavine, 1988). It is clear
that in order to achieve the desired results the organization must develop, evaluate and reward the desired behaviors. Performance appraisals help to identify those employees who deserve merit pay increase, employees who require additional training, and employees who are candidates for promotion. Moreover, performance appraisals let employees know concretely how their current performance is rated (Lavine, 1988).

Moreover, performance appraisal serves a number of other purposes. Feedback, which is provided by the performance appraisal process, provides a structured format for the discussion of performance issues on a regular basis. Feedback either reinforces performance strengths, or provides the opportunity to discuss resolution of performance deficiencies. Further, feedback is encouraged in both directions. As such, in an effective performance appraisal system, employees are encouraged to prepare ratings of their supervisors (Lavine, 1988).

From the point of view of the organization, appraisal data can form a picture of the overall demand for training. These data may be analyzed by variables
such as job task, job type, etc. In this respect, performance appraisal can provide a regular and efficient training needs audit for the entire organization (Lavine, 1988).

Another purpose of the performance appraisal is career development. Appraisal information provides the basis for discussion of career objectives, and creation of a strategy designed to maximize career potential (Lavine, 1988).

Through the performance appraisal process performance history can be documented. This provides a performance history which is not dependent upon memory, and which may be useful in the full range of personnel decisions, including compensation decision-making, promotions, layoffs, discipline and discharge (Lavine, 1988).

Given all of these purposes, it is clear that effective performance appraisal plays a major role in the human resources management systems in organizations. In fact, appraisal is so important that an organization cannot fully function without having a well-developed, effective system for appraising performance.
Organizations, such as Filiz Gida, need to develop and implement a proper appraisal system if they are to achieve the previously mentioned purposes. These purposes suggest that performance appraisal systems play an integral role in achieving the company's mission and objectives. Moreover, when used effectively, appraisal systems have several positive consequences. An affective performance appraisal system provides an increased motivation incentive to perform efficiently, and can enhance an employee's self-esteem. Valuable two-way communication among individuals and a fair and credible distribution of rewards take place in effective performance appraisal systems. In addition to these, clarification of organizational goals, better planning of human resources, test validation, and development of training programs might be the positive outcomes of performance appraisals.

Given all of these potential positive outcomes of performance appraisal, one can conclude that an effective appraisal serves the purpose of increasing both individual and organizational performance.
Goals of Performance Appraisal Systems

Performance appraisal systems offer a valuable opportunity to focus on work activities and goals, to identify and correct existing problems, and to encourage better future performance. Thus, the performance of the whole organization is enhanced. The value of this purposeful interaction between a supervisor and subordinate should not be underestimated. Performance appraisals continue to be used in organizations because they help those organizations and their staff members to achieve some goals or aim that organizations as well as individuals set for them.

Organizations' Goals. Performance appraisal plays an important part in the process of gathering information and controlling the various activities of complex organizations. Lawler indicates that a control system needs data on what is occurring, and it needs a way of correcting or adjusting performance when a change is needed (Lawler III, 1976). The design of performance appraisal systems of most organizations allows for information exchange and for influencing performance. That is, performance appraisal systems are designed to
provide the individual and the organization with data
about what is going on, and they are also designed to be
a medium through which the organization tries to
influence the behavior of the individuals. For
organizations, planning and developing their human
resources is as important as effectively utilizing their
economic resources. Thus, identifying development needs
and promotion potentials are frequent goals of appraisal.
In fact, data gathered from performance appraisals can,
and often does, help organizations to pinpoint who might
be good candidates for development and just what kinds of
development experiences might be best for them. Thus,
organizations conduct appraisals so that they can plan,
coordinate, and administer training and development
programs (Harris, 1995).

**Individuals' Goals.** As the organization tries to
accomplish the above stated goals through performance
appraisal, so does the individual. Individuals want and
seek feedback on their performance since such feedback
helps these individuals learn more about themselves and
this need exists even at the top levels of management.
Why do individuals seek to obtain information on their
performance? This question may be answered by stating that most individuals hope to get favorable appraisals which give them a sense of satisfaction. However, when appraisals are negative, those individuals tend to experience failure and feedback becomes difficult to accept (Harris, 1995).

Individuals and organizational goals are sometimes in conflict. Mohrman point out the major conflicts between organizations and individuals and state that:

"To accomplish its purposes, the organization needs complete and valid data about the nature of the individual’s skills and performance, but it is often not in the best interests of the individual to provide such data. The conflict, then, is over the exchange of valid information. As long as the individual sees appraisal as having an important influence on rewards, the potential for this conflict continues." (Mohrman, 1990)

Responsibilities in Performance Appraisal Systems

The rater is responsible for assuring that the employee's departmental position description is complete and accurate, in that it reflects the duties and responsibilities currently assigned to the employee. Moreover, the rater should meet with the employee before the beginning of each new appraisal period to discuss all
key responsibilities and accompanying performance expectations which will be in effect for that period. The rater should ensure that key responsibilities and accompanying performance expectations remain current during the appraisal period and taking actions to change them when necessary. Ensuring that all forms are completed properly, accurately, and in a timely manner is the rater's other responsibility. The rater also should point out to the employee immediately when a performance standard will likely not be met during an appraisal period and take corrective action. In addition to these the rater should develop methods which enable the employee to maintain or improve performance. (Harris, 1995)

At the same time, the employee is responsible for understanding his or her official duties and responsibilities and assisting the rater in maintaining the accuracy and completeness of the departmental position description. In addition to that, the employee should participate with the rater in developing key responsibilities, relative impact values, and accompanying performance expectations and notify the
rater of suggested changes or additions to performance expectations, key responsibilities and relative impact values (Mohrman, 1990).

The human resources department is responsible for ensuring that orientation and training are provided for managers, supervisors, and employees regarding how to carry out the performance appraisal process. Moreover, the human resources department should distribute and provide necessary instructions and forms to raters (Harris, 1995).

Performance Appraisal Methods

Research regarding performance appraisal is plentiful, taking different approaches to problems that have risen in the various applications. For every study done there are findings that add to one element of performance appraisal, but nothing that can be generalized across the fields of studies. Researchers tend to focus on a one size fits all approach and not the needs and goals of the organization and what tool best measures employee performance in relationship to organizational goals. Since the research does not agree on any particular tool or use of a performance tool, it
seems more worthwhile to look at the collection of tools that might meet organizational needs than to look at one particular tool to be the panacea for performance management.

Several tools have been developed over the years to address the problems that practitioners and researchers have experienced and found in the performance appraisal process. Which facets of the tools were used was based upon the supervisor's purposes for the appraisal, which is to provide feedback to the employees linking individual performance to the department's goals and mission, and to help the supervisor identify employees' developmental needs (Landy, 1983).

The following sections examine performance appraisal formats: Essay appraisals, graphic rating scales, field reviews, forced-choice ratings, critical incident appraisals, management by objectives, work-standards approaches, and ranking methods.

**Essay Performance Appraisal Systems**

In its simplest form, this technique asks the rater to write a paragraph or more covering an individual's strengths, weaknesses, potential, and so on. In most
selection situations, particularly those involving professional, sales, or managerial positions, essay appraisals from former employers, teachers, or associates carry significant weight. The assumption seems to be that an honest and informed statement from someone who knows the employee well is fully as valid as more formal and more complicated methods (McGregor, 1957, Thompson, 1970, Schrader, 1969).

**Graphic Rating Scales**

This technique may not yield the depth of an essay appraisal, but it is more consistent and reliable. Typically, a graphic scale assesses a person on the quality and quantity of his work and on a variety of other factors that vary with the job but usually include personal traits like reliability and cooperation. It may also include specific performance items like oral and written communication (Berkshire, 1953).

**Forced-Choice Ratings**

Forced-choice rating technique was developed largely to reduce leniency bias and establish objective standards of comparison between individuals. Although there are many variations of this method, the most common one asks
raters to choose from among groups of statements those which best fit the individual being rated and those which least fit him. The statements are then weighted or scored, very much the way a psychological test is scored. Employees with high scores are, by definition, the better employees; those with low scores are the poorer ones. Since the rater does not know what the scoring weights for each statement are, in theory at least, he cannot play favorites (Harvard Business School, 1965).

Critical Incident Appraisal Systems

The term used to describe a method of performance appraisal that made lists of statements of very effective and very ineffective behavior for employees. The lists have been combined into categories, which vary with the job. Once the categories had been developed and statements of effective and ineffective behavior had been provided, the evaluator prepares a log for each employee. During the evaluation period, the evaluator records examples of critical behaviors in each of the categories, and the log is use to evaluate the employee at the end of the evaluation period (Levinson, 1970).
Management by Objectives (MBO)

MBO is a system in which specific performance objectives are jointly determined by subordinates and their superiors, progress toward objectives is periodically reviewed, and rewards are allocated on the basis of this progress (Levinson, 1970). Management by Objectives is one of the important prerequisites for developing business strategies and also a basis for staff participation and joint development of future-oriented perspectives. MBO today is practiced in many companies, although in various forms and with different results.

MBO is essentially based on a very simple fact: wherever people work in an organization together there will be a wide variety of objectives. Each individual has his or her own personal goals; each department has its own business targets, and last but not least, top management, too, has its own strategic aims. MBO is the art of getting all these varied interests to correspond to one common goal.

Management by Objective (MBO) is used to specify the performance goals that an individual hopes to attain within an appropriate length of time. The objectives that
each manager sets are derived from the overall goals and objectives of the organization, although MBO should not be a disguised means for a superior to dictate the objectives of individual managers or employees. Other names for MBO include appraisal by results, target coaching, work planning and review, performance objectives, and mutual goal setting (Levinson, 1970).

**Work-Standards Approach**

Instead of asking employees to set their own performance goals, many organizations set measured daily work standards. In short, the work standards technique establishes work and staffing targets aimed at improving productivity. When realistically used, it can make possible an objective and accurate appraisal of the work of employees and supervisors (Meyer, 1997).

**Alternation Ranking Methods**

In this method, the names of employees are listed on the left-hand side of a sheet of paper - preferably in random order. If the rankings are for salary purposes, a supervisor is asked to choose the "most valuable" employee on the list, cross his name off, and put it at the top of the column on the right-hand side of the
sheet. Next, he selects the "least valuable" employee on the list, crosses his name off, and puts it at the bottom of the right-hand column. The ranker then selects the "most valuable" person from the remaining list, crosses his name off and enters it below the top name on the right-hand list (Swan, 1991).

**Behaviorally Anchored Rating Scales (BARS)**

This method has a rating scale of perhaps 1 to 5 for each trait. Each rating point has an example of a critical incident that is deserving of that particular rating. When a supervisor is rating an employee he or she determines which of the critical incidents best describes the overall performance of the employee in that specific trait (Meyer 1965, Berkshire, 1953).

**Rating Errors**

Where performance appraisal fails to work as well as it should, lack of support from the top levels of management is often cited as a major contributing reason. Opposition may be based on political motives, or more simply, on ignorance or disbelief in the effectiveness of the appraisal process. It is crucial that top management believe in the value of appraisal and express their
visible commitment to it. Top managers are powerful role models for other managers and employees. Those attempting to introduce performance appraisal, or even to reform an existing system, must be acutely aware of the importance of political issues and symbolism in the success of such projects.

Fear of Failure

There is an inflexible suspicion among many appraisers that a poor appraisal result tends to reflect badly upon them also, since they are usually the employee's supervisor. Many appraisers have a vested interest in making their subordinates "look good" on paper (Longenecker, 1989).

When this problem occurs it may point to a problem in the organization culture. The cause may be a culture that is intolerant of failure. In other words, appraisers may fear the possibility of negative effects. Longenecker argues that accuracy in performance appraisal is impossible to achieve, since people play social and political games, and they protect their own interests.

The avoidance behavior of appraisers has certain plausibility. For instance, a supervisor who has given an
overly generous appraisal to a marginal performer might claim that their 'valid' motive was the hope of encouraging a better performance (Longenecker, 1989).

Judgment Aversion

Many people are not willing to "play judge" and create a permanent record which may affect an employee's future career. This is the case especially where there may be a need to make negative appraisal remarks (Larson, 1989).

Training in the techniques of constructive evaluation (such as self-auditing) may help. Appraisers need to recognize that problems left unchecked could ultimately cause more harm to an employee's career than early detection and correction. Organizations might consider the confidential archiving of appraisal records more than, say, three years old.

Feedback-Seeking

Larson has described a social game played by poor performers called feedback-seeking (Larson, 1989). It occurs where a poor performing employee regularly seeks informal praise from his or her supervisor at inappropriate moments.
Often the feedback-seeker will get the praise they want, since they choose the time and place to ask for it. In effect, they "ambush" the supervisor by seeking feedback at moments when the supervisor is unable or unprepared to give them a full and proper answer, or in settings that are inappropriate for a frank assessment.

The supervisor may feel "put on the spot", but will often provide a few encouraging words of support. The game seems innocent enough until appraisal time comes around. Then the supervisor will find that the employee recalls, with perfect clarity, every casual word of praise ever spoken!

This places the supervisor in a difficult bind. Either the supervisor lied when giving the praise, or least, misled the employee into thinking that their performance was acceptable.

The aim of the game is that the feedback-seeker wants to deflect responsibility for their own poor performance. They also seek to bolster their appraisal rating by bringing in all the "evidence" of casual praise. Very often the feedback seeker will succeed in
making the supervisor feel at least partly responsible. As a result, their appraisal result may be upgraded.

Avoiding Rating Errors

Performance review has shown that supervisors commonly make a number of rating errors when evaluating an employee's performance. Rating errors might be avoided by:

☑ Providing helpful information to supervisors about common rating errors and giving them the opportunity to practice rating performance while receiving feedback.

☑ Giving the supervisor practice and assistance in establishing a common frame of reference with which to observe behavior and discriminate between important and unimportant job behaviors.

☑ Creating documentation on the performance evaluation Document forms that focus on behaviors, not personal characteristics.

☑ Offering a ready and comprehensive reference to which supervisors and employee may refer at any time for help throughout the entire review period.
Providing sample evaluation documents and checklists that will facilitate preparation and participation in setting expectations, performance, self-assessment, feedback, and formal performance evaluation.

Providing workable solutions on how to deal with differences and conflicts that may arise during the evaluation period and at the final review (Swan, 1991).

In summary, this chapter reviewed the definition of performance appraisal, importance, purposes and goals of performance appraisal, responsibilities in performance appraisals, and several performance appraisal systems and approaches including; Essay performance appraisal systems, graphic rating scales, forced-choice ratings, critical incident appraisals, management by objectives (MBO), work-standards approaches, ranking methods, alternation rankings, and behaviorally anchored rating scales (BARS). It also reviewed the importance of performance appraisal systems including; fear of failure, judgment aversion, and feedback-seeking.
CHAPTER FOUR
RESEARCH QUESTIONS

This chapter reviews the findings related to the four research questions presented in Chapter One. These include:

1. What is the nature of the current performance appraisal system used at Filiz Gida?
2. What common perceptions does the CEO share with the other supervisors about the current performance appraisal system?
3. How can the current appraisal system be more efficient and effective?
4. What are the possible alternatives to make the performance appraisals more effective and efficient?

What is the nature of the current performance appraisal system used at Filiz Gida?

As noted previously, Filiz Gida uses a Management by Objectives (MBO) approach to appraisal. Since the time when MBO was introduced, there have been just one goal setting and one appraisal session. The most important
steps in the process which are detailed in Chapter Two are highlighted below.

The first step is to review the employee's job responsibilities and major features of the job to establish the expectation for what is done in the company. The second step is developing objectives which are simply "what needs to be done". Once the responsibilities are identified, Filiz Gida's managers and employees determine what tasks should be done to accomplish the job, and they set the performance goals. The level of performance and outcomes which are determined by employee and manager will be achieved as a performance goal. The third step is performance assessment which is conducted at end of June and November. The performance assessment conducted in June is for keeping track of the performance and objectives and the performance assessment conducted in January is for an annual review of the objectives, goals, and performance. What common perceptions does the CEO share with the other supervisors about the current performance appraisal system?
To address this research question, the researcher conducted interviews with the CEO and eight managers. Three basic questions were asked, which included:

1. What is the role of performance appraisal system in the organization?

2. To what extent do you believe the performance appraisal system used at Filiz Gida is effective?

3. What problems have you encountered since conducting the performance appraisal?

1. What is the role of performance appraisal system in the organization?

Interviews show that the managers believe that the roles of performance appraisal system at Filiz Gida are indicated below:

- Performance improvement
- Employee development,
- Assessing employees' training needs, and
- Controlling and disciplining employees.

All of the supervisors believe that a basic function of the performance appraisal system at Filiz Gida is performance improvement. Five supervisors indicate that a function of the performance appraisal is employee
development, and six of them point out that it is assessing employees’ training needs. Three supervisors believe that the role of the performance appraisal system in Filiz Gida organization is controlling and disciplining employees.

2. To what extent do you believe the performance appraisal system used at Filiz Gida is effective?

The CEO and all eight managers were consistent in their beliefs that the performance appraisal system used by the company was effective. However, the issues by which effectiveness was judged varied. For example, the CEO expressed that the system was effective because no performance appraisal system was used in the company before. One manager’s response, reflective of others was, “Since initiating the performance appraisal system, my department’s job performance has increased more than twenty percent and I can clearly see that who needs training.” Another manager stated “Since we initiated performance appraisal system in our organization, absenteeism has been decreased.” In addition to that, all of the supervisors think that the current appraisal
system in Filiz Gida helped enhance work-group cohesiveness.

3. What problems have you encountered since conducting the performance appraisal?

Interviews show that there are some problems which supervisors encounter as a result of the performance appraisal system. These include:

- Unrealistic expectations
- Unwillingness of employees’ goal settings
- Time consumption
- Increased hostility between supervisors and subordinates
- Elusive objectivity

Five managers believe that the current appraisal system can lead to unrealistic expectations about what can and cannot be reasonably accomplished. In addition to that, employees do not always want to be involved in their own goal setting. Based on verbal employee complaints to the managers, when MBO is applied in Filiz Gida, employees do not want to be involved in their own goal setting. Moreover, all managers found the MBO time consuming and their daily based job performance drops
during the performance appraisal period due to administrative details necessary for this process. Five managers related that the system increased hostility between them and their subordinates. As one manager stated, "the process forces us to become an inspector of goals rather than a supporter of goal achievement." Yet another expressed that "the desire for objectivity is vague because the decisions made are based on mostly emotions rather than professionalism. The objectivity concept remains too elusive because of Turkish culture's characteristics."

How can the current appraisal system be more efficient and effective?

The core criticism of the performance appraisal system used by Filiz Gida is that it typically affects and increases hostility between the manager and subordinates. Three supervisors believe that it fails to adequately take into account the deeper emotional components of motivation. One supervisor stated that "The desire for objectivity in evaluation of objectives is also a vain one – the greater the emphasis is placed on measurement and quantification, the more likely the
subtle, non-measurable elements of the task will be sacrificed, so quality of performance loses out to quantification." Another supervisor stated that "Objective measures do not always provide sufficient information. Factors outside of employees' control can make some objectives unattainable or conversely too easy to attain." Other criticisms of the performance appraisal system mentioned by four supervisors are unwillingness of employees' goal setting roles in the process and the time spent on conducting the performance appraisal system. In addition, since the process is time consuming this cause an additional cost to the company in term of instead time spent on conducting the process.

What are the possible alternatives to make the performance appraisals more effective and efficient?

As noted previously, Filiz Gida's CEO and managers believe that the management by objectives as a performance appraisal system was effective, yet they believe that they have to address some criticisms and solve the problems related with the system. As mentioned before, the core criticisms of the performance appraisal system used by Filiz Gida include; hostility, lack of
objectivity, unwillingness of employees' goal settings, time loss, and cost. In terms of finding possible alternatives to develop a more effective and efficient performance appraisal system, supervisors agreed that these issues should be addressed. For example, one supervisor stated "If we use another appraisal system which will reduce the time consumption and hostility between us and our subordinates, this would be a more efficient performance appraisal system." This will be the subject of the next chapter.
CHAPTER FIVE

SUGGESTIONS

Based on the reviewed studies, the researcher believes that Filiz Gida should take the necessary steps to develop and utilize a new performance appraisal system, and implement another performance appraisal system, in terms of addressing the criticisms on performance appraisal system used by Filiz Gida. It is, therefore, suggested that the 360 degree feedback should be adopted with Graphic Scale approach in Filiz Gida as a performance appraisal system. Generally, 360 degree feedback is conducted with the Graphic Scale approach. Graphic Scale approach will enhance the clarity of the performance appraisal results and this will reduce the process time of the performance appraisal. In addition, this provides more reliable data that is less likely to be biased. For this reason suggestion of implementing the 360-degree feedback in Filiz Gida should be combined with Graphic Scale approach.

360-degree feedback involves gathering feedback from sources "all around" an individual, typically his/her line manager, peers and subordinates, and comparing it
with his/her own perception of performance. 360-degree feedback is an extension of upward feedback, including a variety of sources to produce a more rounded picture (Cabinet Office, 1997). The participant discusses the feedback with their manager and a record is normally kept on their personal file. The manager and the participant agree an action plan for the next twelve months which sets out ways in which performance can be improved over that period (Cabinet Office, 1997).

The 360-degree appraisal significantly differs from the traditional supervisor-subordinate performance evaluation. Rather than having a single person play judge, a 360-degree appraisal acts more like a jury: The people who actually deal with the employee on a regular basis create a pool of information and perspectives on which the supervisor may act. Using 360-degree appraisals provides a broader view of the employee's performance. Each external or internal customer offers a new, unique view; it produces a much more complete picture of an employee's performance. This provides Filiz Gida a chance to conduct a more objective performance appraisal system and elusive objectivity will
not be a subject of any criticism on performance appraisal system used by Filiz Gida (Cabinet Office, 1997).

There is however a danger that they will only ask those people who they know will provide favorable feedback. When respondents are chosen for them, participants are much more likely to discount any critical feedback. The best approach is to provide clear guidelines on choosing respondents, highlighting the drawbacks of only picking those who see the employees in a positive light. Participants can then make an informed choice. When using 360-degree feedback for appraisal, the manager and the participant should make a joint decision on which the respondents should be. This provides Filiz Gida to decrease hostility between managers and subordinates.

Information technology can be used at many different stages of the 360-degree feedback process. It can facilitate the:

☑ Distribution of questionnaires to respondents;
☑ Completion and return of questionnaires;
Analysis of responses and production of 360-degree feedback report;

Distribution/presentation of report to participant.

The 360-degree feedback can therefore be completely IT-based, with questionnaires completed electronically and the feedback report generated automatically. Since Filiz Gida has technology to support an IT-based performance appraisal system, Filiz Gida can conduct a performance appraisal system more easily and managers will need less time for the process (Cabinet Office, 1997).

Filiz Gida might base the 360-degree feedback questionnaire on the ability structure. This structure might relate to Filiz Gida's organization. This ensures that the questionnaire is applicable to a wide range of people and is therefore very cost effective. Therefore, Filiz Gida should prepare a tailored questionnaire which includes items that are directly relevant to Filiz Gida and written in a language that is both familiar to those completing the questionnaire and suits the organizational culture. Participants should survey people that they work closely with: people who interact with them regularly.
enough to be able to provide feedback based on direct experience. Ideally, the respondent group should include the participant's manager, and a sample of their peers and subordinates who work with them in a variety of different settings in a variety of different roles. To ensure that the feedback reflects the participant's current behavior, the respondents must have worked with the participant recently (Cabinet Office, 1997).
INTRODUCING 360-DEGREE FEEDBACK
INTO THE ORGANIZATION

The potential resistance to 360-degree feedback should not be under-estimated, particularly in organizations where regular feedback is not part of the organizational culture, such as at Filiz Gida. People can feel threatened by feedback and are often concerned about the organization’s intentions when it first introduces 360-degree feedback. Gaining commitment to 360-degree feedback before fully launching a program is the key to its success (Cabinet Office, 1997).

Piloting the System

Once 360-degree feedback system is designed, it needs to be piloted within the organization. This will help the organization to identify what works well and less well within your organization. Any problems can then be smoothed out before a full 360-degree feedback program is launched. More specifically, Filiz Gida can use the pilot to determine:
The extent to which the 360-degree feedback system is likely to meet Filiz Gida's objectives;

Whether the is clear and easy to use;

Whether the number of questions is appropriate, and sufficiently reflects the competence framework;

Whether the rating scale is appropriate and easy to use;

The effectiveness of the feedback method;

Whether the report is sufficiently balanced in terms of favorable and critical feedback; and

Appropriate timescales for implementation (Cabinet Office, 1997).

Implementation

When embarking on the full-scale implementation of 360-degree feedback across the Filiz Gida units, it is important to ensure that the plans reflect realistic timescales. This means taking into account all the other demands on peoples' time, including normal business and any other initiatives that are being driven through at the time. If respondents do not give themselves enough time to consider their questionnaire responses, and participants to reflect on the messages contained within
their feedback report, they will not collect the benefits of 360-degree feedback and may become frustrated and resentful towards the 360-degree feedback (Cabinet Office, 1997). Since the participation builds commitment to the organization, full contribution to the performance appraisal system should be presented.

Limitations of 360-degree Feedback

As with any management tool, 360-degree feedback depends upon commitment and upon an atmosphere that is supportive. Poor morale at the outset or poor implementation can lead to the use of this valuable tool as a weapon. If an organization is in trauma then the immediate causes must be dealt with before trying to use a sophisticated process that depends for its success upon commitment. Subsequently, 360-degree feedback can be used as part of the healing process and can exorcise the demons, leading to a far more rapid turnaround than would otherwise be expected. The change arising from introducing both notions at once can be too much of a shock to some staff, giving rise to levels of suspicion and hostility that can be hard to deal with successfully. Sometimes people find the idea of 360-degree feedback
threatening and imagine they are going to be told about everything that's wrong with them. It needs to be emphasized that it is a non-threatening process designed to enable them to know how others perceive them. The results will enable them to appreciate their strengths and their development needs, or may enable them to identify where they need to change others' perceptions of them (Aryal, 2001).

Finally, success comes from the 360-degree process being integrated into the wider management of human resources. The process starts with defining business objectives and leads on to identifying appropriate skills and management processes, which must influence recruitment and training policies as well as leading into appraisal. Because of these disadvantages and potential employee concerns, it's essential that organizations develop an effective plan and change process to implement 360-degree feedback.

First, Filiz Gida's top management needs to buy into and clearly communicate the goals of the 360-degree feedback and how it relates to the company's business strategy and competitiveness. Filiz Gida should also
appoint a committee of representative managers and employees to develop the appraisal forms and process. Second, perhaps the single most important key is to provide training to employees on:

☑ The specific details of the new appraisal process and instrument
☑ How to give constructive feedback in a productive, non-critical manner.

The appraisal should first be pilot tested with a select group of employees before it is instituted elsewhere in Filiz Gida. Once instituted, it's essential that Filiz Gida reinforce the goals and responsibilities of employees related to this new appraisal process on an ongoing basis. Tying the appraisal results to the company's reward and recognition systems can also provide added motivation for employees.

Filiz Gida must develop an effective change process and orient the appraisal to its particular needs and culture. It takes time and much effort, but when implemented properly, a 360-degree feedback can enable companies to obtain better performance information and increase employee development and accountability.
Key Steps to Effectively Implement 360-degree Feedback

For implementing the effective 360-degree feedback, Filiz Gida’s top management should communicate goals and need for the 360-degree feedback, and a team of employees and managers should participate in the development of the appraisal criteria and process. Training employees on giving and receiving constructive feedback and instructing employees on the nature of the 360-degree feedback instrument and process are also important factor for implementing the effective 360-degree feedback. Moreover, Filiz Gida should reinforce the goals of the 360-degree feedback and be ready to change the process when needed (Kirksey, 2002).
BIBLIOGRAPHY


