

Performance Appraisal: Two Steps Forward, One Step Back?

Alan R. Nankervis and Priscilla Leece

University of Western Sydney, Nepean

This article reports the findings of a recent study of performance appraisal systems in Australian industry, updating earlier research data in view of contemporary organizational and industrial relations changes. Research results suggest that, while substantial forward steps have been made, organizations still have some way to go in their pursuit of 'best practice' appraisal schemes.

Performance appraisal (PA) is still a popular HRM tool, with increased employee coverage and an emphasis on Management by Objectives. There is some evidence that organizations are more closely customizing their PA systems, sometimes in conjunction with quality programs, to meet their specific HR objectives. Conversely, the objectives of many PA systems remain short-term rather than strategic, and there appears to be a decline in the use of formal PA feedback mechanisms.

Overall, this survey suggests a focus on performance evaluation rather than training and development, and increasingly a 'hard' HRM perspective capitalizing on current industrial relations changes.

This survey of performance appraisal practice in Australian industry was conducted during 1995 to update information obtained from an earlier survey (Nankervis & Penrose, 1990), and to explore changes in the nature and extent of such systems in view of contemporary organizational developments. Increasing domestic and international competition, productivity imperatives, significant industry restructuring, and the shift from a more centralized wage-fixing system to a decentralized system including enterprise bargaining, have all focused attention on the need to improve labour flexibility in the pursuit of enhanced organizational effectiveness.

Performance management, incorporating but not restricted to performance appraisal, is increasingly seen as perhaps the most crucial, if problematic human resource management (HRM) tool to achieve these desired organizational outcomes. The effectiveness of performance appraisal (PA) in particular, has however been frequently questioned. Both academics and practitioners have criticized its underlying assumptions (e.g. McGregor, 1957; Levinson, 1970), its techniques, applications and outcomes. Most recently, the influences of total quality management (TQM) philosophies and systems (Deming, 1986) that focus on teams have challenged the very bases of individual performance appraisal systems.

Despite these criticisms, as is evident from the results of this survey and others

(e.g. CCH/AGSM Study, 1995), the great majority of all Australian organizations continue to develop and use performance appraisal systems.

The following report details the findings from this survey in the broad areas of the use of performance appraisal and/or TQM programs; employee coverage; purposes and uses of performance appraisal; methods and features, access and factors influencing change in PA systems.

METHOD

The survey was conducted using a standard questionnaire of eighteen (18) questions subdivided into four sections: organization type; performance appraisal programs; purposes and uses of performance appraisal; and methods and features of performance appraisal.

The content of the questionnaire closely reflects that of the 1989 survey, to facilitate accurate comparisons, but some additional questions were included to explore contemporary issues. The majority of questions were framed as multiple-choice, with a small number of 'brief comment' questions.

The survey was distributed to 1500 human resource management specialists randomly selected from the 1995 Australian Human Resources Institute directory. Six hundred and fourteen (614) usable responses were eventually received, representing a response rate of 41%. The 1989 study comprised a sample of 106 (53%) respondents from a distribution of 200 from a similar membership directory. The demographics of survey respondents are set out in tables 1 and 2.

Table 1 Sample by number of employees

<i>Organization size class</i>	<i>Number of employees</i>	<i>Number of responses</i>	<i>%</i>
Size A	100 or less	133	22
Size B	101-400	159	26
Size C	401-1000	144	23
Size D	More than 1000	178	29
<i>Total</i>		614	100

Table 2 Sample by industry

<i>Industry</i>	<i>Number of responses</i>	<i>%</i>
Mining	49	8
Manufacturing	111	18
Electricity, gas and water	18	3
Construction	10	2
Wholesale and retail trade	36	6
Transport and storage	17	3
Communication	52	4
Finance, property and business services	136	22
Public administration	103	17
Community services	52	8
Recreation, personal and other services	57	9
<i>Total</i>	614	100

The surprisingly high response rate to this survey suggests that performance appraisal is a popular current employment issue. It may also reflect to a degree, the selective nature of our chosen survey sample respondents (i.e. human resource management specialists).

RESEARCH FINDINGS

Not all questions were answered by all respondents, and this is indicated in the detailed survey findings. Obviously, the validity of specific data is reduced in these cases. While most of the data in the following report are quantitative, some qualitative information has been included to reflect the 'flavour' of responses. The population surveyed is not stratified. The number of respondents in each industry and each organizational size is not necessarily representative of the population of the industry or organizational size in Australia.

Survey results are reported under the following categories:

- use of performance appraisal and total quality management;
- purposes of PA schemes;
- designers, appraisers and coverage of PA schemes;
- frequency, and features of PA;
- appraisal methods and purposes;
- factors influencing changes to PA schemes.

Use of Performance Appraisal and Total Quality Management

Overall, nearly 85% (511) organizations use formal PA schemes, rising to 90% in size D organizations and falling to 67% in size A organizations. Formal PA schemes are apparently more common in mining, transport and storage, communication, community services and wholesale/retail trade industries.

The use of total quality management (TQM) was not canvassed in the earlier study as it had not achieved the popularity that it subsequently has. It was decided to include TQM in this survey due to its philosophical challenge to the foundations of performance appraisal (Deming, 1986).

Perhaps surprisingly, only a small proportion of respondents (36.5%) overall use some form of TQM system, with the highest use in the largest organizations (47%), declining to 29% in the smallest. By industry, TQM is more common in electricity, gas and water, manufacturing, and transport and storage sectors. It appears to be little used in the public sector; recreation, personal and other services; community services and wholesale/retail trade industries.

A small but interesting group of respondents (33% overall, 49% manufacturing, 32% finance, property and business) report using both PA and TQM systems, incorporating individual and team evaluations. While this combination challenges the Deming orthodoxy of TQM, respondents variously suggest that 'TQM makes sense of PA', or, that they are 'integral parts of effective management systems', or more bluntly, 'Deming is wrong!'

The most commonly reported difficulties with PA schemes are their subjectivity, variations in appraiser skills, a focus on outputs rather than inputs, and a lack of integration between qualitative and quantitative appraisal objectives. TQM, on the other hand, appears to be too rigid, overly bureaucratic, a 'burden to changing relationships', or too 'process-driven'.

When used in combination, respondents claim that TQM and PA can have worthwhile benefits, including enhanced individual employee involvement; greater job satisfaction and performance due to the quality emphasis; and the capacity to develop 'both sides' of the employee (i.e. individual performance and team skills). Many of the organizations using such combinations, however, report that their systems are hybridized schemes, customized to their particular requirements.

Purposes of Performance Appraisal

By far the most common purposes of PA systems relate to the current jobs and performance of employees, rather than to their future potential or career expectations. Thus, 94% respondents use the results of appraisal for the evaluation of current employee performance, 85% determine training and development needs for the present job, and 67% use them to plan future work. A further 64% utilize PA systems to motivate employees in their current job.

Training and development for future jobs, linked with career development, is a major purpose for only 58% respondents, salary review is important for 56%, and such purposes as the identification of future potential (48%), performance-based pay (41%), workforce/HR planning (30%) and the evaluation of the effectiveness of HR (19%) are only of comparatively minor importance.

Designers, Appraisers and Coverage of PA Systems

Performance appraisal schemes are primarily designed by human resource specialists themselves (44% of responses) or in combination with other parties (13%). Less common designers of PA schemes include 'others' (not specified—16.4%), consultative committees (13.5%), consultants (6%) or overseas parent companies (4%). Some of these are supplemented by combinations of design methods.

Human resource specialists alone or in combination with others groups or individuals design the appraisal schemes in 31% of size A firms, 50% of size B firms, 55% of size C and 52% of size D companies.

Performance appraisals are generally conducted by the employees' immediate supervisors (87.4%). Despite some reported interest in team or peer appraisal, only 1.8% reported appraisal by both supervisor and team/peers, and only 1.2% by team/peer alone. Appraisal by supervisor and team is used most frequently in community services, recreation and personal services respondents and manufacturing.

Overall, 71% of respondents reported that all full-time employees are appraised. The percentage of organizations that appraise all full-time employees declines as size increases. Thus some 87% of the smallest organizations (size A) reported appraisal of all full time employees declining to 63% of size D organizations.

As the use of part time workers has increased since the 1989 survey, information

regarding appraisal of part-time workers was sought in this survey. While there were only 454 responses to this question, 75% of these indicated that part-time workers were appraised. By organizational size, the percentage of responses indicating appraisal of part-time workers ranged from 66% to 77%. Size A organizations are somewhat less likely (66%) than firms of all other sizes (75–77%) to appraise part-time workers.

Appraisal of casual staff was queried as casualization has been part of labour flexibility imperatives. Of the 353 responses to this question, 36% indicated that they appraise casual staff. Appraisal of casuals is fairly consistent across sizes, with 30% of size C organizations reporting appraisal of casuals, 36% of smaller organizations, and 41% of Size D. Appraisal of casual employees was most common in finance, property, and business services; community services; recreation and personal services; and public administration.

Frequency and Features of PA

A majority of respondents (69%) appraise their employees annually, with a small minority (23%) conducting six monthly appraisals. The remainder assess irregularly or over longer periods. The most common features of contemporary PA systems are training for appraisers (75%), clear job descriptions on which appraisals are based (73%) and written PA policy statements (66%). Less common are formal appraisal feedback mechanisms (46%) and training for appraisees (23%).

Performance appraisal schemes do not appear to figure prominently in enterprise agreements, with only 14% of respondents indicating that their scheme was part of an enterprise agreement. By organizational size, PA inclusion in enterprise agreements varies from 17% in the largest to 7% in the smallest companies (see table 3), and is more common in public administration and communications sectors.

Table 3 Organizations reporting performance appraisal as part of an enterprise agreement by size of organization

Size	Part of EA		Not part of EA		Total	
	No.	%	No.	%	No.	%
100 or less (A)	6	7	83	93	89	100
101–400 (B)	21	15	118	85	139	100
401–1000 (C)	16	13	110	87	126	100
1000+ (D)	27	17	132	83	159	100
Total	70	14	443	86	513	100

n = 513

Appraisal Methods and Purposes

Respondents had the opportunity to select as many methods of appraisal as appropriate from the following seven choices: management by objectives (MBO), job competencies, rating scales, behaviourally anchored rating scales (BARS), essay appraisal, critical incidents and other. Respondents could nominate any combination of these methods and distinguish methods used for managers and other employees.

Survey results (see table 4) indicate that most appraisals of managers use a combination of methods. When all responses using all possible combinations are collated, management by objectives is nominated by 67% of respondents, job competencies by 61%, and rating scales by 52% of respondents. Critical incidents, (13%), essay appraisal (13%), BARS (7%) and others (5%) are nominated less frequently.

Employee appraisal methods (see table 5) indicate a similar preference for combinations of methods but with a reordering in methods preferred. Collating all the possible combinations of methods of appraising employees discloses that job competencies (59%), rating scales (56%), and MBO (44%) are the most frequently nominated methods of appraisal. Critical incidents (12%), essay (11%), BARS (8.8%) and others (4%) are less widely used.

Factors Influencing Changes to PA Schemes

Organizational strategy is the major source of change impacting on performance appraisal, with 39% of responses. Other sources of change (in rank order) are TQM (13%), job content (12%), and restructuring (10%), enterprise agreements 9% unfair dismissal legislation (7%) and 'others'.

Table 4 Frequency of use of methods of performance appraisal for management (includes all possible combinations of methods)

<i>Method of appraisal</i>	<i>Number</i>	<i>% of respondents who nominated at least one method of appraisal</i>
Management by Objectives	325	67.1
Job competencies	297	61.4
Rating scales	251	51.9
Behaviourally anchored rating scales	36	7.4
Essay appraisal	62	12.8
Critical incident	63	13.0
Other	22	4.5

n = 484

Table 5 Frequency of use of methods of performance appraisal for employees (includes all possible combinations of methods)

<i>Method of appraisal</i>	<i>Number</i>	<i>% of respondents who nominated at least one method of appraisal</i>
Management by objectives	194	43.6
Job competencies	264	59.3
Rating scales	247	55.5
Behaviourally anchored rating scales	39	8.8
Essay appraisal	48	10.8
Critical incidents	54	12.1
Other	18	4.0

n = 445

The majority of all organizations, by size, nominate organizational strategy as the main source of change influencing PA. The two smallest sizes of organizations (sizes A and B) nominate job content as the second most important source of change. With the exception of size D organizations, the general pattern was to place award restructuring, enterprise agreements and unfair dismissals in fourth place or lower as the factors influencing change to PA systems. The largest organizations report the strongest impact of enterprise agreements on PA at (12%), but still below organizational strategy and TQM. The largest size organizations report the least impact of unfair dismissal legislation at 2%, in contrast with all other sizes (8–10%).

DISCUSSION AND ANALYSIS

Nature and Use of Performance Appraisal

This data analysis section will discuss the data and compare the 1995 survey to the CCH/AGSM survey of September 1995 and the Nankervis and Penrose 1989 survey where appropriate. The distribution by number of employees (size of the organization) of the 1995 survey differed somewhat from the CCH/AGSM survey. Our 1995 survey had double the representation of small organizations (22%) in comparison to the CCH/AGSM survey (11%). The 1989 survey did not include organizations employing fewer than 101 employees.

It is clear from this study, and the most recent CCH/AGSM survey, that performance appraisal remains a popular management tool for ensuring that employee performance meets organizational requirements. Despite the philosophical challenges posed by TQM, with its team or group rather than individual employee focus, most organizations appear to continue to use an individual employee appraisal scheme.

Our findings on the use of PA schemes are similar to those from our 1989 study, in which 86% organizations overall reported using PA. They also closely parallel the reported 86% use in the 1995 CCH/AGSM study. However, in the 1989 survey, nearly 100% of finance and property, and 'other services' categories claimed to use appraisal schemes. This contrasts with only 84% and 81% respectively here. Manufacturing and public sectors had the highest use in the 1989 findings of 84% and 82% respectively. Sampling differences and altered industry categories may explain these differences.

While TQM was primarily included in this study to elicit its impact on PA systems, some interesting findings have emerged with respect to its contemporary applications in Australian industry. It appears to have had minimal effect on the use of performance appraisal overall, but the small minority of organizations that use TQM seem to have managed to reconcile the inherent contradictions between the two performance management strategies. Thus a common theme from respondents who utilize both PA and TQM is that they complement each other, provide checks and balances, form part of a 'circular process', or that performance appraisal allows for the monitoring of the goals of TQM. In combination, users of joint schemes perceive many benefits and few disadvantages, but most of these report that their schemes

are eclectic 'continuous improvement' or 'quality management' programs rather than strict total quality management systems.

While our survey found evaluation of employee performance (94%) and training and development in present job (85%) were the main purposes, the CCH/AGSM survey placed training and development first but at a similar rate of response (89%) to our study. Our results on planning future work (67%) are somewhat less than the CCH/AGSM results for setting work objectives (77%). The CCH/AGSM survey reports that 79% of organizations use PA for employee counselling while our survey reports 64% usage of PA to motivate employees. The terms 'employee counselling' and 'motivate employees' could be widely interpreted by respondents. Training and development, linked with career development is similar for both studies (58% and CCH/AGSM 61%). CCH/AGSM responses for workforce/HR planning (43%), promotion discussions (43%) and the validation of HR practices (21%) largely parallel our findings.

This survey found that performance appraisal schemes are usually designed by human resource specialists themselves (44%) or in consultation with other groups or individuals (13%). The combined total (57%) indicates the key role of human resource specialists in the design of performance appraisal but is less than the 73% reported by the CCH/AGSM survey. The two surveys examined design using slightly different groupings. The CCH/AGSM data reported information on the role of senior management, task forces of managers and employees, external consultants and project managers and HR managers. Our 1995 survey used categories of consultants, consultative committees, overseas parent companies and HR specialists. It may be that key line managers are participating in the design of PA systems to a larger extent than previously, in alignment with similar research results from the United Kingdom (Greene, 1991), or that line managers play greater roles in larger organizations as studied in the CCH/AGSM survey.

Both studies report similar influences on the design of PA systems by consultants (11% cp 13% CCH/AGSM).

In the 1989 study 17.5% reported that they had inherited their appraisal schemes from overseas parent companies and had often found them unsuccessful. The number of organizations reporting overseas parent schemes declined in this study to 8.5%, with 6.1% of those reporting that the scheme was totally designed by an overseas parent, and the remainder indicating that the overseas scheme was used with input from HR specialists (2%), consultative committees (1%), or both (0.2%).

Appraisal of full-time employees appears to be on the increase. Thus the 71% respondents reporting appraisal of all full-time employees is an increase over the 1989 figure of 52%. This could be an example of the application of a human resource management model which stresses the harmonization of conditions of employment for all employees irrespective of job classification.

The 1995 survey sought additional information about appraisal of part time and casual workers and indicates that 75% of organizations appraise part time staff. The use of performance appraisal for casual staff by 36% of organizations is further evidence of an integrated HR model being used for core and flexible workforces.

The CCH/AGSM data is not easily compared to this data as it did not seek this information.

Supervisors overwhelmingly (87%) conduct appraisals, which is consistent with the CCH/AGSM survey (91%) results. Both this survey and the CCH/AGSM study find that peer review is not widely used. This survey found that 3% use team/peer review either alone or with supervisory review, while the CCH/AGSM survey reports a higher usage of peer review at 8%. Both are larger than the CCH/AGSM figure of 1% in 1990 but similar to the 1989 survey (4% of size B organizations and 1% of size C organizations).

The preference for annual appraisals continues, with this survey reporting that 69% appraise employees annually and 23% appraise twice a year. In comparison with the 1989 study, there appears a slight reduction in annual appraisals (79%), although this may merely reflect sampling differences. Twice yearly appraisals are similar—23% in 1995, 24% in 1989. Again, the CCH/AGSM survey results largely agree with ours on six monthly appraisals (20%), but differ somewhat in the proportion of annual appraisals (77%). The lower rate of annual appraisals in our survey may be reflected in the 6.6% nominating 'others' in response to this question.

There appears to be a slight reduction in the proportion of organizations that conduct appraisals on an annual basis (69%, 1995; 79%, 1989), but it is unclear whether this is a deliberate organizational strategy, or merely the results of different sampling techniques between the two studies. Certainly, there is evidence that most organizations that use performance appraisal systems continue to appraise their employees on a regular basis, whether annually or six monthly. It is possible that organizations that use both PA and TQM systems have modified their schedules to accommodate differing expectations of each.

The most notable changes in the features of PA schemes since the 1989 study appear to be an increase in the proportion of organizations that have produced written, formal policies on PA (66%, 1995; 53%, 1989), and a significant decline in the use of formal appraisal feedback mechanisms (46%, 1995; 69%, 1989). Other features appear to have continued without significant change.

The discrepancy with respect to formal PA policies may be partly explained by the need to document negative appraisals under the constraints of the federal *Industrial Relations Act*, a more professional and perhaps, promotional HRM approach, or even the implications of equal employment opportunity/affirmative action legislation. The decline in feedback mechanisms is more difficult to explain, but it may reflect a less formal approach to employer–employee relationships predicated on greater team/work-group performance, an unwillingness to commit to written feedback for fear of subsequent reprisals, or merely discrepancies between the research methodology between the two studies.

Perhaps surprisingly, the CCH/AGSM study (1995) found that 48% of surveyed companies train employees for appraisal in contrast to our 23%. This could be sample variation (more small organizations). The most frequent combinations include written policy statements coupled with clear job descriptions and appraiser training (22.5%). There appears to be a similar uses of job descriptions (73%) and

appraiser training (75%), and a decline in feedback mechanisms (69%) since the 1989 study.

As performance appraisal potentially provides the bases for career management, productivity bonuses, and associated rewards systems, it might logically be seen as a crucial inclusion in any enterprise agreement. Such is however not the case, with only 14% respondents suggesting that PA is a part of their enterprise agreements.

In 1989, 'the most neglected' feature of surveyed schemes was the low number of union-management agreements (12.1%). It was noted that the majority of organizations had little involvement from the relevant unions or associations but, concluded that this may have been related to the nature of the staff covered (middle and senior management and other non-award staff). The 1995 survey asked specifically about enterprise agreements and found 14% involvement, a very small increase.

The continuing low number could be due to the presence of performance appraisal in awards, to informal agreements, or the traditional position of performance appraisal as managerial prerogative. The CCH/AGSM survey reports that 40% companies are involved in 'consultation with relevant unions' in the areas of system design and implementation. Only one survey respondent noted that performance appraisal has 'never been totally satisfactory owing to union resistance. Performance management will probably be introduced via Enterprise Bargaining.'

The 1995 survey sought to distinguish the methods of appraisal used for managers and other employees. Results indicate that combined methods of appraisal are widely used and that MBO is the most popular method of appraisal for managers (67%). This result is consistent with the CCH/AGSM survey which indicates that 64% of respondents use MBO. This is also generally consistent with the 1989 survey which found that MBO was by far the most popular method of appraisal (70.3%) and that it was often used in 'tandem' with other techniques. The 1989 survey noted that managers (middle and senior) were one group that was frequently appraised but did not separate methods of appraisal for managers and employees.

Our data indicates that rating scales are often used in appraising both managers (52%) and employees (56%) usually in combination with other methods. The CCH/AGSM survey reports 42% of respondents use rating scales, and notes that they are one of two methods of appraisal that attract considerable attention. Rating scales (49.5%) and self-appraisal 25.3% were found in common use in 1989.

The persistence of rating scales as a method of appraisal may reflect the emphasis on evaluation of current employee performance as the main purpose of performance appraisal. The difficulties of objectivity in a performance rating have been highlighted by Saul (1992), including lack of guidance with respect to the desired difficulty of objectives or targets; and the influence of time and the work environment on such targets.

Job competencies is the appraisal method that increased in use for both managers and employees in this survey. They are mentioned as the second method attracting attention in the CCH/AGSM survey which also notes competency-based methods are reported by 55% of respondents. This method of appraisal was not canvassed in the 1989 study. Its current popularity reflects government influences in the

National Vocational Competence initiatives, and perhaps the influence of management competencies, popular in the United Kingdom.

Appraising employees using the three methods of appraisal, job competencies, rating scales and MBO but in different rank order reflects, first, the impact of organizational strategy on the selection of method and, second, the influence of the National Vocational Competency initiatives. The linking of rating scales with job competencies may suggest that organizations are also identifying those persons with superior competencies for further training and career development or for use as trainers of other workers.

The use of the critical incident method (13% for manager, 11% for employees) is similar to the CCH/AGSM findings for critical incidents (15%) and represents an increase on the 1989 survey (5%). The use of BARS (7% for managers, 9% for employees) is also similar to the CCH/AGSM findings (11%). The 1989 survey did not mention BARS. Essay appraisals were found to form a minor proportion of appraisals in both 1995 (13% for managers, 11% for employees) and 1989 (13%) and were not discussed in the CCH/AGSM survey.

The incorporation of ideas of 360° feedback into performance appraisal systems appears to be minimal. This may be due to the emphasis on performance as judged by supervisors in appraisal, the developmental approach taken by some advocates of 360° feedback (Cippola & Trafford, 1995) or that this more recent innovation is yet to be incorporated into performance appraisal systems.

The reported purposes of PA systems differ somewhat from those of the 1989 survey, and reflect functional rather than strategic approaches to overall human resource management practice. Thus, the primary reported purposes of performance appraisal systems are the evaluation of current employee performance, training and development needs in the present job and the planning of future work. Training and development for future jobs, the identification of potential for future careers, and in particular, the use of collated performance appraisal data for HR/workforce plans or the evaluation of HR effectiveness, are given low priority. This is both in contrast to the 1989 study, which emphasized career development and training and development for future jobs, and to contemporary HRM theory. Such findings challenge government and industry imperatives towards 'more long term and more education and development' approaches proposed by the Karpin Committee (Karpin, 1994).

CONCLUSIONS AND IMPLICATIONS

The picture which emerges from this study is a rather traditional view of performance appraisal, with some areas of change. Appraisal is almost universally seen as a desirable, even crucial, element in broader performance management systems, although its applications appear somewhat limited and underdeveloped.

Some authors (e.g. Randell, 1989; Lansbury, 1981; Schuler et al., 1988; Colvin & McCarry, 1992) refer to two distinct purposes of PA—performance evaluation and control *or* training and development. This study clearly indicates that the current focus of many organizations is on the former, possibly at the expense of the latter. This is likely to be the result of economic factors, combined with the opportunity

to adopt a 'hard' HRM approach (e.g. Legge, 1994) in the present co-operative industrial relations environment.

The predominance of 'organizational strategy' as the change factor in PA systems; the minimal role of unions and the low levels of inclusion of PA in enterprise agreements; and low levels of employee involvement in the design and implementation of appraisal systems appear to confirm this perception. The 'hard' HRM model is further reflected in the dominant methods of appraisal (viz. MBO, job competencies and rating scale), and suggests that organizations are attempting to relate individual outcomes more directly to their overall objectives.

Increased coverage of full-time, part-time, and to a lesser extent, casual employees, would imply that organizational restructuring, downsizing and the increased use of contract or 'on-call' employees, is being more consciously factored into the performance appraisal equation.

The customization of TQM systems, and their apparent conjunction with PA schemes, may also reflect a recognition that employee performance towards the achievement of broader organizational goals can be effectively evaluated using several measures. In some cases, this may explain the apparent reluctance of organizations to adopt currently popular 360° appraisal systems.

On the other hand, the reduction in formal feedback mechanisms for PA from our earlier study; the relatively short-term focus of many systems; and the lack of employee and/or union involvement in systems design may represent a lamentable step backwards in employer–employee relationships and longer-term organizational outcomes.

Broad implications of the study for organizations include the need to consider integrating their PA systems and outcomes more closely with overall performance management programs; and involving employees, (and where relevant) their unions, in the design and implementation of such schemes. Where enterprise agreements exist, PA could effectively be included as a bargaining component. For subsequent research, the nature and uses of combinations of TQM and appraisal, and the relationships between HRM theory and appraisal practice bear further consideration.

Alan Nankervis is the deputy director, Graduate School of Management (UWS Nepean). He has co-authored or co-edited three books on HRM, numerous international and national journal articles, and international conference papers. His research interests include performance management systems, international HRM and HRM in tourism and hospitality.

Priscilla Leece (BSc (Hons), MBA (MichState)) is a lecturer in Employment Relations (UWS Nepean) following practice as a human resource manager in the United States and Australia. She regularly conducts training programs for the Australian Human Resources Institute, is the author of several journal articles and co-editor of one book. Her research interests are performance management and strategic employment relations.

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