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# Performance appraisal in a family business

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**PERFORMANCE APPRAISAL IN A FAMILY BUSINESS**

**A Research Project**

**Presented to the Faculty of**

**The George L. Graziadio**

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**In Partial Fulfillment**

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**in**

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**by**

**Linda Ly**

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This research project, completed by

LINDA LY

under the guidance of the Faculty Committee and approved by its members, has been submitted to and accepted by the faculty of The George L. Graziadio School of Business and Management in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE
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## Abstract

This qualitative study explored the perceptions of effectiveness of a performance review process at one family business. Ten employees across the firm were interviewed in order to describe the process, identify its strengths and weaknesses, and offer suggestions for improvement. Findings suggest that participants understood the process steps and timing, but had less accurate understanding of the process outcomes. Participants generally perceived the process as fair, helpful, and valuable to their development. Noted strengths included the process design and support from direct managers, executive leaders, and the organization. Weaknesses included the lack of structure, poor consistency in ratings, timing issues, and lack of goal alignment. Recommendations include improving the rating system, adjusting the process timing and structure, leveraging evaluation data as a talent management tool, and increasing stakeholder involvement. However, these study findings are considered exploratory, and more research should be conducted to determine how representative these findings are of family businesses.

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# Chapter 1

## Introduction

Family businesses account for approximately 60% to 90% of all firms in the world (Miller & Le Breton-Miller, 2005). Despite the prevalence of family businesses, there is limited scholarship surrounding human resources practices and policies within family businesses (e.g., Astrachan & Kolenko, 1994; Carlson, Upton, & Seaman, 2006; De Kok, Uhlaner, & Thurik, 2006).

Developing and maintaining employee commitment and loyalty of nonfamily members is one of the chief concerns of family business owners (Chua, Chrisman, Sharma, 2001). A standard human resources practice to maintain employee commitment and loyalty is performance management. Performance management encompasses both performance appraisal and employee development (Pulakos, 2004). Stated purposes of the performance appraisal are to aid in managing, influencing, and enhancing employee performance (Pulakos, Hanson, Arad, & Moye, 2014).

Questions have circulated for decades regarding the effectiveness of appraisal processes (Pulakos et al., 2014). In 2014, the Corporate Executive Board released statistics indicating that 95% of managers are dissatisfied with their performance management processes, 59% of employees feel that performance reviews are not worth the time put into them, 56% of employees said they do not receive feedback on areas to improve, and nearly 90% of human resources leaders report their performance management systems do not represent accurate information (Pulakos et al., 2014). Cappelli and Tavis (2016) have noted that inadequate or ineffective appraisal processes have contributed to employee dissatisfaction. Employee perceptions of appraisal processes also have been associated with employee outcomes (Pulakos et al., 2014).

Thus, assuring that effective appraisal processes are in place is becoming a growing concern as the labor market tightens and concerns about retention return.

In recent years, organizations have experimented with improving the process. By mid-2015, Deloitte, Accenture, Cigna, and General Electric (the company that popularized the idea of forcing people into performance curves) all announced their move to a no-rating system. Early indications from the removal of ratings show that companies are developing people faster, attracting and retaining top talent, and increasing collaboration (Rock & Jones, 2015).

Improved appraisal designs are said to be those that follow the natural cycle of work (Cappelli & Tavis, 2016). Key design factors include a focus on development, agility and focus on short-term priorities, and a shift from individual accountability to team accountability. Despite these commonalities, it is important to note there is no one-size-fits-all process. Moreover, although ample research examines performance appraisals, few of these studies have examined appraisal processes within a family business. This study attempted to address this research gap.

## Purpose of the Study

The purpose of this study was to evaluate the effectiveness of a performance review process at one family business. Four research questions were examined:

1. What are participants' descriptions and evaluations of the process?
2. What do participants identify as strengths of the process?
3. What do participants identify as weaknesses of the process?
4. What recommendations do participants offer for the process?

**Research Setting and Population**

The study was conducted at a 129-year old family-owned distributor of wine, spirits, and select beverages in the western United States. The organization is hierarchically structured and designed around key business functions of commercial leadership, customer leadership, supply chain excellence, excellence in execution, client service and business development, and strategy and transformation. Functions that support the whole company are human resources, finance, public affairs, marketing, legal, and information technology.

In the recent years, leaders from various public organizations were hired into the family business, opening and challenging the existing business processes including how talent was managed and developed in the organization. With the entry of new leaders into the organization, the performance review process was introduced to the family business 4 years ago.

**Significance of the Study**

The study could shed light on employees' perceptions' of the effectiveness of a performance review process in a family business. Although some studies exist on this topic (Carlson & Upton, 2006; De Kok et al., 2006), additional empirical data is needed to support, extend, or refute existing knowledge concerning factors of an effective performance review. This paper sought to discover unique attributes for an effective performance review process in a family business. Additionally, the aim for this paper was to bring together information from the research literature and interviews to create a roadmap for developing, implementing, and evaluating the performance appraisal that reflect effective and proven practices that best fit the family business in this study. This is important considering the significant amount of time and money spent on the performance review process.

## Organization of the Study

Chapter 2 explores relevant literature surrounding performance management and family business. Chapter 3 highlights the research objectives and explains the study's methodology. Chapter 4 describes the findings of the study. Chapter 5 contains study conclusions and interpretations, recommendations and implications, limitations, and directions for future research.

# Chapter 2

# Literature Review

The purpose of this study was to evaluate the effectiveness of a performance review process at one family business. This chapter presents the review of relevant literature. First, performance management processes are reviewed. Second, human resource management practices within family businesses are described.

## Performance Management

Performance management generally includes performance planning and goal setting, ongoing coaching and development, and formally reviewing and rewarding performance (Spangenburg & Theron, 2001). Michael Beer and colleagues first introduced the concept of performance management as a combination of the developmental aspects of performance appraisal with the goal setting facet of management by objectives (Beer & Ruh, 1976; Beer, Ruh, Dawson, McCaa & Kavanagh, 1978). The concept was introduced in response to the failure of performance appraisals, which were plagued with rater bias and subjectivity (Spangenburg & Theron, 2001). Armstrong and Baron (2005) noted that a shift in terminology from performance appraisal to performance management signifies a shift in the content and philosophy of the process:

> Performance appraisal has a reputation as a punitive, top-down control device, an unloved system. Performance Management is a holistic, total approach to engaging everyone in the organization in a continuous process, to improve everyone and their performance, and thereby the performance of the whole organization. (p. 11)

Colville and Miller (2011) cautioned that when implementing performance management, organizations should take care to align the process with the larger strategy and vision

(Kotter, 1995) and to identify the current state, the desired state, and change processes needed to make the shift (Colville & Miller, 2011).

**Purposes**. Research has shown that appraisals are used in organizations for multiple purposes (Cleveland, Murphy, & Williams, 1989; Ostroff, 1993). The purposes considered for a performance management process should be determined by considering business needs, organizational culture, and its integration with other human resource management systems. Several researchers further noted that the various purposes of performance appraisals can conflict, precluding the full usefulness of the appraisal process in the organization (Cleveland et al., 1989; Meyer, Kay, & French, 1965; Ostroff, 1993).

Two common purposes of reviews are administrative and developmental (Boswell & Boudreau, 2000). Administrative functions include the use of performance appraisal for salary administration, promotion decisions, retention and termination decisions, recognition of individual performance, layoffs, and identification of poor performance. Appraisers take on the role of a judge when conducting evaluative functions. Administrative functions involve between-person decisions (Cleveland et al., 1989).

According to a developmental function, performance appraisals are used to identify individual training needs, provide performance feedback, determine transfers and assignments, and identify individual strengths and weaknesses. As a result, appraisers act as coaches or mentors. Developmental functions involve within-person analyses and decisions.

Although it is theoretically possible to have a performance management system that serves both administrative and development purposes, it is difficult to achieve in practice. For example, Greguras, Robie, Schleicher, and Goff (2003) demonstrated that the purpose of the rating (whether it is for administrative or development decisions) affects the ratings appraisers give. Ratings used for evaluative functions had a tendency to be more lenient, with most employees receiving ratings on the high end of the scale. Ratings used for developmental functions tend to be more variable, reflecting employee strengths and development needs.

**Effectiveness measurement**. Several approaches for determining appraisal effectiveness have been outlined. One such approach is measuring the extent to which intended outcomes are achieved, such as employee motivation, engagement, and retention (Gruman & Saks, 2011; Gupta & Kumar, 2013; Kuvaas, 2006; Selden & Sowa, 2011). For example, Lawler (2003) defined performance management effectiveness as the ability to influence employee performance and differentiate between high and low performers. Lee (1985) similarly defined appraisal effectiveness as the ability of the process to improve individual performance. Adequately measuring the effects of an appraisal system can be challenging (Boland & Fowler, 2000).

Performance management effectiveness also has been associated with achieving ideals of validity and fairness. Walsh and Fisher (2005) defined effective appraisals as valid, reliable, bias free, and relevant. Lee (1985) defined appraisal effectiveness as the accuracy of performance ratings and observations. According to this lens, Taylor, Tracy, Renard, Harrison, and Carroll (1995) measured appraisal accuracy through asking how accurate the performance appraisal was and whether the assessment demonstrated employee’s real performance levels.

Several researchers have cautioned that the process will fail if employees doubt its credibility. Thus, a third lens for gauging effectiveness has concerned employees’ perceptions of and engagement with the process. Evans and McShane (1988) asserted that when employees perceive appraisals to be accurate and fair, the process can be said to be effective. Pearce and Porter (1986) similarly believed the employee's perceptions of the appraisal (rather than the design itself) are an important determinant of effectiveness. Several researchers suggested that even the most well-designed or psychometrically valid appraisals would be ineffective if they were not accepted by employees and employees do not participate in it (Cawley, Keeping, & Levy, 1998; Levy & Williams, 2004). Thus, Cawley et al. (1998) measured appraisal effectiveness by measuring employees' participation in the process, asserting that this is the only way the process can work as a tool for performance assessment.

In summary, there seems to be no universally agreed upon performance management effectiveness measurement. Choosing what lens to use for determining process effectiveness must be defined by the organization. The next section more deeply examines concepts of organizational justice, which is associated with the lens of employee perceptions of the process.

**Perceptions of justice**. As presented in the previous section, one lens for determining appraisal effectiveness concerns employee reactions of fairness (Cawley et al., 1998). This lens relates to concepts of organizational justice and the study of fairness at work—specifically, distributive fairness, procedural fairness, and interactional fairness (Byrne & Cropanzano, 2001).

*Distributive fairness* derives from Adam's (1965) equity theory, which claims that individuals formulate fairness perceptions by comparing their work outcomes to their perceived work inputs. Employees perceive their appraisal rating or rewards to be fair when they reflect the individual's perceived inputs and contributions (Cropanzano & Ambrose, 2001; Deutsch, 1975).

*Procedural fairness* refers to the procedures used to conduct performance appraisals (Greenberg, 1986). Fair decision processes are described as those that are relatively unbiased, consistent, accurate, correctable, ethical, and consistent with the concerns of all interested parties (Leventhal, 1980; Lind & Tyler, 1988; Thibaut & Walker, 1975). Folger, Konovsky, and Cropanzano (1992) developed a procedural justice model for performance appraisal that included due process of law and three basic factors:

1. Adequate notice: informing employees about the appraisal system and how it affects them in advance. This includes developing, documenting, and holding employees accountable for mutually agreed upon performance standards and objectives. Adequate notice also requires giving ongoing, timely performance feedback to allow employees to address issues before the appraisal is conducted (Folger et al., 1992). Procedural fairness is enhanced when employees understand the appraisal expectations and process (Tang & Sarsfield-Baldwin, 1996). Williams and Levy's (2000) study of 128 employees at three US banks showed that system knowledge significantly predicted appraisal satisfaction and procedural fairness.

2. Fair hearing: engaging in two-way communication with employees regarding all areas of the appraisal decision-making process. This allows employees to (a) influence the evaluation decision through evidence and argument, (b) have access to the evaluation decision, and (c) have an opportunity to challenge the evaluation decisions (Folger et al., 1992).

3. Judgment based on evidence: making appraisal decisions using records and notes to reduce bias and increase objectivity. Whereas unsubstantiated decisions appear subjective and judgmental, performance ratings based on evidence suggests that decisions were not based on external pressure, personal bias, or dishonesty (Folger et al. 1992).

*Interactional fairness* refers to the consideration and respect an employee receives during the performance appraisal process (Bies & Moag, 1986). Interactional justice has been subdivided into two types: *informational justice*, concerning issues such as the adequacy of explanations, and *interpersonal justice*, which concerns issues of politeness and respect. Several researchers asserted that performance appraisal system success is enhanced through positive rater-ratee interpersonal relationships (Judge & Ferris, 1993;

Nathan, Mohrman, & Milliman, 1991; Reinke, 2003). Positive relationships between supervisors and employees have been found to result in higher employee satisfaction and agreement with the process (Elicker, Levy, & Hall, 2006). It follows that interactional fairness may be high in family businesses, which tend to create a family-oriented workplaces marked by strong employee loyalty (Ward, 1988). The next section examines how the effectiveness of performance appraisals may be improved.

**Best practices**. Several best practices have been offered related to enhancing the effectiveness of performance appraisals. These include increasing the clarification of the appraisal focus, assuring top management involvement, training raters, and increasing employee involvement.

Clarifying the appraisal focus refers to determining the degree to which evaluations will focus on short- versus long-term goals. Coens and Jenkins (2000) advised organizations to uncover the assumptions associated with appraisals, because if they are “accepted on faith, these assumptions are transformed into unquestioned practices that may obstruct the future” (p. 24). For example, Colville and Miller (2011) noted organizations are increasingly seeing differences in the way different generations respond to performance management, with Baby Boomers expecting recognition of their contribution to a long-term success and younger generations seeking recognition for short-term achievements. This may cause dissatisfaction with the performance management process if it is biased toward long-term or short-term benefits. Moreover, Cravens, Oliver, Oishi, and Stewart (2015) provided empirical evidence that workplace culture mediates the relationship between performance appraisal process effectiveness. Clarifying the focus of appraisal may help organizations avoid unintended conflicts with culture or employee preferences.

Contrary to common belief that performance management is a process owned and driven by human resources and line managers Armstrong (2000), Biron, Farndale, and Paauwe (2011) contended that senior managers must play active roles in the performance management process. Senior managers' particular role in the process is to assure strong alignment between the firm's goals and its human resources practices (Wright & McMahan, 1992). Effective implementation of management programs depends on the level of top management commitment—namely, the stronger the commitment, the great the potential for program success (Rodgers, Hunter, & Rogers, 1993).

In addition to senior leaders, all participants involved in the delivery of performance appraisal process (e.g., human resources personnel, middle and line managers) are integral to the success or failure of the process. It follows that these participants, who play central roles in evaluating employees, must be adequately trained (Kanin & Bevan, 1992). If managers are trained incorrectly, the risk increases that raters will subjectively inflate or deflate their performance appraisals, leading to destructive consequences for the success and legitimacy of performance appraisal processes (Smith, 1986; Woehr & Huffcut, 1994).

Lawler and McDermott (2003) found a relatively strong, positive association between training managers to do appraisals and performance management effectiveness. Woehr and Huffcut (1994) concluded that performance appraisal training resulted in increased rating accuracy. Furthermore, an organization's effort to ensure evaluations are substantiated and unbiased signal to employees that the practice is a priority. This demonstrates an organization's commitment to performance management effectiveness, in turn facilitating process effectiveness.

Finally, evidence exists that more employee participation in the performance appraisal process promotes more positive employee perceptions of the process. For example, consider Coens and Jenkins' (2002) definition of performance appraisals, which suggests that these are done *to* employees:

> The practice of performance appraisal is a mandated process in which, for a specified period of time, all or a group of employees' work performance, behaviors, or traits are individually rated, judged, or described by a person other than the rated employee and the results are kept by the organization. (p. 5)

Roberts (2002) countered instead that performance appraisals should be participative (and employees need to view them as such). Cawley et al.'s (1998) meta-analytic study indicated that when employees participate in the performance appraisal process, they exhibit higher levels of acceptance of the appraisal and satisfaction with the process. One way to increase employee participation is by having regular, honest discussions about employee performance. Coens and Jenkins (2000) asserted that employees are likely to view the evaluation process as a positive rather than punitive process by instituting such dialogues.

## Human Resource Management Practices within Family Businesses

Most studies done on performance management have been in the broader organizational context, not in family businesses. With a family business' interest in longevity, it is important to consider the implications and importance of implementing an effective performance management process. The following sections compare family businesses and non-family business, consider the family's influence on the business, and discuss human resource management issues specific to family businesses.

**Family businesses v. non-family businesses**. When studying family firms, it is important to take into account the unique interactions among the family unit, the business, and individual family members (Aldrich & Cliff, 2003; Chrisman, Chua, & Sharma, 2005; Habbershon, Williams, & MacMillan, 2003). Chua, Chrisman, and Sharma (1999) proposed that the family business is:

> a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families. (p. 25)

Family businesses are characterized by some degree of family ownership, are affected by the family members' vision, and concern issues of management and sustainability of family ownership (Chua et al., 1999). Family businesses differ in a variety of ways including, but not limited to: their ownership concentration, intergenerational involvement, and stage of business development (Gersick, Davis, Hampton, & Lansberg, 1997).

Two factors distinguish family firms from non-family firms. The first, rooted in the resource-based view, concerns the essence of "familiness," which is captured by focusing on the resources and capabilities that result from the family and business system interactions (Habbershon, Williams, & Kaye, 1999; Habbershon et al., 2003). The second is the level of involvement and influence of the family on the firm and its members (Astrachan, Klein, & Smyrnios, 2002; Klein, Astrachan, & Smyrnios, 2005). Influence is characterized by power, experience, and culture. Power is the capability of the family to control the firm through management or ownership. Experience refers to the cumulative family memory available in the organization (Barnett & Kellermanns, 2006). Culture concerns the values and commitment of family members introduced into the family firm (Astrachan et al., 2002; Klein et al., 2005).

**Family influence on the family business**. Literature suggests that a dominant coalition of family members has the capacity to change the level of family involvement and interactions with the firm. As a result, family business scholars believe family influence occurs on a continuum from low, to moderate and high levels (Barnett & Kellermans, 2006; Chua, Chrisman, & Chang, 2004; Chrisman, Chua, & Litz, 2003). The intensity of family influence varies across family firms and these levels of interactions may have positive or negative effects within family firms. Furthermore, these levels of family influence could affect the fairness of human resources practices. Non-family employees may be concerned with the fairness of the human resources policies and procedures in the family firm (Blondel, Carlock, & Heyden, 2000).

**Family business and human resource management**. Although many studies indicate that human resource management practices influence performance within the family business literature, there is little research to support this link and its implications (Reid, Morrow, Kelly, & McCartan, 2002). However, the notion of human resource management in family-owned businesses is believed to pose a significant competitive advantage (Habbershon et al., 1999). Astrachan and Kolenko (1994) discovered a positive correlation between human resource management practices and gross revenues in family businesses. Additionally, Carlson and Upton (2006) revealed that high performing family firms placed a greater importance on human resource issues (including performance appraisals) compared to low performing family firms. Their findings suggest that human resource activities such as performance appraisals have a positive impact on performance in family firms.

**Summary**

This chapter examined the literature on performance appraisal effectiveness and family business. This research provides information on how to enhance performance management processes within family businesses, starting with deciding on the purpose of the performance appraisal process and followed by deciding how to assess performance appraisal effectiveness. Although effective performance appraisals have been studied extensively, what seems to be missing from the literature are studies examining performance appraisals in family businesses. This study aimed to help fill this gap. The next chapter presents the methods used for this study.

# Chapter 3

## Methods

The purpose of this study was to evaluate the effectiveness of a performance review process at one family business. Four research questions were examined:

1. What are participants' descriptions and evaluations of the process?
2. What do participants identify as strengths of the process?
3. What do participants identify as weaknesses of the process?
4. What recommendations do participants offer for the process?

This chapter describes the methods used in the study. The research design and participant recruitment procedures are described. The steps of data collection and analysis also are explained.

### Research Design

This study was qualitative, relying on semi-structured interviews. Qualitative methods enable the collection of data that offers in-depth insights about of inquiry to occur during the course of the study (Creswell, 2014). Kvale (1996) described this capability as being able to capture a depth and breadth of human experience in its most authentic form. A distinguishing characteristic of qualitative studies is that the designs are flexible and emergent, to support the goal of reflecting participants' experiences.

The qualitative interviewing approach was considered appropriate for this study due to the lack of data and feedback available regarding the company's performance evaluation processes. Creswell (2014) asserted that qualitative research is appropriate in such cases. In particular, the interview method was anticipated to enable the researcher to gain a depth of insight about employees' reactions, expectations, and experiences with the performance evaluation system. This kind of information would be difficult to gain through other methods such as survey, observation, or archival research.

**Procedure**

To begin recruitment, the director of learning and organizational development created a list of 10 desired participants across positions, tenures, and backgrounds. The researcher emailed these prospective participants (see Appendix A) to invite them to participate in the study. Participants were scheduled for an interview when they responded. One candidate was not able to participate, so the researcher recruited another participant based on her roles and responsibilities in the organization.

**Sample**

The desired sample size was 10 employees across various functions and levels in the organization (i.e., frontline, manager, executive). Study participants had to meet the following criteria:

1. The participant was a current employee of the organization.
2. The participant had worked for the organization for at least 1 year.
3. The participant had participated in the performance management process at least one time.

Table 1 presents the participants' demographic information. The sample consisted of executive vice presidents ($n = 3$), vice presidents ($n = 2$), and directors ($n = 3$), as well as a manager and a sales representative. Seven men and three women were recruited to represent the gender distribution of the firm. Average tenure was 5 years ($SD = 4.64$).

**Table 1**

***Participant Demographics***

| Participant | Position | Gender | Tenure (years) | Evaluated by |
|---|---|---|---|---|
| 1 | Executive vice president | Male | 2 | President |
| 2 | Executive vice president | Male | 6 | President |
| 3 | Executive vice president | Male | 2 | President |
| 4 | Vice president | Female | 17 | Senior vice president |
| 5 | Vice president | Male | 6 | Executive vice president |
| 6 | Director | Male | 3 | Senior vice president |
| 7 | Director | Male | 7 | Vice president |
| 8 | Manager | Male | 3 | Executive vice president |
| 9 | Sales Representative | Male | 2 | District Manager |
| 10 | Director | Female | 2 | Senior director |
| Summary | Executive vice president (3)<br>Vice president (2)<br>Director (3)<br>Manager (1)<br>Sales Representative (1) | Male (7)<br>Female (3) | M = 5.00, SD = 4.64 | President (3)<br>Executive vice president (2)<br>Senior vice president (2)<br>District Manager (2)<br>Senior director (1)<br>Vice president (1) |

## Data Collection

The interview script used in this study (see Appendix B) consisted of nine questions about the firm's performance review process. Questions asked about specific events in order to leverage what Maxwell (2013) called participants' *episodic memory,* which avoids generalizations and abstract opinions. Interview questions addressed four topics, in accordance with the research questions:

1. Descriptions and evaluations of the process. Four questions (Questions 2, 5, 6, and 7) asked participants to describe the process in detail and whether the process was helpful, valuable for their development, and a fair reflection of their contribution.

2. Strengths of the process. Question 3 inquired about the strengths of the process.

3. Weaknesses of the process. Question 4 asked participants to identify what parts or aspects of the process they would change.

4. Recommendations. Probing questions asked as follow ups to the interview questions were posed to solicit participants' suggestions for improvement.

A final open-ended question solicited any additional insights the participants wished to share. Nine interviews were conducted in person and one was conducted by telephone. Interviews varied in duration from 30 to 60 minutes. Interviews occurred either in the participant's private office or in a private conference room. All were audio-recorded and transcribed for later analysis.

**Data Analysis**

Data were analyzed using thematic analysis (Maxwell, 1998). First, the data were organized by question and each participant's response was labeled using a unique identifier. All responses for each question were then reviewed and themes were identified for each question. After the themes were identified for each question, the results were reviewed and similar themes were grouped and organized into hierarchies of themes. This process was repeated until the results best reflected the data. The thematic analysis helped determine whether the data collected supported, extended, or disconfirmed the various findings of an effective performance appraisals factors in broader organizational context in a family firm.

# Chapter 4

# Results

This chapter reports the results. Findings are organized by research question.

## Descriptions and Evaluations of the Process

Participants were asked to describe the review process in their own words. Six participants discussed the components of the process (see Table 2). Five of the six participants described the year-end activities that occur as part of the process. All five of these participants mentioned that managers evaluate their direct reports' performance. Four participants also mentioned that employees evaluate their own performance. One participant explained: "The first part of it is you turn in your self evaluation [that]…gets turned into [human resources] and then it's fed back to the [district manager on] the management side, and then they review…how you did." Notably, only one participant mentioned having a career planning discussion as part of the performance review.

Three participants noted that the process begins with initial goal setting. One participant stated:

> There is goal setting to kick off a year…Setting smart goals and objectives for people so they have a really clear line of sight to those things that are going to be really meaningful for them throughout the year, and so that it can set the stage for the conversations they need to be having with their supervisor.

One participant additionally stressed the importance of ongoing, unscripted discussions and tracking to avoid surprises during the review and to assure that employees' performance is on target. This participant noted:

> There's a whole body of work with respect to the performance management process that is not really part of the set structure of the [human resources] process]; but, to me, it's the most important part…it's the stuff that happens throughout the year. The back and forth to make sure people know where they stand and what they need to be doing so that there are no surprises . . . Managing people for success and ultimately getting to the finish line…it's really the stuff

> that happens in between that we don't necessarily have a structure for, so that's where I think there's a lot of flexibility in terms of how people execute it…There should be an ongoing cadence of back and forth feedback. That's the most important part.

**Table 2**

***Process Components***

| Component | n |
|---|---|
| Year-end activities<br>• Manager evaluation of direct reports' performance (5)<br>• Self-evaluation of performance (4)<br>• Career planning discussion (1)<br>• Overall rating (1) | 5 |
| Initial goal setting | 3 |
| Key players<br>• Human resources business partner guides overall process (2)<br>• Senior managers outline organizational objectives (1)<br>• Managers roll out to employees (1) | 2 |
| Ongoing, unscripted discussions and tracking | 1 |

*N* = 6

Participants were asked what to share their understanding of the purpose of the performance review process. Nine participants described the intended outcomes of the process (see Table 3). Six of the nine participants mentioned it was to enhance individual performance. One participant shared, "A performance review helps to elevate people's skills and talents." Another participant mentioned:

> [It is] to make sure that everybody understands what their strengths are so that they can leverage those, and what their opportunities are so they can focus on them, so they can overcome them, change them, and have an individual development plan that's unique to them, that can help them move their career forward.

Three participants noted it was to demonstrate orgnaizational support for employees and their careers. One participant pointed out:

> A performance review . . . creates a predictable and trusted process that people know they're . . . part of an organization that cares about them. A performance review helps . . . people along their careers, but more importantly to create a predictable and trusted process that people know they're going somewhere.

**Table 3**

***Intended Outcomes***

| Outcome | n |
|---|---|
| Enhance individual performance | 6 |
| Demonstrate organizational support for employees and their careers | 3 |
| Enhance organizational performance | 3 |
| Determination of promotions, compensation, and bonuses | 3 |
| Create formal record of performance | 2 |

*N* = 9

Three participants stated the intended outcome was to enhance organizational performance. One participant stated the intended outcome is to, “achieve the broader goals of the company. Making sure we’re supporting and going in the right direction, and doing what we need to do as a company.”

To evaluate the process, participants were asked three questions (see Table 4). First, they were asked whether their reviews were a fair reflection of their contribution to the organization. Five responded “yes” and three gave a moderate rating. One participant said, “Yes . . . because I have made it that.” A second participant who noted the reviews were a fairly moderate reflection of their contribution stated:

> No, I don’t think it’s completely fair, but it does have its fair points to show that some people maybe aren’t doing what they’re supposed to be, so it could go both ways. There [are] good points and bad points to it.

Next, participants were asked if the reviews were helpful to them. Eight responded affirmatively. One participant responded, “Yes, it’s helpful.” A second participant expressed, “Yes . . . it absolutely is.”

Finally, they were asked whether the review was valuable to their development. Five gave a moderate rating and two reported high value of the review process.

One respondent rated the value of the experience as "it's a five for me." Another participant who expressed moderate value stated, "Personally, I would say a four. Five, looking forward to it, I think we're going to get to a place where we're looking forward to it. Right now, it's a four because it's very important to me."

**Table 4**

***Evaluation of Process***

| Evaluation | n |
|---|---|
| Fair reflection of participant's contribution | |
| Yes | 5 |
| Moderately | 3 |
| No | 2 |
| Helpful for participant | |
| Yes | 8 |
| Moderately | 1 |
| No | 1 |
| Valuable to participant's development | |
| Negligible | 1 |
| Moderate | 5 |
| High | 2 |
| Not reported | 1 |

*N* = 10

**Strengths of the Process**

Ten participants cited seven key areas of strength related to the process (see Table 5). The first strength of the process is direct manager support (n = 10). Five of the ten participants recognized a strength of the process is that managers offer dialogue, guidance, and assistance related to development areas and obstacles. One participant explained:

> My favorite part is making sure I share with my boss what barriers I might be up against so that he can help to break them down, because he may have some abilities that I don't . . . I walked away from my performance review this year with a clear understanding of what I'm doing well and what I'm not. The "not" is super helpful.

**Table 5**

***Strengths of the Process***

| Strength | n |
|---|---|
| Direct Manager Support<br>• Offers dialogue, guidance, and assistance related to development areas and obstacles (5)<br>• Offers feedback throughout the year (3)<br>• Gives positive feedback and validation (3)<br>• Solicits upward feedback (1)<br>• Revisits and refines goals throughout year as needed (1) | 10 |
| Process and Design<br>• Process is evolving in right direction (6)<br>• Process is well designed (3) | 6 |
| Organizational and Leadership Support<br>• Sufficient executive support for process (3)<br>• human resources offers helpful support for process (2)<br>• Process ownership is effective (1) | 5 |
| Tools and technology | 5 |
| Organizational communication | 4 |
| Organizationwide engagement in performance reviews | 3 |
| Outcomes<br>• Shows employees what is rewarded in the organization and validates (2)<br>• Process helps organization identify high and low performers (1)<br>• Offers substantial value for managers and employees (1) | 3 |

*N* = 10

Furthermore, three participants mentioned their managers provided feedback throughout the year. One participant expressed:

> I have a regular check-in with my boss . . . on a monthly or even more regular schedule. . . . That's the stuff that's invaluable to me; to be able to have that opportunity to check in and to get some feedback in real time and to be able to help prioritize and know what's important because things can change really quickly.

Three participants expressed they felt supported by their direct manager by receiving positive feedback and validation. One participant stated:

> It's motivating [to be told how you're adding value] . . . There [are] areas of opportunity, there [are] things we need to do, and there's always a lot of work. And sometimes it can be daunting, in a sense. But, it effectively enables you to

> know and reinforces that you are adding value and that it motivates you to want to continue to do great work and to be a contributor, and to add value for the company, and to get right on the program again for the next year, and want to continue to improve and to strive for more, and know that we can do more.

The second major area of strength noted by participants related to process and design (n = 6). These participants noted that the process is evolving in the right direction (n = 6) and that it is well designed (n = 3). One participant stated:

> The performance review process has certainly evolved in the short 4 years that I've been here, . . . I would say ours is constantly evolving and it's been different every four years that I've been here . . . I don't feel like we ever had that, so as I stand right now, I feel like we're headed in the right direction.

One participant described the design of the performance review process as "very good because it's not overwhelming."

The third area of strength highlighted by participants was organizational and leadership support (n = 5). These participants noted there is sufficient executive support for the process (n = 3). One participant explained:

> You can't get away with not executing a performance management process as a leader in this company. You can't get away with not giving each employee their due, the appropriate feedback. So, we've really reeled it in to say, "This is important. Everybody needs to do it . . . We have set the standard that this is important; this is a key component of how we need to improve as a company and . . . be what we want to be and what we aspire to be. I think that's probably the best thing we've done, is really the basics of just getting it up and running in a way that it's unavoidable. It's not a choice anymore. It's not, "Hey, I think I want to do this this year." It's "no, you have to, and you owe it to your employees to do it." And that's important, because we want to be a high performing organization.

Another area of strength noted by participants was the tools and technology available (n = 5). One participant noted, "I think we have a reliable system. . . . It's world class."

**Weaknesses of the Process**

Six participants cited six key areas of weaknesses to the process (see Table 6). The first area of weakness was the design (n = 5). These participants noted there was a lack of structure and consistency for the overall performance review process, reports, and ratings (n = 4). One participant noted:

> It's pretty much a joke around here because it is not consistent. We never had a conversation about how he rates people. We didn't have a conversation about interpreting the goals and what is written on the paper versus what his expectations were until the actual review when it was a done deal.

**Table 6**

***Weaknesses of the Process***

| Weakness | n |
|---|---|
| Design<br>• Lack of structure and consistency for overall performance review process, reports, and ratings (4)<br>• Insufficient time spent in process (2)<br>• Lack of focus on "how" results are achieved (2) | 5 |
| Timing<br>• Goals for year set long after year begins (3)<br>• Review conducted before performance data available for full year (1) | 4 |
| Goal Setting<br>• Lack of alignment between personal goals and organizational goals (3)<br>• Lack of thoughtful, personalized goal setting (3) | 4 |
| Outcomes<br>• Reviews may not accurately reflect employee performance (4)<br>• Employees' history of performance reviews is not available (1)<br>• Employee who feels they are unfairly reviewed will leave (1) | 4 |
| Organizationwide Adoption<br>• Managers and employees do not understand benefits of the process (3)<br>• New leaders do things the way they are used to at other organizations (1) | 3 |
| Lack of two-way feedback and discussion of developmental opportunities | 1 |

*N* = 6

Timing was a second area of weakness highlighted by the study (n = 4). Participants noted the goals for the year were set long after the year had begun (n = 3). One participant stated:

> Our goals wind up being set pretty late in the year. And because we put our goals in so late traditionally and we keep pushing it and pushing it, we adjust them to what we've already accomplished.

Goal setting is another area of weakness (n = 4). These participants noted there is a lack of alignment between personal goals and organizational goals (n = 3) and lack of thoughtful, personalized goal setting (n = 3). One participant noted:

> Right now this company is in flux, a lot of things are being changed, and created, and improved, which is excellent. It's been a great experience; but since things are in flux, it's totally being evolved all the time, I think the goals are thus in flux.

Additionally, another participant expressed, "we often do a poor job with setting a set of goals and really helping people to grow and learn."

Lastly, outcomes was recognized as an area of weakness (n = 4). Participants noted that the reviews may not accurately reflect employee performance (n = 4). One participant noted:

> You could have people that are fortunate enough to be on very good teams or fortunate enough to have major accounts open [and this makes] them look better on paper than what they're truly performing. It can be very negative in the sense that it's making someone look like they're doing a better job than they are.

**Recommendations for the Process**

Participants offered extensive recommendations for the performance review process (see Table 7). Analysis of their responses revealed suggestions for improving the performance evaluation process and design, for leveraging the evaluation data that is produced through the process, and for increasing organizationwide support for and adoption of process. Themes related to these broad topics are presented in the following tables.

**Table 7**

***Participants' Recommendations for Improving Evaluation Process and Design***

| Recommendation | n |
|---|---|
| Adjust rating system<br>• Create evidence-based rating system with clear guidelines for assigning ratings (8)<br>• Replace numeric ratings with descriptive ratings (2)<br>• Allow 360-degree performance evaluations (1) | 8 |
| Introduce formal ongoing activities<br>• Feedback, correction, and recognition (5)<br>• Ongoing monitoring, documentation, and adaptation (3) | 7 |
| Adjust goal setting process<br>• Goals should be defined in detail and customized for employees (4)<br>• Goals should be aligned with business strategy and leadership objectives (2)<br>• Goals should be uniform and set automatically for sales team (1) | 5 |
| Assure process is perceived as confidential and fair | 4 |
| Define and communicate expectations<br>• Create competency models for each role (2)<br>• Customize role expectations based on employee's expertise and tenure (2)<br>• Communicate role expectations to employees (2)<br>• Create accurate metrics for evaluating performance (1) | 4 |
| Improve performance review tool | 3 |
| Improve performance review meeting<br>• Include more topics in performance review discussion (3)<br>• Reviews should be delivered one on one with manager (1) | 3 |
| Adjust timing, duration, frequency of evaluation<br>• Increase frequency of performance review (3)<br>• Performance review frequency should vary for employees (1)<br>• Define goals before year begins, conduct review only after year's data is available (1) | 3 |
| Assure performance evaluation process aligns with organizational vision and objectives | 1 |

*N* = 10

All 10 participants offered suggestions for improving the evaluation process and design. Eight of the 10 participants expressed the need to adjust the rating system, with particular attention to creating an evidence-based rating system with clear guidelines for assigning ratings. One participant elaborated,

> You actually have to get together and . . . give behavioral-based examples of the kind of things that reflect a four, a five, or a one or a two . . . . Everyone wants to believe that if John gives me a three, I'd get the same thing from anybody else in the organization, or a two, or a five.

When these behavioral definitions exist, calibration of ratings can occur across the organization, as noted by this participant:

> A three should be a three, whether you're in finance or sales. What I know here at [the company] is that, depending on your manager, a three could be a four at a different department. That creates unfairness. We need to all calibrate.

Additionally, 7 of the 10 participants want to introduce formal ongoing activities. One suggestion involved instituting a formal process around feedback, correction, and recognition (n = 5) to avoid any surprises at the year-end review. One participant explained:

> Any feedback I give them when I do my manager review should not be a surprise to that employee because we've had conversations, we've aligned on the goals, but then we've talked about those goals throughout the year. And we talked about where they stand, and how they're doing, and where there are areas for improvement. [There is a] two-way street of feedback throughout the year to make sure that we're totally aligned.

Five participants suggested adjusting the goal setting process, for example, through customizing goals for employees or aligning goals with the business strategy and leadership objectives. One such participant expressed:

> As a company I think we need more guidelines on how to do [goals] and how to customize them appropriately while still being fair. Think about the A [in SMART] as *agreed upon,* because if the person receiving the goal doesn't . . . agree with it, it's not going to happen.

All 10 participants provided recommendations for leveraging the evaluation data (see Table 8). Nine participants suggested using the evaluation information as a talent management tool, such as for employee development. One participant explained:

> It would be better if we have clear guidelines around development planning . . . [so I could] step back and think about what my development opportunities are or have discussions with [my manager] about what my development opportunities are. Then think through how to fill those gaps, and then the organization following or supporting me in that by giving me the time, money, or other resources to help fill those gaps.

Another suggested doing more to support each type of employee:

> For people who get great reviews who are on a great track . . . What are we doing to help them move forward? Or identifying the steady eddies who don't want to move forward and are really doing the best they can in their role. What do we do? There are different motivations for people.

**Table 8**

***Participants' Recommendations for Leveraging Evaluation Data***

| Recommendation | n |
|---|---|
| Use as a talent management tool<br>• Use as an employee development tool (7)<br>• Use to identify high and low performers (3)<br>• Use as an input to internal hiring and promotion decisions (2) | 9 |
| Link raises to individual performance evaluations | 4 |
| Use as a recognition and retention tool | 4 |
| Use to quantify employees' contribution to the organization relative to others | 4 |

*N* = 10

Seven participants provided recommendations for increasing organizationwide support and adoption of the performance review process (see Table 9). Seven participants suggested there should be increased involvement of stakeholders. Four of these participants stated that leaders need to demonstrate that performance evaluation is an organizational priority. One such participant noted:

> It all starts with the top and how the top drills it down, and their importance, and level of detail. If that's met, I feel like the expectations can be pushed down through the organization, and there'll be a higher rate of success. . . . It's a top down approach, and I feel like that could be said in so many different facets over our business . . . Because if our managers don't take it seriously, then how would our employees take it seriously?

Another participant noted:

> We should probably elevate it in terms of importance, and tell people that, "Hey it's the first priority for this week," or that, "This is people week." Everything else takes second priority. Those are a few thoughts about it. It's critical . . . I think we have to keep driving it deeper into the organization, so that everybody does view it as one of the most important things that we do.

**Table 9**

***Participants' Recommendations for Increasing Organizationwide Support and Adoption of Process***

| Recommendation | n |
|---|---|
| Increase involvement of stakeholders<br>• Leaders need to demonstrate that performance evaluation is an organizational priority (4)<br>• Employees need to own and drive performance review process (4)<br>• Managers need to familiarize themselves with the process (1) | 7 |
| Ensure Workday tool is adopted organizationwide | 2 |
| Communicate process deadlines to all stakeholders | 2 |

*N* = 7

## Summary

This chapter presented the results of the study generated from interviews with 10 employees from across the organization. Participants offered their descriptions, evaluations, and recommendations related to the performance review process. Participants also identified the strengths and weaknesses of the process. The next chapter provides a discussion of these results.

# Chapter 5

# Discussion

This chapter provides a discussion of the results. Conclusions are presented first, followed by a presentation of recommendations based on the conclusions. Limitations of the study are then acknowledged and suggestions for continued research are offered.

## Summary of Findings

Conclusions for the first three research questions are offered in the following sections. Findings related to the fourth question are included in the Recommendations section of this chapter.

**Descriptions and evaluations of the process**. Examination of the study findings related to participants' descriptions and evaluations of the process suggest that they have a clear understanding of its steps and timing. In particular, they accurately identified the steps of initial goal setting and the year-end activities of self-evaluations followed by manager evaluations. Participants identified process outcomes as enhancing individual and organizational performance; demonstrating organizational support for employees and their careers; determining promotions, compensation, and bonuses; and creating a formal record of performance. However, it is unclear to the researcher whether these are the actual and intended outcomes of the process. Eight participants reported the process was somewhat fair or fair, all but one participant stated it was at least moderately helpful to the participant, and seven reported it was at least moderately valuable to their development.

Cawley et al. (1998) noted that employee reactions are important for the acceptance and use of the appraisal process. Therefore, it is necessary to consider the implications of these participants' descriptions and evaluations of the process. For example, the misunderstanding that exists surrounding desired process outcomes could result in employee misunderstanding and even sense of unfairness related to performance evaluation. Managers may also make errors or missteps in the course of the process if they misunderstand the purpose of evaluation. It follows that organizational leaders should take steps to communicate to make sure everyone has an accurate understanding about the process—particularly as it concerns how communication is occurring; how goals are cascading down from the organization, to the group, and to employees; how ratings are determined and awarded; and what impact the ratings have.

Any lack of perceived fairness may be ameliorated with more extensive organizational communication; however, it also is advisable to examine issues surrounding the ratings, as employees view their appraisal rating or rewards as fair when they reflect the individual's inputs and contributions (Cropanzano & Ambrose, 2001).

**Strengths of the process**. Notably, all 10 participants emphasized that they received helpful support throughout the year from their direct manager as part of the process. Half additionally cited the support received from the organization and executive leaders. Six participants noted that the process was well-designed and evolving, and five cited that it used effective tools and technology. Organizational communication, organizationwide engagement in the process, and the overall outcomes also were cited as strengths. These findings suggest that the process is well-designed and has a number of strengths.

Moreover, the performance appraisal process examined in this study appears to avoid the flaw noted by Roberts (2002) of many appraisal processes, which are done "to" employees without their adequate engagement. Instead, the study participants' apparent satisfaction with the process seems to align with Cawley et al.'s (1998) observations that employees’ participation in performance appraisals is associated with higher levels of acceptance of the appraisal and satisfaction with the process.

Based on these results, it may be concluded that the study organization should continue to invest in the performance appraisal process by encouraging managers to support and engage with it. Not only should managers carry out ongoing activities related to performance appraisal; but also, they should be involved in the continual evolution of the process. The strengths identified in this study represent a positive core that can be build upon and leveraged to create momentum for continued evolution.

**Weaknesses of the process**. Despite the many strengths participants identified related to the process, a number of weaknesses also were identified. One key weaknesses identified by participants concerned design issues such as the lack of structure, poor consistency in ratings, inadequate time for conducting appraisals, or insufficient thought or alignment related to goal setting. Other participants noted that the timing of the process was off, such as when goals are set long after the year in question begins. Still others believed that the appraisals did not always reflect participants’ performance. These weaknesses, if left unaddressed, can lead to poor appraisal results, perceptions of unfairness, lack of engagement in the process, and potentially deleterious results for the organization. For example, rater biases leading to subjective inflating or deflating of performance appraisal ratings has been associated with destructive consequences for the success and legitimacy of performance appraisal processes (Smith, 1986; Woehr & Huffcut, 1994).

These study findings indicate that the design of the performance appraisal process still needs improvement, particularly with regard to the overall process, reports, and ratings. This is particularly important within the study organization—despite ongoing annual growth of 4%, employees repeatedly ask where the organization is headed and leaders continually wonder how to keep employees motivated. Improving the appraisal process may be a key to addressing both questions. For example, allocating more time for managers to spend in conversations with employees may help employees feel more informed and, thus, engaged. Additional specific recommendations are offered in the next section.

**Recommendations**

Several recommendations are offered based the study findings. A leading direction emerging from the study concerned the rating system. Specifically, participants advised creating an evidence-based rating system with clear guidelines for assigning ratings. Participants repeatedly emphasized that a lack of calibration existed throughout the organization regarding ratings. To assure a sense of fairness and that the performance appraisal process achieves its purposes, it is critical to begin with creating a defensible, calibrated rating system.

The timing and structure of the process also appears to need adjustment. Participants cited the importance of formal ongoing activities to allow for timely setting and ongoing adjustment of goals; expectation setting; feedback, correction, and recognition; and ongoing monitoring, documentation, and adaptation. The creation of competency models for each role also would be helpful for achieving these aims and complementing the performance appraisal system. These actions also would help to create a culture of feedback where employees always know where they stand in the organization, which may help enhance engagement and retention.

Participants also emphasized the importance of leveraging evaluation data as a talent management tool. Participants explained that feedback regarding skill and knowledge gaps can be used to inform employee training and development plans. Evaluation data also could be used to identify high and low performers and as an input to internal hiring, promotion, compensation, and recognition decisions.

Finally, the data suggests that organization should increase the involvement of stakeholders in the appraisal process. Participants emphasized that (a) leaders need to demonstrate that performance evaluation is an organizational priority, (b) managers need to familiarize themselves with the process, and (c) employees also need to own and drive performance review process. Engagement of the entire organization in this way is anticipated to enhance the success of the entire process.

Overall, the findings from this study are consistent to what has been written about in regards to performance reviews in nonfamily firms. Habbershon, Williams, MacMillan (2003) noted family firms that have little family influence on HR practices will not build resources and capabilities unique to the family firms. HR polices and procedures are not likely to differ systematically from nonfamily firms. An important consideration of these findings and absence of characteristics that are unique to a family firm is due to the lessening of the family influence as leaders from various public organizations were hired into leadership roles at the site of the study. Studies in family firms note that non-family employees may be concerned with the fairness of the human resources policies and procedures in the family firm (Blondel et al., 2000). All participants involved in the study were non-family members. Most agreed their performance review was fair. Amongst those who did not agree, mentioned it was due to the process not in regards to nepotism, favoritism, bias as a result of the family influence. Signs of less family influence on the family firm are appearing in the HR practices.

## Limitations

Several limitations of this study need to be acknowledged. First, this study was conducted within only one family business located in North America. Therefore, the results cannot be considered transferable to other family businesses, particularly those in other countries. Future studies should draw participants from across businesses and countries to generate results that could be generalized to other organizations.

Second, the small sample of 10 was small—only 4% of the entire employee population. Thus, despite the diversity of the participants, the findings also should be considered exploratory even within the study organization. Future studies should draw a larger sample to produce more confidence that the results are representative of the entire organization.

Third, this study relied upon self-reported data gathered through interviews. Such methods are subject to a range of participant and researcher biases, such as hypothesis guessing and socially desirable answering. Moreover, because the researcher is involved in the performance appraisal process, participants may have been inclined to "help" the researcher by telling her what they thought she wanted to hear. Future studies could employ the use of co-researchers to help reduce these biases.

## Suggestions for Continued Research

More research is needed to understand the unique nature of performance appraisal processes within a family business. Future studies should draw a larger sample from across family businesses to gain more representative results. Additionally, it will be necessary to study performance appraisal processes at non-family owned businesses to identify what features of the process are unique to family businesses. A research study had shown that family firms may have more committed and trusting managers

(Chrisman, Chua, & Kellermans, 2004). Another consideration for future studies to is to understand why there are more committed and trusting managers and if it is influenced by HR processes such as the performance review. Other data collection methods, such as survey and archival research also may help reduce the participant biases that affected this study.

**Summary**

The purpose of this study was to evaluate the effectiveness of a performance review process at one family business. In particular, the participants were asked to describe and evaluate the process, identify its strengths and weaknesses, and offer suggestions for improvement. This study utilized a qualitative research interviewing design. Ten employees representing various levels and positions within the firm were recruited to participate. Each participant completed an interview that solicited their general reflections about the performance review process and asked them to identify its strengths and weaknesses. The collected data were examined using thematic analysis.

Participants appeared to have a clear understanding of the process steps and timing, with less accurate understanding of the process outcomes. Participants generally perceived the process as fair, helpful, and valuable to their development. Noted strengths of the process included support from direct managers, executive leaders, and the organization; the design of the process; and use of effective tools and technology. Identified weaknesses included the lack of structure, poor consistency in ratings, timing issues, and lack of goal alignment. Recommendations include improving the rating system, adjusting the process timing and structure, leveraging evaluation data as a talent management tool, and increase the involvement of stakeholders in the appraisal process.

However, these study findings are considered exploratory, and more research should be conducted to determine how representative these findings are of family businesses.

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## Appendix A: Study Invitation

Hi [Participant's Name],

My name is Linda Ly and I am part of the Learning & Organizational Development (L&OD) Team at [the family business]. I joined the organization in October 2016 to support Talent and Organization Development initiatives. I am conducting a study on how to enhance our current performance review process at Young's.

In addition to delivering a company-wide survey to get feedback on the current performance review process, I plan to select key leaders to interview to gain a richer understanding of perceptions of the current performance review process.

[Company representatives] suggested I reach out to you. I would like to extend an invitation to you to participate in a 60 min interview about your experience at [the family business] and the company's performance management philosophy.

In addition to using the findings to enhance the performance review process at [the family business], the interviews will also be utilized for my thesis to fulfill my requirements for my Masters of Science in Organization Development degree at Pepperdine University. Therefore, I will be taking notes and recording the interview. This is done for data analysis.

Please note all recordings and interview notes will be kept confidential and in a password protected computer. All individual identification will be removed from the hard copy of the transcripts. Participant identity and confidentiality will be concealed using coding procedures.

If you have any questions or concerns, you can reach me at [contact information]. Please let me know if you are interested in participating by Wednesday, 3/15. I will set up time within the next two weeks for us to connect.

Thank you in advance for your time,

## Appendix B: Interview Script

Thanks so much for agreeing to talk with me today.

1. Where I'd like to start is by creating a common frame of reference. To do that, I would like to begin by asking you to describe in your own words how the performance review process works here.

Possible prompts:

- What are the parts and stages of the process?
- Who's involved?
- What's the purpose?
- How is the information used?

2. What are your overall feelings about the performance review process here?

3. What's going well?

4. What would you change?

5. Do you feel the performance review is a fair reflection of your contribution? If so, explain. If not, what would need to change for it to be fair?

6. Was it helpful to you in any way? If so, in what ways? If not, what would need to change for it to be helpful? --possible probes (personally, in my career here, in my career overall)

7. How valuable is this process to your development on a scale of 1—little value, could do without it to 5—it's something I look forward to every year? Please explain. What would make it more valuable to you?

8. How do you suggest we, as a company, use the information gained from performance reviews?

9. Is there anything else you would like to share about this topic that I haven't asked?