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Parallel Evaluation and Promotion Programs for Staff Specialists

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PARALLEL EVALUATION AND PROMOTION PROGRAMS
FOR STAFF SPECIALISTS

by

Gerald L. Schapmann

A THESIS

Presented to the Faculty of
The Graduate College in the University of Nebraska
In Partial Fulfillment of Requirements
For the Degree of Master of Arts
Department of Business Organization and Management

Under the Supervision of Dr. Keith Broman

Lincoln, Nebraska

May, 1966

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CHAPTER I

INTRODUCTION

Purpose and Scope

Modern business, in its present state of expansion, will create a growing need for staff specialists. In order to attract good professional people, it will be necessary to offer them more attractive working situations than have existed in the past. Among other things, this will entail changes in customary salary ranges and patterns of advancement for staff personnel. Typically, it has been necessary for a specialist to leave his specialty and become a line executive in order to continue to advance in status and pay. Many staff people have the idea that their future is much more limited than that of a line executive. Staff people feel that inducements such as more income, authority, and prestige are far more prevalent in line positions. It is generally true that the percentage of staff employees moving to line positions is far greater than the reverse movement.¹

The author of this thesis intends to study the present methods of evaluation and promotion of staff specialists and to explore the need and feasibility for changed and

¹ Melville Dalton, Men Who Manage, John Wiley & Sons, Inc., 1959, p. 98.

improved methods of evaluating and promoting staff specialists within their specialty. The primary purpose of this thesis is to analyze objectively present methods of evaluation and promotion based on the findings of a questionnaire which was sent to various selected companies in the nation with the cooperation of the Bureau of Business Research of the University of Nebraska. These companies represent different fields of business and were randomly selected from the various industry classifications from Moody's Handbook of Widely Held Common Stocks.

The subject of "staff" includes many aspects upon which one could justifiably write. This situation, being as it is, necessarily requires that an author attempt to limit his subject as much as possible. However, some overlap will inevitably occur between the various isolated aspects of the subject. This author intends to limit the subject to evaluation and promotion of staff specialists. This would then exclude any detailed examination of line and staff relationships, scope of staff authority, staff organization, or study of the nature and functions of staff. This is not to say that these aspects will be ignored completely, for mention will be made, by necessity, for background and reference material and because these aspects are inherent in each other. One topic cannot be thoroughly explored without including some reference to the other facets of the total subject.

Chapter I of this thesis will briefly present definitions of staff and various criteria on which distinctions are suggested between line and staff employees. The general functions of staff personnel will be presented as well as some of the limitations to the use of staff. The general objectives of performance appraisal will be outlined in Chapter II. Various criticisms of appraisal methods also will be included in this chapter as well as an explanation of a conventional merit rating system. The emphasis in Chapter III will be placed upon the philosophies of Douglas McGregor and Rensis Likert concerning improved methods of performance appraisal. The appraisal plan of General Electric, which was the result of a study by that company, also will be included. Chapter IV will reflect the results of the questionnaire that was sent to various companies throughout the nation. Parallel plans that were suggested by several respondents to the questionnaire will appear in Chapter V. Chapter VI will be a summary of this thesis and will include various conclusions which this author has drawn from the compiled data.

Nature of Line and Staff

Definitions of Staff.

Many definitions of "staff", its nature and functions appear in print. Most of the definitions or descriptions are, by necessity, quite academic. Paul Holden has described staff in the following manner:

As the managerial process grows in complexity, the time, ability, and comprehension of single executives become increasingly inadequate and must be supplemented by staff agencies able to furnish specialized assistance and advice. An adequate staff organization, designed to take full advantage of specialized knowledge, concentrated attention, unified effort, and definite accountability for results within its appropriate fields, can go a long way toward relieving the burden and increasing the effectiveness of management. Such an organization may be relied upon (a) to review, co-ordinate, digest, and pass expert opinion upon proposals; (b) to determine needs and formulate appropriate plans, objectives, and controls; and (c) to keep executives informed of significant developments; and thus make it possible for management to concentrate its attention upon matters requiring its consideration.²

Much confusion exists among businessmen in relation to a clear cut definition of staff. The term "staff" has been taken from the military and applied indiscriminately to all forms of function which are not "line", with a strong emphasis on specialization. Urwick attempts to explain the difference between the four basic types of duties and relationships with the following illustrations:

1. A man charged with research into personnel policies 5 and 10 years ahead and preparing material for consideration by a board of directors is doing general staff work at the Pentagon level.
2. If a president removes consideration of the salaries of the first two executive levels from the ordinary salary machinery and tells his

² Paul E. Holden, Lounsbury S. Fish, and Hubert L. Smith, Top Management Organization and Control, McGraw-Hill Book Company Inc., New York, 1951, p. 36.

"assistant to" to maintain a special record for his convenience, he is asking him to do personal staff work.

3. If an "assistant to" discusses a problem with the vice president (personnel) and prepares a brief for the president, he is doing general staff work.
4. If a vice president (personnel) directs a central employment department or makes a report to the president on salary adjustments, he is doing special staff work.³

Descriptions of the various type of staff functions presented in example form may do more to clarify the nature of staff than do academic definitions.

Distinctions between line and staff.

The distinction between line and staff is important as a way of organizational life. Employees must know whether they are acting in a line or staff capacity. Should a person be acting in a staff capacity, then he is to advise and not direct. It would be the prerogative of the line supervisor to issue the instructions through the organizational chain. Authority to manage must rest with the executive who is in a line relationship with his subordinates. Failure to understand this is a common cause of friction between line and staff personnel.

³ Lyndall F. Urwick, Profitably Using the General Staff Position in Business, General Management Series, No. 165, American Management Association, 1953, p. 10.

One may view the concept of line and staff from the perspective of relationships. A superior and a subordinate, with a line of authority running from the former to the latter, is found in line authority. As Moony says: "This gradation of authority is found in all organization as an uninterrupted scale. Hence this hierarchical arrangement has been referred to as the scalar principle in organization, which is that there must be a series of superior-subordinate authority relationships from the top of every organization structure to every position in it."⁴ The line authority relationship becomes apparent from the scalar principle that a superior exercises direct command over a subordinate in a direct line of authority.

The nature of staff is advisory. The best way to distinguish or understand the nature of staff is through its relationship with the line organization. A duty in the organization that is not an actual link in the scalar chain is an auxiliary function. This connotes functions that are required to supply information and services to the line.

Consideration of staff must not be limited to work which is only advisory or counseling in nature. This may lead to the contention that staff is actually line when it performs certain services or exercises functional control.

⁴ See J. D. Mooney, Principles of Organization, Harper and Brothers, New York, 1947, pp. 14-15.

Statements are often made to the effect that the role of staff is to merely provide advice and counsel. This neglects the historical fact that the need for special services led to the creation of some of the earliest types of staff, for example: finance, personnel, legal and medical departments.

When relationships are kept in proper perspective the staff may render valuable assistance in the areas of advice, control, coordination, and service.⁵ The ultimate responsibility for keeping the staff organization in a balance relationship rests with the line personnel. Aggressive individuals either in line or staff tend to get more recognition than their associates unless management is on guard to see that the individuals who perform their duties quietly but efficiently are given due consideration. This is not confined to only business organizations but is also true of government, universities, churches, and the armed forces. Responsibilities of line and staff must be clearly identified. Functional definitions of responsibilities in organization are at times ignored or modified in fact if not in the formal organization chart. Management must constantly evaluate the organization performance and be cognizant of any irregularities which would throw the line and staff relationships off course.

⁵ See William R. Spriegel, "The Staff Function in Organization," Advanced Management, March, 1952, p. 6.

Generally, the terms "line" and "staff" are used to distinguish types of authority. It is assumed that units performing line work automatically have line authority, and that units performing staff work have no authority over the line and thus no line authority. Line work is often connoted to be synonymous with line authority, staff work synonymous with staff authority.

The simplest method to clarify the authority relationships between line and staff is to express it in terms of accountability for results.⁶ In any organizational relationship, the person who is held accountable for the result of a decision has the authority to make the necessary decision. "Line" in this context connotes authority to take action or authority to make decisions.

Staff connotes the person that supplies facts and information that will enable the accountable manager to make a decision. Staff supplies services designed to help the line manager achieve the best results, but it cannot force its judgment or services onto the manager with line authority. When the question of authority arises, it is accountability for results that determines where the line authority rests. The most obvious example of a situation under which a department performing staff work apparently assumes line authority

⁶ Corporate Organization Structure," Studies in Personnel Policy, No. 183, National Industrial Conference Board, p. 7.

occurs when it exercises functional control relative to corporate objectives or policies.

Functions of line and staff.

Functions of the line are those that follow one another as stages of major operations or segmented activities. Production is such an activity. There are also services common to line which are grouped under major operations such as finance and personnel which are performed by staff specialists. Ernest Dale utilizes the term "functionalization" to describe the nature of these services.⁷ The specialists who handle these services are distinguished from line executives in that their authority is indirect rather than direct; functional rather than operating; and their responsibility specialized rather than general.

Functional organization, as advocated by Frederick W. Taylor, injected the principle of specialization into the organizational structure. The staff is attached to the line at any level in the organization to assist the line with duties which must be performed by the line. Application of the principle of specialization, which is the basis for functional organization, to the line organization is the justification for staff specialists. It is a recognized fact in

⁷ Ernest Dale, Planning and Developing the Company Organization Structure, American Management Association, 1952, p. 71.

management that the concentration of effort in a particular area increases the quantity and quality of performance. The staff specialist concentrates his effort on a limited portion of the line executive's total assignment thereby being in a better position to advise and assist him with the broader responsibilities of his position.

An excerpt from "The Management Guide" of the Standard Oil Company explains the functional purpose of staff in the following manner:

The staff exercises functional guidance over the operating components. This does not mean that staff members issue orders, supervise activities, or control any position of the operating groups. Each staff man recommends policies to the head of the enterprise for his approval. Once these policies are approved, procedures in line with the policies are established-- in some cases by the staff member concerned, and in other cases by the top position upon recommendation of the staff member.

After establishment of a procedure, the staff men within whose province the particular procedure falls furnish the appropriate operating component chief with technical or specialized advice and assistance in the application of the procedure. The staff member is responsible for furnishing this functional guidance, and is accountable to his principal for the fulfillment of his responsibility. In no case is the chief of the operating component subject to the orders, supervision, or control of the staff man; nor can he ever be held accountable to the staff member for fulfillment of his responsibilities.⁸

⁸ L. A. Allen, "Improving Line and Staff Relationships," National Industrial Conference Board, Inc., Studies in Personnel Policy, No. 153, p. 41.

The staff organization concentrates its efforts on functions already being performed throughout the organization. It gives special attention to these functions so that they may be performed more effectively. If these services are to be performed to the maximum, the assignment should consist of one function or a group of related functions. Through this principle of specialization the staff organization is able to reduce the line executives problems and increase the overall efficiency of the entire organization.

Limitations of staff.

Having generally examined the advantages of the use of staff in an organization the next logical step is to recognize the limitations in using staff. Although the utilization of staff is necessary to an organization and can accomplish a great deal to make it successful, the nature of staff authority and the difficulty of understanding it lead to certain limitations. Koontz and O'Donnell have presented the following points as areas of limitations in the use of staff:⁹

Danger of Undermining Line Authority. Staff departments are usually viewed with skepticism by operating executives who see in them a high potential for harm. Frequently a

⁹ See Koontz and O'Donnell, Principles of Management, McGraw-Hill Inc., 1964, pp. 290-292.

president brings in a staff executive, gives him authority, and directs all other managers to be cooperative. The proposals of the staff executive are received by the president with enthusiasm, and pressure is exerted upon the managers involved to put them into effect. What is actually taking place in this situation is that the department managers' authority is being undermined. A continuation of this situation would destroy the line departments.

Lack of Responsibility by Staff. Advisory departments only propose a plan. Other line departments must put the plan into operation. This creates an ideal situation for recrimination and the shifting of blame by the staff to the line in the event all is not successful.

Thinking in a Vacuum. Implication that line managers are without creative ability is a weakness in assuming that planners must be set off from the line departments in order to think. An intelligent manager will not delegate his managerial functions to a staff specialist. It is fatal to his managership to assign such an activity as planning to a staff specialist.

Management Complication. Unity of command is an important factor to maintain in line and staff relationships. It is not easy for a department head to be responsible to two or three people. Since functional authority relationships are often unavoidable, some disunity in command is also

unavoidable. The manager should remain cognizant of the difficulties which multiple authority presents. He should either limit them--even at the cost of some uniformity or loss of specialization--or else establish authority lines to guarantee unity of command at every possible point in the organization structure.

The line and staff problem is not only one of the most complicated that organizations face, but it is also the source of a large amount of inefficiency. Solving this problem requires a high degree of managerial skill. Koontz and O'Donnell have stated the following points as factors to attain the objective of successful staff work:¹⁰

Understanding Authority Relationships. The nature of line and staff relationships must be understood before the problems of line and staff can be solved. It must be recognized and emphasized that line and staff are authority relationships and that most managerial positions have elements of both. Every manager and his subordinates must understand the purpose of their tasks and whether they operate in a line or in a staff capacity. This understanding must be accompanied by the idea that line authority means making decisions and acting on them, while staff authority implies only the right to advise and counsel.

¹⁰ Ibid., pp. 292-294.

Making Line Listen to Staff. Line managers should realize that the competent staff specialist offers suggestions to aid and not to undermine or criticize. Although most line and staff friction arises from ineptness or overzealousness on the part of staff people, difficulty also arises because the line executive guards his authority and resents the very assistance he needs.

Completed Staff Work. Completed staff work implies the presentation of a clear recommendation based upon full consideration of a problem, clearance with persons importantly affected, suggestions about avoiding any difficulties involved, and, often, preparation of the paper work involved so that the manager can accept or reject the proposal without further study, long conferences, or unnecessary work.

Understanding staff authority is the basis for an organizational way of life. Superior and subordinate must know whether they are acting in a line or staff capacity. If an employee is in a staff capacity, then his job is to advise and not command. His line superiors must make the decisions and issue the instructions through the scalar chain. Not only must the staff specialist recognize that his job is to counsel, but the line executive must not confuse such counsel with command. Authority to manage must rest with the executive who stands in the line relationship with his subordinates.

The preceding ideas must be kept in mind by management to improve line and staff relationships. However, as

organization grows, staff also grows. Part of the growth is due to a natural consequence of the need for more services. Part of this growth results from companies setting up staff units to perform activities formerly bought on a contract basis from an outside agency. Another reason for the growth of corporate staff is evident by the fact that many companies are finding a need for types of services that had not been of previous concern. Some of these new functions arise from the competitive environment in which the company operates. Some functions are attributable to the increasing trend toward decentralization and divisionalized operations. Executive development, organization planning, and the emergence of marketing are examples of corporate staff activities.

The types of activities at the corporate level have been increasing, but it is not necessarily true that the number of personnel engaged in corporate staff work has been increasing.¹¹ Much of the service type work with which staff is identified is carried on by staff personnel within the divisions, leaving a smaller but more specialized, versatile, highly skilled staff at the corporate level.

This fact points out another aspect of the changing role of staff: the general shift of emphasis from its role as a primarily service agency to its role as an agency assisting

¹¹ "Corporate Organization Structures," p. 13.

in planning and control. This shift in emphasis is partially apparent in the titles of the corporate staff units. It is most apparent in the organization manuals that define the responsibilities of the corporate staff. This shift is most prevalent in companies that have moved to divisionalized organization. In a divisionalized company that practices decentralization, corporate staff assumes a major role in the formulation of corporate objectives and policies. Staff also assumes a greater role as an agent of the chief executive in measuring and appraising performance within functional specialties relative to the established objectives and policies of the organization.¹²

¹² Ibid., p. 14.

SUMMARY

Many staff employees have the opinion that it is necessary to transfer to a line position to gain such benefits as more income, authority, and prestige. The objective of this thesis is to explore and analyze present methods of evaluation and promotion of staff specialists and to determine the need for a parallel evaluation and promotion program. To accomplish this end, a questionnaire was sent to 270 companies throughout the nation.

The actual distinctions between line and staff which organizations make often do more than academic definitions to clarify the difference that exists between the two. The nature of the line function is a hierarchical arrangement of superior-subordinate authority relationships which has been referred to as the scalar principle in organization. The nature of staff is advisory. A duty in the organization that is not an actual link in the scalar chain is an auxiliary function and connotes functions that are required to supply information and services to the line.

Accountability for results is a simple method to clarify the authority relationships between line and staff. The person who is held accountable for the results of a decision has the authority to make the necessary decision. Line in this context connotes authority to take action or

authority to make decisions. Staff connotes the person that supplies facts and information that will enable the accountable manager to make a decision.

The principle of specialization, as advocated by Frederick W. Taylor is the basis for functional organization and provides the justification for staff specialists. Concentration of effort in a particular area increases the quantity and quality of performance. The staff specialist concentrates his attention to a limited area of an assignment, thus being in a better position to advise and assist the line executive who is concerned with a broader aspect of an assignment.

Although the utilization of staff is necessary to an organization, the nature of staff authority and the difficulty of understanding it lead to certain limitations. These limitations have been presented by Koontz and O'Donnell. They list the danger of undermining line authority, lack of responsibility by staff, management complication, understanding authority relationships, making line listen to staff, and completed staff work as limitations to the use of staff.

As organizations grow, the need for staff also grows. This expansion has created a need for a corporate staff in the organization. This highly specialized, skilled staff assists primarily in planning and control, leaving the service

type work to staff personnel within the various divisions of the company. This shift of responsibilities of staff is most apparent in companies that have moved to divisionalized organization.

CHAPTER II

APPRAISAL METHODS FOR STAFF SPECIALISTS

Objectives of Performance Appraisal

Performance appraisal within management ranks has become common practice in the last two decades in many companies and is often an important feature of management development programs. Appraisal programs are quite varied in nature as they are being used presently by companies around the nation. However, regardless of the specific program which a company may use, the general objectives are very similar. Kindall and Gatza present what they feel are the primary objectives of an appraisal program in the three following statements:

1. The first and focal objective is the improvement of performance in the job now held. This suggests that the appraisal procedure should not stop at an examination of the past; it should move on to the preparation of some plan for future action based on what has been learned from the past. This also suggests that the appraisal plan should embrace as many positions as possible and that it should strive for improvement in all of them.
2. The second goal is the development of people in two senses; a. providing the organization with people qualified to step into higher positions as they open up; b. serving as a help to the individual who wishes to acquire the knowledge and abilities he needs to become eligible for a higher job.
3. The appraisal procedure should also provide answers to the two questions which seem to be the recurrent concern of almost every organization

member: "How am I doing?" and "where do I go from here?" Answering these questions is of obvious benefit to the person whose mind they occupy. It may also be of great value to the organization, for in many cases these questions will preoccupy an individual and prevent him from hearing or responding to much of what his supervisor has to say.¹

This statement of objectives does not cover all possible goals. It makes no mention, for example, of two common appraisal program goals: providing an inventory of personnel resources and providing a means for testing personnel procedures. There is danger in expecting an appraisal program to do too many things at one time. It tends to be more effective if the company has differentiated between its needs for appraising performance and its needs for a system of performance reporting.

Some organizations will need some kind of report on the qualifications or performance of its employees. This is the case, for example, when the organization takes a personnel inventory at some point, or has need for a continuing manpower audit procedure. When this need is present, management should devise a simple report which carries only the information needed for these particular purposes. The reason for this is that all too often appraisal and reporting are looked on as one task. When this occurs, the performance report

¹ Alva Kindall & James Gatz, "Positive Program for Performance Appraisal," Harvard Business Review, 1963, p. 154.

usually is the same sheet of paper that is used as a guide in making the appraisal. The disadvantage of this practice is that it often leads the superior to sway his ratings out of conscious or unconscious concern over how the report might look to others.

The most common objective of formal appraisal programs is to provide a systematic judgment to substantiate salary increase, promotions, transfers, and sometimes demotions or terminations. Programs of this type are being used increasingly as a basis for the coaching and counseling of the individual by the superior. Other objectives of appraisal programs are to determine the training and developmental needs of employees, to establish standards of supervisory performance, to improve communication between supervisor and employee, to reach an understanding on the objectives of the job, to discover the goals of the employee and to reconcile them with the goals of the company, and to provide the employee with recognition for accomplishments.

These objectives of performance appraisal fall into categories, reflecting company philosophy and the assumptions underlying the use of performance appraisal. Objectives might be classified or grouped into two general categories as follows: 1. Objectives reflecting the administrative and related operational needs of the organization. 2. Objectives aimed at self-development of the individual.

The former classification assumes that managers must do certain things to employees, such as judging and measuring performance and motivating the employees. The latter encourages employees to want to do things themselves, developing greater motivation and interest in their jobs and learning their jobs better.

Merit Rating Appraisal Plans

Varied philosophies and opinions exist among businessmen and students of performance appraisal concerning the type of program to use to evaluate managers and executives. The most common, or at least most heard of, plan for performance appraisal is the merit rating program. Merit rating is a systematic evaluation of an employee by his supervisor or by some other qualified person who is familiar with the employee's performance on the job. Merit ratings are usually made by means of a standardized form that is adapted to the needs of the particular organizations. Usually the ratings are made at periodic intervals. A merit rating thus becomes a permanent part of an employee's record with a given company, and, at least in theory, is a part of the record that may be used by management in subsequent promotion, transfer, or layoff.

A survey by the National Industrial Conference Board of 400 companies indicated that about one half had employee

merit rating plans.² This represented a significant proportion of the companies surveyed. This emphasized the point that merit rating will remain an important part of personnel administration programs of companies despite certain criticisms that have been made regarding merit rating systems.

Although the term "merit rating" is new, the rating of men by supervisors is by no means a new development. Employees have always been rated by supervisors, and it is true that the ratings, regardless of their validity, have in the past been just as important in determining the fate of an employee as any rating made by means of a modern merit rating chart. Changes in the merit rating system have not involved making ratings where none existed before; rather the changes have involved a transfer from haphazard, random, and frequently irresponsible ratings to ratings made deliberately, calmly, and systematically. In this manner the ratings, if not completely comparable from one employee to another, are at least much more comparable than were the older evaluations of employees by supervisors.

Uses of merit ratings

Company executives use the merit rating system for various reasons. Again, as has been mentioned, the reasons may

² "Personnel Practices in Factory and Office," Studies in Personnel Policy, No. 145, National Industrial Conference Board, 1954.

be classified into two major categories: "Administration" and "Self-improvement". In the latter classification, the emphasis is upon helping employees to understand their strengths and weaknesses, so that they can have a basis for self-improvement.

The most important administrative use of merit ratings is for promotion. When employees are promoted into positions where they can most effectively use their abilities it is of benefit to both management and employees. A merit rating system, properly developed and administered, can aid in determining whether individuals should be considered for promotions. Such ratings should differentiate between an individual's performance on his present job and his performance potential on a higher level job. The ability to perform effectively on one job does not necessarily assure an employee's potential for greater responsibility.

Types of personnel actions such as transfers, demotions, terminations, and layoffs are, on occasion, necessary in most companies. In some instances, such actions are necessary due to unsatisfactory employee performance. When actions of this nature become necessary decisions must be made by management. These decisions have a sounder basis and are subject to less criticism when they are based on a fair and considerate personnel policy than when they are based on subjective judgments.

Merit ratings are used as a basis for granting wage and

salary increases. In some instances both merit and seniority are combined to grant increases in wages and salaries. Another use of merit rating is for training purposes. It can help to identify areas of skills in which numerous employees are not up to par. This points out training deficiencies which should be corrected by additional training. Also, a merit rating system can aid in identifying individuals who may require additional special training.

It is necessary that each employee knows where he stands for a merit rating system to aid in employee self-improvement. The supervisor will be doing both the company and the employee a favor by bringing to the attention of the employee his inadequate performance of his job. It is very likely that many aspects of an employee's performance could be improved if a supervisor is required to evaluate periodically all of his employees. It is good for management to inform an employee of his good and weak points if it is interested in having its employees perform their jobs in the best possible manner.

A study of appraisal programs.

Thomas L. Whisler has conducted an analysis and evaluation of eight companies to learn what efforts the companies were making to appraise the performance of individuals. He has summarized his findings and has presented the following general observations concerning performance appraisal:

1. Staff people generally recognize that various needs are to be served by a performance appraisal plan, at least when the plan is in the design stage. In practice, however, the rating plan is generally used for one or two purposes only, although these purposes may change over time.
2. Rating plans are rarely incorporated directly into wage and salary systems--formal ratings being something "to be considered." On the other hand, "counseling" or communication of appraisal information is perhaps the most commonly cited purpose of an appraisal system, even where no appraisal interviews are actually held.
3. A surprising number of companies keep some official record of behavior incidents involving employees at the non-managerial level. Even though these incidents usually are not translated directly into ratings, they are regarded as quite important, particularly when it is necessary to defend some unpopular action. One would expect on the basis of this evidence that the critical-incident rating technique would have a wide-spread intuitive appeal.
4. Management, in union as well as nonunion companies, relies primarily upon seniority in making decisions about wage rates, promotions, layoffs, and other personnel actions. The notion of rewarding merit is never forgotten, but it appears that one of the handiest measures of merit turns out to be seniority.
5. The performance appraisal plans which appear to be most effective are those which require the most time and money. In some cases (for example, where the forced-choice report is used), the great expenditure of time is in planning and developing the technique. In others, much effort goes into devising and enforcing controls. In the case where the critical-incident technique is used, the cost is high in planners' time, in raters' time, and in the time of those who maintain control over the system.³

³ Thomas L. Whisler, Performance Appraisal, Holt, Rinehart and Winston, New York, 1962, p. 476.

While these observations by Whisler are cited from a limited sample of eight companies, they are generalizations from a sample of large and small business and consequently can be applied, with some reservation, to the appraisal programs which are in general use at the present time. However, many students of performance appraisal have offered various criticisms against the conventional programs now in use by many of the companies throughout the nation. It is to these criticisms that we now turn our attention.

Criticisms of Conventional Appraisal Plans

The evaluation of performance to determine the amount and/or frequency of salary increases is standard practice in many companies and the concept of relating reward to performance is sensible and equitable. However, many people question the validity of the traditional rating methods and whether they do furnish reliable measures of performance. These criticisms can be categorized into three general areas:

1. Problems related to human judgment.
2. Problems related to organizational characteristics and managerial philosophy.
3. Problems concerned with the subjectivity of measures of performance.

Human judgment problem.

An article which originated in the personnel department of the Hawthorne Works, Western Electric Company over twenty

years ago has value, even today, as a statement of the problem of appraising others in an organization relative to human judgment. One point which is emphasized is that it is necessary to consider a rating as a "record of opinion" about an employee. Much misunderstanding about use and interpretation of ratings has resulted from the failure to recognize this principle.

Ratings require that judgments be made on intangible factors about the employee. These intangible factors cannot be measured as objectively, for example, as an employee's production output, yet these factors receive consideration for promotion, transfer, termination, or other personnel decisions. These intangible factors include such criteria as an employee's initiative, his dependability and versatility, or his ability to cooperate and get along with people. That judgments concerning these factors are not a figment of our own imagination is evidenced by the fact that other persons who are in a position to judge will agree that "We are constantly making judgments, such as Jones is more dependable than Smith, that he has more initiative, that he makes a better impression on people, that on the whole he is doing a better job."⁴ These judgments are the basis for actions

⁴ "The Nature and Interpretation of Employee Merit Ratings," Hawthorne Works, Western Electric Co., Performance Appraisal, p. 21.

concerning personnel adjustments therefore, confidence is expressed in them.

Two particular precautions should be considered when the appraisal rating is being interpreted. These are:

1. A rating should always be interpreted as having a "zone of uncertainty".
2. No rating should be expected to tell the whole story with regard to any personnel adjustment. Ratings should be used rather as a basis for discussion of proposed personnel changes.⁵

Judgments of the intangible factors cannot be perfect, consequently they cannot be expected to be 100% correct. Thus, when comparing two or more employees who are very similar from a rating, the "zone of uncertainty" is wide enough so that no important differentiation can be made on the assumption that one is really better than the other.

The Hawthorne article lists several factors which affect the "zone of uncertainty" in appraisal rating:

1. The smaller the number of raters, the greater the zone of uncertainty.
2. The smaller the number of employees in similar work in the organization, the greater the zone of uncertainty.
3. Comparisons among men in different organizations have a wider zone of uncertainty than among men in the same organization.

⁵ Ibid., p. 27.

4. Comparisons of men in somewhat different occupations have a wider zone of uncertainty than among men doing exactly the same work.
5. The longer the time since the rating was made, the greater the zone of uncertainty that it is true at the present time.⁶

Appraisal ratings should not be taken at face value to provide a clear cut decision concerning personnel problems. It may be that a particular employee is suited for a particular job which must be filled and that promotion of an individual with the best rating may not be the most prudent action. For example, experience in the company may qualify an individual for a promotion over another employee who has, according to the ratings, been performing more effectively on the job. There are many factors to take into consideration and one must be careful to consider the ratings as a guide rather than an answer to problems concerning personnel adjustments.

Organizational and managerial problem.

A number of authors feel that the primary objection to the conventional appraisal program is the problem of men in the organization having to judge other men within the organization. The point of this problem area culminates with the appraisal interview which results in resistance from the

⁶ Ibid., p. 23.

managers who must administrate the program. This resistance is usually caused by a lack of skill by the manager to conduct the interview, a natural dislike for criticizing a subordinate, or possibly by a mistrust in the appraisal procedure. McGregor feels that there is a deeper underlying cause for this criticism of conventional appraisal programs. He states his idea of the underlying cause for criticism in this manner:

The conventional approach, unless handled with consummate skill and delicacy, constitutes something dangerously close to a violation of the integrity of the personality. Managers are uncomfortable when they are put in the position of "playing God". The respect we hold for the inherent value of the individual leaves us distressed when we must take responsibility for judging the personal worth of a fellow man. Yet the conventional approach to performance appraisal forces us, not only to make such judgments and to see them acted upon, but also to communicate them, to those we have judged. Small wonder we resist!⁷

Judgments will have to be made by managers about subordinates. Without judgments, appraisal and promotion programs cannot be administered. The question is, however, "Are subordinates to be evaluated like products from an assembly line?" McGregor holds that the appraisal process may be improved upon by means of training the evaluators, using group appraisal methods, or through research on the appraisal

⁷ Douglas McGregor, "An Uneasy Look at Performance Appraisal," Harvard Business Review, Vol. 35, No. 3, May-June, 1957, p. 90.

program; but the assumptions of the conventional appraisal program are the same as a product inspection program.

Assuming this interpretation of appraisal programs, then it follows that the managers of an organization are unwilling to make binding judgments on subordinates. This philosophy would indicate that the trend of managerial opinion concerning employee relations is shifting away from the "Theory X" philosophy and toward the "Theory Y" philosophy of management. The manager wants to be a leader and not a judge which most conventional appraisal programs demand.

Subjectivity problem.

Many authors feel that the conventional performance appraisal program is inadequate as a personnel procedure. This feeling is based primarily on the subjective nature on which conventional programs are administered. The basic objection is that the manager is placed in a position of judging the personal qualifications of his subordinates and making decisions on these judgments. Furthermore, it is felt that a manager does not possess, nor could he acquire, the skill necessary to make these judgments and to assume the responsibility of effectively carrying out the decisions made from them. It is this aspect that is responsible for the uneasiness and resistance of management to the performance appraisal programs.

SUMMARY

Performance appraisal of employees is a common practice in many companies. Although there is a great deal of variance between appraisal programs, the general objectives are usually quite similar. The most common objectives of formal appraisal programs is to provide a systematic judgment to substantiate salary increases, promotions, transfers, and demotions or terminations. The overall objectives of performance appraisal may be classified into two general categories: 1. Objectives reflecting the administrative and related operational needs of the organization. 2. Objectives aimed at self-development of the individual.

The merit rating system is the most common form of performance appraisal. A survey by the National Industrial Conference Board of 400 companies indicated that about one half had employee merit rating plans. This plan is a system of evaluation of an employee by his supervisor or by some other qualified person who is familiar with the employee's performance on the job. The rating is usually made by means of a standardized form and is made at periodic intervals. The results of the rating are made a part of the employee's permanent record and is used by management to determine future promotion, transfer, or termination.

Various criticisms have been made by students of

performance appraisal against the conventional methods currently being used by many companies. These criticisms can be categorized into three general areas: 1. Problems related to human judgment. 2. Problems related to organizational characteristics and managerial philosophy. 3. Problems concerned with the subjectivity of measures of performance.

Ratings require that judgments be made on intangible factors about an employee. It is an extremely difficult task to make these judgments on an objective basis. For this reason an article from the Hawthorne Works, Western Electric Company emphasized the necessity to consider a rating as a "record of opinion" of an employee. This article also presented two precautions which should be considered when an appraisal rating is being interpreted. These precautions are that a rating should be interpreted to contain a "zone of uncertainty," and that no rating should be expected to present all the information with regard to personnel adjustment.

A major objection to performance appraisal is the fact that men in an organization have to judge other men in the organization which culminates with the appraisal interview. According to McGregor, managers are placed in the role of "playing God." Although appraisal and promotion programs cannot be administered without judgments, McGregor holds that the process may be improved upon by allowing the manager to

assume the role of a counselor rather than a judge. This philosophy would indicate that the trend of managerial opinion concerning employee relations is shifting away from the "Theory X" philosophy and toward the "Theory Y" philosophy of management.

CHAPTER III

IMPROVED PERFORMANCE APPRAISAL

Philosophies for Improved Performance Appraisal

Students of performance appraisal have advanced new ideas for improvement of the conventional programs which are presently in widespread use in many companies throughout the nation. These improved plans are intended primarily to appraise administrative and managerial personnel both in line and staff positions. For this reason, this chapter will deal with appraisal programs in general with emphasis on separate methods of appraisal for staff specialists being considered in Chapter V.

Basis for philosophy.

The appraisal programs which have been presented as improvements of the conventional plans are basically the same. Some authors have different ideas about the technique of a plan, however the general trend is to create an appraisal program which is more results oriented than the conventional plans. This philosophy has been derived from the point of view of basic social values. Peter Drucker's concept of "management by objectives" seems to have provided a framework within which these authors have attempted to seek a solution. According to Drucker, each manager in the organization must

have clear cut objectives which specify the contribution of each particular unit in the organization and the contribution of each manager. "These objectives should always derive from the goals of the business enterprise,"¹ Drucker has stated. The objectives of each manager should be defined in terms of his contribution to the goals of all areas of the organization. This thought is presented to permeate the philosophy of defining individual objectives or goals in terms of the over-all goals of the business.

Criticisms of the conventional appraisal programs have been mounting in recent years. This has resulted in an increasing trend toward administering appraisal programs on the basis of an employee's performance in relation to certain stated goals. This goals-oriented type of appraisal can take any number of forms, however, the basic aim of each form of appraisal program is to insure a high degree of objectivity and consistency in rating employee performance. We will concentrate our attention on several of the various forms which have been presented by such authors as Rensis Likert and Douglas McGregor. We will then look at a program used by the General Electric Company which is based upon assumptions which are consistent with the philosophy presented by Drucker.

¹ Peter F. Drucker, The Practice of Management, Harper and Brothers Publishers, New York, 1954, p. 126.

Douglas McGregor's plan.

McGregor has suggested a program which begins with the employee drawing up a clear statement of his responsibilities, and how these responsibilities work in actual practice. This statement is not a job description but a statement of the major job duties by the subordinate. After this statement is completed, the subordinate and supervisor meet to discuss the draft and modify it until it is agreeable to both that it is adequate.

The subordinate will then establish goals to attain, usually for a period of six months. This is a statement of specific action which he plans to take with reference to the goals he has established. When this statement is completed the superior and subordinate again discuss it and make any modifications that are necessary until both agree upon it.

At the end of the six month period, or whatever time period has been established, the subordinate appraises his performance in reference to the goals which have been set for that period. Any information which he presents to the superior should be substantiated as much as is possible by factual data. During the interview the superior and subordinate together examine the subordinate's appraisal of his performance and then, if necessary, reset any goals that have not been attained and also new goals for the subordinate to strive to attain in the next six month period.

At any time during this process the superior has the authority to exercise any veto power that he feels necessary; this being in accordance with the hierarchical nature of organization in business. However, according to McGregor, "In practice he rarely needs to exercise it. Most subordinates tend to underestimate both their potentialities and their achievements."² He feels that subordinates normally have a desire to please their boss and are willing to adjust their goals if the superior feels that it would be more expedient to do so. A much more common problem which would result would be to resist the subordinate's tendency to want the superior to formulate the goals for him.

This plan has changed the appraisal program from one of appraisal to one of analysis. Analysis in the sense of examining a subordinate's performance for both his weaknesses and strengths. The basic difference of this plan and a conventional plan is that the subordinate is examining his own performance to a greater extent rather than the superior attempting to make judgments.

This plan rests on the assumption that the subordinate is able to determine his own weaknesses, strengths, and potentials better than any other individual. The conventional plan assumes that the superior is the best qualified

² McGregor, p. 91.

individual to make judgments on a subordinate's qualities. McGregor argues that no methods are available to a superior that can provide him with sufficient knowledge and information to qualify him to make sound decisions concerning a subordinate's weaknesses, strengths, and potentials. He states that, "Ratings, aptitude and personality tests, and the superior's necessarily limited knowledge of the man's performance yield at best an imperfect picture. Even the most extensive psychological counseling. . . would not solve the problem because the product of counseling is self-insight on the part of the counselee."³

The superior's proper role in this plan is to help the subordinate relate his goals and management development to the goals and needs of the organization. Subordinates will accept this help because the rewards in the way of promotion, status, and income depend on his contribution to the organization and to what extent his performance satisfies the organizational objectives. The subordinate should also be aware that his superior can better correlate his goals with those of the organization and can help him test the soundness of his goals and the steps he plans to take to attain them.

In this role the superior need not become a judge of the subordinate's performance. The participation of both superior

³ Ibid., p. 92.

and subordinate is a necessary part of this appraisal plan. The superior is in a position to utilize his knowledge of the organization to advise and counsel the subordinate about his potentialities, while the subordinate assumes a positive role by examining his own record of performance and drawing conclusions concerning his development.

The emphasis of this plan is on performance rather than personality. When a superior is required to be the judge of a subordinate's performance, many times that subordinate's personality will have more of an effect on the superior's decision than the subordinate's performance. With the plan proposed by McGregor, there is less tendency to rate a subordinate on his personality. This is due to the situation that will find the superior in a position of counseling rather than criticizing or judging the subordinate. This counseling will not require an examination of an employee's personality traits.

It would appear that this particular plan is attempting to eliminate any judgment on the part of the superior. This is not the case. This plan does not intend to eliminate problems of wage and salary administration and of promotions. It does intend to cause managers to recognize the problem inherent in conventional programs which have been discussed. Also, the plan does not intend to insinuate that, if it is adopted, it will automatically solve the problems of managerial skill. This is required regardless of the appraisal methods used.

Rensis Likert's plan.

Rensis Likert, through research at the Institute of Social Research at the University of Michigan, has proposed an employee performance appraisal program which is, he believes, an improvement of the conventional appraisal plan. This new program is similar, in many aspects, to the plan proposed by McGregor which has been discussed. Likert has based his ideas on what he suggests is a "modified theory of management." This theory has been obtained by combining methods and principles of management used by managers who have gotten the best performance in industry and government.

Certain assumptions concerning human variables have been stated by Likert. These assumptions are briefly set forth in the following statements:

1. The quality of superior-subordinate relationships exerts a major influence on the behavior of subordinates and on all aspects of the organization's operation.
2. The relationship between the superior and his subordinates which results in the best performance is supportive in nature and contributes to the subordinate's sense of personal worth and importance. . . .
3. Subordinates seem to react unfavorably, at least in our society, to negative evaluations by their superior. . . .
4. People seem most willing and emotionally able to accept, and to examine in a nondefensive manner, information about themselves and their behavior, including their inadequacies, when it is in the form of objective evidence. . . .

5. People tend to respond positively to information suggesting potential improvements in their behavior when this information is conveyed in the friendly, supportive atmosphere of a small, well-established group in which they feel secure.
6. People seek to learn new and more effective ways of behaving only when they, themselves, recognize the inadequacies in their present behavior.
7. The extent of the individual's desire to learn better ways of behaving depends on how important he feels the situation is to him. The more important he feels the situation is, the greater is his motivation to learn.
8. When an individual is motivated to improve and modify his behavior, it is essential that he receive prompt, accurate reports on the adequacy of his efforts.
9. Much of the learning needed for managerial development must occur at the intellectual, emotional, attitudinal, and behavioral levels. Learning acquired at any one level is ineffective unless accompanied by corresponding changes in behavior at the other levels.
10. Persons in hierarchical organizations generally recognize the power of the hierarchy and try to evoke favorable reactions from superiors who have influence in this hierarchy.
11. Participation in decisions in the small work group under the leadership of a superior skilled in the process is a particularly powerful method of training and achieving change.⁴

These assumptions will serve no purpose to appraisal programs if it is not possible to measure the human variables which affect an organization's performance. However, to serve as an improvement over conventional programs, the measurement

⁴ Rensis Likert, "Motivational Approach to Management Development," Harvard Business Review, July-August, 1959, pp. 76-77.

of these variables must be as objective as is possible. Likert suggests that objective measurements can be accomplished by utilizing the methods of social science researchers. It is his opinion that measurements made through the use of methods by social science researchers are accurate enough to enable a superior and subordinate to reach an agreement on the performance capacity of an individual, and further, of the organization. He contends that the greatest danger of employing measurements of this type is that managers will underestimate the necessary skill in administering an appraisal program based upon the preceding assumptions. An objective measurement of these human variables is a most complex assignment, one which would require skill in the social science field.

The measurement of human variables along with the standard measurement of data on costs, production, turnover, etc., has provided the foundation on which to build a new approach to performance appraisal. The approach which Likert has suggested attempts to utilize these measurements. The basic steps of this program are outlined as follows:

1. Working with his subordinates as a team, each manager sets objectives for the next period ahead.
2. The manager and his superior review the plans and objectives set by the manager and his work group.

3. At the end of each period for which plans and goals have been established, results are reported on all of the variables measured.
4. Each manager studies the results of his operation and evaluates his leadership and performance.
5. At the same time that results of the previous period are being reviewed, objectives and plans are drawn for the period ahead.
6. The complete cycle just described is carried out continuously so that each manager will have a constant flow of information coming to him about his operation and behavior.⁵

The objectives which the superior and subordinate mutually agree upon are of two kinds: 1. Those objectives which are established for short time periods, six months, nine months or whatever time period is consistent with the organization's period for setting goals. 2. Those objectives which are established for a longer time period. The objectives which are set as long range goals should be evaluated and analyzed at the end of each shorter period. At this time it would be decided whether the objectives should be readjusted, and if so, to what extent.

Goals and objectives would be defined in terms of the variables which were previously listed. The superior and subordinate also formulate the procedures to be employed to attain these objectives and also specify the measurements required to evaluate how well each objective has been attained

⁵ Ibid., pp. 80-81.

and how well the procedures were followed.

As is the case with most new endeavors, the plan will not function perfectly due to a lack of practical knowledge. This is especially true when one is dealing with the human factor in an organization. Likert states that managers are apt to discover a lack of objective measurement for certain variables which they may wish to appraise. He suggests that in this situation a manager obtain judgments from several persons whose competence and objectivity have been proven by past performance in the organization. He asserts that this group method of obtaining judgments is superior to appraisals made by one manager.

One of the essential differences between McGregor's approach to appraisal and that of Likert's is the latter's emphasis on group procedures. In the second step of his plan Likert suggests that the superior and all the managers who report to him review the objectives as a group as opposed to McGregor's plan in which the review process is carried out privately between the superior and the subordinate. The argument for the group procedure is that the objectives can be better correlated both as a unit and in relation to the objectives of the organization.

The results which have been appraised for the period should be reported for the entire operation under each manager. Each manager should also receive information concerning the

performance of comparable units throughout the organization. In this way each manager can appraise his own performance and that of the operations for which he is responsible in comparison with the performance of other managers and their units of operation. This procedure of comparing results within the organization should serve to provide each manager with incentive to strive to improve his area of responsibility. This factor will provide the general effect of improving the organization's total performance.

At the end of each period the manager, after having evaluated the results of the period, should meet with his subordinates and review the data as a group. In this review the group should consider how successful they were in attaining the objectives of the period, what objectives they failed to attain and why they failed to attain them, which objectives contributed the most to success of the unit and which one the least, and what objectives should be established or revised for the coming period. After having thoroughly reviewed the results with his subordinates, each manager should meet with his superior and report his unit's evaluation of the results. This level of review should also be conducted as a group session with all managers reporting to the same superior. This group procedure facilitates each manager in that he will benefit from the ideas, problems, and experience of the other managers.

During the course of the review procedures, new objectives as well as modified ones should be formulated. These objectives should be determined by the results of the past period. They must be established with the aim of utilizing all of the data which has been gathered from the past period. Likert has emphasized the group process of reviewing results and establishing objectives; however he does not eliminate the possibility of individual sessions between subordinate and manager, and manager and superior. He does, in fact, encourage both individual and group sessions in the process of performance appraisal review.

An important factor which is inherent in both of the plans suggested by McGregor and Likert is the fact that these processes must be continued in a cycle. The basic reason for this continuous nature of the programs is to provide a constant flow of information for the manager. In this manner the basic functions of management can be better carried out to increase the entire efficiency of the organization.

By Likert's own admission, this plan is by no means a complete product. "It needs experience, testing, and refinement."⁶ He feels that this program is an improvement over the conventional appraisal programs which are in widespread use at the present time. Furthermore, the procedures that

⁶ Ibid., p. 82.

these conventional plans utilize seem to be inconsistent with the procedures that the management of the companies with the best record of performance in the nation at the present time are using. Also, it is concluded that if the methods of this new plan are used effectively by a well-managed company, that company should realize better results both financially and in the utilization of its personnel.

The Appraisal Plan at General Electric Company

The plans just described are similar in many aspects to the new performance appraisal program which is currently being used by the General Electric Company. This company has conducted a scientific study to test the effectiveness of their conventional performance appraisal program. The reason for this study was that through their experience with appraisal programs they had discovered both positive and negative results. This study placed emphasis upon the appraisal interview between the superior and the subordinate. Among the results which they found were the following:

1. Criticism has a negative effect on achievement of goals.
2. Praise has little effect one way or the other.
3. Performance improves most when specific goals are established.
4. Defensiveness resulting from critical appraisal produces inferior performance.

5. Coaching should be a day-to-day, not a once-a-year, activity.
6. Mutual goal setting, not criticism, improves performance.
7. Interviews designed primarily to improve a man's performance should not at the same time weigh his salary or promotion in the balance.
8. Participation by the employee in the goal-setting procedure helps produce favorable results.⁷

Method of conducting study.

This study was conducted in one of General Electric's larger plants where the appraisal program was considered good. This annual appraisal program had two primary purposes, one being to justify salary adjustments, the other being to provide the superior an opportunity to review the subordinate's performance and to offer suggestions for improvements. The superior was expected to establish objectives for the subordinate to attain to enhance his opportunity for improvement and promotion.

Previous experience had indicated that the appraisal interview between superior and subordinate had predominantly concerned salary adjustments. This subject left both participants in no mood to discuss ideas about performance improvement. Due to this reason managers were asked to split

⁷ H. H. Meyer, E. Kay, J. R. P. French Jr., "Split Roles in Performance Appraisal," Harvard Business Review, Jan-Feb., 1965, p. 124.

the interview into two sessions, the first concerning performance improvement, the other concerning salary adjustment. This split allowed the researchers to better measure the effects of participation in goal setting.

Half of the managers in the study were instructed to ask his appraisee to establish his own goals and to allow him to exercise as much influence as possible in the final list of objectives. The other half of the managers were instructed to establish objectives for the appraisee and to exercise more influence than the appraisee in determining the final list of objectives.

Questionnaires were sent to the 92 appraisees in the study, which included engineers, foremen, technicians, and staff specialists in finance, manufacturing, customer service, marketing, and purchasing functions. The group was asked to complete the questionnaires both before and after the salary adjustment interview and after the second interview concerning performance improvement. The objectives of the questionnaire was to evaluate the changes in attitude of the appraisees toward their managers and the appraisal program after each of the sessions; to estimate the participation level that the appraisee usually attained when discussing decisions that affected him; and to obtain a self-appraisal from each appraisee before and after he met with his superior.

Each interview session was observed by graduate students

in applied psychological disciplines to record the proceedings. Some of the data that these observers recorded in the salary adjustment interview concerned the amount of criticism and praise used by the manager, as well as the appraisee's reactions. The observers recorded the amount of appraisee participation and influence exercised in determining his objectives in the performance improvement session.

It was found that the managers, on the average, praised the subordinates concerning general performance characteristics and criticized them on specific performance characteristics. Statistics showed that the managers praised the subordinates more than criticizing them; however subordinates reacted generally defensively to criticisms by the manager. The degree of a subordinate's defensive reaction was in a direct relationship with the amount of criticism he received from the manager.

The authors explained this defensive reaction by the subordinate's tendency to overrate his own performance. The majority of the study group after the performance appraisal session felt that their manager had rated their job lower than they had rated their job. This feeling resulted in the defensive attitude taken by the majority of the subordinates during the interview.

Conclusions drawn from study.

An important discovery of this study revealed that those

subordinates who received an above-average number of criticisms during the interview showed less improvement in the next period than those who received below-average criticism during the interview. Further investigation revealed that this result of the study was an objective and valid conclusion. Furthermore, this phenomena was more prevalent with subordinates who had less confidence in their ability to perform satisfactorily on his job than others who had that confidence.

Another conclusion was drawn from the study concerning the effects of criticism on the subordinate about a particular phase of his performance. It was found during the follow-up investigation that the areas of performance which the manager most criticized showed less of an improvement than was attained in other aspects of the subordinate's performance.

It was found that the group that was allowed a high participation level during the performance interview generally attained a higher percentage of their objectives than did the group which was allowed a low participation level during the performance interview. However, it was also discovered that subordinates who were accustomed to a low participation level in their job did not necessarily perform better when allowed the high participation level, and, in fact, the subordinates who had been accustomed to receiving a high degree of criticism

performed better when their managers established the objectives rather than when they established the objectives. It was generally concluded that subordinates who have been accustomed to a high level of participation usually perform better when they establish their own objectives and subordinates who are accustomed to a low participation level usually perform better when their manager establishes the objectives.

The important part of the objective setting process was not the participation level of the subordinate, although this did have some effect on the improved performance of the subordinate, but the fact that objectives were established. Frequently, when managers suggested areas of improvement, these suggestions were changed into goals for the subordinate, although this was the situation in only a little better than half of the cases. However, it was also found that those subordinates who did translate the manager's suggestions into objectives had a 65 percent achievement rate of those performance items while those that did not translate the suggestions of the manager into objectives had only a 27 percent achievement rate of those performance items. This seemed to lead to the conclusion that establishing specific objectives would better ensure that attention would be focused on that particular area of job performance.

From this study of their performance appraisal program

it was decided that some form of discussion involving goal setting and review was a better plan than the conventional annual appraisal program. Many managers throughout General Electric adopted some form of the new "Work-Planning-and-Review" (W P & R) program which evolved from this study of performance appraisal. The form of this program is similar to the plans that were discussed earlier in this chapter. Briefly, the W P & R plan calls for meetings between superior and subordinate on a periodic basis to discuss past performance of the subordinate, solve job-related problems, and establish new goals for the future.

The new program differs from the conventional program in several ways. One being that salary adjustment discussions are held separately from the performance appraisal discussions. The discussions between the superior and subordinate occur more frequently than was the situation with the conventional program. Also, there are no summary judgments or ratings made and the emphasis of the interviews is on the establishment of objectives and solving of problems by the superior and the subordinate.

About half of the key managers in the General Electric plant decided to adopt the new appraisal program after having been informed of the results of the study which had been conducted. The other half decided to continue with the annual appraisal program and attempt to make it more effective. This

division of managers provided a basis for a comparison of the two programs. Comparison was made on the objectives which were normally used for the conventional program.

The comparison was made for a one year time period and the results of the comparison decidedly favored the new W P & R approach. The basis for the conclusions made concerning the new program was a questionnaire which was completed by the affected employees both before the institution of the W P & R approach and one year after it had been in effect. The attitudes of this group had changed favorably in relation to:

- . . . amount of help the manager was giving them in improving performance on the job;
- . . . degree to which the manager was receptive to new ideas and suggestions;
- . . . ability of the manager to plan;
- . . . extent to which they felt the goals they were shooting for were what they should be;
- . . . extent to which they received help from the manager in planning for future job opportunities;
- . . . value of the performance discussions they had with their managers.⁸

The W P & R approach has generally been accepted as a better means to improve employee performance than

⁸ Ibid., p. 128.

the conventional appraisal program. It was also found from the study that subordinates under the new plan were more likely to take specific actions to improve their performance than were the subordinates under the conventional appraisal program. It seems that performance appraisal programs which are similar to the type that McGregor and Likert have suggested are proving to be more effective in accomplishing their objectives than the conventional appraisal programs being used widely at the present time.

SUMMARY

Peter Drucker's "management by objectives" concept has provided the basis on which current authors have built their solutions to the criticisms of conventional appraisal plans. A trend toward administering appraisal programs on the basis of an employee's performance in relation to certain stated goals has developed as a result of these authors' writings. Such authors as Douglas McGregor and Rensis Likert have presented forms of a goals-oriented type of appraisal plan that are typical examples of the programs that are penetrating company philosophy at the present time.

Douglas McGregor has suggested an appraisal plan that is one of analysis rather than appraisal. The employee is given much more freedom to select his own goals and to discuss them with the superior. The subordinate has a greater responsibility to determine his own weaknesses, strengths, and potentials than with a conventional program. The superior's role in this plan is to help the subordinate relate his goals and management development to the goals and needs of the organization.

Rensis Likert has presented a plan which is similar to McGregor's appraisal plan but with several differences in procedure. Likert recommends the use of methods of measurements of social science researchers to attain an objective evaluation of certain human variables. He also stresses the

use of group procedures to evaluate an employee and emphasizes the fact that the appraisal process must be continuously conducted in a cycle in order to be effective.

The General Electric Company conducted a study of their appraisal program for the purpose of determining its effectiveness. The results of the study pointed out that certain aspects of the program were ineffective. These facts were similar to the criticisms which authors have made against conventional appraisal programs.

The study was primarily concerned with the appraisal interview. It revealed that those subordinates who received an above-average amount of criticism during the interview showed less improvement than those who received below-average criticism during the interview. Also, the study revealed that there was a correlation between the amount of participation by the employee during the interview and his subsequent performance on the job.

CHAPTER IV

EVALUATION AND PROMOTION DATA RECEIVED FROM ORIGINAL SURVEY

Method of Conducting the Survey

As was indicated in Chapter I, a questionnaire was sent to 270 companies throughout the nation. These companies were selected from the various industry listings which appeared in the Spring, 1965 edition of Moody's Handbook of Widely Held Common Stocks. Reasoning for the use of this publication as the source for the companies to be surveyed was based on the assumption that a representative sample of the nation's vast industry could be adequately acquired from this source. This source did not limit the survey to the largest companies, in terms of sales, but also included smaller companies as well as representation of forty-two general industries in the nation. A list of the companies and the various industries surveyed appears in Appendix B.

Return replies to the questionnaire totaled 134. Of this figure six replies stated their refusal to complete the questionnaire due to various and sundry reasons. One questionnaire was returned with one page missing and was therefore invalid. This left a net return of 47 per cent. Overall, the responding companies did not answer any one question on the questionnaire one hundred per cent. The first five questions

received the highest percentage of response. In the remainder of this chapter this author will deal with the questions individually, presenting various statistics on each as well as comments pertaining to each question which appeared on the questionnaire. A quotation that is identified with a particular company will appear only with the stated permission of the individual who was responsible for making that specific statement.

Purpose of the Questionnaire

The purpose of this questionnaire was to attempt to determine the opinion of the companies surveyed concerning the need of parallel evaluation and promotion programs, or dual-ladder programs as some of the respondents referred to them. Further, it was aimed at the specific evaluation and promotion programs of each company, and the respondent's opinion on improved methods of each. Comments were solicited to gain further insight into the opinions concerning this type of a program.

The form of the questionnaire used "parallel promotion programs" to indicate equal lines of promotion between line and staff personnel. However, the predominant reply on the returned questionnaires referred to evaluation methods as opposed to promotion methods. Promotion, by nature, relies to a great extent upon evaluation of the employee concerned. It is this rationalization that leads this author to discuss

dual-ladder or parallel evaluation methods to a much greater extent than the actual promotional lines which are established as a result of this method of evaluation. It is with the evaluation methods that companies were most concerned and comments seemed to indicate that it is the method of evaluation, and not necessarily promotion, that establishes equality between line and staff positions.

Results of the Questionnaire

Summary of percentage response

Table I has been developed in an attempt to portray the response to the questionnaire. This table presents, in percentage figures, the total response to each question and the positive and negative answers to each question. A copy of the questionnaire appears in Appendix A. Questions that did not require a positive or negative reply are purposely excluded from the table and will be explained in the ensuing text.

Results of the survey concerning question one show that a large majority of the companies do have an established policy for evaluation of line executives and staff specialists. Almost 95 per cent of these companies indicated their evaluation policy was the same for both line and staff employees. This particular response seems to indicate that no differentiation is made in most companies between line and staff employees concerning the basis on which they are

TABLE I
RESPONSE TO QUESTIONNAIRE

Question Identity	Percentage Response		
	Total	Positive	Negative
Evaluation policy for line executives	85.8	81.7	18.3
staff specialists	85.8	81.7	18.3
Same policy for both	70.9	94.4	5.6
Better method of evaluation	73.2	30.1	69.9
Promotion policy for line executives	82.7	72.4	27.6
staff specialists	82.7	72.4	27.6
Same policy for both	61.4	92.2	7.8
Transfer to line necessary to attain goals	82.5	15.4	84.6
Need for program to enhance specialist promotion	84.3	15.9	84.1
Company consideration of parallel program	39.3	20.0	80.0
Parallel program still under active consideration	11.8	66.7	33.3

Source: Results tabulated from questionnaire.

evaluated. Question three, which pertained to the promotion policy of the company for line and staff employees, received a similar response as question one although not quite as strong. Nevertheless, 92 per cent of the responses indicated that the promotion policy of their company was the same for both line and staff employees.

The primary objective of questions four and five was to determine the need for any type of a dual-ladder or parallel promotion program for staff specialists. The response indicated that a large majority of the companies felt there was no need for such a program pertaining to staff specialists. An almost identical percentage felt that it was not necessary for a staff specialist to transfer to a line position to attain his goals in reference to income, prestige, and status, or that there was a need for a program to enhance a staff specialist's opportunity for promotion within his specialty.

A large proportion of companies indicated that they had never considered the adoption of a parallel promotion for their line and staff employees. This response could be the result of several situations concerning the companies' position on evaluation and promotion programs. This will be discussed in further detail later in this chapter.

Company evaluation policies.

As indicated by the table, 81.7 per cent of the companies

that responded to the questionnaire indicated that they had an established policy for evaluation of line executives and staff specialists. One respondent indicated that his company had:

Policies of (1) job evaluation for determination of salary range, (2) performance evaluation for salary increments, and (3) performance evaluation for development and promotability apply to both line and staff.

The preceding statement is typical of the primary purposes for which companies utilize performance evaluation. Most companies have some established policy for evaluation which applies to both line and staff for the purposes of determining the salary of an individual, determining the degree of development, and determining the promotability of an individual. Although the general consensus indicated an established policy pertaining to both line and staff, there was some difference indicated about the composition of the policy and the factors which were used to evaluate line and staff employees. One firm stated that they utilized the:

same policy for line and staff, but the factors taken into account in arriving at evaluations are different

Returned information failed to expand on the company policy and the different factors which are used for evaluation of staff specialists. The questionnaire indicated that there was a difference, but that difference was not detailed.

However, the mention of a difference of factors used to evaluate line and staff employees indicates to some extent the need for a separate or parallel evaluation system for line and staff employees. Management does recognize the difference in the type of functions which staff performs and thus realizes that a separate set of evaluation factors should be used to fairly appraise staff employees' performance. This does not, however, make provisions for a parallel route of promotion for a staff specialist within his specialty. It does guarantee that a staff specialist will be considered equally for promotion, be it to a line position or to another staff position.

A number of companies stated that their evaluation program was based upon performance of the individual. As one company replied:

Performance is, after all, performance--line or staff--and should be evaluated on the basis of the job content and how the job is done. The job ought to be fully described, evaluated in its relationship to its importance in the organization and paid on the basis of how well it is being done.

Another stated that:

our evaluation program is very much results oriented.

These two statements indicate the trend which present evaluation programs are following. The programs are being

based to a greater extent on the performance and the results that an individual produces rather than some of the more personal characteristics of the employee. This is as evaluation should be, administered on as an objective basis as can be attained. Objective evaluation of both line and staff employees has been championed by the authors cited earlier in this thesis and is being administered by the companies that realize its value.

Eighteen and three tenths per cent of the replies to question number one indicated their company did not have a formal policy for evaluation. One company stated:

We have no formal evaluation program. Rates for specific jobs are determined by comparison of one to another in an informal manner. This being true, I think you could say that the same policy exists for both line and staff employees.

This statement is indicative of the smaller companies surveyed which have no formal policies to serve as guidelines. The evaluation and promotion of employees is administered on a much more informal basis than that of large corporations. The relative size of the company makes this procedure feasible.

Another reply gave a negative opinion on formal evaluation programs by stating:

We have no such program. Each individual is promoted and compensated on the basis of merit. An established policy would destroy the team attitude that now prevails. There are exceptional people in both line

and staff functions. There are more of these in the line functions than in staff, but positions are considered for their importance to the company and thereby rewarded.

It seems that the preceding reply was the result of a misinterpretation of the question, a formal policy being understood to mean an inflexible procedure for evaluating and promoting line and staff employees, which is not the intention of the question. The suggestion of a merit system of evaluation and promotion indicates that this particular company does have a type of formal program with which the inquiry on the questionnaire was concerned.

Company promotion policies.

Closely paralleling the question concerning evaluation policies of the companies was the question concerning promotion policies of the companies. The primary objective of this particular question was to discover any disparities between the promotion policy for line executives and staff specialists of the companies. Results showed that 72.4 per cent of the responding companies had an established policy of promotion for both line and staff employees while 92.2 per cent indicated their policy was the same for both line and staff employees.

Replies to this question strongly indicated that the emphasis is on the evaluation of an individual's performance, the results of his work, and his personal qualifications for

promotion, rather than emphasizing the actual promotion policy. Results showed that the essence of promotion is evaluation and that it is the evaluation method and procedure which should receive as much consideration for parallel methods as the promotion method. One cannot be separated from the other on an objective basis and consequently each should receive equal attention with reference to parallel methods of administering each program.

One company indicated that:

The policy is to consider the qualifications and potential of all staff and line personnel in filling vacancies in either function, with the objective enabling and encouraging each one to rise as high as he can in the organization.

Another stated that:

Line executives and staff specialists are promoted on the basis of outstanding ability and need for a new position or a replacement of the person who has retired or has been promoted.

Still another company replied that their promotion policy is:

. . . based on merit and potential.

They went on to say that there is:

. . . no difference in line and staff

These statements indicate the current philosophy of companies

which is predominantly that of considering all qualified employees, line or staff, for promotion to a particular position, be it a line or staff function. No differentiation is made between line and staff employees for promotional purposes. This trend of thought indicates that the need for a specialist to advance within his specialty is not particularly important, either to the company or to the individual. This is in opposition to the views of several authors who feel that it is important to the company and to the individual that a specialist have the opportunity to advance within his specialty without sacrificing any personal goals he might hold.

A policy of promotion from within the organization is prevalent in most of the responding companies. One reply stated:

Our policy is one of promotion from within, with emphasis on inter-divisional or departmental moves to obtain the best man for the job.

Another replied:

We are continually encouraging inter-division and inter-function transfers and promotions. No differentiation has been made between line-staff promotional opportunities. We will consider many candidates for a particular job opportunity with quite different and distinct backgrounds provided that their qualifications and experience meet the job requirements.

This statement is typical of the promotional philosophy of

present corporations. The replies to the questionnaire indicated a definite trend towards promotion on the basis of merit, qualifications, and potential of an employee whether he be in a line function or a staff function. This, however, is a criterion of evaluation. The actual basis on which promotion of an employee took place was dependent upon the needs of the organization and the vacancies which were created in the organization lines. It was also indicated that individuals were considered for promotion to a particular position regardless of the fact that they were presently serving in a line or staff function.

One respondent summarizes the process which takes place while considering an individual for promotion. He stated:

Ability and length of service have always been considered. Frequently training is given to certain executives in an allied field so that they will have a chance to develop abilities and leadership qualities preparatory to their taking charge of a particular department in which their qualifications and abilities are apparent.

This statement exemplifies the philosophy and attitude of present corporations concerning their promotion of line and staff employees.

Inter-function transfer.

An attempt to determine the need for a parallel promotion program or a similar program was the objective of question number four on the questionnaire. This was an inquisition

into the necessity for a staff specialist to transfer to a line position to attain his goals in reference to status, income, and prestige. The results of this particular inquiry showed that 84.6 per cent of the responding companies felt that it was not necessary for a staff specialist to transfer to a line position to attain the above mentioned goals. A similar response was received in reply to the inquiry concerning the need for a better program to enhance a staff specialist's chances for promotion within his specialty. The result was an 84.1 per cent negative response.

While it has been indicated that inter-function transfer is commonplace in companies, the response shows that this phenomena is not required of a specialist to attain his personal goals. It is felt that a staff specialist is able to satisfy his goals by remaining in his specialty, although this would be dependent upon the level of an individual's aims. If an individual cannot fulfill his goals, then it does not hinder him or his contribution to the company to transfer to a line position.

Most of the negative opinions concerning this particular area are represented by the following quotes which are taken from selected returned questionnaires. These statements indicate the reservations which some of the responding companies used with their rationalization that it was not necessary for a staff specialist to transfer to a line position to attain certain goals. As one reply read:

Drive, level of aspiration, and occupational goals differ with individuals. While our company has a parallel promotion program and many staff specialists are paid more than some managers, it is our feeling that eventually a point is reached where the contribution of the highest level managers is greater than the contribution of the highest level specialists.

Another replied negatively with the reservation that:

there can be only one president and one chairman of the board

Still another company felt it was necessary for a staff specialist to transfer to a line function:

only to the point that he finds the top job in his specialty filled and more opportunity in a line area

The implication here is that it is not necessary to transfer unless extenuating circumstances dictate it.

From this sample of the replies which attached certain reservations to the reason for the negative answer, it is evident that the percentage pertaining to this question is somewhat misleading. In reality, a much higher percentage than is shown indicated the opinion that it is necessary for a staff specialist to transfer to a line position to attain certain goals, especially if these goals include attaining the top position in the company.

Although only 15.4 per cent of the replies stated that it was necessary for staff employees to transfer to line

functions, these replies supplied sound justification for this opinion. Many of the opinions depend upon the respondent's concept of goals. As was previously mentioned, an individual's goals are a personal consideration and it is upon this determination that the opinions hinge. As one reply emphasized:

It is necessary for a staff specialist to transfer to a line position assuming his goals to be the highest pay and greatest responsibility in his section, division, department, or the company as a whole.

One company expressed the opinion that the idea of joint accountability narrows the gap between line and staff personnel. Active promotion of line men into staff operations and staff men into line operations is carried out in this particular company. This phenomena is characteristic of present corporations as has been indicated in previous statements. Although the predominant opinion is that in theory it is not necessary to transfer, in actual practice inter-function transfer is commonplace.

A revealing statement concerning this area was received from one manufacturing firm which said:

We subscribe to the dual-ladder concept for line and staff work in Research and Development. Nevertheless, it is impossible for any staff position to ever be paid as much as the line position. We try to sell this philosophy to our personnel. Nevertheless, the very high positions in the company are and always will be line.

A mining firm replied:

Although no firm policy has been established, in actual practice line functions have been deemed the route of fastest advancement and highest pay. It is the old idea that you can't get along without them; and this has not changed since the business has become many times more complex, with the need for many specialists.

These two statements depict the general philosophy concerning staff specialists and the point at which it is necessary to transfer to line functions. The opinion of this group is that to attain the pinnacle position of an organization it is necessary to be in a line function. However, this fact is fairly universally accepted. It is not this ultimate position with which we are concerned, but with the positions of higher management which lead to this top position. Any number of routes may be followed, but it is the objective here to determine whether an individual can attain the top position in a company entirely through the staff specialist route or whether it is necessary to transfer to a line function and follow this route to the top.

By utilizing only the percentage of answers returned pertaining to this area, it would appear, possibly superficially, that the consensus feels that it is not necessary to transfer from a staff position to a line position to attain the ultimate position in a company. However, analyzing this percentage in further depth reveals that most of the

negative replies that included comments on the subject indicated that transfer is not necessary only to a point, this point being largely determined by the individual's personal goals. Should a staff individual desire to attain the top position in a company, then he must transfer to a line function. If a staff specialist's goals are commensurate to a middle-management position, then he can attain these goals by remaining in his particular specialty.

Concrete statistics are not available to fully analyze this reserved opinion which just has been discussed. The reason for this situation is that many of the replies which expressed a negative opinion did not comment on their opinion. However, judging from the sample that did return a comment with their answer, the conclusion can be made that the general opinion is that staff specialists must transfer to line functions to attain the ultimate position in the company.

Staff specialist promotion.

The 84.1 per cent negative replies to the inquiry concerning better programs to enhance a specialist's chances for promotion was almost identical to the response received for question number four which pertained to transfers of staff personnel to line functions to attain certain stated goals. This percentage correlates favorably with that of question four. Since the greatest percentage felt that it was not necessary for a staff specialist to transfer to a line

function to attain his goals then it would follow that there is no need for a better promotion program for staff specialists. This particular statement is made with certain reservations. It does not mean that a particular promotion or evaluation program may not need improving in certain procedures. This need is always present, as there are new methods for any system or procedure constantly being administered. It does mean, however, that 84.1 per cent of the responding companies felt that a staff specialist's chances for promotion in their company were sufficient enough so he could attain his particular goals. This opinion also reflects the philosophy of inter-function transfer between line and staff positions which enhances a staff specialist's chances for promotion.

Among the 15.9 per cent of the replies which stated a need for better programs were several comments and opinions on the type of program which would enhance a staff specialist's opportunities. One of the replies suggested a program based upon:

Headquarters administration of a company-wide standard skills inventory for all managerial personnel (including performance and promotability indices) conducted in conjunction with a requirement that newly created managerial positions and vacancies be reported to headquarters for screening and recommended candidates within the company prior to filling the position or vacancy locally.

This idea stresses the need for a program that would recognize and consider all possible candidates for a position whether it be line or staff in nature. However, this proposal does not specifically indicate any need for a program to enhance a specialist's chances for promotion within his specialty.

Another response indicated that a program should be used that would:

. . . rate all positions, both line and staff, on the basis of relative functional importance to the company in achieving its goals. Obviously, some of the staff functions--when reviewed in this light--appear equally important in the company's future with the line functions. From such a rating base, the employee can be critically reviewed to determine the degree of excellence brought to the function.

This statement also indicates an equitable program for evaluation but does not suggest any program for a specialist within his specialty.

Several respondents pointed out the necessity of a parallel program for staff specialists in the scientific and technical areas of a company. However, it was felt that staff positions in other areas did not require a parallel program to enhance their promotional opportunities. Inter-function transfer was sufficient to meet the goals of these individuals. This idea suggests that companies feel that staff positions other than technical functions are similar

enough to line positions to warrant inter-function transfer which would benefit both company and individual. The parallel programs suggested for technical employees are explained in further detail in Chapter V.

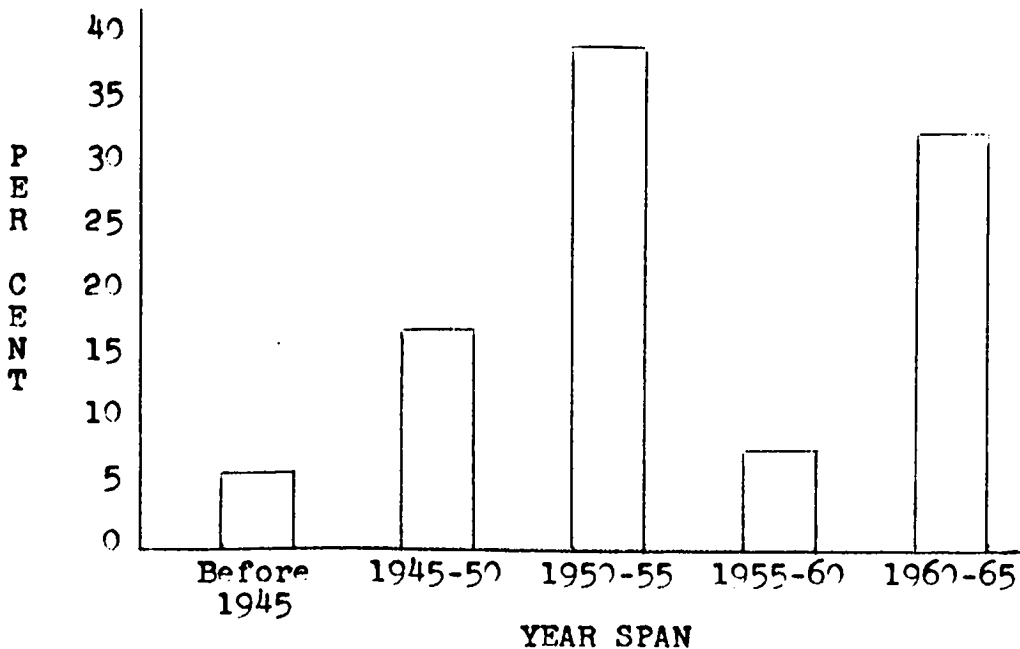
Other comments indicated a need for further research on the factors to be used when evaluating staff specialists. Also, further study was suggested on what factors contribute to success in progressively higher staff positions. Emphasis was placed primarily on the method of evaluation as opposed to the actual promotional lines. It was felt that if the procedure for evaluation of a staff specialist was sound and fair, then his chances for promotion would be enhanced, either within his specialty or by transfer to a line function. The degree of an individual's advancement under these conditions would be limited only by his own personal goals, and would depend upon his performance and promotability.

Trend and impact of parallel plans.

The following graph illustrates the trend of parallel promotion programs in recent years. This graph presents the percentage of the total number of companies replying that they had such a program and the year that they adopted it. As the graph indicates the predominance of such programs were adopted in the year spans of 1950-1955 and 1960-1965. No definite trend is discernible from the results of the questionnaire. However, it can be stated that the greatest

majority of parallel promotion programs have been adopted within the last fifteen years.

FIGURE 1
PARALLEL PROGRAMS ADOPTED IN RECENT YEARS



Source: Results tabulated from questionnaire.

The general opinion of the impact on the organization in relation to line-staff relationships was favorable. As one firm replied:

There is a much better feeling in the organization since staff people do not feel that they are left in a position without any chance for promotion. Very frequently good staff people will be placed in line executive positions. In this manner they do not feel that they are overspecializing in one part of the field.

This statement again seems to suggest a parallel method of evaluation rather than promotion, as it indicates the transfer of staff to line. This would again present the idea of an equitable evaluation procedure for line and staff employees, rather than a parallel path of promotion for line and staff.

The response to question number seven was not sufficient enough to result in any concrete conclusions being made from it. Table II shows the percentage breakdown of the replying firms that indicated their classification according to that presented in the questionnaire. A reply was not received from a company that indicated it was in the wholesaling classification. Also, the "other" classification included replies from petroleum, aerospace, financing, and marketing firms as was indicated on the questionnaire.

Results of the questionnaire reveal that most companies have established policies for evaluation and promotion of both line executives and staff specialists and that these policies are generally the same for both classifications of employees. Further, the general consensus is that better programs are not needed for the evaluation and promotion of staff specialists, however, this is not to say that these programs can not be improved in their quality and administration. Emphasis was placed upon a parallel method of evaluation of staff specialists and not the establishment of parallel promotional lines within a given staff specialty.

TABLE II
CLASSIFICATION OF COMPANIES

Company Classification	Percentage of Total Replies
Manufacturing	52.7
Retailing	8.1
Wholesaling	0.0
Insurance	7.1
Transportation and Utility	11.8
Banking and Investments	7.7
Other	12.6

Source: Results tabulated from questionnaire.

Also, it was indicated that parallel promotion was feasible to a point in middle management, whereafter the transfer to a line function was the most advantageous route to attain the ultimate position in a company if this was the goal of the individual.

SUMMARY

A questionnaire was sent to 270 companies throughout the nation to determine the need of parallel evaluation and promotion programs for staff specialists. The response totaled forty-seven per cent. The questionnaire was sent to companies which represented forty-two various industries.

A great majority of the participating companies indicated that they had formal evaluation and promotion programs and that these programs were generally the same for both line and staff. There was a difference of factors used to evaluate staff indicated by the questionnaire. Results showed that evaluation programs are being based to a great extent upon the performance of an individual and the results which he produces. A trend towards promotion on the basis of merit, qualifications, and potential of an employee, either line or staff, was indicated by the response to the questionnaire.

Results revealed that it was generally not necessary for a staff specialist to transfer to a line position to attain his goals in reference to status, income, and prestige. However, certain reservations were included with this opinion. The consensus of opinion also revealed that a better evaluation and promotion program for staff specialists was not needed, with the exception of scientific and technical specialists.

Several respondents indicated that parallel promotion is feasible to a point in middle management, whereafter transfer to a line position was the best route to attain the ultimate position in a company. It was also indicated that the necessity of transfer to a line position by a staff specialist to attain certain goals was dictated to a large degree by the individual's personal goals.

CHAPTER V

PARALLEL PROGRAMS AND PHILOSOPHIES OF SELECTED COMPANIES

Several companies returned copies of their parallel evaluation and promotion programs while others indicated to some extent their philosophies concerning this area. Examples of parallel promotion programs were included in some of these returns. With the exception of General Electric, all of the company plans are administered for the purpose of evaluating staff specialists in the scientific and technical areas. This procedure was suggested by several respondents to the questionnaire as a method of parallel evaluation of certain staff specialists. Although the program for a particular company may have been identified with a different title, the basic philosophy of each is similar to that of the parallel promotion program referred to in this thesis. These plans generally concern the evaluation method utilized in the company as well as the promotion policy of the company. The area of evaluation is included in the total spectrum of the parallel promotion program with which this thesis is concerned.

Scott Paper Company

The Scientific Ladder

The Scott Paper Company treats all employees equally insofar as promotions are concerned. A basic philosophy of

their promotion policy is for employees to acquire experience in both line and staff functions. This procedure parallels the general opinion that was reflected by the response to the inquiries on the questionnaire concerning these particular policies. However, the Scott Paper Company has a program referred to as the Scientific Ladder for certain staff specialists. This program has been in existence for at least five years and includes the Engineering Research, Staff Engineering, and Research Divisions.

This program was originated with the concept that the need for scientists who are the best in their field increases with the expansion of engineering and research. It is also known that these scientists live and work under standards and desires which differ in varying degrees from those which are familiar to administrative people. Therefore, it is necessary to create an environment which will attract and retain these individuals. This environment must provide recognition for the individual and a recognized opportunity for advancement. It must create an environment in which the individual can perform his duties to his maximum capability without being burdened with administrative responsibility.

The Scott Paper Company has established four non-administrative levels which is known as the Scientific Ladder. Each of the specific titles indicates a progressively higher level of technical achievement. The Scientific Ladder has

flexibility which allows it to expand according to the needs of the organization. It is broad in description and application, and it is recognized that in future years, as specific men rise to eminence in their field, additional titles will have to be included in the Scientific Ladder.

Emphasis is placed on the idea that the present four levels on the Scientific Ladder be equal to the comparable managerial and/or line levels. The appointment of an individual to one line of progression does not prevent interchangability in the future. However, the system is not intended to be used to resolve problems of placement within the administrative function.

Criteria and impact.

The Company has established certain criteria for selection of an individual to the Scientific Ladder. These criteria are as follows:

1. Outstanding research achievements including important publications and patents that have contributed to Scott Paper Company's progress.
2. Reputation within Scott for creativity and scientific accomplishment.
3. Recognition outside Scott as evidenced by professional society awards, invitations to present papers at technical society meetings and committee assignments.
4. Maturity as an individual whose judgment and vision are widely respected and who inspires

confidence through his integrity, character and knowledge.¹

Appointments to the Scientific Ladder are subject to the approval of a specified group of top management of the Company.

The executives of the Scott Paper Company feel that, since its adoption in 1960, the Scientific Ladder has improved both the prestige and morale of the company's technical employees. They also are of the opinion that there have been no adverse effects from the line employees.

The Dow Chemical Company

The Dual-Ladder.

The Dow Chemical Company employs a similar program to that of Scott Paper for their scientists and technical employees. It is referred to as a "dual-ladder" program. The designation of Research Scientist is given to a select number of scientists who have chosen active research as a career. The classification of Research Scientist is one of three established by the Company to recognize superior scientific achievement and to provide an equal opportunity for advancement to the scientist who prefers to continue in active research rather than to advance in an administrative capacity. Also, two other ratings in the research "ladder" are available,

¹ Copy of Scott Paper Company's Scientific Ladder.

Senior Research Chemist (or Engineer, Pharmacologist, etc.) and the intermediate step of Associate Scientist.

As a Research Scientist the individual has complete freedom of choice of research projects. He has few supervisory responsibilities. He does, however, have wide professional recognition both within the Company and in national and international scientific circles.

Criteria and impact.

Appointments to the rank of Research Scientist are made by the director of research, after recommendation by a committee whose identity is confidential. Although no exact specifications are required for nomination, consideration is given to technical and scientific publications, talks, patents and reports; education; work experience both at the Company and elsewhere; ability and reputation in his field of specialization; and how widely the candidate is consulted within the Company and by other scientists.

The position of Research Scientist is the top of the ladder at the Dow Chemical Company. The positions of Senior Research Chemist (or Engineer, Pharmacologist, etc.) and Associate Scientist are lower levels on the ladder along which a technical employee may advance to the top position of Research Scientist. Since the program's adoption in 1950, executives feel that the impact on the company has been very

favorable. They feel that it has been a very significant development in research morale and effectiveness.

The Celanese Corporation

The Technical Evaluation Plan.

The Celanese Corporation adopted a program in 1963 entitled the Celanese Technical Evaluation Plan. This plan covers the Company's technical research and development employees. This separate evaluation plan was established in order to provide clear promotional opportunities to technical personnel who might not be included in the "management" group.

The technical group is divided into nonsupervisory and supervisory although some of the non-supervisory personnel may coordinate the work efforts of a small group of people. Those technical employees who are "supervisory" are responsible for the management of a project rather than the purely technical aspects of a project.

The plan actually consists of two lines of progression. The non-supervisory line entails five levels which a technical employee may attain. The ultimate position being entitled Senior Research/Engineering Associate. The supervisory line contains four levels, the lowest of which is similar in salary to the third non-supervisory level. The top position in the supervisory line is that of Section Head A/Manager A.

This position draws \$1600 more a year than the Senior Research Associate. This situation indicates that the general trend of the company is to pay more to individuals who assume administrative and supervisory responsibility than to non-supervisory individuals.

Other staff specialists in the Corporation such as industrial relations, personnel, advertising, public relations, communications, etc., are evaluated on the same scale as are the line executives. Rationalization for this procedure hinges on the idea that the nature of these staff positions varies to a great extent within staff specialties. The Company has found that it is able to successfully compensate and promote staff specialists, other than technical/research and development personnel, using the same methods as are used for line executives.

The Monsanto Company

The Monsanto Company has a dual-ladder plan in the area of technical research. The philosophy of this Company is that, "The matter of staff specialist is a problem which must be handled on an individual basis." This thinking is similar to the comments submitted by several respondents to the questionnaire who indicated that staff specialist evaluation is more of an informal matter rather than a formal policy. When the performance of an individual staff man in the Monsanto Company justifies it, a special title is developed

and processed through the salary committee. This special title has the effect of breaking the salary levels of the present classifications. It also appears under an appropriate letter grade which might carry such status symbols as particular office furnishings, office rugs, types of walk, etc. This end result is a dual-ladder program.

Although this program is referred to as a formal dual-ladder program, it appears that the actual administration is accomplished on an informal basis. This is an example of the procedure which is used in many companies to promote certain employees. There is no formal plan to follow, instead, an informal procedure is followed to attempt to evaluate and promote technical and research employees and no formal definition of equal line and staff positions exists within the organization.

The General Electric Company

Equal opportunity.

The General Electric Company has done extensive research into methods of evaluation for employees. The philosophy of this company concerning evaluation and promotion is that of "Equal Opportunity." This concept is that of a worthwhile and desirable goal to work toward rather than an accurate description of a completely universal situation in today's "real world."

The basic principle concerns the fair evaluation of the

worth to the Company of the expected contribution of a position. The compensation level for each position is determined through an approach designed to be more objective in the evaluation of this expected work contribution. A salary range for each designed position encourages individual growth and resultant adjustment based on regular and objective appraisals of performance. Fully implemented, such an approach means that each employee, regardless of the type of work he is doing, knows that he is being compensated for work accomplished. All are compensated according to more nearly objective evaluations of their work, designed to reward the actual person who does the work rather than on his personality.

Determining the worth of a position.

A great deal of responsibility rests with the people who determine the worth to the Company of a particular position. In determining the worth of positions, evaluations need to be based on well-seasoned judgment applied to the most complete and accurate information available. Evaluations need to keep up with changing conditions and not become static. When there is a significant change from the work as previously designed into a position, the position needs to be redesigned and re-evaluated up or down as the case may be. The value of the work of a position may change significantly from time to time due to changes in any one or all of the following factors which are used by General Electric to

determine the compensation for a position:

1. The value to the Company of the intended contribution.
2. The design of work elements into a position.
3. The market value of the knowledge and skill required by the work designed into the position, and the risk involved.
4. The continuing performance of the individual in that position, regularly reviewed and objectively appraised against agreed-upon standards.²

It is very important that it be clear to every employee that the evaluation of the work of his position does not result in "freezing" him into slots or grades. Rather, it is a means of determining the value of other positions. The intent is fair evaluation on the same basis for all positions in the Company. Sound position evaluation is a major step in making more opportunities equally available to all employees.

The goal is to insure equal opportunities for all employees, proportionate to their capability, initiative and contribution within the framework of the entire Company. The reduction and eventual elimination of the arbitrary restrictions in personal advancement results in each employee progressing along his own particular path as he matures, as he

² From Copy of General Electric Company Philosophy submitted with questionnaire.

increases the knowledge and skills that permit him to make a greater contribution to business objectives, and as the worth to the Company of his contribution takes an increased importance. Objective evaluation of the contribution expected from and made by each employee can result in compensation and progress according to achievements.

Goals of the plan.

The goal of "Equal Opportunity" may be expressed as "parallel paths" or "multiple paths" or "unrestricted opportunities for all." However, even as a fully implemented concept and a realized goal, "Equal Opportunity" will not necessarily result in equal achievement or equal compensation. The actual rewards, monetary or otherwise, are the direct result of the advantage that any one individual actually takes of the opportunities that are available to all. Significant to the concept is the principle that no employee whose basic interests and particular combination of abilities indicate a career in one of the technical areas and who can accordingly make his greatest contributions to the objectives of the Company in this area need feel he has to become a line executive as the only means of achieving his own desired financial and other personal goals.

The total number and worth to the Company of line executive positions is limited by the competitive and economic requirement of the organization. This fact is evidenced by

the necessarily comparatively small number of line positions in upper organization levels. Frustrating problems result from this organizational limit to the number of top line executive positions. On the other hand, expanding opportunities for staff specialists are created by the requirements of the organization to meet the many needs of the business enterprise. When the skills of a specialist have progressed to the stage that he could contribute more than the contribution needed by the Company in that particular area, then his knowledge and skills will be used more effectively and result in a more valuable contribution when made available to another component of the Company. Or the greatest contribution might be made by making the individual's knowledge and skills available for long-range research and development or other areas as required by the over-all Company objectives.

Promotion to another component of the Company assures recognition for the greater contribution made possible by success in the individual's self-development efforts. In the second instance, functional promotion is encouraged where the individual's particular ability for doing such work may be made available to all components of the Company. In either case, increased personal recognition and greater financial compensation results for the individual.

The philosophy of the General Electric Company and the

method they utilize to evaluate their line and staff employees closely approaches the ideas of McGregor and Likert concerning performance appraisal. It strives to conduct the evaluation procedure as objectively as possible. The system is based primarily upon the performance of an individual. This is in accord with the results-oriented programs with which McGregor and Likert were concerned.

Summary

Several of the participating companies returned copies of their parallel evaluation and promotion programs while others indicated their philosophies concerning this area. While each company used a different title for their plan, each is similar in nature to the parallel program referred to in the questionnaire. The basic consideration in these plans is the provision for a parallel evaluation and promotion plan for the scientific and technical staff specialists of the company.

The Scott Paper Company advocates inter-function transfer of line and staff employees and treats all employees equally with respect to promotions. However, the company has instituted a parallel plan for its technical employees which is entitled the Scientific Ladder. This plan provides for greater professional recognition and a greater opportunity for advancement of technical employees than was present under the standard method of evaluation and promotion.

The Scientific Ladder consists of four non-administrative levels. The plan is flexible so that it will be able to expand according to the needs of the company. Emphasis is placed on the idea that the present four levels of the Scientific Ladder be equal to the comparable managerial and/or line levels. Adoption of this plan seems to have improved the

prestige and morale of the company's technical employees.

The Dow Chemical Company employs a dual-ladder program for its scientific and technical employees. Three classifications, Research Scientist, Senior Research Chemist (or Engineer, Pharmacologist, etc.) and Associate Scientist, have been established to recognize superior scientific achievement and to provide an equal opportunity for advancement to those who choose not to advance in an administrative capacity. The employee has few supervisory responsibilities and has freedom to select research projects. Since the program's adoption executives feel that it has had a favorable impact on the organization and that it has been a significant development in research morale and effectiveness.

The Celanese Corporation adopted the Celanese Technical Evaluation Plan which covers the company's technical/research and development employees. This plan provides for clear promotional opportunities to technical personnel who might not be included in the management group. The technical group is divided into supervisory and non-supervisory categories. The technical employees who are "supervisory" are responsible for the management of a project rather than the purely technical aspects of a project. Other staff specialists of the company are evaluated on the same scale as are line executives.

The Monsanto Company employs the philosophy that the

matter of evaluating a staff specialist must be handled on an individual basis. A special title is developed for a specialist in a technical area when his performance justifies it. This title is then processed through various channels and its effect is to break through the existing classifications.

The General Electric Company employs a philosophy of "Equal Opportunity". The basic principle concerns the fair evaluation of the worth to the organization of the expected contribution of a position. This plan is results oriented and assures each employee that he is compensated for his performance. The goal of this plan is to insure equal opportunities for employees, proportionate to their capability, initiative and contribution within the framework of the entire Company.

CHAPTER VI

CONCLUSION

Much confusion exists concerning a clear cut definition of staff. Many academic definitions have been put forth by many people. As is the problem with defining any word, the problem of defining staff depends a great deal upon the perspective of the definer. The academic distinction between line and staff which is created by the various definitions is generally greater than the actual distinction made in an organization. This is not to say, however, that organizations do not make a distinction between the two. Indeed, it is important to the organization and the employee to recognize the differences between a line position and a staff position.

Staff is advisory in nature. A staff position is not an actual link in the scalar chain, consequently, the staff duty is an auxiliary function. Staff work is not limited to only advisory or counseling duties. It may perform certain services or exercise functional control. These duties do not place staff in a line role when they are being performed.

A method of distinguishing between line and staff is by the method of "accountability". This term describes the situation wherein the person who is held accountable for the

the results of a decision has the authority to make the necessary decision. Staff then implies the person who supplies facts and information that will enable the accountable manager, or the line executive, to make a decision.

Regardless of the distinction made between line and staff in an organization, both must be evaluated for performance and considered for promotion. The objectives of performance appraisal are quite varied between companies. However, the most common objective of an appraisal program is to provide a systematic judgment to substantiate salary increases, promotions, and transfers. These objectives of performance appraisal reflect company philosophy and the assumptions underlying the use of performance appraisal.

The merit rating system of performance appraisal is perhaps the most common method of evaluation used by companies at the present time. This evaluation of an employee is made by his supervisor or by some other qualified person who is familiar with the employee's performance on the job. A standardized form is usually utilized and the merit rating is made part of the employee's permanent record. The objectives of the merit rating system are similar to those cited for general performance appraisal programs.

A great deal of material has been written concerning conventional appraisal plans. Consequently, criticisms have been leveled at these plans in general. The most common

criticisms concern the problems related to human judgment involved in evaluating an employee, problems related to organizational characteristics and managerial philosophy, and problems concerned with the subjectivity of measures of performance.

Students of performance appraisal have advanced new ideas for improvement of the conventional plans which are in predominant use in companies at the present time. The basic trend of these improvements is to provide for an appraisal plan which is more results oriented than the conventional plans. Peter Drucker's concept of "management by objectives" seems to have provided the basic framework within which these improvements have been originated.

Douglas McGregor has presented a plan which is basically a goals-oriented appraisal plan. It allows for greater employee freedom in selecting personal goals and provides for a higher degree of self-analysis by the employee being evaluated. The predominant role of the superior is that of a counselor rather than a judge.

Rensis Likert has originated an appraisal plan which emphasizes objectivity in the evaluation of an employee. By utilizing measurements made through the use of methods by social science researchers, Likert holds that an accurate and objective evaluation can be made of an employee. He emphasizes the use of group procedures to evaluate an employee and stresses the fact that the evaluation process must

be continued in a cycle in order to be effective.

The General Electric Company conducted a study to test the effectiveness of their appraisal program. Results of the study revealed facts which were similar to the criticisms which have been made against conventional appraisal programs. As a result of their study, the General Electric Company has instituted a performance appraisal program which is very similar in nature to those plans advocated by McGregor and Likert.

A questionnaire which was sent to 270 companies in the nation by this author revealed interesting opinions concerning parallel evaluation and promotion programs for line and staff employees. The majority of the respondents felt that staff employees received equal opportunity in their company for promotion. Many were of the opinion that it was advantageous, both to the company and to the employee, to transfer an employee from line to staff and vice versa. Results revealed that very little difference existed between line and staff employees concerning their evaluation and opportunity for advancement. The idea of a parallel evaluation and promotion program for staff specialists in research and development was presented by several companies.

Parallel programs for staff specialists are in existence in several companies which responded to the questionnaire. These programs are for the technical and scientific specialists

of each company. They are essentially similar to the type of parallel program to which the author referred on the questionnaire.

Several conclusions can be drawn based upon the original research which this author conducted in the form of a questionnaire. It must be emphasized that these conclusions are based on responses received from companies included in the survey and any misinterpretation of these responses is the responsibility of this author.

Transfer of staff specialists to line positions, and line executives to staff positions is a common and beneficial situation occurring in many companies at the present time. This inter-function transfer provides a specialist the opportunity to expand his abilities and consequently, to become more valuable to the organization. Further, a line executive may be transferred to a staff position to gain experience in a specific area, thus contributing to his ability to carry out his line duties in the event of a subsequent transfer back to a line function.

The opportunity for promotion is equal for both line and staff employees. The personal goals of an individual are the important factor in determining his position in the company. Should an employee aspire to the top position in a company, then he will have to function in a line capacity to attain this ultimate goal.

Opportunities for advancement are a vital factor in determining job satisfaction and providing incentives for superior performance. The prestige associated with promotion is often more important than the salary increase, especially for outstanding researchers who are particularly concerned with professional recognition. Opportunities for advancement in other functional areas are usually equivalent to the opportunities to line personnel to advance. Unfortunately, advancement in technical areas is often limited, resulting in frustration. This situation exists primarily in the technical areas of a company.

To meet this inequality of advancement opportunity several companies have instituted a parallel evaluation and promotion program for their scientific and technical employees. Under this system the research employees can advance along the traditional path of technical administration or remain completely in technical work by moving up a professional scale. The use of a professional scale gives greater recognition of technical achievements.

The parallel approach benefits the technical employee and the company by allowing employees to choose a path of advancement in accordance with their desires and abilities. This permits those with creative talent in technical fields to remain in research work without being penalized. The increased professional status provided is an effective

inducement for attracting and retaining quality technical people. The quality of research management also improves with the institution of a parallel program by allowing those without executive skills to concentrate on technical work. An important consideration is that employees affected by this program be given meaningful classifications which are given the same prestige and financial rewards as comparable managerial positions.

Support for a parallel evaluation and promotion program was expressed by several of the responding companies for scientific and technical employees. Present opinion is that evaluation and advancement opportunity for staff specialists other than technical employees is equivalent to line positions depending upon individual goals and inter-function transfers which benefit both company and employee.

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APPENDIX A

THE QUESTIONNAIRE SUBMITTED TO COMPANIES

For the purpose of this study, "staff specialists" will be defined as "those employees who provide specialized services to the line officials and advise and counsel them in the performance of their duties but who have no authority to issue instructions except as specifically designated in the organizational set-up or to those subordinates who work with him to provide staff services."

1. a. Does your company have an established policy for evaluation of:
line executives yes no staff specialist yes no
- b. If so, is this policy the same for both line and staff employees?
 yes no

Comment:

2. a. In your estimation, would there be a better method of evaluating staff specialists in your company? yes no
- b. If so, what method?

3. a. Does your company have an established policy for promotion of:
line executives yes no
staff specialists yes no
- b. If so, is this policy the same for both line and staff employees?
 yes no

Comment.

4. Do you think that in your company it is necessary for a staff specialist to transfer to a line position to attain his goals in reference to income, prestige, and status? yes no
5. a. Do you feel that in your company there is need for a better program to enhance a staff specialist's chances for promotion within his specialty? yes no
- b. If so, what type of program would you suggest?

6. a. If your company has a parallel promotion program for line-staff employees, when was this program adopted? _____
- b. What has been the impact on the organization in relation to line-staff relationships since its adoption?
7. a. If your company does not have a parallel promotion program for line-staff employees, has the adoption of such a program ever been considered? ____yes____no
- b. If so, is it still under active consideration? ____yes____no
1. If the answer to Part b is yes, what problems do you think would be encountered if such a program were instituted?
2. If the answer to Part b is no, why was the program dropped from consideration?
8. Type of firm:
- | | |
|-----------------------|------------------------------------|
| a. manufacturing_____ | d. insurance_____ |
| b. retailing_____ | e. transportation and utility_____ |
| c. wholesaling_____ | f. banking and investments_____ |
| | g. other_____ specify_____ |
9. (Optional) Name of firm: _____

Permission granted to quote ____yes____no

Permission granted to identify company ____yes____no

An organization chart or any printed brochures pertinent to evaluation and promotion programs for staff specialists in your company would be greatly appreciated. Thank you.

APPENDIX B

LIST OF COMPANIES

LIST OF COMPANIES USED IN SURVEY
MOODY'S HANDBOOK OF WIDELY HELD COMMON STOCKS

Aerospace

Boeing
 Douglas Aircraft
 General Dynamics
 Lockheed Aircraft
 McDonnell Aircraft
 Northrop
 Republic Aviation
 United Aircraft

Airlines

American Airlines
 Braniff Airways
 Delta Air Lines
 Pan American World Airways
 Trans World Airlines
 United Air Lines

Aluminum

Aluminium Ltd.
 Aluminum Co. of America
 Kaiser Aluminum
 Reynolds Metals

Automobiles

American Motors
 Chrysler
 Ford
 General Motors

Auto Equipment

Borg-Warner
 Eaton Manufacturing
 Electric Storage Battery
 Timken Roller Bearing

Banks-New York City

Bankers Trust
 Chase Manhattan
 Chemical Bank New York Trust
 First National City Bank
 Irving Trust

Banks - Other

Massachusetts Investors
 Trust
 Bank of America
 Fidelity Philadelphia Trust
 First National Bank (Boston)
 First National Bank
 (Chicago)
 Girard Trust Bank
 Republic National Bank
 (Dallas)
 Security First National
 (L.A.)
 Wells Fargo Bank American
 Trust (S.F.)

Building Materials

Crane
 Flintkote
 Johns-Manville
 Masonite
 National Gypsum
 U. S. Gypsum

Cement

Alpha Portland
 General Portland
 Ideal Cement
 Lehigh Portland
 Marquette Cement
 Penn-Dixie Cement

Chemicals

Air Reduction
 Allied Chemical
 American Potash
 Dow Chemical
 du Pont
 Eastman Kodak
 Monsanto Company
 Union Carbide

Cigarettes

American Tobacco
 Liggett & Meyers
 Lorillard
 Philip Morris
 Reynolds Tobacco

Containers Glass & Metal

American Can
 Anchor Hocking Glass
 Continental Can
 Owens-Illinois Glass
 Thatcher Glass

Copper

Anaconda
 Kennecott Copper
 Magma Copper
 Phelps Dodge

Department Stores & Mail Order

Gimbel Brothers
 Macy (R.H.)
 Marshall Field
 May Department Stores
 Montgomery Ward
 Penney (J. C.)
 Sears, Roebuck

Drugs

Abbott Laboratories
 Bristol-Myers
 Johnson & Johnson
 Miles Laboratories
 Parke Davis
 Richardson-Merrell
 Searle (G. D.)
 Warner-Lambert

Electric Power

Baltimore Gas & Electric
 Boston Edison
 Cincinnati Gas & Electric
 Commonwealth Edison
 Consolidated Edison
 Detroit Edison
 Florida Power
 Pennsylvania Power & Light
 Public Service of Colorado
 Utah Power & Light

Electric Equipment

Cutler-Hammer
 General Electric
 Honeywell, Inc.
 McGraw-Edison
 Square D
 Westinghouse Electric

Electronics

Beckman Instruments
 Bendix
 Litton Industries
 Sperry Rand
 Texas Instruments
 Thompson-Ramo Wooldridge

Farm Equipment

Case
 Deere
 International Harvester

Finance

American Investment
 Associates Investment
 Beneficial Finance
 C.I.T. Financial
 Commercial Credit
 Household Finance

Foods

Borden
 Campbell Soup
 Carnation
 General Foods
 General Mills
 Heinz
 Libby, McNeill
 National Biscuit

Glass-Specialty

Corning Glass
 Gustin-Bacon
 Owens-Corning

Grocery Chains

Acme Markets
 First National Stores
 Great Atlantic & Pacific
 Jewel Tea
 Kroger
 Safeway Stores

Insurance-Fire & Casualty
 Continental Insurance
 Firemen's Fund Insurance
 Great American Ins.
 Hartford Fire
 Home Ins.
 Insurance Co. of N. America

Insurance-Life (large)
 Aetna Life Ins.
 Connecticut General Life
 Continental Assurance
 National Life & Accident
 Transamerica

Insurance-Life (small)
 American General
 Liberty National Life
 National Old Line
 Security Life & Trust

Liquor
 Distillers-Seagrams
 National Distillers
 Schenley
 Walker, Hiram Gooderham &
 Worts

Machine Tools
 Bullard
 Cincinnati Milling Machine
 Ex-Cell-O
 Monarch Machine Tool
 National Acme

Machinery Equipment
 Allis-Chalmers
 Blaw-Knox
 Caterpillar Tractor
 Clark Equipment
 Ingersoll-Rand
 Joy Manufacturing
 Link-Belt
 Mesta Machine
 United Engineering &
 Foundry

Metal Fabrication
 Revere Copper
 U. S. Pipe & Foundry

Motion Pictures
 American Broadcasting-
 Paramount
 M-G-M
 Paramount Pictures
 Twentieth Century-Fox
 Warner Brothers Pictures

Natural Gas
 American Natural Gas
 Colorado Interstate Gas
 Columbia Gas System
 Consolidated Natural Gas
 Equitable Gas
 Mountain Fuel Supply
 Northern Natural Gas
 Texas Gas Transmission
 Transcontinental Gas Pipe
 Line

Nonferrous Metals
 American Smelting & Refining
 Cerro
 Eagle-Picher
 New Jersey Zinc
 Vanadium Corp. of America

Office Equipment
 Addressograph-Multigraph
 Burroughs
 I B M
 National Cash Register
 Pitney-Bowes
 SCM Corp.

Oil
 Gulf Oil
 Marathon Oil
 Phillips Petroleum
 Shell Oil
 Sinclair Oil
 Skelly
 Mobil
 Standard Oil (N. J.)
 Sunray DX
 Texaco

Paint

Glidden
National Lead
Sherwin-Williams

Paper & Paperboard

Champion Paper
Container Corp.
Great Northern Paper
International Paper
Kimberly-Clark
Mead
St. Regis Paper
Scott Paper

Railroad Equipment

ACF Industries
American Brake Shoe
Amsted
Pullman
Westinghouse Air Brake

Railroads

Atchison, Topeka &
Santa Fe
Chicago, Rock Island
Denver & Rio Grande
Great Northern
Illinois Central
New York Central
Pennsylvania
Southern Pacific
Union Pacific
Western Pacific

Rayon

American Enka
Celanese

Soap

Colgate-Palmolive
Procter & Gamble

Soft Drinks

Canada Dry
Coca-Cola
Dr. Pepper
Pepsi-Cola

Steel Major Producers

Armco Steel
Bethlehem Steel
Inland
Jones & Laughlin
National
Republic
U.S.

Steel Secondary Producers

Allegheny Ludlum
Colorado Fuel & Iron
Crucible Steel
Granite City Steel
Pittsburgh Steel
Sharon Steel

Television-Radio

Admiral
Motorola
Radio Corp. of America
Zenith

Textiles

Burlington Industries
Cannon Mills
Lowenstein
Stevens (J. P.)

Tire & Rubber

Firestone Tire
Goodrich
Goodyear
U. S. Rubber

Variety Stores

Grant (W. T.)
Kresge (S. S.)
Murphy (G. C.)
Woolworth