

Performance Appraisal in the Age of TQM

by Thomas J. Marr, MD, and Mitchell Kusy, PhD

Performance evaluation is often used as a tool to determine salary adjustment as well as an opportunity to improve job performance. When inappropriately applied, performance evaluations may be perceived as being unfair, wasteful, and demeaning. In some organizations, there has been a trend to break down job functions to their most detailed level, weight each activity, judge it, and then add up all the invalid numbers to achieve a more invalid judgment of a person's performance. This non-Gestalt evaluation is an inspection philosophy that has not served manufacturing or health care very effectively.

Over the past four years, we have evolved a performance evaluation process at Minneapolis Children's Medical Center for physicians in both patient care and management roles. In this article, we will describe the evolution to the present system and discuss its dovetailing with customer service-driven continuous quality improvement efforts and our plans to improve the process.



The first step in developing an evaluation system is to determine one's philosophy and vision. Management's primary role at Minneapolis Children's Medical Center is to help in serving our primary customer—the child and his or her family. We envision the management structure to be an upside-down organizational chart, with the customer at the top (figure 1, page 16). In this vision, the manager is coach, mentor, helper, and facilitator for those who report to him or her.

What expectations then, if met, will best serve the multiple customers we serve? In four years, we have refined two expectations documents. The latest is based on Minzberg's 12 roles of managers (figure 2, page 16).¹ There are no medical managerial job descriptions at the medical center. The expectations document, we believe, fulfills that need.

When evaluating a person's performance, there are areas that, in their broadest sense, articulate to the performer the cultural values that drive performance. We have chosen four:

- **Compassion.** How does the person relate to parents and families? Is the person customer service-driven?
- **Collegiality.** How does the person relate to his or her peers, colleagues, subordinates, and others

in the organization?

- **Competence.** How well does this person technically perform his or her job?
- **Management.** For the manager with a leadership role, how does the person fulfill managerial leadership expectations? Management involves those skills required for day-to-day functional operations. Leadership involves more strategic directions and activities.²

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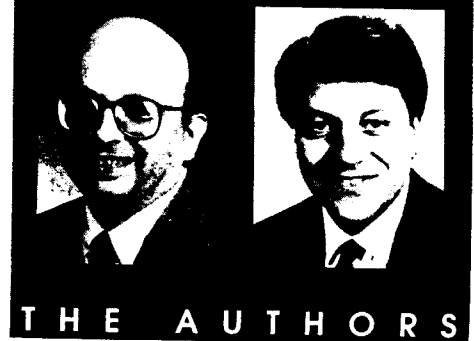


Figure 1. Management Structure

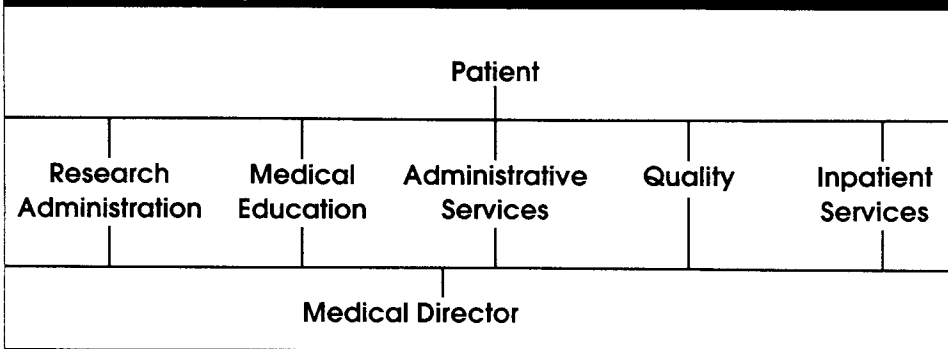


Figure 2. Mintzberg's Managerial Roles

Interpersonal Roles

- Figurehead
- Leader
- Liaison

Informational Roles

- Monitor
- Dissemination
- Spokesperson

Decisional Roles

- Entrepreneur
- Disturbance Handler
- Resource Allocation
- Negotiator

In 1988, when one of the authors (TJM) became executive medical director of the medical center, he instituted a performance appraisal system that addressed the four cultural values described. In 1990, he introduced customer feedback into the evaluation process. In 1991, the reviews were administered during the midyear cycle.

The timing of compensation adjustments may have minimal or no association with the effectiveness of performance.³ Our performance evaluation is done in midyear and is unassociated with the salary increment discussion. It is a combination of self-appraisal, peer appraisal, and mentoring processes.

A form letter prepared by the Executive Medical Director is sent by the employee or contractee to at least five of his or her essential customers. Two of those customers are identified by the reviewer, the others by the employee. The evaluators are instructed that the process is open and not anonymous. The review is returned to the reviewer and is shared with the employee at the time of the evaluation. If the evaluator wishes confidentiality, he or she is instructed to call the reviewer to discuss this further. All attempts are made to persuade the evaluator to be open and direct. The letter outlines the areas as we have described them and is an open-ended question rather than a question and answer or a form using numerical ratings. We have decided to do this to obtain more quality information and to allow evaluators to comment on what they view as important evaluation elements.

The employee is asked to do a self-review of the previous year's accomplishments, list opportunities for continuous improvement, and provide other suggestions (figure 3, page 17). The employee is also asked to review the reviewer by identifying how the reviewer may improve his or her performance to help the employee do a better job, work more effectively and efficiently, and have more job satisfaction. The employee is also asked to suggest ways the organization may be

improved, thus providing a more strategic organizational focus.

When all of the above information has been collated, a one-hour private meeting is scheduled with the employee. The responses are shared, and a discussion of each is performed, with suggestions and a plan for improvement.

Results

Preliminary responses from employees with whom this approach has been used have been very positive. Although there has been no formal tracking of reviewees' pleasure with the process, informal appraisal of the process has occurred yearly during management development meetings conducted by one of the authors (MK). Participants have been involved in the design and development of the process. The results of these reviews have been opportunities for some employees to design personal development programs for identified areas of improvement. Feedback has been very positive for the openness, qualitative focus, and dialogue of the reviews. No other departments in the organization are using this measurement. In fact, there has been skepticism in the past that the process was too nonstructured. However, one of the authors (TJM) was appointed to chair a task force on performance evaluations for the organization. That task force has defined the values and expectations of leaders and is now in the process of discussing the method for obtaining customer feedback.

Discussion

Deming has written that performance, merit ratings, and annual reviews of performance are deadly.⁴ He states that the devastating effects of this process include destroyed teamwork, nurtured rivalries, fear, embittered people, and defections. He

Figure 3. Components of Self-Review

- Previous Year's Accomplishments
- Opportunities for Continuous Improvement
- Review for Reviewer
- Suggestions for Organizational Improvement
- Letters from Five Customers

Figure 4. Six Conditions of Effectiveness

- Win-Win Agreement
- Self-Management
- Helpful Systems
- Personal Accountability
- Character
- Skills

also believes that performance evaluations discourage risk taking. "It ascribes to the people in a group differences that may be caused totally by the system they work in." He also contends that merit ratings tend to increase variability of performance. Deming believes that all at the same level should be paid the same salary. He believes we need greater communication and not annual reviews, and we need to abandon the report card mentality.

Juran, on the other hand, believes that to evaluate actual performance there needs to be a unit of measurement, a sensor that can evaluate performance in terms of the unit of measurement.⁵ The real questions are: Who are the customers? What are their needs? Are those needs being met? He also states that there should be rewards for quality and quality improvement. Therefore,

salary should be based on the number of improvement projects started, in progress, completed, and aborted; the value of completed projects; and the percentage of managers on continuous quality improvement projects.

Peter Drucker believes that no one can motivate the knowledge worker, no one can direct the individual, and no one can supervise the individual.⁶ Knowledge workers, according to Drucker, must motivate and direct themselves and be the guardian of their own standards, performance, and objectives.

Max De Pree states that, "Leadership in an organization should liberate people to do what is required of them in the most effective and humane way possible."⁷

If we want to be able to provide an environment that fulfills Covey's six conditions of effectiveness (figure 4, above),⁸ performance evaluations must be win-win agreements that support self-management and personal accountability and that foster development of character and skills.

The performance evaluation process described here meets some of the objections of the gurus of TQM and Leadership. It is self-directed, open, unattached to salary adjustments; is based upon serving both internal and external customers; and encourages the practitioner to be self-directed and responsible. As this process is further improved, we hope to incorporate more "Total Quality Service" direction to it.⁹ Our hope is not only that will there be personal growth for the person reviewed, but also that the reviewer will find opportunities to question his or her own leadership style and effectiveness and that the teams and organization will benefit. ■

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