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A Contingency Framework for Performance Evaluation[1]

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A "contingency approach" to organizational management requires translation of empirical generalizations into situational guidelines for performing practical administrative functions. Such a translation is offered for the task of evaluating individual performance. A contingency model is described in which the situational appropriateness of behavior-based, objective-based, and judgment-based evaluation is related to characteristics of tasks and workers.

A contingency philosophy of management appears to be widely endorsed by contemporary organizational theorists. Kast and Rosenzweig describe the contingency approach as follows:

> The contingency view of organizations and their management . . . emphasizes the multivariate nature of organizations and attempts to understand how organizations operate under varying conditions and in specific circumstances. Contingency views are ultimately directed toward suggesting organizational designs and managerial systems most appropriate for specific situations (13, p. ix).

As the authors note, the contingency idea has yet to be fully exploited. General research findings concerning the situational appropriateness of mechanistic and organic organizational forms (17, 31) and the slightly more specific propositions of leadership theorists (8, 10) at present provide only broad guides for managerial action. What seems needed if the contingency approach is to influence administrative practice is translation of fundamental generalizations (like "loosen up under uncertainty") into contingent strategies for practical tasks of organizational administration — e.g., selection and placement,

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performance appraisal, personnel development, etc. This article describes such a translation for the general task of evaluating individual performance.

A Contingency Model of Evaluation

To develop a contingency model of evaluation, the variety of appraisal techniques in common use must be classified in some way. One logical basis for classification involves the specificity of performance expectations described by a particular technique. The "specificity" of performance expectations will include such factors as their degree of detail, their compatibility with one another, their stability over time, and their consistency of importance across evaluators. Along this dimension of specificity, three fairly distinct classes of appraisal techniques can be identified. In order of decreasing specificity of performance expectations, these classes entail:

1. Behavior-based procedures, which define performance in terms of observable, physical action — e.g., behaviorally anchored rating scales (28);
2. Objective-based procedures, which define performance in terms of end results — e.g., Management by Objectives (19);
3. Judgment-based procedures, which define performance in terms of the opinions of knowledgeable observers — e.g., multi-rater techniques (16).

In the literature on performance evaluation, one can discover advantages and proponents of procedures in each class. But limitations of these procedures and situational guidelines for their use are less widely discussed. Assuming that all these procedures have *some* utility, an important question concerns the conditions under which each is most appropriate.

In outlining such conditions, it is profitable to begin with the contingency approach to organizational *structure*; this approach attempts to specify the types of organization best suited to situational demands. One of the better known *structural* contingency principles states that for certain or routine tasks, a rather rigid, mechanistic form of organization is most effective; for uncertain or non-routine tasks, a flexible, organic form of organization is more effective (2, 17, 18, 31). Mechanistic structures are characterized by features like:

> specialized differentiation of functional tasks into which the problems and tasks facing the concern as a whole are broken down; . . . precise definition of rights and obligations and technical methods attached to each functional role; . . . hierarchic structure of control, authority and communication (2, p. 120).

In contrast, features of organic structures include:

> the contributive nature of special knowledge and experience to the common task of the concern; . . . adjustment and continual re-definition of individual tasks through interaction with others; . . . a network structure of control, authority, and communication (2, p. 121).

An important element in the mechanistic-organic distinction is specificity of performance expectations. Since such specificity is both a commonly recognized dimension of organizational structure *and* a distinguishing feature of evaluation procedures, the structural contingency principle implies that the appropriateness of evaluation procedures can be related to task uncertainty. More specifically, the principle suggests the following set of contingency guidelines:

1. Behavior-based evaluation procedures — those defining specific performance expectations and, hence, highly "mechanistic" in structure — are most appropriate for certain tasks;
2. Objective-based evaluation procedures — those defining less specific performance expectations and, hence, moderately "organic" in structure — are most appropriate for tasks which are neither extremely certain nor extremely uncertain;

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3. Judgment-based evaluation procedures — those defining the least specific performance expectations and, hence, highly, "organic" in structure — are most appropriate for uncertain tasks.

The above guidelines indicate that, as task uncertainty increases, the practical problem of appraisal shifts from *what* to evaluate to *who* should evaluate.

Logical Bases for Contingency Guidelines

Although the proposed contingency guidelines follow directly from the structural contingency principle outlined previously, further support for their validity seems warranted. Supporting rationales will be developed by examining the situational appropriateness of representative techniques in each evaluation category. In the following discussion, illustrative techniques are classified as behavior-, objective-, or judgment-based according to *common usage*. Specific techniques, like MBO, may vary in application, so that in some instances they must be reclassified. For instance, "MBO" in clerical settings may sometimes be a behavior-based, rather than an objective-based procedure. Subsequent examples are intended to reflect "typical" applications.

Situational Appropriateness of Behavior-Based Procedures

Behavior-based procedures are best illustrated by behaviorally anchored rating scales, first proposed by Smith and Kendall (28). Such devices are intended to specify in unambiguous fashion the behavioral characteristics of effective and ineffective performance. Briefly, scales are developed by distilling critical incidents (examples of good and poor performance, supplied by those familiar with a job) into a manageable number of performance dimensions. Shortened versions of the critical incidents are then used as "behavioral anchors" to define achievement levels on the performance dimensions. The proposed advantage of behaviorally anchored scales is that evaluator bias (e.g., halo, central tendency effects) is reduced as criteria of performance become more behaviorally grounded (3, 28).

One powerful argument for restriction of techniques like behaviorally anchored scales to certain tasks is that only such tasks can be *meaningfully* defined in behavioral terms. Although behaviors can be imagined for any type of task, the relevance of behavior to a general concept of *effectiveness* is often unclear. For example, one could describe the job of "managing" in terms of behaviors like issuing directives, dictating letters, sending subordinates to training programs, and so on. Yet, no matter how comprehensive one's list of behaviors, there is no assurance that these behaviors relate to a reasonable concept of managerial effectiveness. The relevance of behavior to an effectiveness concept normally depends upon consensus among interested observers as to the *importance* of specific behaviors. This fact is illustrated in the *construction* of behaviorally anchored rating scales, wherein behavioral incidents are retained as scale points only if they elicit high inter-observer agreement on their importance. Since such agreement is likely to occur only in the case of relatively routine tasks, behaviorally anchored scales are restricted to these tasks on methodological grounds.

Situational Appropriateness of Objective-Based Procedures

As jobs become less-routine and resistant to meaningful behavioral description, it becomes advantageous to define performance expectations in terms of end results or objectives. For tasks in mid-range on the certain-uncertain dimension, the relevance of behaviors to overall effectiveness may be vague, whereas the relevance of more general job aspects — objectives — is generally apparent. The proposed contingency model specifies that objective-based procedures of evaluation are best suited to such mid-range tasks.

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Objective-based procedures are typically variants of Management by Objectives. MBO, popularized by Drucker (6) and McGregor (19), is a results-oriented strategy of management. Key steps in the process are outlined by Raia:

> (1) the formulation of clear, concise statements of objectives, (2) the development of realistic plans for their attainment, (3) the systematic monitoring and measuring of performance and achievement, and (4) the taking of corrective actions necessary to achieve the planned results (23, p. 11).

High subordinate involvement in the objective-setting process is a common feature of MBO, making the technique multi-purposed. Yet, Carroll and Tosi (4) observe that MBO is most often advocated as a superior method of performance appraisal. As with behavioral techniques, the intent of MBO is to focus attention on measurable aspects of performance instead of subjective factors in the appraisal process (19). Compared to behavior-based procedures, MBO simply describes these measurable performance aspects in terms of more general outcomes.

The primary rationale for excluding objective-based procedures from situations of certainty boils down to simple economic efficiency. It is often uneconomical to employ techniques allowing considerable employee discretion (e.g., MBO) on routine jobs — creativity on the part of a payroll clerk, for instance, may result in a number of costly consequences.

Objective-based procedures can also generate dysfunctions if employed too far into the *un*certain task range. With respect to MBO, establishment of objectives as criteria of evaluation tends to create a singlemindedness toward goal attainment which is both a strength and weakness of the procedure (15, 30). Singlemindedness is a strength so long as objectives can be set for all important aspects of performance (and so long as corruption of reporting mechanisms is precluded), but singlemindedness toward goal attainment is a weakness of MBO where jobs involve non-quantifiable and conflicting requirements. The danger is that short-term, measurable aspects of performance (e.g., cost reduction) are easily emphasized out of all proportion to other *critical, but more remote and less quantifiable,* performance aspects (e.g., capital maintenance). By definition, uncertain tasks involve vague and conflicting requirements, and the above danger becomes more acute as task uncertainty increases. Under conditions of extreme uncertainty, objectives, as well as behaviors, may be unrelated to a broad notion of effectiveness; MBO tends toward an actual or a paper exercise in the irrelevant.

This point is illustrated by Rose (24, 25), who documents the "implementation and evaporation" of MBO within the federal government during the Nixon-Ford Administration. Rose identifies a conceptual shift of the Nixon Administration away from problems of choice (*who gets what,* a focus of the Executive Office during the Kennedy-Johnson years) to problems of management (*what gets done*). Characteristic of this shift was an attempt to implement MBO throughout the Executive Branch in order to better control the activities and performance of major program managers. In 1973 a presidential directive requested department and agency heads to submit, through the Office of Management and Budget (OMB), a list of primary goals and objectives for the coming year, which were to form the basis of a White House agenda for action and accountability. The process was repeated in 1974, after which OMB interest in monitoring the program waned. Rose attributes loss of Executive Office interest in MBO to the trivial nature of objectives cataloged in 1973 and 1974. The majority of objectives submitted by agencies turned out to be short-term, modest, and noncontroversial:

> Analysis of the presidential objectives filed by the agencies with OMB shows that 81 per cent for 1973 and 80 per cent for 1974 were apolitical (i.e., noncontroversial). The objectives were noncontroversial, because they referred to consensual aims such as the preparation of a report by a given date without any commitment as to content; the implementation of a new act of Congress that was their responsi-

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> bility to fulfill; or actions that had low likelihood of causing protest by politically active groups. The absence of controversy made such objectives safe for bureaucrats to present to political superiors. But is also meant that busy Executive Office staff had no positive incentive to take an interest in them, and paid a high opportunity cost in time to monitor noncontroversial achievements of government, when there were many controversial issues to seek to influence (25, p. 68).

The moral is that objectives (like behaviors) gain legitimacy as evaluative criteria to the extent that interested organizational participants agree on their importance. The uncertain task environment of the Executive Office precludes consensus on the value of many critical activities and results. Consequently, those objectives that *are* agreeable (to Executive Branch personnel and clients) reflect rather uninteresting areas of accountability. Rose concludes: "The management-by-objectives system can handle government actions that fall between the purely routine, exciting neither interest nor controversy, and the strictly political, where controversy and interest are joined (24, p. 143)."

Situational Appropriateness of Judgment-Based Procedures

Judgment-based procedures of evaluation win by default where there exists low consensus about the characteristics of successful performance — i.e., under conditions of high uncertainty. Under these conditions, "performance" is relative to unique values or standards of excellence employed by individual evaluators. It is not necessary to document the deficiencies of judgment-based procedures for unambiguous tasks (3, 19). What seems required is to establish *any* sort of rationality for such procedures.

Supervisory rating of employees on various traits (e.g., friendly, brave, etc.) is the most familiar judgmental technique, but it is a justifiably maligned representative of the category of judgment-based procedures. More respectable, though less widely used, techniques in this category employ subjective performance assessments from *multiple raters* (16, 20), and multi-rater techniques are offered here as the most promising examples of judgmental procedures. In such procedures, raters may be superiors at various levels, peers inside and outside the organization, subordinates, clients, and the person being evaluated — in short, anyone who has a functional relation to the job in question. These raters *may* refer to common criteria of performance, but standards unique to the rater are normally considered legitimate in the appraisal process. Proposed advantages of multi-rater techniques include their potential for capturing a wide range of performance data and reduced bias resulting from aggregation of a variety of expert perspectives (20). Performance data generated by these techniques is generally less precise than with procedures like MBO or behaviorally anchored scales.

In considering the rationality of judgment-based procedures, performance evaluation involves the attachment of *human value* to an activity. Two aspects of the performance evaluation process may be distinguished:

1. Objective measurement — the ordering of performances on some (interpersonal) dimension of similarity, and
2. Subjective valuing — the human attachment of significance to that particular dimension used to order performances.

Both aspects are always involved in performance evaluation, although the subjective valuing aspect may not be obvious in appraising well-defined skills, e.g., typing. Typing ability can be objectively measured or ordered on various dimensions of similarity: for instance, words per minute, number of deviations from "copy", etc. Any such dimension is a reasonable basis for evaluation not simply because it permits objective measurement, but *primarily* because observers can agree on the subjective value or significance of the dimension. This ordinarily does not become obvious until the value of a dimension is challenged. (For example, a manager who hurries through dictation might challenge

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the relevance of typist conformity and value deviation at the expense of typing speed.)

In evaluating ill-defined skills, the valuing aspect of appraisal becomes more salient, since disagreements over significance of performance dimensions are more frequent. Writing, like typing, can be measured or ordered on numerous interpersonal dimensions of similarity — in the case of a report, for instance, on length, use of jargon, number of recommendations, etc. But such objective dimensions are controversial criteria in that knowledgeable observers would not generally grant them similar *value*. Rather, value in the appraisal of ill-defined skills is likely to be assigned on the basis of more personal standards of relevance. Consensus among observers on the subjective value of a performance might still be reached for ill-defined skills, but articulation of a mutually agreeable standard of measurement is normally not possible. Hence, the practical appraisal question for uncertain skills and tasks is not *what to measure*, but *whose opinions* are to count for how much. This shift in emphasis from measurement to valuing as uncertainty increases is proposed in principle by Festinger (7) and Thompson (29); empirical evidence for the increased importance of opinions in the evaluation of uncertain tasks is offered by Keeley (14).

Yet, granting the necessity of judgment-based procedures for uncertain tasks, one still might question the relevance of opinions for *organizational* effectiveness. Behavioral and objective-based procedures were criticized for their failure to relate individual performances to a broad concept of effectiveness as task uncertainty increases. It remains to be explained how judgmental procedures fare any better in this regard.

Individual Evaluation and Organizational Purpose

A brief digression on the nature of the "administrative function" is necessary to clarify the organizational implications of the proposed contingency model. From many theoretical perspectives (1, 5, 22), a primary purpose of organization is the satisfaction of various groups — termed here, *stakeholders* — who input resources to the association. By "satisfaction" is meant a *good enough* return on invested contributions to make continued cooperation worthwhile. It is the function of the organizational administrator to translate the demands of stakeholder groups into organizational objectives and procedures which result in consequences (output) required to sustain their contributions. Obviously, if the demands of these groups are well-defined, relatively modest, stable over time, and compatible with one another, the administrator's task is rather uncomplicated. Under such conditions, the task environment is non-ambiguous or "certain". But if organizational stakeholders press vague demands which are inconsistent over time and incompatible in the aggregate, the organizational administrator may have great difficulty in translating these demands into objectives and procedures for subordinates. Rather, he or she may mediate these demands by holding organizational units directly accountable to stakeholders (or to other internal units which, in turn, are so accountable). This sort of task environment is ambiguous or "uncertain".

Under the former conditions, it is reasonable to assess subordinates on the basis of their attainment of objectives or compliance with procedure. Under the latter conditions, it is rational to assess subordinates on their ability to directly satisfy the individuals or groups who make demands of the organizational unit. For example, evaluators of the uncertain job of "researcher" might logically employ judgment-based procedures which tap the opinions of clients, regulatory officials, internal colleagues, external peers, and so on. The ideal function of multi-rater evaluation in this case is to integrate employee *reference groups* with organizational *stakeholder groups* — just as the ideal function of MBO is to integrate employee and organizational *objectives* under more certain conditions.

In sum, the guidelines offered earlier de-

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scribe a reasonably sound and practical contingency model for choosing evaluation procedures.

Individual Difference Factors

An additional issue of importance is the relation between evaluation procedures and characteristics of job *performers*. Thus far, a standard of productive efficiency is the sole criterion by which the appropriateness of appraisal procedures might be judged. Such a criterion underlies the structural contingency principle, which identifies mechanistic structures as effective under conditions of certainty and organic structures as effective under conditions of uncertainty. A criterion of productive efficiency is not the only relevant basis for assessing the appropriateness of evaluation procedures: the impact of these procedures on job satisfaction should also be considered, independent of implications for productivity.

Unfortunately, if one focuses on a variable like employee satisfaction instead of productivity, conflicts arise between various contingency theories. For example, the "path-goal" theory of leadership (10, 11), which stresses the satisfaction variable, counsels managers to employ directive supervision on non-routine tasks (to reduce employee role conflict and ambiguity) and non-directive supervision on routine tasks (to avoid employee resentment toward redundant controls). Since the specificity of performance expectations — which distinguishes evaluation procedures — is a component of leadership style as well as organizational structure, such advice is relevant to the choice of appraisal techniques. Yet, the satisfaction-focused, path-goal principle runs counter to the productivity-focused, structural principle that supports the proposed model of evaluation. A typical conflict is outlined by House and Mitchell:

> . . . path-goal theory asserts that when goals and paths to desired goals are apparent because of the routine nature of the task, clear group norms or objective controls of the formal authority systems, attempts by the leader to clarify paths and goals will be both redundant and seen by subordinates as imposing unnecessary, close control. *Although such control may increase performance by preventing soldiering or malingering, it will also result in decreased satisfaction* (11, p. 88; emphasis added).

The above suggests that the choice of a contingency theory depends on one's preference for productivity or satisfaction in the situation at hand. This conclusion is unwelcome since *both* productivity and satisfaction are desirable outcome variables from the perspective of the "stakeholder model" of organization outlined previously.

Conflicts between satisfaction and productivity can be resolved if certain characteristics of job performers are taken into account in a contingency model of evaluation. Distinguishing workers on Rotter's (26) "locus of control" variable, Runyon (27) presents evidence that *internals* (those who see *themselves* as responsible for effects of their behavior) are more satisfied under non-directive supervision; conversely, *externals* (those who see *environmental agents* as responsible for effects of their behavior) are more satisfied under directive supervision. Thus, personality variables like locus of control appear to moderate the path-goal, contingency principle. This implies that satisfaction and productivity can be obtained simultaneously if personality moderators are included in a broadened contingency framework.

An Expanded Contingency Model

In a relevant extension of the structural line of inquiry, Lorsch and Morse (18) propose that a three-way "fit" among task characteristics (generally, degree of certainty), organizational structure, and worker dispositions, is necessary for effective unit performance and a satisfying sense of worker competence. *In general,* the critical personality dimensions identified by Lorsch and Morse involve the degree of autonomy desired by workers on their jobs. (Four specific personal-

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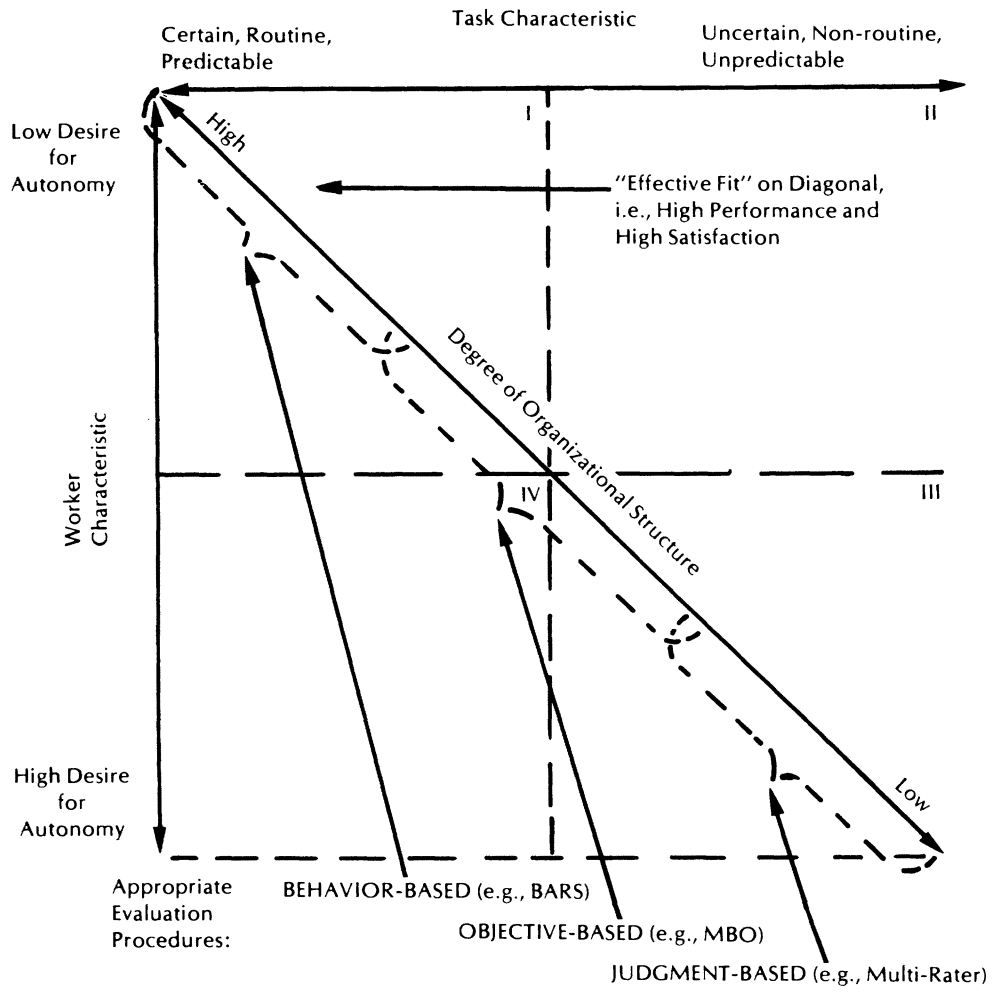

FIGURE 1. Contingency Model Summary.

ity dimensions are identified by Lorsch and Morse. These dimensions vary in a similar manner, relative to other variables investigated — suggesting that they might reflect a *single* personality disposition related to the locus of control variable. To check on this possibility, scales used by Lorsch and Morse to measure "tolerance for ambiguity", "attitude toward authority", and "attitude toward individualism" — as well as Rotter's I-E scale — were given to a sample of 64 public-sector professionals. All resulting inter-scale correlations were significant beyond the .001 level, indicating a high probability that a single personality factor is being measured. Inspection of the scales suggests the term "desire for autonomy" as a meaningful label for this factor). The study indicates that workers low on desire for autonomy employed on tasks that are relatively routine achieve a greater sense of competence and a higher level of performance when a high degree of organizational structure is present. Such workers exhibited a low sense of competence and a low level of performance in unstructured settings. Workers high on desire for

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autonomy employed on relatively uncertain tasks achieved a greater sense of competence and a higher level of performance when a low degree of organizational structure was present. These workers exhibited a low sense of competence and a low level of performance in structured settings.

Figure 1 summarizes these relationships in a contingency matrix. The critical task and worker characteristics (task certainty and worker desire for autonomy) are plotted on the horizontal and vertical axes. A fit between task and worker is then located by points on the matrix diagonal (which matches workers' desired level of autonomy with the opportunity provided by the task to exercise that level of autonomy). Plotted on the matrix diagonal is the third dimension in the "fit" equation — degree of organizational structure. Thus, any point on the diagonal now describes the conditions required for both high performance and high satisfaction: a fit of task, worker, and structure.

Although the ideal relationships shown in Figure 1 are based largely on the work of Lorsch and Morse (18), their data include no observations in Quadrants II and IV. The implied absence of either productivity or satisfaction in these quadrants (resulting from task-worker mismatch) does receive support from other sources (9, 12, 21). The figure suggests that where task-worker mismatch occurs — i.e., at points off the diagonal — *either* satisfaction or productivity may result, but *both* are unlikely to be achieved. For example, in Quadrant IV where tasks are certain and workers are high in desire for autonomy, it is reasonable to expect that high structure will lead to high performance (in accord with the structural contingency principle) and low satisfaction (in accord with the path-goal contingency principle). Conversely, in this quadrant, low structure might reasonably result in high satisfaction (in accord with the path-goal contingency principle) and low performance (in accord with the structural contingency principle). In Quadrant II, reverse relationships would be hypothesized.

Revised Evaluation Guidelines

In line with the above discussion, appropriate evaluation procedures are superimposed on the "performance-satisfaction" diagonal of Figure 1. To summarize the resulting contingency model of evaluation, the earlier guidelines can be recast into the following propositions:

P1: *Behavior-based evaluation procedures — — those defining specific performance expectations and, hence, highly "mechanistic" in structure — are most appropriate for certain tasks,* so long as workers are low in desire for autonomy;

P2: *Objective-based evaluation procedures — those defining less specific performance expectations and, hence, moderately "organic" in structure — are most appropriate for moderately uncertain tasks,* so long as workers are moderate in desire for autonomy;

P3: *Judgment-based evaluation procedures those defining the least specific performance expectations and, hence, highly organic in structure — are most appropriate for uncertain tasks,* so long as workers are high in desire for autonomy;

Implications and Suggestions for Development

The preceeding propositions illustrate the frequently complex interaction of various administrative subsystems — e.g., evaluation and selection. Aligning task and worker characteristics is a prerequisite for a contingent strategy of evaluation which promotes both performance and satisfaction. Under conditions of task-worker misfit, the propositions imply that *no* evaluation technique is likely to be simultaneously satisfying and productive. Given such conditions, a manager must make the difficult choice of emphasizing performance *or* satisfaction (assuming, conservatively, no simple connection between the two). An emphasis on performance

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suggests matching evaluation procedures to task characteristics, while an emphasis on satisfaction suggests matching evaluation procedures to worker characteristics. It would seem desirable to emphasize *both* by first securing task-worker fit through techniques of socialization, task redesign, or selection (including, perhaps, counseling workers out of certain units).

Implications for organizational theory and research are somewhat less obvious. The proposed model certainly can be refined, and its basic structure might be applied to other administrative tasks. For instance, motivational programs, like evaluation procedures, can be classified by their focus on *behavior* (e.g., behavior modification), *objectives* (e.g., job enrichment), or *interpersonal attitudes* (various organizational development techniques). The situational appropriateness of these program categories would probably be similar to that of the corresponding evaluation categories shown in Figure 1.

With respect to the proposed contingency model of *evaluation,* the area most in need of development is the methodology of judgmental appraisal. In comparison to behavioral and objective-based techniques, methods of judgment-based evaluation are rudimentary at best. Perhaps the relative lack of development of judgmental techniques is due to their apparent irrationality from the viewpoints of classical, administrative, or Weberian models of organization — viewpoints that continue to influence organizational theory in subtle ways, in spite of the contemporary emergence of a contingency philosophy. From these mechanistic perspectives, a potential objection to judgment-based appraisal is that it is a "political" system of evaluation, which encourages a "scratch my back and I'll scratch yours" mentality.

Granted, judgmental procedures, and multi-rater techniques in particular, may be political in character, since they allow for subjective performance standards, personal tastes, and the expression of self-interest in the evaluation process. Yet, the personal judgments and self-interest of various organizational participants *are* critical concerns in those uncertain situations "where controversy and interest are joined". To the extent that judgment-based appraisal techniques tap the opinions of relevant groups — e.g., those who contribute resources in return for "acceptable" performances of organizational representatives — performance evaluation is political in a positive sense. Political systems of evaluation open the door to *democratization* of organizations, which is advantageous in avoiding destructive conflict, given uncertainty or dissensus over means and ends.

In sum, there is nothing intrinsically evil about political evaluation of either individuals or institutions. Like mechanistic processes, which may be efficient or inefficient, political processes may be virtuous or not, just or unjust. What seems necessary for a "just" political system of evaluation, however, is open agreement among all concerned on the value of specific judgments and the mechanics of their collection. Such agreement may be promoted by the development of political theories of organization and the methodology of judgment-based appraisal. Further development of these areas might result in decreased use of *informal* political systems of evaluation — systems that are often situationally misapplied, covert, and of questionable virtue.

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