A STUDY TO IDENTIFY AND RECOMMEND ALTERNATIVE PERFORMANCE

EVALUATION SYSTEMS THAT WILL BETTER FIT WITHIN EDY'S GRAND ICE

CREAM'S COMPANY PHILOSOPHY OF THE "GROOVES"

By

Eric Yergens

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Joseph Benkowski

The Graduate College
University of Wisconsin-Stout
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The Graduate College
University of Wisconsin-Stout
Menomonie, WI 54751

ABSTRACT

Yergens Eric J.
Writer

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Edy's Grand Ice Cream currently uses a performance evaluation that is based largely upon the concept of Management by Objectives and Results. Edy's believes that only by truly "empowering" the individuals who work for them, can they sustain a high level of enthusiasm and personal satisfaction among their employees. They calls this approach their "I Can Make A Difference" philosophy and it is the core of everything they do at Edy's Grand Ice Cream. The company express's the "I Can Make A Difference" philosophy in 10 tenets or "Grooves" and because of these grooves Edy's is looking at alternative methods of evaluation that better fit into their "Grooves".

Employees working at the New Berlin, WI office of Edy's Grand Ice Cream will be surveyed about their attitudes and opinions towards their yearly performance evaluation. They will be requested to complete a twenty-question survey concerning their attitudes

and opinions regarding their most recent performance evaluation. This information will then be used to assist the researcher in better understanding Edy's performance evaluation process.

This study will be intended to answer the following research objectives:

1. Determine the attitudes and opinions of the employees at Edy's Grand Ice Cream toward yearly performance evaluations.

2. Determine current criteria used for evaluating employees for their yearly performance evaluation.

3. Identify a performance evaluation process that fits Edy's philosophy of the "Grooves".

The research seems to suggest that the employees are for the most part satisfied with the current evaluation process but this does not mean that the process should be left alone. The current system has three main problems: the amount of employees not receiving Grooves training, the lack of employee involvement during the evaluation process, and the overall time spent on the entire evaluation process. These three areas are problems that can be easily corrected and at a minimal cost to the company.

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Acknowledgments

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Chapter 1
Introduction

<u>Introduction</u>

Edy's Grand Ice Cream currently uses a performance evaluation process that is based largely upon the concept of Management by Objectives and Results. Edy's believes that only by truly "empowering" the individuals who work for them, can they sustain a high level of enthusiasm and personal satisfaction among their employees. Edy's calls this approach their "I Can Make A Difference" philosophy and it is the core of everything they do at Edy's Grand Ice Cream. Edy's expresses the "I Can Make A Difference" philosophy in 10 tenets or "Grooves" and because of these grooves, Edy's is considering various alternative methods of performance evaluations that will better fit into their "Grooves". Edy's believes in the individual and understands that people have an opinion on almost everything, want a major voice in how their work environment functions, and want to make as many decisions affecting their lives on the job as possible. Edy's expresses this idea in their " I Can Make A Difference" philosophy. This philosophy is described by ten tenets or "Grooves." The ten Grooves are: 1. Management is people, 2. Hire smart, 3. Respect for the individual, 4. People involvement, 5. Ownership, 6. Hoopla, 7. Train train train, 8. Face to face communication, 9. Upside down organization, and 10. Ready-fire-aim.

A problem surfaces during performance evaluation, when it comes time to set personal goals, supervisors use this as an opportunity to insert their personal objectives.

Example: instead of allowing the employee to set personal improvement goals, to

better improve their selling technique, the supervisor will set a goal for the employee for

based on the supervisors goals.

The Purpose of the Study

The purpose of this study is to identify and recommend an alternative

performance evaluation process that will better fit within Edy's company philosophy of

the "Grooves".   A survey will be used to gather information from employees at the New

Berlin, WI office of Edy's Grand Ice Cream. Information will be gathered on the

employee's attitudes and opinions about Edy's annual performance evaluation process.

Objectives

1. Determine the attitudes and opinions of the employees at the New Berlin office of

    Edy's Grand Ice Cream toward the yearly performance evaluation process.

2. Determine current criteria used for evaluating employees at the New Berlin office

    for their annual performance evaluation.

3. Identify a performance evaluation system that fits Edy's philosophy of the

    "Grooves".

Limitation of the Study

1. This study is limited to the New Berlin, WI office of Edy's Grand Ice Cream and

    will not apply to other Edy's offices.

2. This study is limited to employees at Edy's Grand Ice Cream who work more than

    30 hours and have been employed by Edy's for more than one year

3. A total of 35 employees will be involved in this study.

<u>**Definitions of Terms**</u>

Performance Appraisal- is a formal discussion between a superior and a subordinate for the purpose of discovering how and why the subordinate is presently performing on the job and how the subordinate can perform more effectively in the future so that subordinate, the superior, and the organization all benefit. (Lefton, 1977).

<u>**Edy's 10 Grooves**</u>

The following definitions of Edy's 10 Grooves was taking from the Edy's/Dreyer's Grand Ice Cream Grooves handbook.

1. Management Is People-We believe that people issues are the primary responsibility of our managers and supervisors, and we expect each of them to hire, train, inspire, develop, coach, and discipline each person in his or her department. Unlike many companies, we don't relegate these responsibilities to a personnel department, a human resources department, or a legal department. (In fact, we don't even have those departments in this Company!) Our managers here make all of the people related decisions in their departments, and they live with the consequences.

It's also the manager's job to help the people in his or her department get into the Grooves. However, living by the Grooves and making them second nature as we deal with one and other on a daily basis is the responsibility of everyone who works here at Edy's Grand Ice Cream. (www.edys.com/thecompany/index.html)

2. Hire Smart- The most important thing we do in this Company is deciding who to put on our team. If we hire smart, we will have well-qualified, highly motivated people working for us and the rest of our job will be easy. Conversely, if we don't hire smart, we will spend interminable hours dealing with the consequences. (We call this "managing

tough" and it's no fun).

Accordingly, we invest a great deal of time in the recruiting and hiring process to ensure we hire only the very best people possible. Everyone invited to join Edy's Grand Ice Cream, Inc., in any position should be in the top 20 percent of all qualified candidates for that position. We can only be sure we are meeting this test if we interview a large number of qualified candidates for each opening and take great care selecting the best person from that pool.

The other dimension of hiring smart is eliminating mediocrity. If we hire smart, we owe it to our people to keep them surrounded by top 20 percenters. Accordingly, we have to be tough-minded about asking people who no longer meet the top 20 percent standard to find employment elsewhere. Obviously, we always try to accomplish this in a sensitive and appropriate manner. (www.edys.com/thecompany/index.html)

3. Respect For The Individual- If we consistently hire smart and are tough-minded about eliminating mediocrity, we will have energetic, self-motivated, capable people working for us throughout our Company. People like this don't need to be motivated, they need to be liberated -- that is, given a chance to do their jobs, their way. Therefore, our job is to hire good people, inculcate our values (show them the Grooves), provide appropriate training, and then "let them do their thing."

Experience has shown that people will generally validate whatever their employer expects of them. If we assume people are honest and want to do a good job, they usually will. Conversely, if we do what most companies do, which is to assume people are not trustworthy, can't make good decisions, and will cut corners at every opportunity, then

that is the behavior that will result. Although this is a very powerful concept, it doesn't work 100 percent of the time. A few people will invariably abuse this trusting, open approach, but the vast majority will respect it for what it is and thrive under it. Therefore, the benefits clearly outweigh the costs.

Here at Edy's, we try hard to resist setting up rules, structures, and controls to deal with the few who may abuse the system, but which invariably say "we don't trust you" to the majority as well. Our approach is to say "we trust you" to all of the people who work here and to use the concept of weeding out mediocrity to deal with the few who abuse that trust. If we give people the freedom to do their jobs their way, they will develop ownership and pride and make the greatest contribution they possibly can. So our approach is to create the vision, engender enthusiasm for the task at hand, and then get out of the way. (www.edys.com/thecompany/index.html)

4. People Involvement- People Involvement means just that -- allowing people to get involved in our business in a broader way than just doing their specific jobs or functions.

As a fast growing company in a rapidly changing industry, we face a myriad of new challenges, problems, and opportunities every day. Our chances of successfully responding to all this change is increased if we can harness the thinking, ideas, and energy of a wide cross section of people. Furthermore, if we allow people at all levels to participate and get involved in new aspects of our business, then they will grow as individuals and feel better about the contributions they are making. When this happens they will inevitably care more and be more productive.

There are many ways to get people into this Groove. Some good examples are cross training, task forces, involving peers in interviewing prospective employees, and group feedback or listening sessions. The ultimate example of people involvement is the team management approach we use to operate our Ft. Wayne plant and a number of other departments throughout the Company. One prerequisite condition for any people involvement activity is an atmosphere of mutual respect and trust in the work place. People must feel free to express themselves honestly and believe that their ideas are as valid as those of anyone else. Another essential for success, no matter what approach we take, is prompt response and action. People must know that their input and ideas are really making a difference for them to truly feel involved.

(www.edys.com/thecompany/index.html)

5. Ownership- Each of us only goes around the track once in life, so we each owe it to ourselves to enjoy the journey.

We think the best way for people to enjoy the journey that involves working here at Edy's is to find some aspect of their job that they can "own." If you become "the best" at some aspect of your job, and are recognized as such by your co-workers, then you "own" it. If you go home with a smile on your face because you know you made a contribution others couldn't make as well, or because you are recognized by your co-workers as the best at some aspect of your job, then you have achieved ownership. And ownership is lots of fun!

We expect everyone at Edy's to own some aspect of his or her job -- it doesn't matter what it is as long as each person owns something and feels good about it. This is

truly the essence of our "I Can Make A Difference" philosophy. It is important to understand that achieving ownership is the employee's responsibility. Ownership is like respect -- it can't be given, it has to be earned.

Although achieving ownership is the responsibility of each individual, it is essential that we provide an environment where ownership can flourish. As we discussed under Respect for the Individual, we need to provide enough flexibility to let our people express their own personalities or approaches to their jobs. We can best foster ownership by empowering our people, encouraging them to try out their skills and abilities, and then standing back and watching them go. (www.edys.com/thecompany/index.html)

6. Hoopla- Hoopla is the celebration of ownership. Hoopla is simply acknowledging that someone has been the best at some aspect of his or her job. When someone demonstrates ownership we recognize that individual with Hoopla.

Praise and recognition are the most powerful motivators. People love to be told they are doing a good job. Nothing reinforces success or good performance more than recognition from one's co-workers or from his or her supervisor. People think they are great, and there is no reason to argue with them. We work at getting our people up in front of their peers and telling them they did a good job -- even when it is a small accomplishment. People will always respond to honest, positive feedback with a desire to contribute even more.

Hoopla is best when it is spontaneous, unpredictable, and intermittent. It's the care and personalized recognition that counts in Hoopla -- not the size of the plaque. Also,

picnics and parties may be fun, but they are not Hoopla unless individuals are specifically recognized for job ownership. (www.edys.com/thecompany/index.html)

7. Train, Train, Train- If, because we have hired smart, we have highly-motivated, experienced, well-credentialed people throughout the Company, then our only other prerequisite for success is training that imparts to these people the knowledge and skills they need to be effective in their jobs. Training is simply learning, and it is an every day, never ending process for us all. Much like ownership, training is not an optional activity. The Company must foster an environment conducive to learning and growing, and each individual must find ways within that environment to continually improve or update his or her capabilities.

When people first join Edy's Grand Ice Cream, they need to understand our history and our traditions, and they need to know how we operate, what will be expected of them, and what they can expect from us. Beyond this fundamental orientation, they obviously need to be taught the specifics of their particular jobs. Over a period of time, they then need training in greater and greater depth so that they can become experts and "own" their jobs. Having achieved that, good people will inevitably want to learn additional skills and new functions so that they can grow as individuals, become more broadly involved with the business, earn promotions, and progress with their careers. The need for training never ends for anyone. (www.edys.com/thecompany/index.html)

8. Face To Face Communication- Everyone at Edy's needs and deserves honest feedback from his or her manager, supervisor, or team on a regular basis. Furthermore, managers need to listen carefully and learn from what people in their departments have to say or suggest on an ongoing basis. These conversations should take place in a private

setting and at an absolute minimum of once annually with every employee. These sessions are only effective if the participants are totally honest and open with their feelings and thoughts.

Also, these sessions are a good time to emphasize to everyone that we want them to care about our Company and our business in a broad sense and to become personally involved in any aspect of it they feel is appropriate. Each individual needs to know that he or she is expected to come forward with suggestions, ideas, questions, and criticisms of all kinds.

Finally, at Edy's anyone can talk to anyone else at any time about any subject without fear of political implications or reprisals. Although people have an obligation to keep their supervisors or managers or teams informed of their activities and opinions, we encourage them to communicate honestly and openly with anyone else they wish at any level of the organization. Because this practice is often frowned upon in other companies, we have to constantly work to ensure that, here at Edy's, honest communication is never risky. (www.edys.com/thecompany/index.html)

9. Upside Down Organization- Organization charts, including our own, are invariably drawn upside down.

We all need to recognize that the people who make the difference in our business are those who actually make our products, those who sell them to our customers, and those who collect the receivables or keep the books. The rest of us are here to make these people's jobs easier or to help them be more effective. The manager or supervisor's job is

really that of a coach -- training, encouraging, and providing feedback but letting each individual play his or her own "game."

Similarly, our corporate staff exists to support our operations and sales and accounting people, not to control them. We believe that, generally, the person closest to an issue has the best perspective on it and, therefore, probably can make the best decision about it. Similarly, we believe the expert on any function should be the person performing that function day in and day out. Accordingly, we try to minimize the number of decisions made centrally and to maximize the flexibility and autonomy of people to perform their jobs and make decisions on the firing line in the way they think best.

For this same reason, we try to minimize the number of policies we have here at Edy's. We think in terms of having "proven practices" as opposed to policies. Although we try to decentralize decision-making, there is no reason to constantly reinvent the wheel, and we should all seek to benefit from the collective wisdom of our past experience. Our Employee Handbook and the Manager's Guide are repositories of these proven practices. These practices are usually quite sound, but our managers can always choose to operate differently if they have a good reason to do so.
(www.edys.com/thecompany/index.html)

10. Ready- Fire- Aim- One of our primary advantages in the premium ice cream business has always been that we are more flexible and can make decisions more quickly than most of our competitors. Here at Edy's, "we love change" because it usually works to our advantage.

As part of this philosophy, we encourage people to learn by constantly trying new things and testing their ideas to see what actually works in practice. We call these tests "small starts." People will only experiment with small starts if they know it is okay to fail. We need to encourage "failing forward" by recognizing people for trying new things and following their hunches even if they don't pan out. We have to remember that like learning to ski, we aren't learning unless we are falling down from time to time.

Good ideas don't need to be perfect before we begin implementation. Whether a new product, a new manufacturing process, or a change in a distribution or sales technique, often we can learn most effectively by trying the new idea on a small scale or test basis and then refining it as we learn from practical experience. Ready-Fire-Aim is a whole lot better than the "analysis paralysis" that so many companies suffer from today. As we grow, we must maintain our bias for action and our ability to use change as our ally. (www.edys.com/thecompany/index.html)

Chapter 2
Review of literature

Edy's Grand Ice Cream currently uses a performance evaluation system that is based largely upon the concept of Management by Objectives and Results. Edy's believes that only by truly "empowering" the individuals who work for them, can they sustain a high level of enthusiasm and personal satisfaction among their employees. Edy's calls this approach our "I Can Make A Difference" philosophy and it is the core of everything they do at Edy's Grand Ice Cream. Edy's expresses the "I Can Make A Difference" philosophy in 10 tenets or "Grooves" and because of these grooves, Edy's is considering various alternative methods of performance evaluation that will better fit into their "Grooves." Edy's believes in the individual and understands that people have an opinion on almost everything, want a major voice in how their work environment functions, and want to make as many decisions affecting their lives on the job as possible.

No longer do employees want to dress the same, talk the same and act same as "the company man" proudly did in the past. Edy's feels that most people today want to be thought of and treated as individuals in ways that respect their unique characteristics, skills, strengths, weakness, and idiosyncrasies. Edy's believes that their employees do not need to be motivated, they need to be liberated- that is, given a chance to do their job their way. Therefore, the use of a performance evaluation system that focuses on the outputs of the company causes the employees to perform their job the same as all the other employees. This system doesn't allow the employees to be treated as individuals and this is the reason Edy's is considering an alternative performance evaluation system.

Edy's wants a system that gives employees the freedom to do their jobs their own way. The employee will then be able to develop ownership and pride and make the greatest contribution possible.

Performance Evaluation

Performance evaluation is a formal discussion between a superior and a subordinate for the purpose of discovering how and why the subordinate is presently performing on the job and how the subordinate can perform more effectively in the future so that subordinate, the superior, and the organization all benefit. (Lefton, 1977).

The use of evaluations has been around for thousands of years. The earliest people for whom we have written records, the Sumerians, who lived in the Tigris and Euphrates Valley some 6000 years, used some form of evaluation. The Sumerians used appraisals to determine the value of the things they traded: the metal, the hide, and the tools, but only skilled appraisers could determine those values. Although, it's unlikely that the Sumerians ever did performance evaluation, it is known that they did do evaluations on the things that matter the most to them, much like companies today do evaluations on their employees.

The first use of formal evaluation of employees can be traced back to the third century A.D. when emperors of the Wei dynasty employed an "Imperial Rater" so that the performance of official family members could be rated (DeVries, 1981). This form of appraisal by the Wei dynasty was a transition from the Sumerians because the Sumerians were evaluating objects while the Wei dynasty was evaluating people. The early criticism of this system by Chinese philosopher Sin Yu foreshadows criticism still heard

about performance evaulation: "The Imperial Rater of Nine Grades seldom rates men according to their merits, but always according to his likes and dislikes" (Patten, 1977).

The first person known to use performance evaluations in industry was Robert Owen in his cotton mills during the early 1800's. Over each employee's work station hung a cube of wood denoting, according to shade from light to dark, the different grades of deportment—white for excellent, yellow for good, blue for indifferent, and black for bad (Patten, 1977).

Formal performance appraisal began in the United States in 1813 when Army General Lewis Cass submitted to the War department an evaluation of each of his men. (DeVries, 1981). Performance evaluation systems in the early twentieth century were primarily used by the U.S military and government, but widespread use of evaluations in the U.S government didn't begin until 1842. The U.S. military was a forerunner in developing performance evaluation techniques, including man-to-man ranking, forced-choice measures, and trait-rating scales. It wasn't until after World War I that it became popular in industry to conduct performance evaluations on employees and evaluation of managers was not widely practiced until after World War II. Today, performance evaluations are considered to be a universally accepted fact of organizational culture.

One of the reasons performance appraisals have become commonplace in organizations, is because legal considerations have become increasingly important. After the passage of the 1964 Civil Rights Act, and the 1966 and 1970 Equal Employment Opportunity Commission Guidelines for the regulation of employment selection procedures, legal considerations created strong pressure on organizations to formalize

and organize their performance evaluation systems. Representatives of major corporations found themselves in court trying to justify the basis on which salary, promotion, retention, and hiring decisions were made.

Scholtes's <u>The Leader's Handbook, p.295, 1998</u>, lists the many erroneous assumptions behind current performance evaluations:

- Evaluation will improve employee's performance.

- The employee being evaluated has control over the results.

- The employee's individual contribution can be discerned from the contributions of the system and other manager and workers in the system.

- All processes with seemingly identical equipment, materials, training, job description, etc., are, in fact, identical.

- The standards of evaluation are related to factors demonstrably important to the business and its customers.

- The standards are reasonable and achievable.

- Each system in which an employee works is stable an capable of delivering the expected results.

- The evaluation covers performance over the entire cycle of evaluation, not just the period recallable by recent memory.

- All evaluation are consistent with each other.

- Each evaluator is consistent from one employee to the next.

These assumption are seldom true, thought they are commonplace (Scholtes, 1998).

Management By Objectives and Results

In the 1950's, when the concept of management by objectives (MBO) became widely recognized, both managers and supervisors looked to it to provide a more meaningful way to evaluate the performance of both professional and managerial employees. Two basic forms of performance management systems were developed.

The first was based on goals, where the employee would accept or commit himself to certain goals that were beneficial to the organization, which were pre-approved by management. The second type contained key job impact areas (or key accountabilities), which were identified. Performance standards were then set for major activities that were necessary to be successful in that area.

The question was whether or not these goals and accountabilities were effective. It was soon noticed that these two programs had certain strengths. However, the trendy programs didn't prove to be as useful in appraising professional and supervisory performance, as expected.

Since goals and objectives are primarily forecasts of what could be achieved, employees soon recognized that a variety of external influences might affect actual job achievement. Such external events may be budget cutbacks, abrupt work rule changes, or impacting economic problems. At other times subordinates were unfairly held responsible for matters beyond their control. The latter situation obviously was unacceptable.

Those who achieve a higher proportion of their goals over time are likely to be more competent than those who do not. However, an evaluation system that rewards luck and disregards real effort and competence is more random than fair and is not likely to be

respected. Another problem with performance evaluation systems that is based primarily on setting goals and assessing their achievement of them uses the process of goal setting itself. Soon, employees begin to realize that setting lower goals for themselves is much safer for their career than setting higher ones that they may not achieve. Employees would rather negotiate easier-to-achieve goals with the boss, instead of setting goals that are tougher to achieve so they don't have to work so hard to reach them.

Edy's Grand Ice Cream has a few different steps that they use when doing their performance evaluations. First, the previous year is reviewed by management to determine if there has been any change in the employee's performance. They look to see if the employee has achieved the goals that were set for that particular year, and they also look to see if the employee has improved and how much. Edy's feels that this is very important because while all improvement is good, there are different degrees of improvement. Some employees may improve just a little, while others may improve significantly. When the time for the performance evaluations comes, the employee is usually already aware of what their progress is. This is largely due to one of Edy's Grooves, the Face-to-Face Communication. The management is consistently talking with each individual employee to let him or her know how he or she is doing. This is why the results of the performance evaluation should be no surprise to the employee.

The next thing that is done is developing new career goals for the next year. Ideally, these goals would build upon the goals of the previous year that had been achieved. Those that had not been achieved may be used as a goal for the next year. These goals that are set are ones that are reasonable for the employee to attain. None of the goals are unrealistic.

The last thing that occurs during performance evaluation at Edy's is to discuss company goals. The goals that are set for the company as a whole to achieve are first reviewed with the employee. Then the individual can contribute their ideas and implement their own goals in ways that may help the company accomplish its goals.

Total Quality Management (TQM)

Total Quality Management is a management method that focuses on satisfying the customer expectations by continually improving the way business is conducted. (Aluri, Reichel, 1994).

"The key to TQM is the redistribution of power, responsibility, and accountability from the few at the top of the organizational hierarchy to the entire workforce. Collaborative leadership is essential in the TQM process. The TQM model represents a radical paradigmatic shift form the normal way of doing business in government and industry. It means the emphasis is placed on everyone, rather than the few heroic, visionary leaders to get up to the standard needed for the organization to create delighted customers. In the quality approach, everyone is expected to behave heroically, to share in the creation of the vision, and to assume responsibility in problem solving to get top quality to the customer." (Gilbert, Nelson).

These paradigmatic shifts in thinking inherent in TQM includes concepts such as the customer is the center of an organization's world, external customers belong to the front-line employees, employees should be empowered to improve customer service and solve the problems that may interfere with it.

TQM takes the traditional organizational chart and turns it upside down; it says that the customers are the most important part of the organization, followed by those who

serve the customers; and management is there to support those who serve the customers. (Osborne, Gaebler). There must be a reorientation of managerial philosophy and practices on the lines of TQM. It demands dramatic rethinking of how employee performance is improved and evaluated, and how rewards and punishments are distributed. Traditional hierarchical organizations use extrinsic rewards and punishments, such as pay, which may not be appropriate.

W. Edwards Deming, a statistician by training, is best known for his post-war contributions to Japan. He convinced Japanese managers that quality of goods and customer satisfaction are essential for capturing world markets. Although influential and successful in Japan, he was largely ignored in the United States until 1980 when NBC broadcast a documentary called "If Japan Can…Why Can't We?"

Deming is an influential figure behind the development of the TQM philosophy. Deming developed fourteen points for management that are the basis behind the TQM philosophy. These fourteen points can be found, as follows, in Chapter Two of *Out of the Crisis,* a book written by W. Edwards Deming in 1982.

1. Create constancy of purpose toward improvement of product and service, with the aim to become competitive and to stay in business, and to provide jobs.

2. Adopt the new philosophy. We are in a new economic age. Western management must awaken to the challenge, must learn their responsibilities, and take on leadership for change.

3. Cease dependence on inspection to achieve quality. Eliminate the need for inspection on a mass basis by building quality into the product in the first place.

4. End the practice of awarding business on the basis of price tag. Instead, minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.

5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.

6. Institute training on the job.

7. Institute leadership. The aim of supervision should be to help people and machines and gadgets to do a better job. Supervision of management is in need of overhaul as well as supervision of production workers.

8. Drive out fear, so that everyone may work effectively for the company

9. Break down barriers between departments. People in research, design, sales, and production must work as a team, to foresee problems of production and in use that may be encountered with the product or service.

10. Eliminate slogans, exhortations, and targets for the work force asking for zero defects and new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.

11. a. Eliminate work standards (quotas) on the factory floor. Substitute leadership.

    b. Eliminate management by objective. Eliminate management by numbers, numerical goals. Substitute leadership.

12. a. Remove barriers that rob the hourly worker of his right to pride of workmanship. The responsibility of supervisors must be changed from sheer numbers to quality.

b. Remove barriers that rob people in management and in engineering of their right to pride of workmanship. This means, *inter alia*, abolishment of the annual merit rating and of management by objective.

13. Institute a vigorous program of education and self-improvement.

14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

Deming also identified performance evaluations as one of the six deadly diseases afflicting American management. He believed performance evaluations leave people bitter, crushed, feeling inferior, some even depressed, unfit for work for weeks after the evaluation, and unable to comprehend why they are inferior. Another one of the deadly diseases is a lack of purpose to plan the product and service that will have a market and keep the company in business, and provide jobs. The others are emphasis on short-term profits, or short-term thinking, mobility of management or job hopping, management by use of only visible figures, excessive medical costs, and excessive costs of liability, swelled by lawyers that work on contingency fees.

To demonstrate the impact of the system on employees' performances using the "red bead experiment," in which blindfolded participants are asked to draw 50 beads from a mixture of red and white ones. The goal was to draw only white beads,

participants, despite their efforts, drew some red ones. However, there is usually some variation among them, some drawing more red ones than others. Deming pointed out that the variation had nothing to do with how well the participants picked the beads, but it was the system that caused it. If the system were changed to reduce the portion of red beads, or eliminate them altogether, the performance of the participants would improve because the system had been changed.

Deming faulted performance evaluations for their implied preciseness, and he suggested that fair rating of employees is impossible. He said, "a common fallacy is the supposition that it is possible to rate people; to put them in rank order of performance for next year, based on performance of last year." Deming condemned performance evaluations because they nourish fear, encourage short-term thinking, stifle teamwork, and are no better than lotteries.

Nourishment of fear, or management by fear, is what Deming called a performance evaluation system. He felt employees fear that they might get into trouble if they ask questions, present an opposing point of view, or question their rating. Consequently, performance evaluation systems teach employees to play it safe, not raise questions, and not rock the boat. This behavior in the long run deprives the company of the knowledge and experience of the creativity of their employees.

Short-term thinking is the undue focus on the short-term goal of looking good at the next performance evaluation. The consequences, according to Deming, are: undue emphasis on "counting" as a measure of performance, loss of pride of workmanship, and failure to improve the system as a whole. Three other problems that Deming identified with performance evaluation are as follows:

1. **Stifling of teamwork.** Performance evaluations force employees and departments within their organization to work for themselves, which is often a detriment to the organization as a whole.

2. **Performance evaluation system as a lottery.** Employee systems such as Employee of the Month are based on faulty statistical reasoning. A group of employees doing a similar job form a statistical system, however, there are differences in employee performance, which causes variation.

3. **A downfall to performance evaluation is that supervisors dread the process too.** They are confronted with standard evaluation forms that expect them to take seriously terms that are very generalized, such as motivation, discipline, or morale. Most supervisors tend to skip through them as quickly as possible.

There is, of course, a search for the perfect performance evaluation method that will provide the most reliable and bias-free evaluation. Some of the methods that have been used are ranking methods (Behaviorally Anchored Rating Scales (BARS), forced distribution method, responsibility rating, evaluations based on measures of output, tests of proficiency, the critical incident method, personal trait scales, trait checklists, dimensionalized scales adjective or numerically anchored global scales, and Management By Objectives (MBO). In order to overcome the problems inherent with various evaluation instruments, essay methods may be used. Each method has it's own weaknesses. Rating methods, for instance, can be more complicated than they look, they: work on the principle of comparison; the employee's work may be compared to an absolute standard set arbitrarily by the company, to a predetermined rate of output

established by precedent or by exhaustive time-measurement projects, or to a standard as abstract and complex as the criteria for tenure at a particular academic institution.

Deming recommends abandoning performance evaluation. His ideas of performance evaluations are based on strong and proven statistical arguments. However, there are strong institutional, bureaucratic, psychological, and legal forces in favor of continuing the performance evaluations. Legislatures, library boards, and college and university administrations mandate them. Given such strong forces, it is unlikely that performance evaluations will ever disappear.

Alternatives

In view of the difficulties with performance evaluation systems based primarily on goal achievement, combination systems have become increasingly popular throughout the United States today. The combination systems take advantage of the best features of various systems (goals and objectives, quantity and quality standards, and key accountability elements). A successful performance evaluation process will use some of the following ideas.

1. **Employee Involvement.** It is critical that managers and supervisors involve their employees in the design and later-required revisions of their performance appraisal system. By giving the employees a meaningful role in redesigning the system, you build a greater understanding, commitment, and support of the program from the start. Employees should be asked to help update their position descriptions, make rough drafts of performance standard for supervisory approval, help design appraisal forms, and help develop training materials.

2. **Supervisor and Higher-Level.** Managers should retain their prerogatives and control over broader performance management issues, such as formulating mission statements, approving annual goals and objectives, and improving bottom-line values. In many organizations, top management is the final approver of performance standards.

3. **Objectivity Emphasized.** Effective performance management is not simple. Appraising employee performance is a complex undertaking for most supervisors and managers. It is important that a performance system emphasize the elements one can most "objectively" measure, such as work quality and quantity, accomplishment of goals and objectives, and completion of key accountabilities. The system should not deal with subjective qualities such as an employee's personality and character.

4. **Hold Boss Accountable.** A large part of the performance evaluation of managers and supervisors should be tied to how well they plan for, motivate, and assess the performance of their own employees. Persons who are managers have an obligation to their organization and to their workforce as well. A company depends on its managers for the effective performance of the entire organization, they are also trusted by employees for their career development.

5. **Form Isn't All.** One or two forms do not make up a performance evaluation system. However, in many organizations, the managers get far too involved in trying to design or revise the "ideal" performance evaluation form. The forms need to be designed attractively so that the employee can understand it easily with

clarity, adequacy, and completeness. They should appear professional, however, it is the care of the managers that ensures success, not the form itself.

6. **Continuous Process.** Performance evaluation systems often fail because the appraisal process isn't regarded as an on-going activity. There won't be any surprises if adequate feedback is provided and necessary corrective action is taken on a daily, weekly, monthly, or quarterly basis. Feedback should be clear, descriptive, objective, and constructive, or it may present and awkward and difficult situation for the employee and the manager, whether it's positive or negative feedback.

Chapter 3
Methods and Procedures

Edy's Grand Ice Cream currently uses a performance evaluation process that is based largely upon the concept of Management by Objectives and Results. Edy's believes that only by truly "empowering" the individuals who work for them, can they sustain a high level of enthusiasm and personal satisfaction among their employees. They call this approach their "I Can Make A Difference" philosophy. It is the core of everything that is done at Edy's Grand Ice Cream. The company expresses the "I Can Make A Difference" philosophy in ten tenets or "Grooves".

The Purpose of the Study

The purpose of this study is to identify and recommend an alternative performance evaluation process that will better fit within Edy's company philosophy of the "Grooves".   A survey will be used to gather information from employees at the New Berlin, WI office of Edy's Grand Ice Cream. Information will be gathered on the employee's attitudes and opinions about Edy's annual performance evaluation process.

Target Market

The target market for this study will consist of the employees working for the Milwaukee profit centers. The employee must be working a minimum of 30 hours a week and have been employed by Edy's for a least one-year. The employees must also have experienced at least one yearly performance evaluation. The total number of employees that will be surveyed 35.

Sample Size

All Edy's employees working out of the New Berlin, WI office and that meet the qualifications listed in the Target Market section of chapter three. The total sample size for this study will be 35 employees.

Limitations of the Study

1. This study is limited to the New Berlin, WI office of Edy's Grand Ice Cream and will not apply to other Edy's offices.

2. This study is limited to employees at Edy's Grand Ice Cream who work more than 30 hours per week.

3. Employees must be employed by Edy's for more than one year.

4. Employees must have experienced at least one performance evaluation.

Survey Instrument

The survey instrument was designed to fully answer the following three objectives:

1. Determine the attitudes and opinions of the employees at the New Berlin office of Edy's Grand Ice Cream toward yearly performance evaluation process.

2. Determine current criteria used for evaluating employees at the New Berlin office for their annual performance evaluation.

3. Identify a performance evaluation process that fits Edy's philosophy of the "Grooves".

The survey instrument was developed by the researcher and pilot tested by industry experts. The experts then made recommendations on changes to the survey so that the survey better answered the objectives, these changes then were made to the

survey instrument. The survey consists of 11 questions, using a mixture of multiple-choice, open-end, likert scale (scale of importance) and raking questions. A copy of the survey can be found at the end of this chapter and in appendix A.

<u>Statistical Measurement</u>

To measure data found through this study the following statistical measurement techniques will be used: averages, weighted averages, ranking, and frequency distribution.

Chapter 4
Results

Edy's Grand Ice Cream currently uses a performance evaluation process that is based largely upon the concept of Management by Objectives and Results. Edy's believes that only by truly "empowering" the individuals who work for them, can they sustain a high level of enthusiasm and personal satisfaction among their employees. They call this approach their "I Can Make A Difference" philosophy and it is the core of everything that is done at Edy's Grand Ice Cream. The company expresses the "I Can Make A Difference" philosophy in ten tenets or "Grooves" and because of these grooves Edy's is looking at alternative methods of evaluation that better fit into their "Grooves".

The Results Question By Question

The first three questions were used by the researcher to determine that the employee being surveyed fits within the following criteria:

1. Employee must have worked for the company for a minimum of one year.

2. Employees must work more than 30 hours per week

3. Employee must have had at least one yearly performance evaluation.

### Question #1: I am presently employed by Edy's as a…
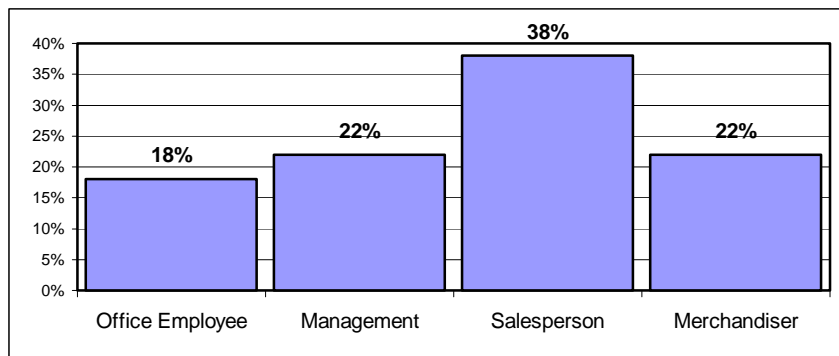
The results of question one are used to verify that an accurate sample was taken by the researcher. The results were: 6 employees or 18% of the respondents were office employees, 8 employees or 22% were management, 13 employees or 38% were salespeople, and 8 employees or 22% of the respondents were merchandisers. These results represent a typical staff of employees at any of Edy's profit centers.

Question #2: How long have you been employed with Edy's?
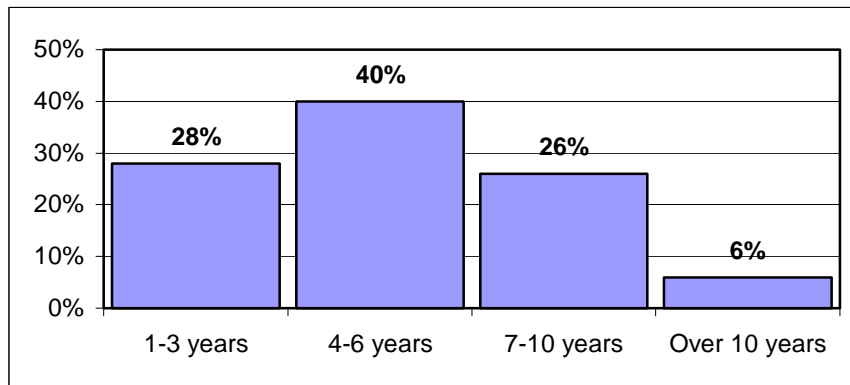
Question 2 shows that over 70% or 25 of the respondents have been employed by Edy's for more than 4 years and over 30% or 11 employees have been employed with the company for more than 7 years. Of the total respondents 70% have experienced a minimum of four yearly performance evaluations.

**Question #3: Have you experienced a yearly performance evaluation?**
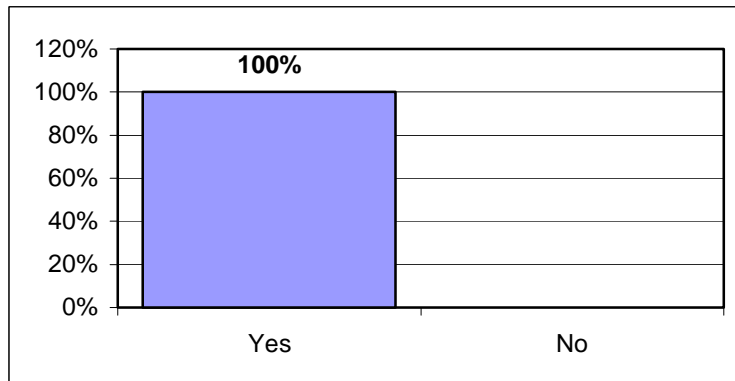
This question was used to verify that all of the respondents have experienced at least one yearly performance evaluation.

Question #4: Have you completed the "Grooves" training?
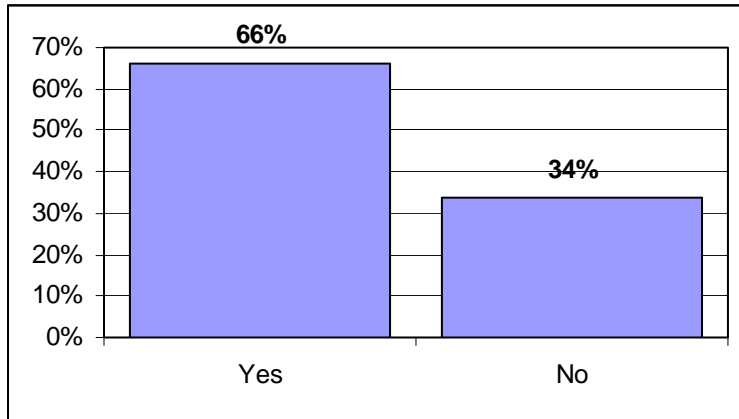
Question 4 shows that 23 employees or 66% responded that they have completed the "Grooves" training, while 12 employees or 34% responded that they have not completed the "Grooves" training.

Question #5: Were you given the opportunity to voice your opinion regarding the performance evaluation process?
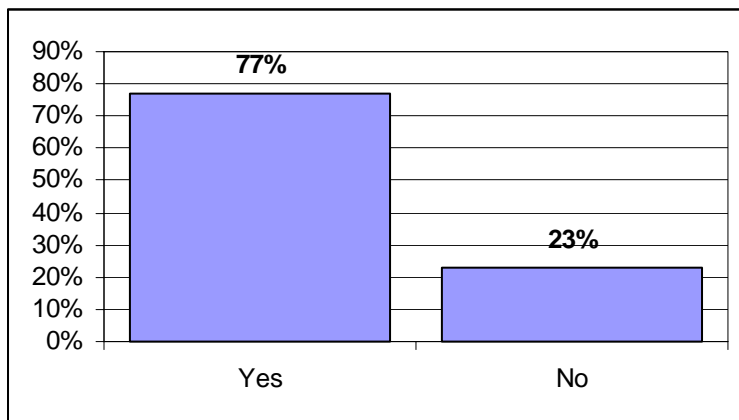
Question five asked if the employees were given an opportunity to voice their opinion regarding the performance evaluation process. Of the total respondents 77% or

27 employees said that they did have a opportunity to voice their opinion and 23% or 8

employees said that they did not have a opportunity.

Question #6: Was a current job description available for reference during the performance evaluation process?
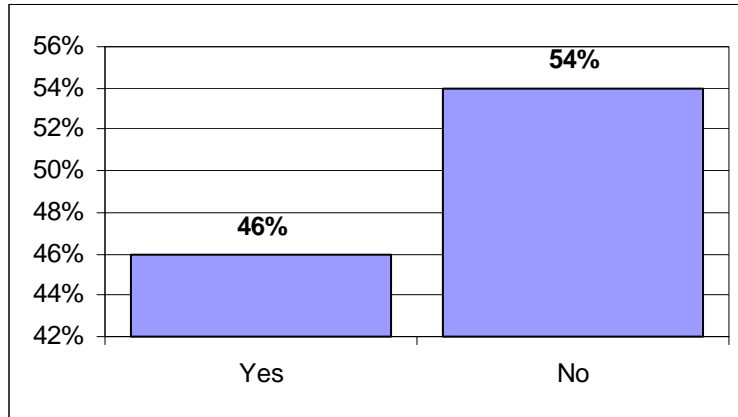
In question 6 the employees were asked if they had access to their current job

description. Only 46% or 16 employees said that they did have access to a current job

description, while 54% or 19 employees said that they did not have access.

Question #7: Based on 100%, please indicate what percent of the upcoming year's objectives were determined by you and what percent were determined by your direct supervisor.
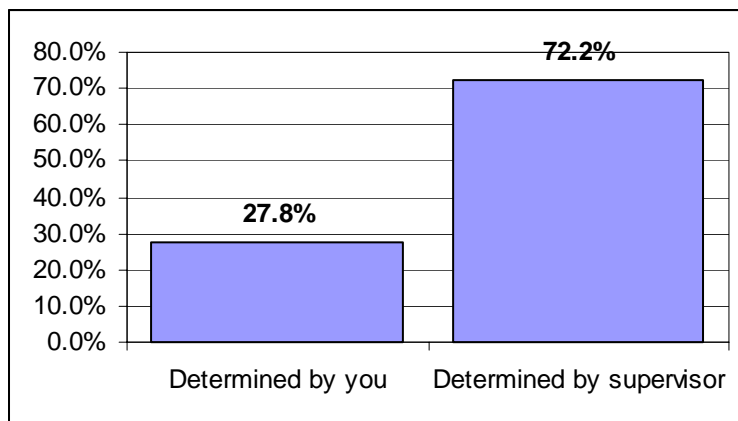

Question 7 was used to determine what percentage the employee feels they

contributed to determining their upcoming year's objectives and what percentage was

determined by their supervisor. The employees on average felt that they determined only

27.8% of their upcoming years objectives, while their supervisor determined 72.2% of
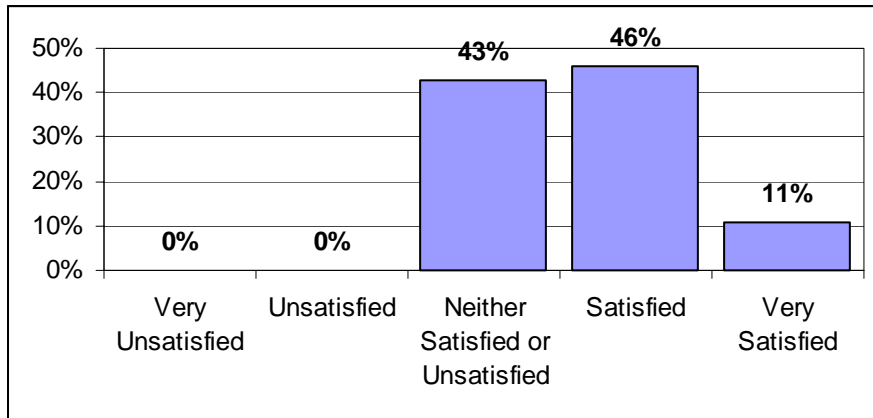
their objectives.

For questions 8a-8d the employees were asked to rate their level of satisfaction

with their last performance evaluation in regards to four areas on a scale of 1 to 5 where

1=very unsatisfied, 2=unsatisfied, 3 neither satisfied or unsatisfied, 4=satisfied, 5 very

satisfied

**Question #8a: Time allotted for the entire evaluation process**
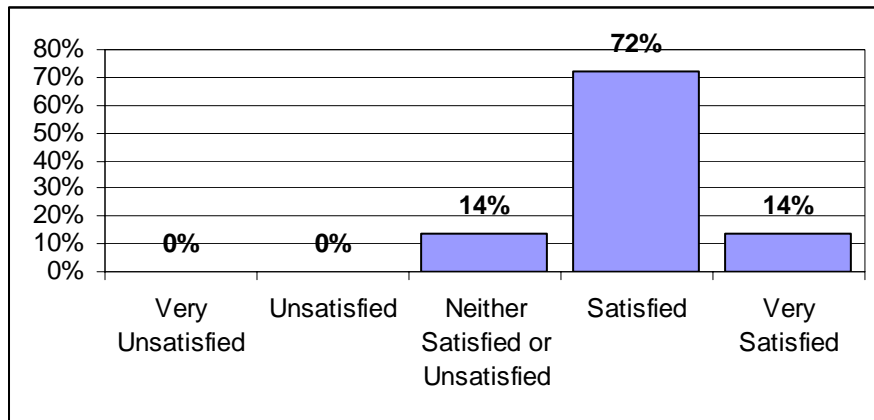
When asked about the time allotted for the entire evaluation process no one was

unsatisfied with the amount of time, 14% or 5 employees were neither satisfied or

unsatisfied, 72% or 25 of the employees were satisfied and 14% or 5 of the employees

were very satisfied. The weighted average for this question was 4, meaning that the

average employee was satisfied with the amount of time allotted for the entire evaluation

process.

**Question #8b: Ample opportunity to provide input toward objectives**

The employees when asked if they were given ample opportunity to provide input toward their objectives again no one was unsatisfied with there opportunity, 43% or 15 employees were neither satisfied or unsatisfied, 46% or 16 employees were satisfied and only 11% or 4 employees were very satisfied with the amount of time. The weighted average for this question is 3.69 showing that the average employee's response fell between neither satisfied or unsatisfied and satisfied.

Question #8c: The objective written during the evaluation were obtainable
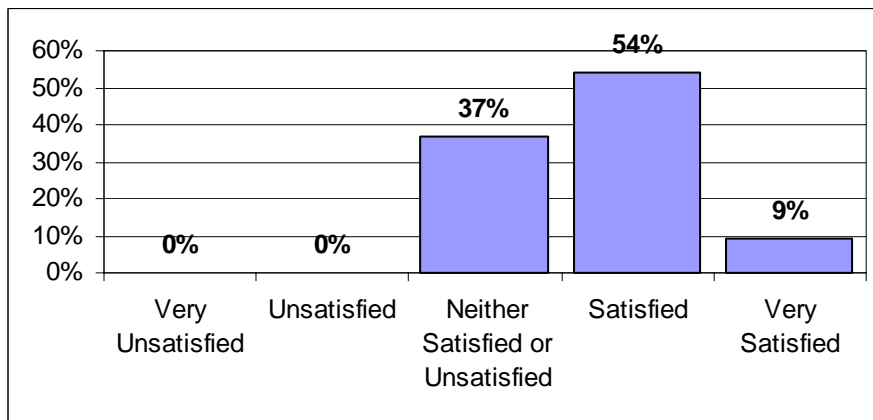
When asked about the level of satisfaction in regards to whether or not their objectives that were written during their evaluation are obtainable no one was unsatisfied, 37% or 13 employees were neither satisfied or unsatisfied, 54% or 19 employees were satisfied, and only 9% or 3 employees were very satisfied. The weighted average for this question is 3.71 showing that the average employee's response fell between neither satisfied or unsatisfied and satisfied.

Question #8d: Overall rating of the evaluation process
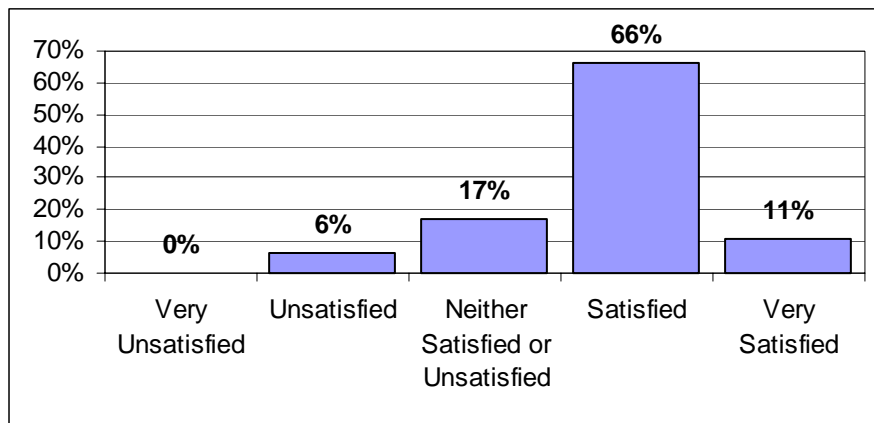
When the employees were asked about their overall satisfaction with the evaluation process, 6% or 2 employees were unsatisfied, 17% or 6 employees were neither satisfied or unsatisfied, 66% or 23 employees were satisfied and 11% or 4 employees were very satisfied. The weighted average for this question is 3.83 showing that the average employee's response fell between neither satisfied or unsatisfied and satisfied.

Question #9: In your opinion do the objectives within the performance evaluation process relate to the "I Can Make a Difference" philosophy?
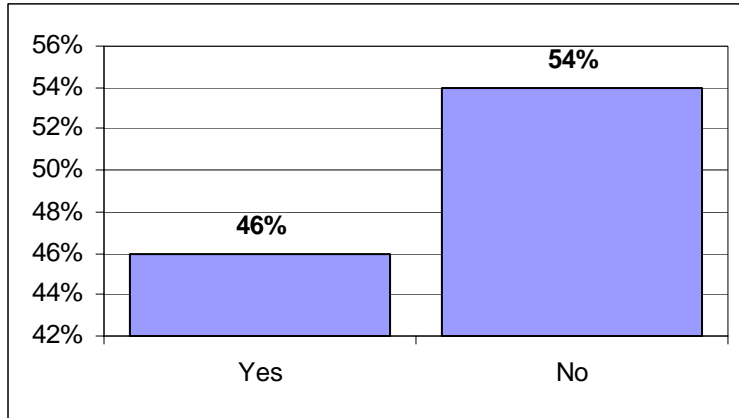
Question 9 asked the employees' opinion on whether or not the objectives within the performance evaluation process relate to the "I Can Make a Difference" philosophy 46% or 16 of the employees said yes they do relate and 54% or 19 employees said no they do not relate. This question had a second part were the employees were ask to explain their response. Only two employees explained their responses, one employee wrote "Taking ownership" and the other employee wrote the following "It's your route, your mini business, so what you put in to it, you get out of it."

Question #10: On a scale of 1 to 5 please rate the how fair you feel the current performance evaluation process where 1=very fair, 2=fair, 3= neutral, 4= unfair, 5= very unfair.
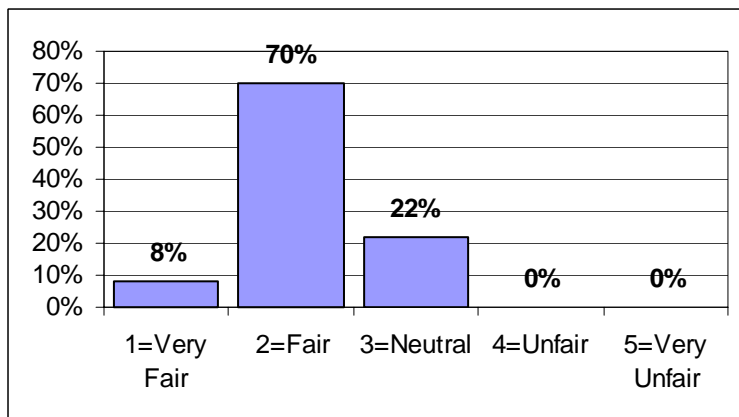
Question 10 asks the employees how fair they feel the current performance evaluation process is, 8 employees or 22% responded feeling neutral, 24 employees or 70% responded feeling it is fair, and 3 employees or 8% felt the process is very fair.

<u>Question #11: In your opinion, what changes can Edy's make to their performance evaluation process that will improve the process both for you and the company?</u>

This question was an open-ended question that was used to allow the employees to express their opinion in their own words. Some of the notable responses are listed below, a full list of responses can be found in appendix B.

- Semi-annually verses annually

- More involvement by the employee

- Send someone out to view my work

- Give me better opportunity to voice my opinion

Chapter 5
Conclusion and Recommendations

Edy's Grand Ice Cream currently uses a performance evaluation process that is based largely upon the concept of Management by Objectives and Results. Edy's believes that only by truly "empowering" the individuals who work for them, can they sustain a high level of enthusiasm and personal satisfaction among their employees. They call this approach their "I Can Make A Difference" philosophy and it is the core of everything that is done at Edy's Grand Ice Cream. The company expresses the "I Can Make A Difference" philosophy in 10 tenets or "Grooves" and because of these grooves Edy's is looking at alternative methods of evaluation that better fit into their "Grooves".

The Purpose of the Study

The purpose of this study is to identify and recommend an alternative performance evaluation process that will better fit within Edy's company philosophy of the "Grooves". A survey will be used to gather information from employees at the New Berlin, WI office of Edy's Grand Ice Cream. Information will be gathered on the employee's attitudes and opinions about Edy's annual performance evaluation process.

Objectives of the Study

1. Determine the attitudes and opinions of the employees at the New Berlin office of Edy's Grand Ice Cream toward yearly performance evaluation process.

2. Determine current criteria used for evaluating employees at the New Berlin office for their annual performance evaluation.

3. Identify a performance evaluation process that fits Edy's philosophy of the "Grooves".

Conclusion

Although chapter four shows that 77% of the employees were at least satisfied with the overall evaluation process, it also shows that there are some areas that Edy's needs to look at. Some of the items that Edy's may want to look at are the amount of employees that have not completed "Grooves" training, the availability of a current job description during the evaluation, and the percentage of the objectives that are determined by the supervisor compared to the percent that is determined by the employee.

Edy's has an incredible company philosophy that encourages employee involvement in the form of strong communication among employees and management. When the time comes for the evaluation, this communications seems to diminish and this seems to be one of the areas that is causing a problem during the evaluation process. A lack of communication by management toward the employees about things that are happening within the company that will have an effect on the objectives that are set for employees. This problem is one that has to addressed by Edy's before any other changes can be made.

The research seems to suggest that the employees are for the most part satisfied with the current evaluation process but this does not mean that the process should be left alone. Edy's evaluation process has some problems, they are problems that can be easily fixed at a minimal cost to the company.

Recommendations

      The researcher has found that there are three areas of the evaluation process that need to be changed or modified. The following are the areas that the researcher has determined to be problem with the current evaluation process:

1. Grooves Training. The survey results show that out of 35 employees, 12 have not completed the Grooves training course, which is training is suppose to be done after an employee has been with the company for six months. The Grooves training is something that has a big impact on the evaluation process because the Grooves philosophy is how the company is run. If the employees do not completely understand the Grooves, in essence, they do not understand how the company expects objectives to be met.   The Grooves have been designed so that employees understand how the company expects things to be done and without this understanding, how can employees properly complete their objectives?

2.   Employee involvement. One of the key components of the Grooves philosophy is employee involvement. Edy's wants their employees to be involved in everything that goes on with the company and they value their employees' input and ideas. The survey showed that employees felt that 72% of their objectives for the upcoming year is determined by their supervisor, while only 28% is determined by them. With employee involvement playing a strong role in the Grooves philosophy, these percentages should be closer to 50/50. Both the supervisor and the employee should develop objectives equally. The supervisor knows what the company needs to accomplish in the upcoming year and the employee knows how they can contribute to achieving these objectives. Not all objectives need to be

about what the company needs to accomplish but some should be about each individual employee's personal improvement objectives. With the right mix of objectives, both the company and the employee can be satisfied.

3. Time spent on the whole evaluation process. Although the survey results show that when the employees were asked about the time allotted for the entire evaluation process over 80% were satisfied, however, the time spent on the entire process needs to be increased. There were a few open-ended responses that indicate that more time needs to be spent preparing for the evaluation. The employees responded that they want the supervisor to spend more time viewing the work that they do, along with increased times to be spent on creating the employees objectives as stated before. The other area that more time should be spent is on reviewing a current job description. Job descriptions can go out of date quickly and this is the right time to update the description and review it with the employee. The main reason for an up-to-date job description is that along with the objectives the job description outlines what is expected of the employee.

If Edy's continues to use their current system along with improving on these areas that have been identified, their evaluation system will fit better in the Grooves philosophy. The Grooves philosophy involves a large amount of employee involvement and the improvements to the system that have been listed comes from how the employees responded to the questions they were asked. If Edy's makes these changes and once they have time to take effect, a follow-up study should be done to determine the effects of the changes to the system.

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APPENDIX: A

Consent Form

Consent Form

I understand that by returning the/this questionnaire, I am giving my informed consent as a participating volunteer in this study. I understand the basic nature of the study and agree that any potential risks are exceedingly small. I also understand that the information being collected will be used to improve the current evaluation process. I am aware that the information is being sought in a specific manner so that no identifiers are needed and so that confidentiality is guaranteed. I understand that only group level information will be used and reported to the employer. I realize that I have the right to refuse to participate and that my right to withdraw from participation at any time during the study will be respected with no coercion of prejudice.

NOTE: Questions or concerns about participation in the research or subsequent complaints should be addressed first to the researcher or research advisor and second to Dr. Ted Knous, Chair, UW-Stout Institutional Review Board for the Protection of Human Subjects in Research, 11 HH, UW-Stout, Menomonie, WI 54751, phone (715) 232-1126.

APPENDIX: B

Survey Instrument

Performance Evaluation Questionnaire

       This questionnaire has been designed to measure your attitudes and opinions regarding Edy's performance evaluation process. Your answers and opinions are very important to the results of this study and will be held in the strictest of confidence. Please understand that at no time will information supplied by you be analyzed on in individual basis.

Please check the one response that most closely pertains to you.
1. I am presently employed by Edy's as a…
   a.__ Office Employee
   b.__ Management
   c.__ Salesperson
   d.__ Merchandiser

2. How long have you been employed with Edy's
   a.__ 1-3 years
   b.__ 4-6 years
   c.__ 7-10 years
   d.__ over 10 years

3. Have you experienced a yearly performance evaluation?
   a.__ Yes
   b.__ No

4. Have you completed the "Grooves" training?
   a.__ Yes
   b.__ No

*For the remainder of the questionnaire***:**
Thinking back to your last performance evaluation:

5. Were you given the opportunity to voice your opinion regarding the performance evaluation process?
   a.__ Yes
   b.__ No

6. Was a current job description available for reference during the performance evaluation process?
   a.__ Yes
   b.__ No

7. Based on 100%, please indicate what percent of the upcoming year's objectives were determined by you and what percent were determined by your direct supervisor.
   a.____% Determined by you
   b.____% Determined by supervisor
     100% Total

8. *On a scale of 1 to 5 please rate the your level of **satisfaction** with your last performance evaluation where 1=very unsatisfied, 2=unsatisfied, 3 neither satisfied or unsatisfied, 4=satisfied, 5 very satisfied*

		Very unsatisfied	Unsatisfied	Neither satisfied or unsatisfied	Satisfied	Very satisfied
a.	Time allotted for the entire evaluation process	1	2	3	4	5
b.	Ample opportunity to provide input toward objectives	1	2	3	4	5
c.	The objective written during the evaluation were obtainable	1	2	3	4	5
d.	Overall rating of the evaluation process	1	2	3	4	5

9. In your opinion do the objectives within the performance evaluation process relate to the "I Can Make a Difference" philosophy?
   a.__ Yes
   b.__ No

Please explain your response_____

_____

_____

10. On a scale of 1 to 5 please rate the how **fair** you feel the current performance evaluation process where 1=very fair, 2=fair, 3= neutral, 4= unfair, 5= very unfair.
    a.__ Very Fair
    b.__ Fair
    c.__ Neutral
    d.__ Unfair
    e.__ Very Unfair

11. In your opinion, what changes can Edy's make to their performance evaluation process that will improve the process both for you and the company?

   _____

   _____

   _____

APPENDIX: C

Results of Open-ended Questions

Responses to Question #11:

- Semi-annually verses annually.

- More involvement by the employee.

- Send someone out to view my work.

- Give me better opportunity to voice my opinion.

- The objectives during the evaluation need to reflect the "I Can Make a Difference" philosophy.

- Allow more face to face communication.

- Everything O.K.

- Give a person time to respond to his performance evaluation, with out a supervisor being there.

- More involvement by the employees.

- Need to come and see me work before they give me a evaluation

- Send someone out to view my job