

Human Resources Management

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MGM 243

Lecture 08



Part 3: Developing HRM Performance Management and Appraisal

Chapter
11

Lecture 08

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**Chapter
11**

Learning Outcomes

After you have read this chapter, you should be able to:

- Identify the components of performance management systems.
- Distinguish between performance management and performance appraisal.
- Explain the differences between administrative and developmental uses of performance appraisal.
- Discuss the importance of training managers and employees about performance appraisal and give examples of rater errors.
- Identify several concerns about appraisal feedback and ways to make it more effective

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Identifying and Measuring Employee Performance

Performance Management System

- Processes used to identify, encourage, measure, evaluate, improve, and reward employee performance.
- Continuous process aligning employee performance with strategy.

- **New concepts in PMS:**

Data-driven insights & regular feedback

Integrates technology & AI monitoring

Focus on improvement & growth

Performance Appraisal

Process of determining how well employees do their job relative to a standard and communicating that information to the employee

Formal assessment vs. standards

Evaluates outcomes (What) & behaviors (How)

Complemented by continuous feedback

Real-time performance conversations

Measuring Standards

Goal achievement

Objectives and Key results (OKRs)

Key Performance Indicators (KPIs)

Employee engagement

Collaboration & teamwork

Innovation & adaptability

Customer satisfaction

Learning agility

Linkage Between Strategy, Outcomes, and Organizational Results



FIGURE 11-1

Performance-Focused Organizational Cultures

- Some corporate cultures are based on **entitlement**, meaning that adequate performance and stability dominate the organization. As a result, performance appraisal activities are seen as having little tie to performance and as being primarily a “bureaucratic exercise.”
- At the other end of the spectrum is a **performance-driven organizational culture** that is focused on **results**. Performance appraisals link results to employee compensation and development.



Components of a Performance-Focused Culture

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Components of a Performance-Focused Culture

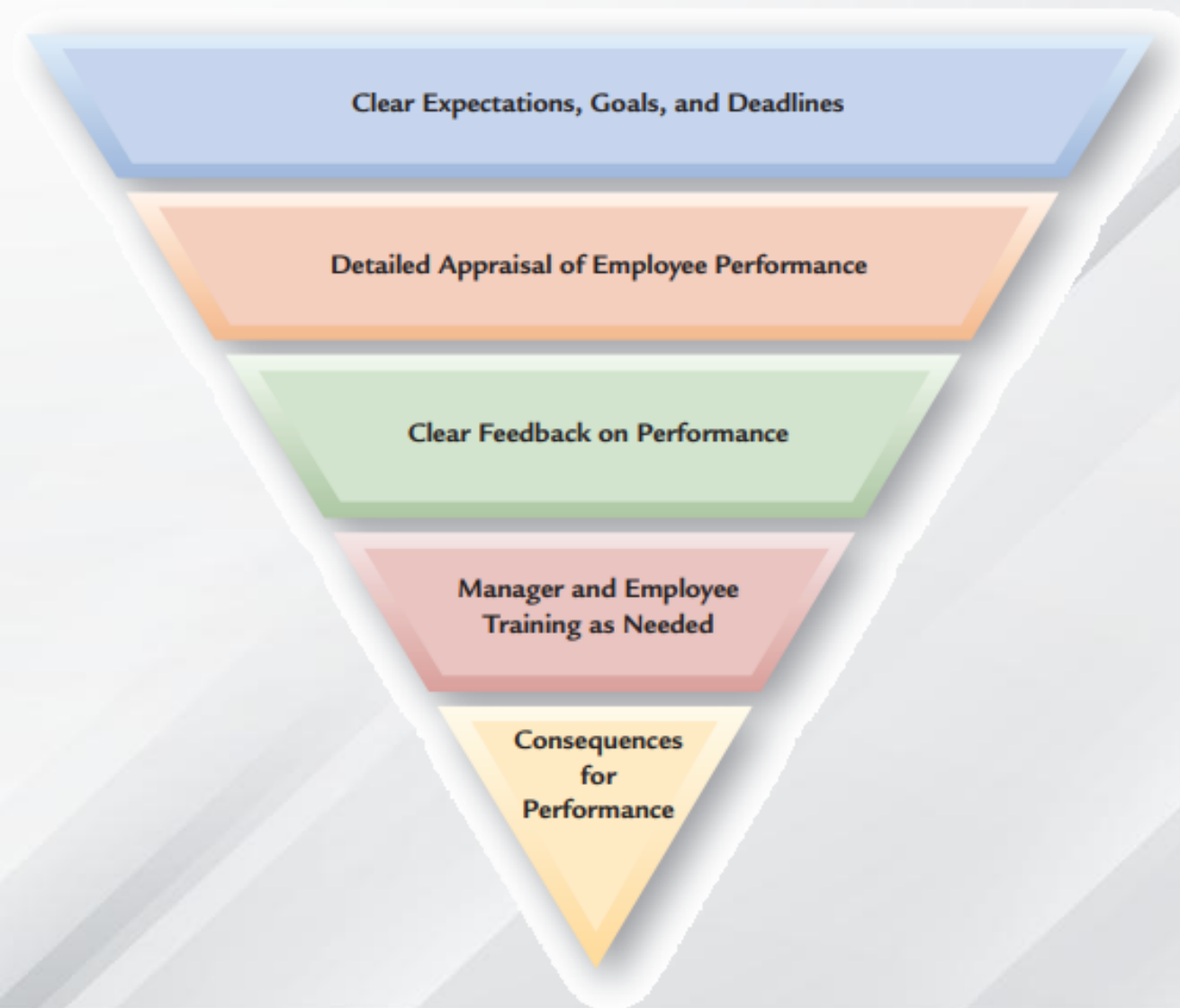
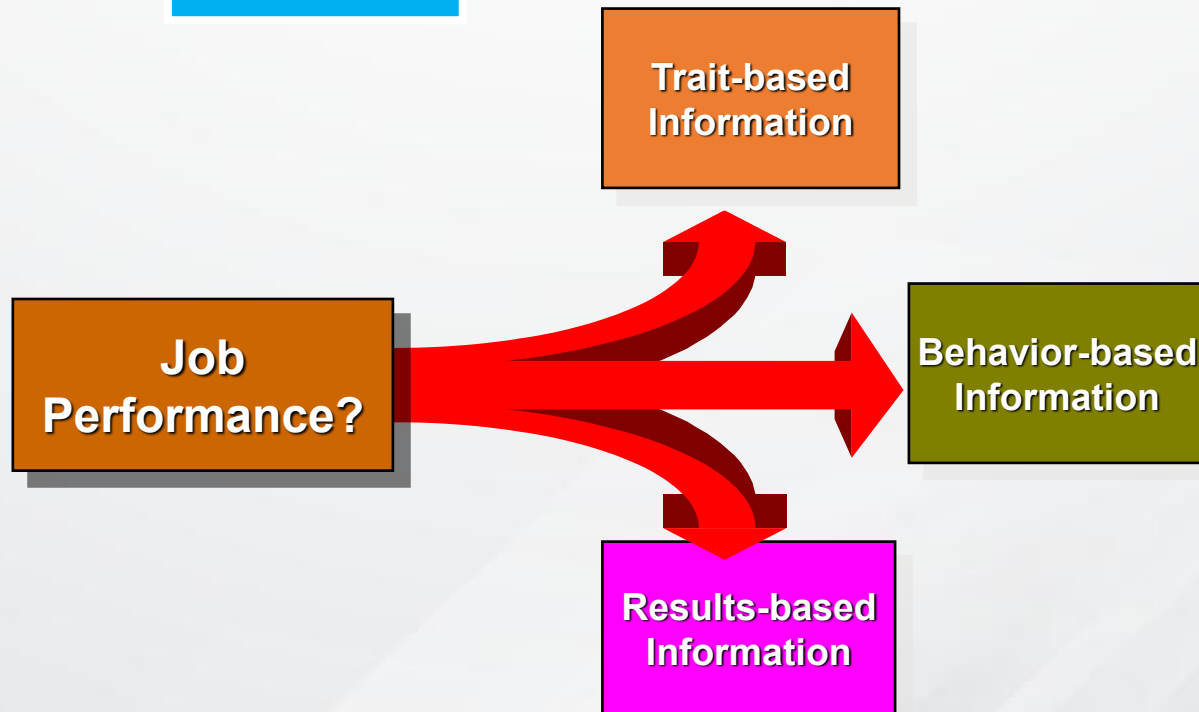


FIGURE 11-2

Types of Performance Information



Types of Performance Information

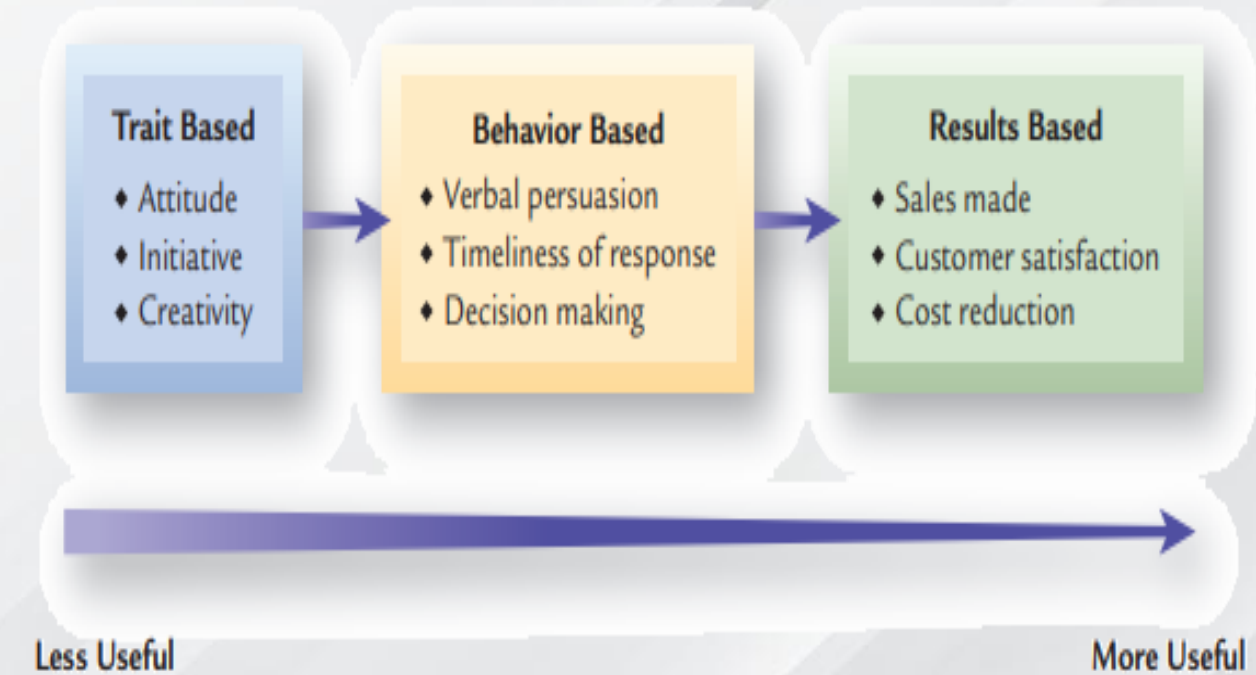


FIGURE 11-3

Performance Standards

Defining Standards

- ▮ Benchmarks
- ▮ Goals
- ▮ Targets
- ▮ Key Performance Indicators (KPIs)
- ▮ Objectives & Key Results (OKRs)

Effective Characteristics (SMART)

S
Specific

M
Measurable

A
Achievable

R
Relevant

T Time-bound

✓ Clearly understood & Fair



Modern Adaptability

Standards should be adaptable to hybrid and remote work environments.

Example of Terms Defining Standards

5	Outstanding. <i>The person is so successful at this job criterion that special note should be made. Compared with the usual standards and the rest of the department, this performance ranks in the top 10%.</i>
4	Very Good. <i>Performance at this level is a better-than-average performance for the unit, given the common standards and unit results.</i>
3	Satisfactory. <i>Performance is at or above the minimum standards. This level of performance is what one would expect from most experienced, competent employees.</i>
2	Marginal. <i>Performance is somewhat below the minimum-level standard on this job dimension. However, potential to improve the rating within a reasonable time frame is evident.</i>
1	Unsatisfactory. <i>Performance on this item in the job is well below standard. Whether the person can improve to meet minimum standards is questionable.</i>

FIGURE 11-4

Uses of Performance Appraisal



Administrative Uses

-  Pay and reward decisions
-  Promotions, transfers, succession planning
-  Workforce planning & Talent identification
-  Disciplinary and corrective actions



Developmental Uses

-  Identifying training & development needs
-  Career development planning
-  Coaching, mentoring & Reskilling
-  Enhancing engagement & well-being

Decisions About the Performance Appraisal Process

- **Appraisal Responsibilities** The appraisal process can benefit both the organization and the employees, if done properly.
- **Informal vs. Systematic Appraisal Processes**
 - **Informal Appraisal**
Day-to-day contacts, largely undocumented
 - **Systematic Appraisal**
Formal contact at regular time intervals, usually documented

Who Conducts Appraisals ?

- Supervisors who rate their subordinates
- Employees who rate their supervisors
- Team members who rate each other
- External sources
- Employees' self-appraisal
- Multisource (360° feedback) appraisal

Technology Facilitates real-time feedback from multiple stakeholders.

AI-enabled systems may support documentation but should not replace managerial judgment.



Traditional Performance Appraisal: Logic and Process

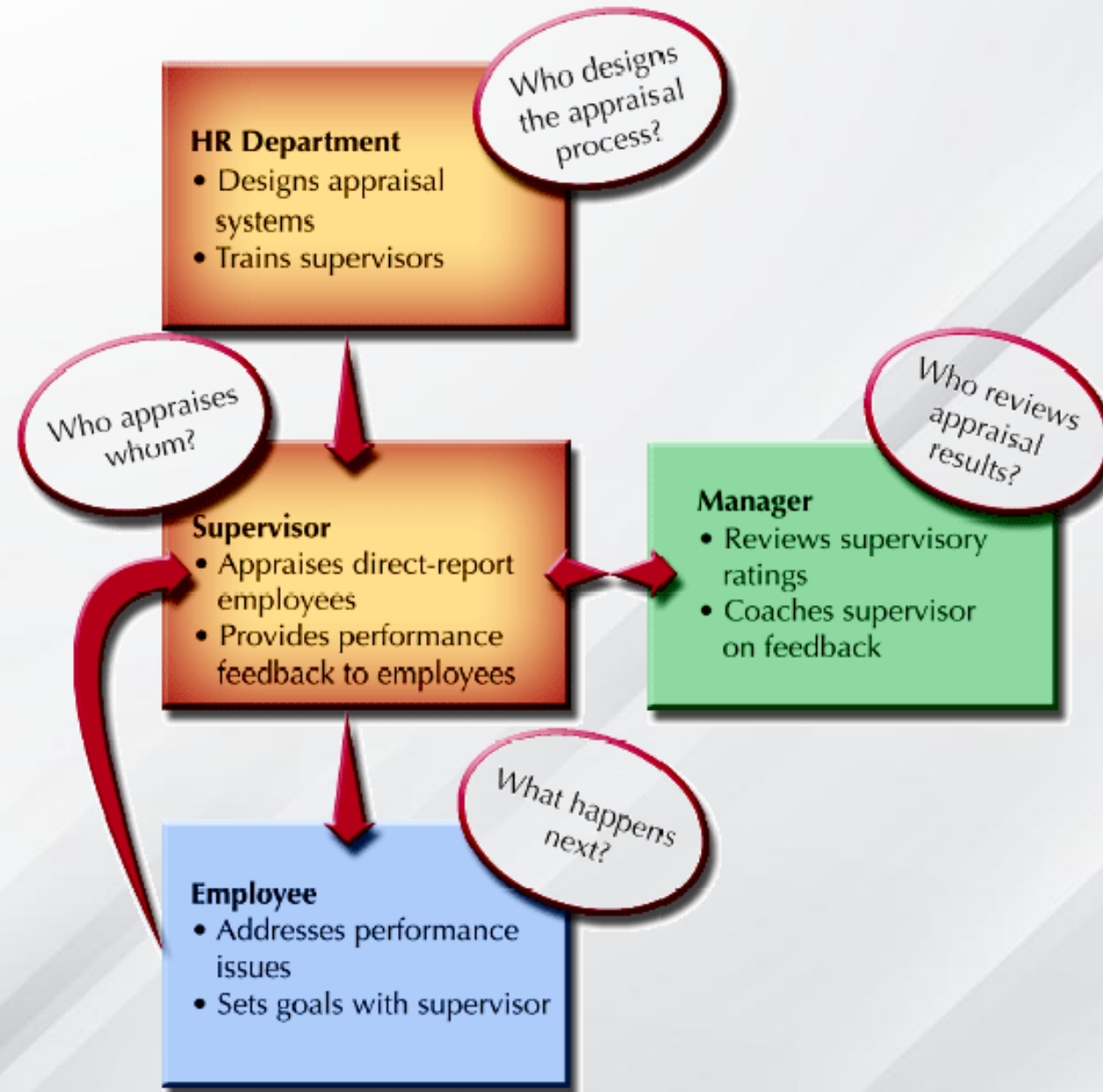


Figure 11–5

Emerging Evaluation Approaches

Organizations are shifting from annual reviews to ongoing performance conversations and data-driven insights.



Continuous Management

Ongoing process replacing annual cycles.



Real-Time Feedback

Rapid insights and recognition.



Check-in Conversations

Regular, informal dialogue on progress.



Project-Based Evaluation

Assessment tied to specific deliverables.



Skills-Based Assessment

Focus on capabilities and competencies.



Data-Driven Analytics

Leveraging data for objective evaluation.

Employee Rating of Managers

✓ Advantages

- Helps in identifying competent managers
- Serves to make managers more responsive to employees
- Can contribute to the career development of managers

⚠ Disadvantages

- Negative reactions by managers to employee ratings
- Subordinates' fear of reprisals may inhibit them from giving realistic (negative) ratings
- Ratings are useful only for self-improvement purposes

Team/Peer Ratings



Advantages

- Helps improve the performance of lower-rated individuals
- Peers have opportunity to observe other peers.
- Peer appraisals focus on individual contributions to teamwork and team performance.



Disadvantages

- Can negatively affect working relationships.
- Can create difficulties for managers in determining individual performance.
- Organizational use of individual performance appraisals can hinder the development of teamwork

Performance Appraisal Methods



Figure 11–6

1. Category Rating Methods

1. Graphic Rating Scale

A scale that allows the rater to indicate an employee's performance on a continuum.

- Job criteria scales
- Behavioral scales

○ Drawbacks

- Restrictions on the range of possible rater responses
- Differences in the interpretations of the meanings of scale items and scale ranges by raters
- Poorly designed scales that encourage rater errors
- Rating form deficiencies that limit the effectiveness of the appraisal

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1. Category Rating Methods (Cont'd)

2. Checklists

- A performance appraisal tool that uses a list of statements or work behaviors that are checked by raters.
 - Can be quantified by applying weights to individual checklist items.

○ Drawbacks:

- Interpretation of item meanings by raters
- Weighting creates problems in appraisal interpretation
- Assignment of weights to items by persons other than the raters

Sample Performance Appraisal Form

Date Sent	4/19/00	Return by	5/01/00
Name	Jane Doe	Job Title	Receiving Clerk
Department	Receiving	Supervisor	Fred Smith
Full-time	☒	Part-time	☐
Rating Period: From	5/12/02	To:	5/12/03
Reason for appraisal (check one): Regular Interval ☒ Introductory ☐ Counseling only ☐ Discharge ☐			

Utilizing the following definitions, rate the performance as I, M, or E.

I—Performance is below job requirements and **improvement is needed**.

M—Performance **meets** job requirements and standards.

E—Performance **exceeds** job requirements and standards a **majority** of the time.

SPECIFIC JOB RESPONSIBILITIES: List the principal activities from the job summary, rate the performance on each job duty by placing an “X” on the rating scale at the appropriate location, and make appropriate comments to explain the rating.

I _____ M _____ E

Job Duty #1: Inventory receiving and checking

Explanation: _____

FIGURE 11-7a

Sample Performance Appraisal Form (Cont)

I _____ M _____ E		
Job Duty #2: Accuracy of records kept Explanation: _____ _____ _____		
I _____ M _____ E		
Attendance (including absences and tardies):	Number of absences ____	Number of tardies ____
Explanation: _____ _____ _____		
Overall Rating: Based on the total performance, place the letter I, M, or E in the box provided that best describes the employee's overall performance.		
Explanation: _____ _____		

FIGURE 11-7b

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2. Comparative Methods

1. Ranking

- Listing of all employees from highest to lowest in performance.

○Drawbacks:

- Does not show size of differences in performance between employees
- Implies that lowest-ranked employees are unsatisfactory performers.
- Becomes an unwieldy process if the group to be ranked is large.

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2. Comparative Methods (Cont)

2. Forced Distribution

- Performance appraisal method in which ratings of employees are distributed along a bell-shaped curve.

○ Drawbacks:

- Assumes a normal distribution of performance.
- Resistance by managers to placing individuals in the lowest or highest groups.
- Providing explanation for placement in a higher or lower grouping can be difficult.
- Is not readily applicable to small groups of employees.

Forced Distribution on a Bell-shaped Curve

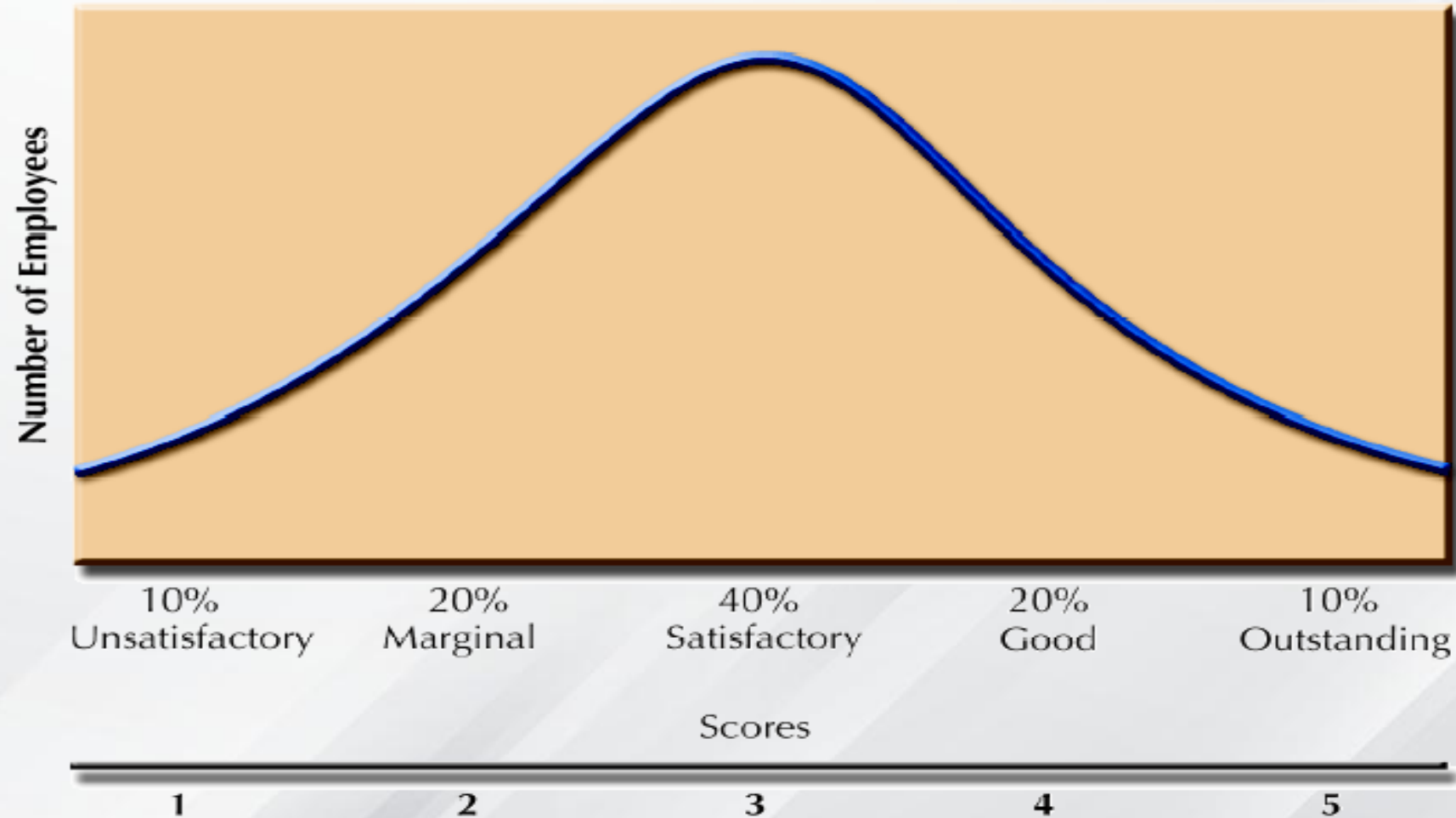


Figure 11-8

3. Narrative Methods

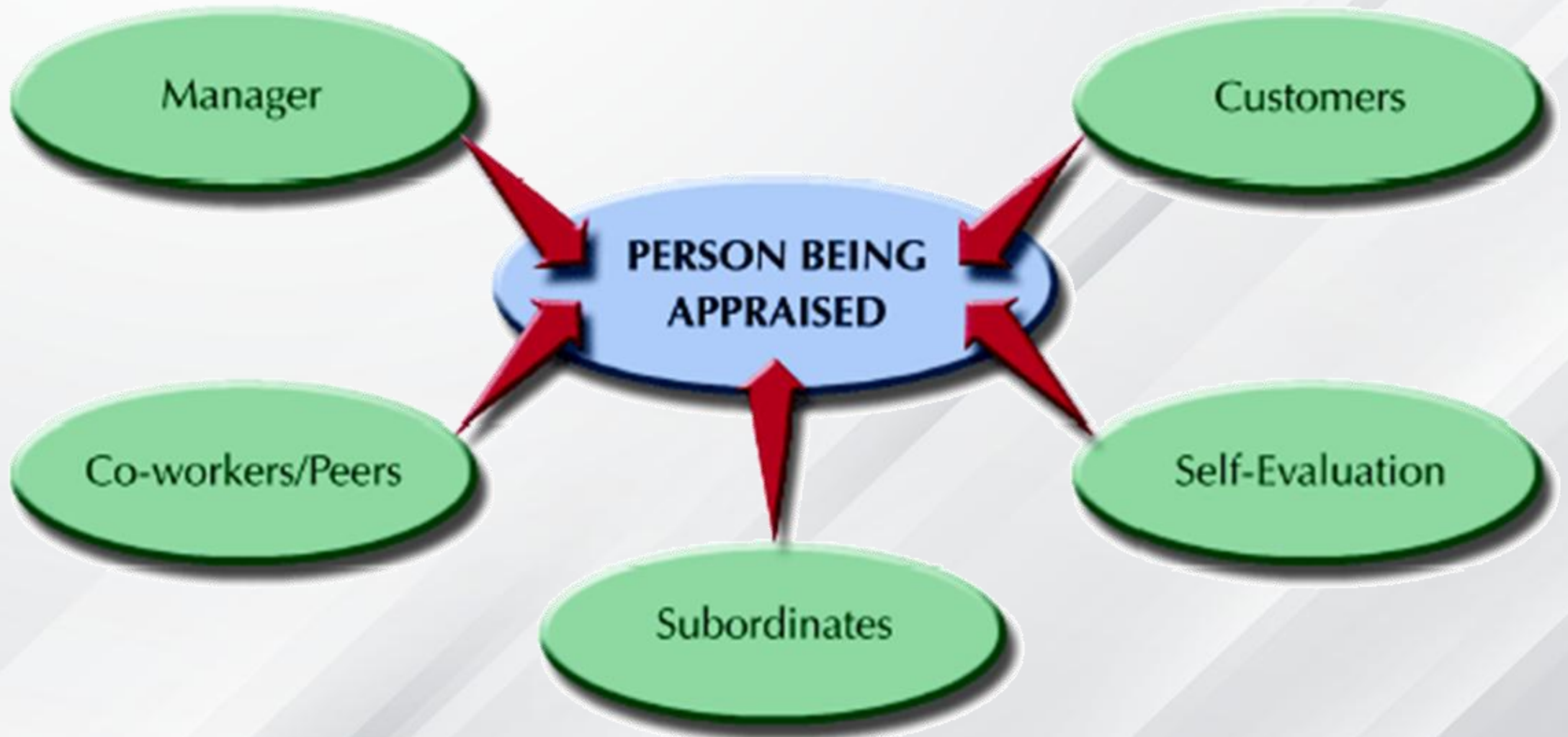


Figure 11-9

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3. Narrative Methods Cont.

1. Critical Incident

- Manager keeps a written record of highly favorable and unfavorable employee actions.

○ Drawbacks

- Variations in how managers define a “critical incident”
- Time involved in documenting employee actions
- Most employee actions are not observed and may become different if observed
- Employee concerns about manager’s “black books”

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3. Narrative Methods (Cont.)

2. Essay Method: Manager writes a short essay describing an employee's performance.

○ **Drawbacks**

- Depends on the managers' writing skills and their ability to express themselves.

3. Field Review : Outside reviewer interviews the manager about the performance of each employee and develops a rating for the employees from the interview notes.

○ **Drawbacks**

- The external reviewer may lack sufficient knowledge of the employees' daily work.
- The evaluation may rely heavily on the manager's information, which may be biased.
- This method can be costly and time-consuming.

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4. Behavioral/Objective Methods

1. Behavioral Rating Approach

- Assesses employees' behaviors instead of other characteristics
- Consists of a series of scales created by:
 - ✓ Identifying important job dimensions
 - ✓ Creating statements describing a range of desired and undesirable behaviors (anchors)
- **Types of behavioral scales**
 - Behaviorally Anchored Rating Scales (BARS)
 - Behavioral Observation Scales (BOS)
 - Behavioral Expectation Scales (BES)

Customer Service Skills (BOS)

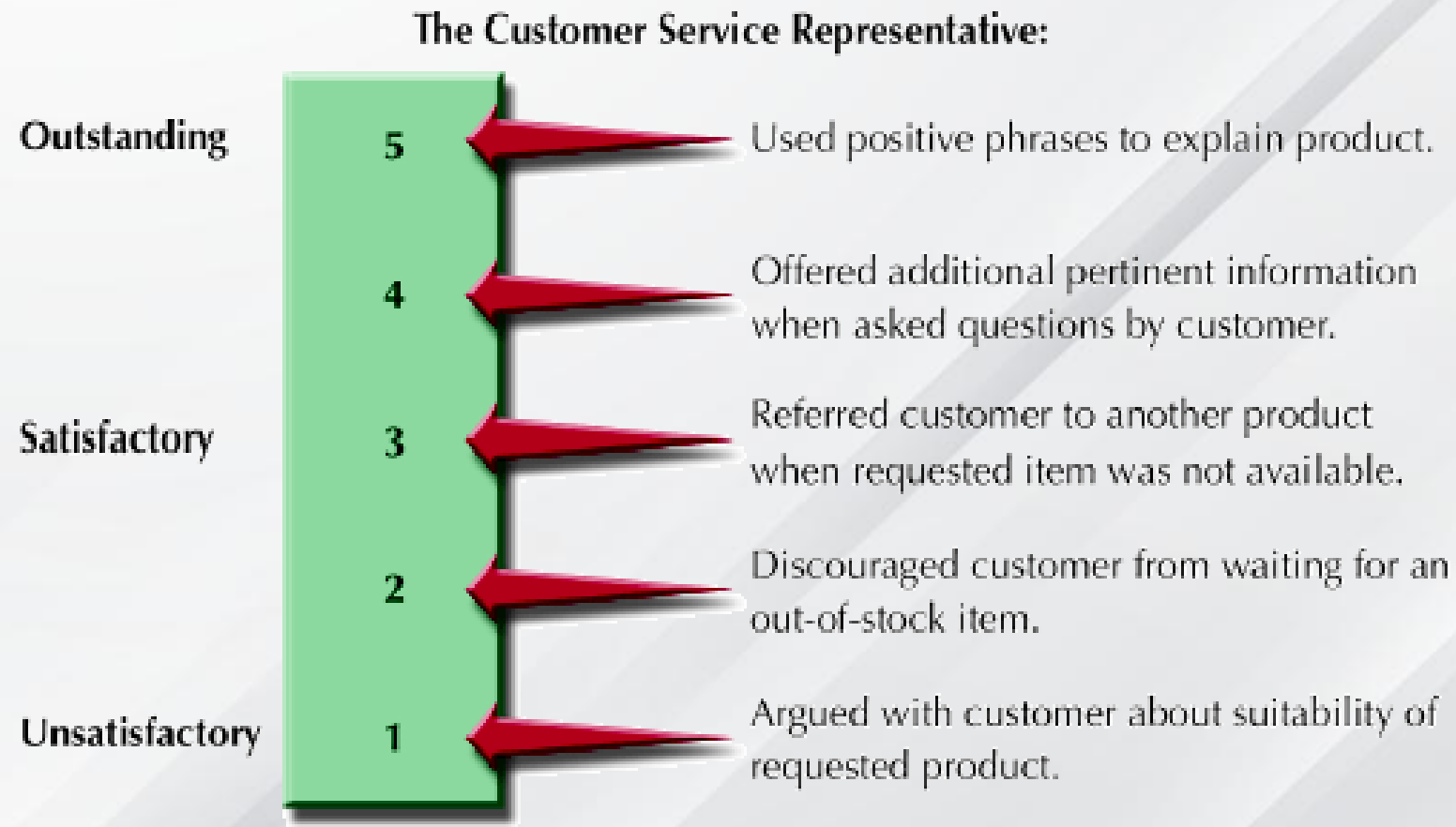


Figure 11–10

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4. Behavioral/Objective Methods (Cont.)

2. Management by Objectives

- Specifying the performance goals that an individual and his or her manager agree to try to attain within an appropriate length of time.
- **Key MBO Ideas**
 - Employee involvement creates higher levels of commitment and performance.
 - Encourages employees to work effectively toward achieving desired results.
 - Performance measures should be measurable and should define results.

The MBO Process

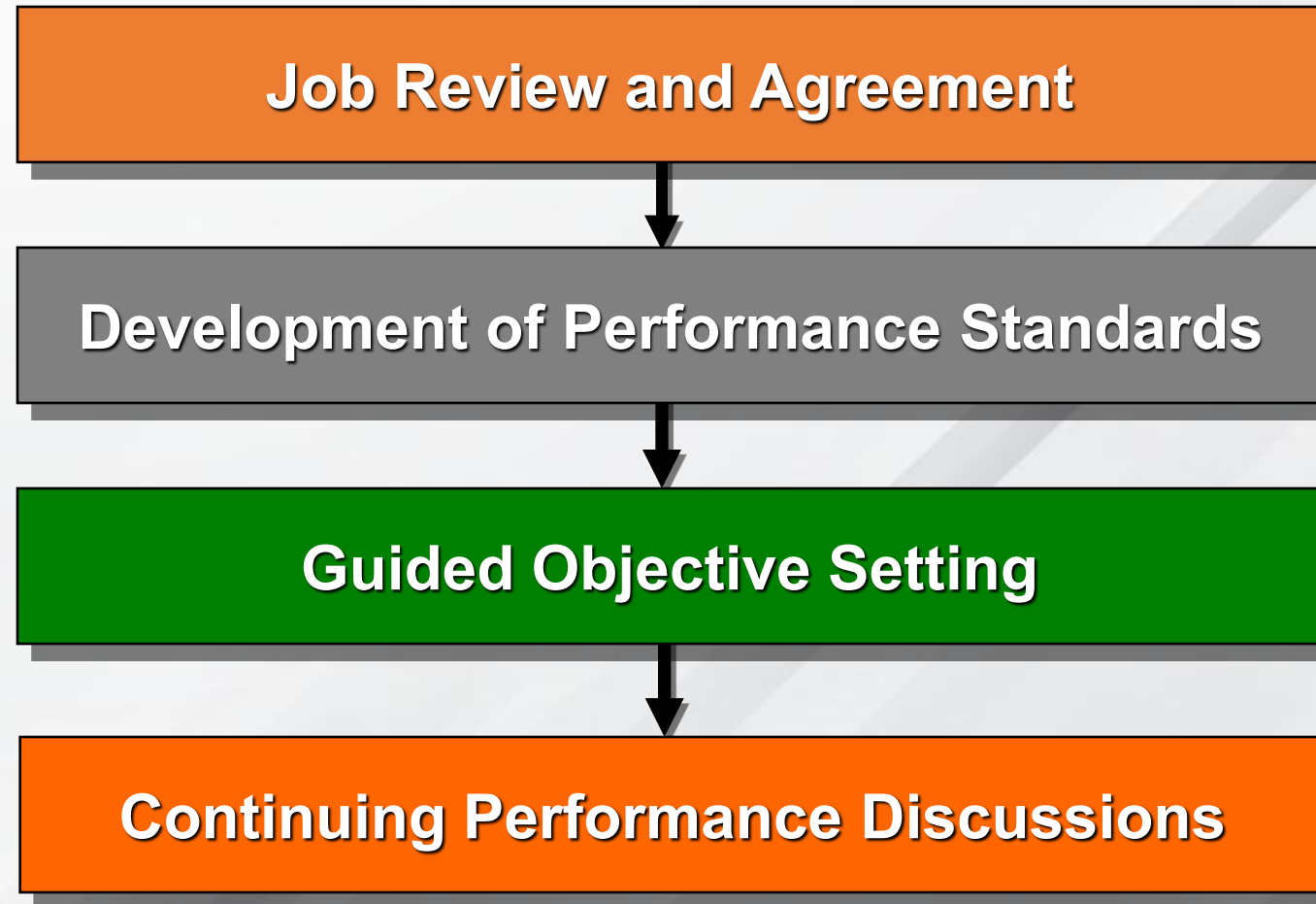


FIGURE 11-11

Common Rater Errors

Traditional Errors

- ⚙️ Halo Effect
- ⚙️ Horn Effect
- ⚙️ Leniency Error
- ⚙️ Strictness Error
- ⚙️ Central Tendency
- ⚙️ Similar-to-Me Bias
- ⚙️ Recency Effect

Contemporary Concerns

- ⚙️ Unconscious Bias
- 👤 Gender & Diversity Bias
- 💻 Remote Worker Bias
- ⚙️ Algorithmic Bias (AI)

Reducing Errors

- 🎓 Rater training
- 📋 Calibration meetings
- 📋 Structured criteria
- 👤 Multiple-source feedback
- 🔄 Periodic review

Feedback as a System

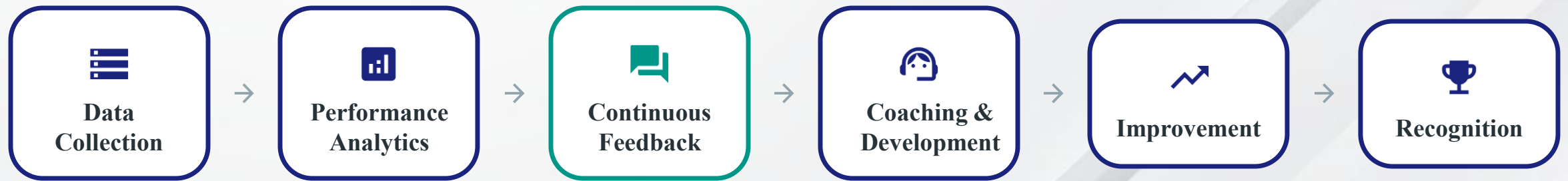


FIGURE 11-12



Timely

Specific

Constructive

Future-oriented



Platforms facilitate ongoing feedback and development conversations.

Appraisal Interview Hints



Prepare objective evidence



Focus on behaviors & outcomes



Encourage two-way dialogue



Discuss achievements & needs



Create development action plan



Set future goals collaboratively



Maintain confidentiality



Virtual Discussions

Virtual appraisals require active listening, engagement, and clear communication.



Performance Appraisals and the Law



Job Analysis Based



Valid & Reliable



Standardized Procedures



Consistent Documentation



Rater Training



Transparent Review



EEO Compliance



No Discrimination



Data Privacy Regulations



Ethical Use of AI



Algorithmic Transparency



Documented Decisions

Performance Management System

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○ **Effective PMS systems are:**

- Consistent with the strategic mission of the organization
- Beneficial as development tool
- Useful as an administrative tool
- Legal and job-related
- Viewed as generally fair by employees
- Effective in documenting employee performance

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SUMMARY

- Performance Management System
- Performance Appraisal
- Linkage Between Strategy, Outcomes, And Organizational Results
- Performance-focused Organizational Cultures
- Types Of Performance Information
- Uses Of Performance Appraisal
- Decisions About The Performance Appraisal Process
- Who Conducts Appraisals
- Performance Appraisal Methods
- Common Rater Errors
- Performance Appraisals And The Law
- Effective PMS systems are

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Thank You