

# Human Resources Management

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MGM 243

**Lecture 08**



# Part 3: Developing HRM Performance Management and Appraisal

## Chapter 11

### Lecture 08

MGM 243

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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

# IDENTIFYING AND MEASURING EMPLOYEE PERFORMANCE

## Performance Management System

- Series of activities designed to ensure that the organization gets the performance it needs from its employees.
- Processes used to identify, encourage, measure, evaluate, improve, and reward employee performance.

## Performance Appraisal

- Process of determining how well employees do their job relative to a standard and communicating that information to the employee
- What an employee does and does not do.

**Quantity of output**

**Timeliness of output**

**Cooperativeness**

**• Quality of output**

**• Presence at work**

# Linkage Between Strategy, Outcomes, and Organizational Results



FIGURE 11-1

## Performance-Focused Organizational Cultures

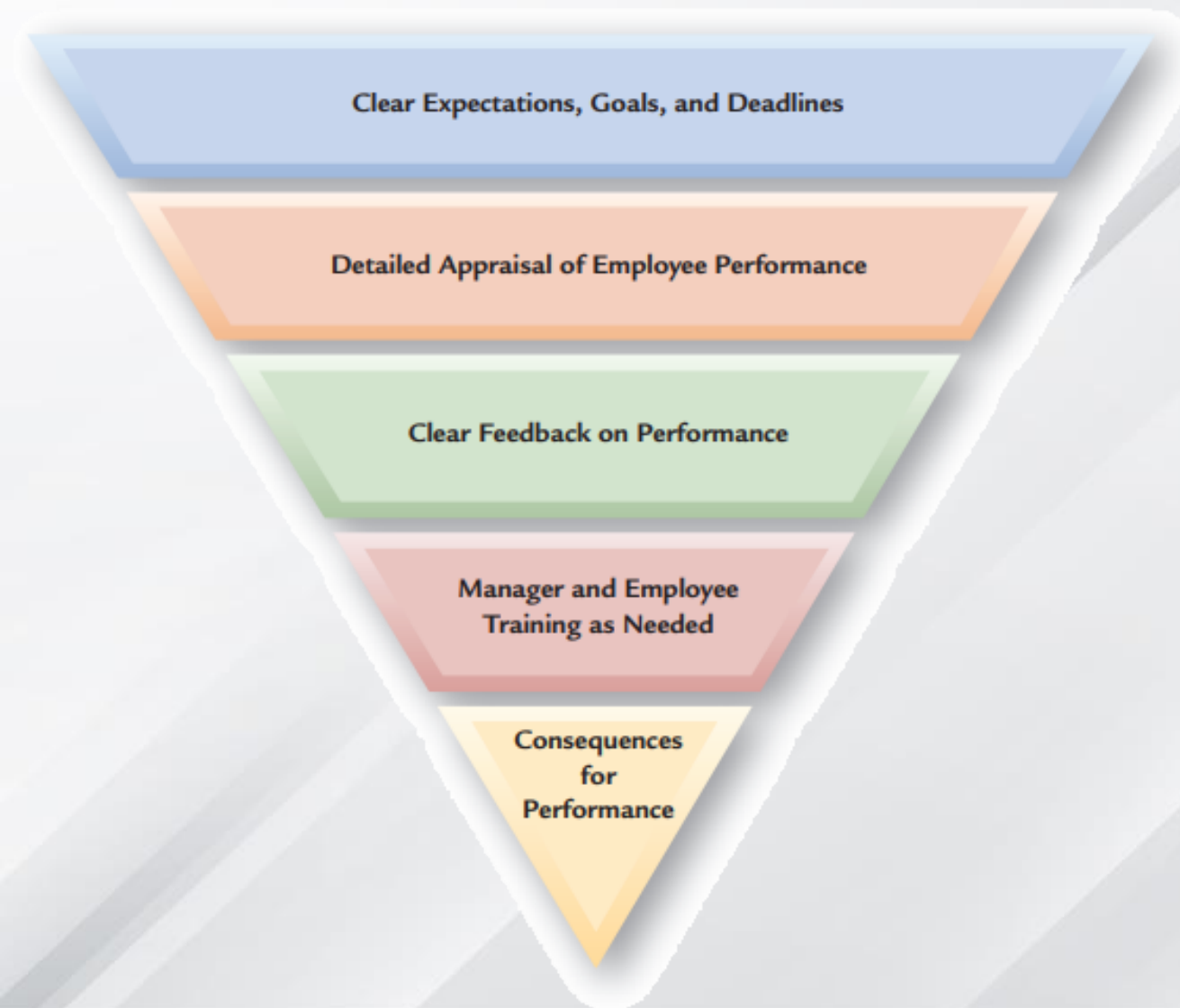
- Some corporate cultures are based on **entitlement**, meaning that adequate performance and stability dominate the organization. As a result, performance appraisal activities are seen as having little tie to performance and as being primarily a “bureaucratic exercise.”
- At the other end of the spectrum 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

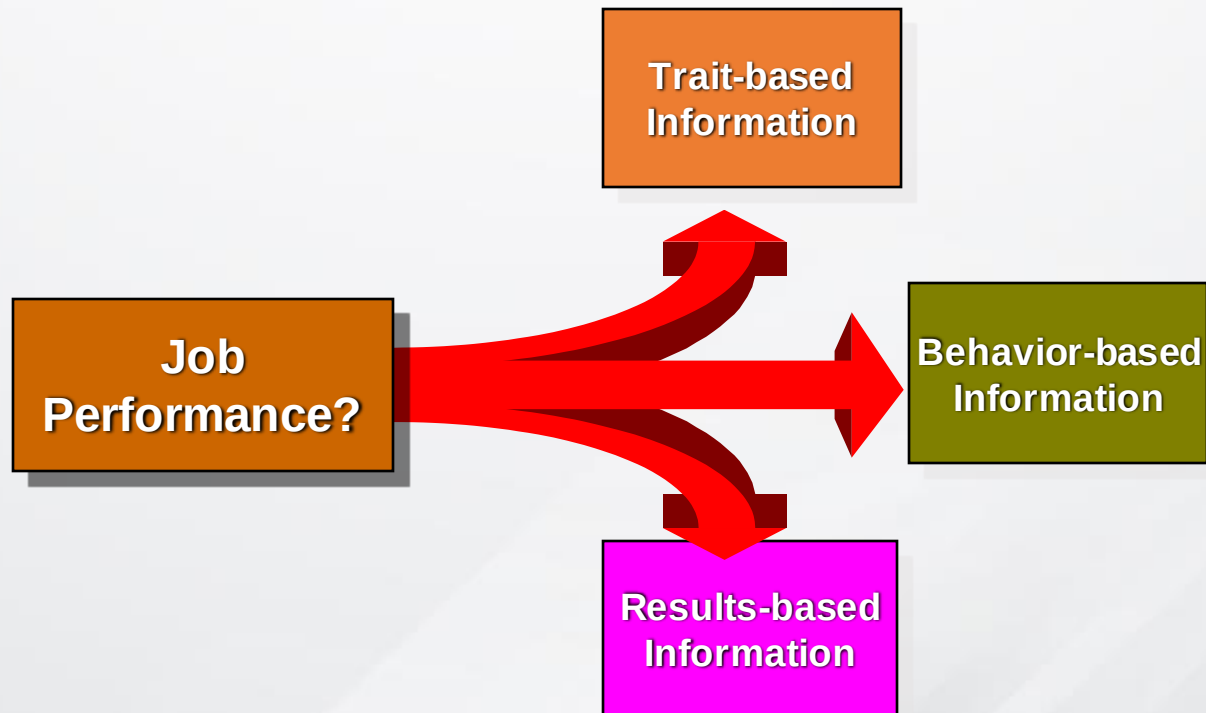
## Components of a Performance-Focused Culture

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**FIGURE 11-2**

# TYPES OF PERFORMANCE INFORMATION



## Types of Performance Information

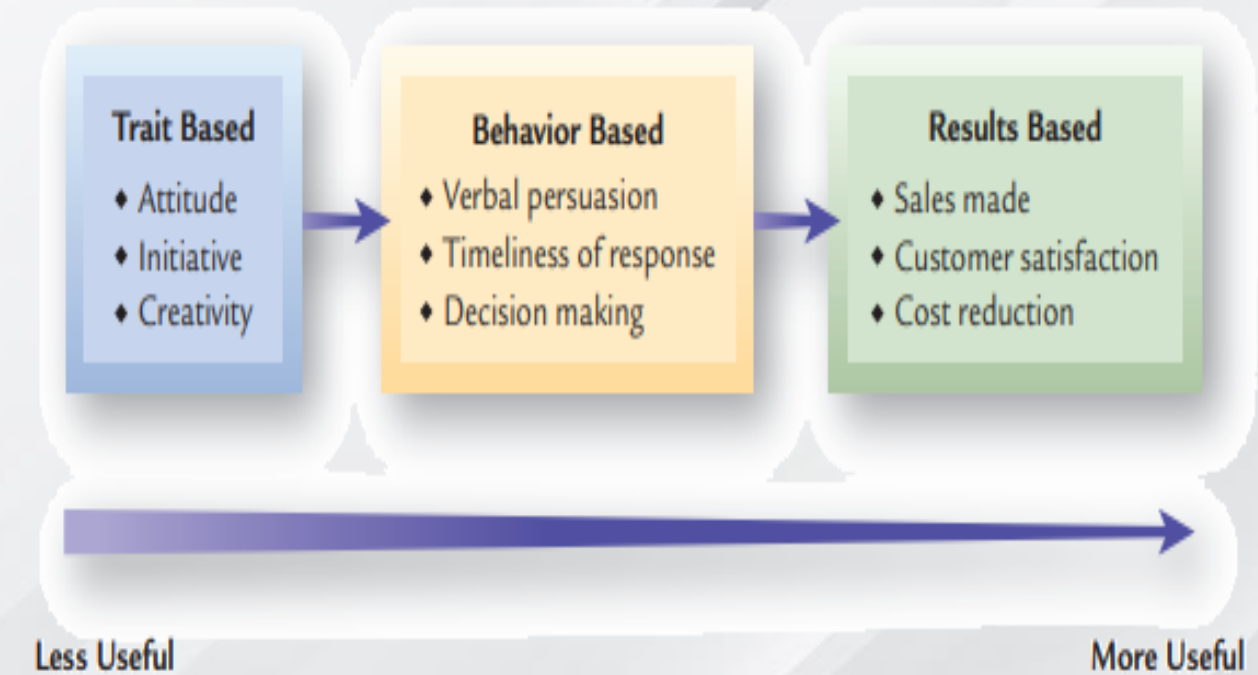


FIGURE 11-3

# PERFORMANCE STANDARDS

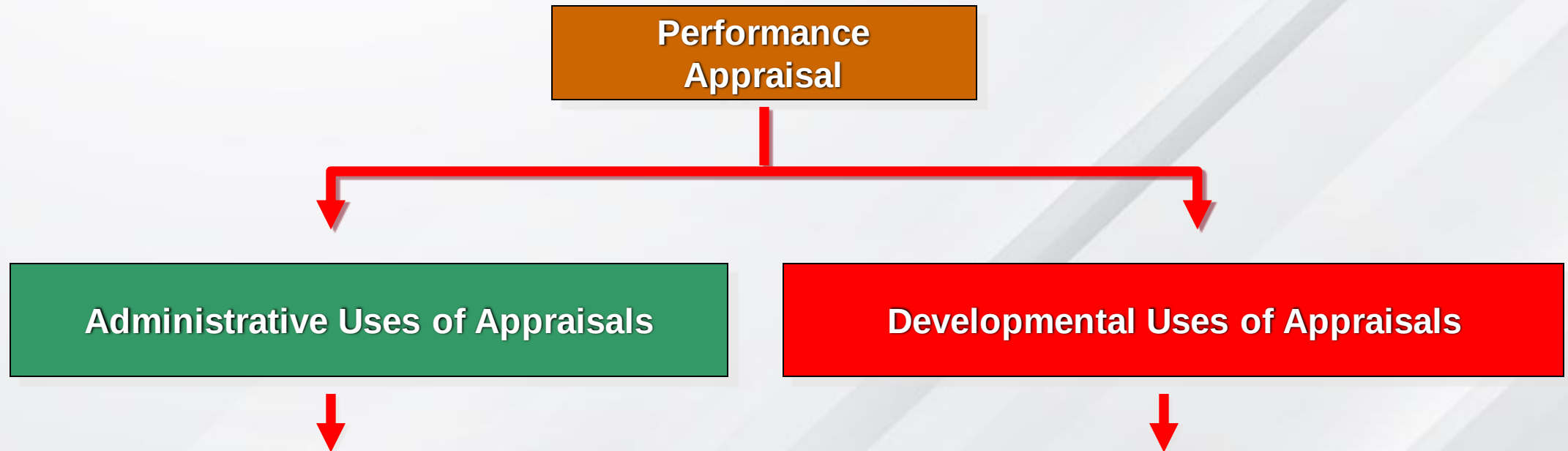
- **Expected levels of performance**
  - Benchmarks
  - Goals
  - Targets
- **Characteristics of Well-defined Standards**
  - Realistic
  - Measurable
  - Clearly understood



## EXAMPLE OF TERMS DEFINING STANDARDS

- |   |                                                                                                                                                                                                                  |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | <b>Outstanding.</b> 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%. |
| 4 | <b>Very Good.</b> Performance at this level is a better-than-average performance for the unit, given the common standards and unit results.                                                                      |
| 3 | <b>Satisfactory.</b> Performance is at or above the minimum standards. This level of performance is what one would expect from most experienced, competent employees.                                            |
| 2 | <b>Marginal.</b> 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.                             |
| 1 | <b>Unsatisfactory.</b> Performance on this item in the job is well below standard. Whether the person can improve to meet minimum standards is questionable.                                                     |

# USES OF PERFORMANCE APPRAISAL



**Three administrative uses of appraisal impact managers and employees the most:**

**(1)** determining pay adjustments; **(2)** making job placement decisions on promotions, transfers, and demotions  
**(3)** choosing employee disciplinary actions up to and including termination of employment.

- Source of information and feedback, for future development.
- Identifying employee strengths, weaknesses, potentials, and training needs through performance appraisal feedback.

# CONFLICTING ROLES FOR PERFORMANCE APPRAISAL

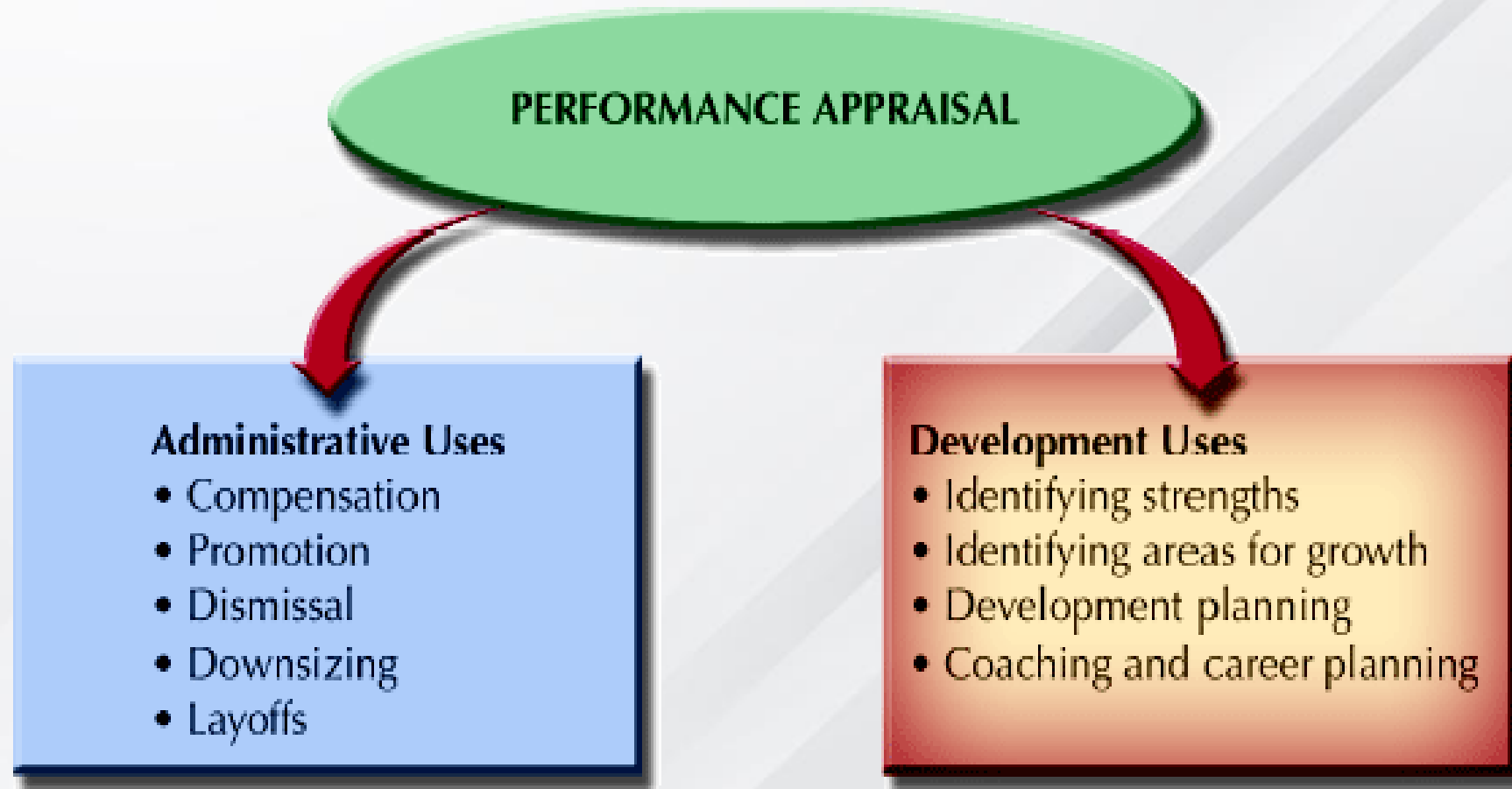


Figure 11–4

## 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

## Typical Division of HR Responsibilities: Performance Appraisal

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### HR Unit

- Designs and maintains appraisal system
- Trains raters
- Tracks timely receipt of appraisals
- Reviews completed appraisals for consistency

### Managers

- Typically rate performance of employees
- Prepare formal appraisal documents
- Review appraisals with employees
- Identify development areas

## WHO CONDUCTS APPRAISALS

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



# Traditional Performance Appraisal: Logic And Process

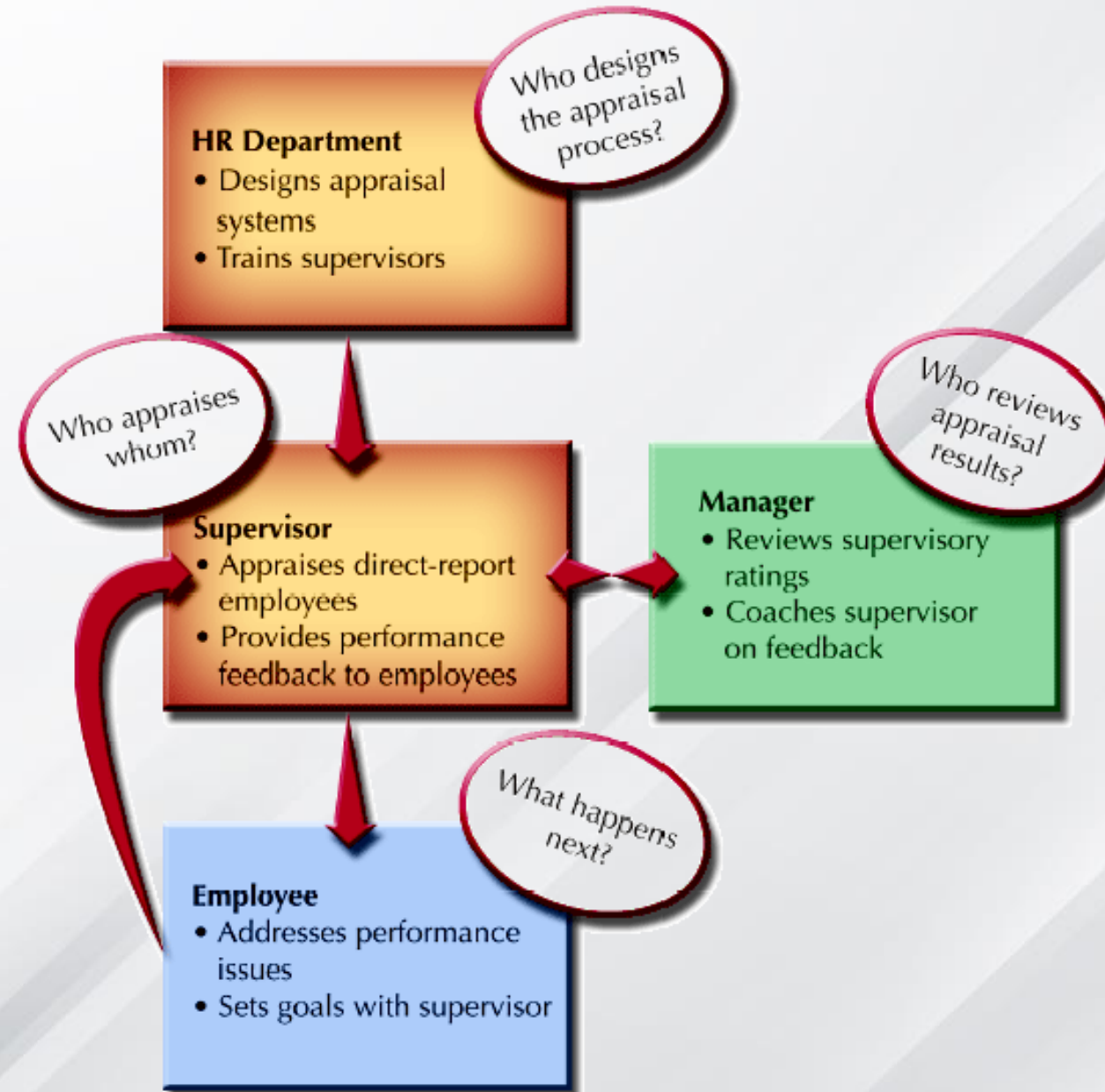


Figure 11–5

# 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                                                                                                                            | <u>  x  </u> | Part-time  | <u>          </u> |
| Rating Period: From                                                                                                                  | 5/12/02      | To:        | 5/12/03           |
| Reason for appraisal (check one): Regular Interval <u>  x  </u> Introductory <u>  </u> Counseling only <u>  </u> Discharge <u>  </u> |              |            |                   |

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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.

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**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:** \_\_\_\_\_

\_\_\_\_\_

## SAMPLE PERFORMANCE APPRAISAL FORM CONT

|                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div style="border: 1px solid black; padding: 5px; display: inline-block;"> I _____ M _____ E </div>                                                                                                                                                                                          |
| <b>Job Duty #2:</b> <b>Accuracy of records kept</b><br><b>Explanation:</b> _____<br>_____<br>_____                                                                                                                                                                                            |
| <div style="border: 1px solid black; padding: 5px; display: inline-block;"> I _____ M _____ E </div>                                                                                                                                                                                          |
| <b>Attendance</b> (including absences and tardies):     Number of absences ____     Number of tardies ____<br><b>Explanation:</b> _____<br>_____<br>_____                                                                                                                                     |
| <b>Overall Rating:</b> Based on the total performance, place the letter <b>I</b> , <b>M</b> , or <b>E</b> in the box provided that best describes the employee's overall performance. <div style="float: right; border: 1px solid black; width: 40px; height: 30px; margin-top: 10px;"></div> |
| <b>Explanation:</b> _____<br>_____                                                                                                                                                                                                                                                            |

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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.

Chapter  
11**2. COMPARATIVE METHODS (CONT'D)****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

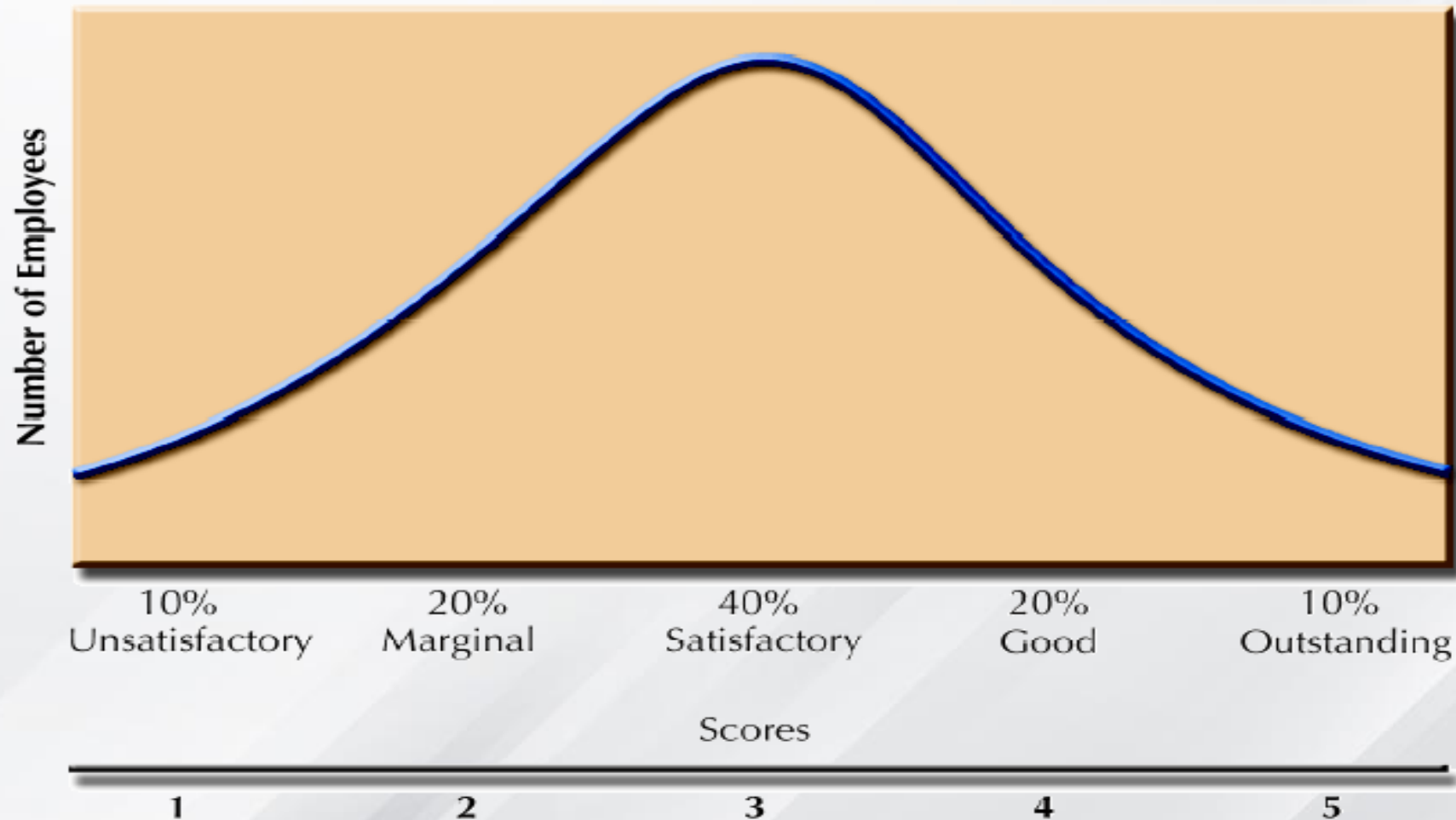


Figure 11-7

### 3. NARRATIVE METHODS

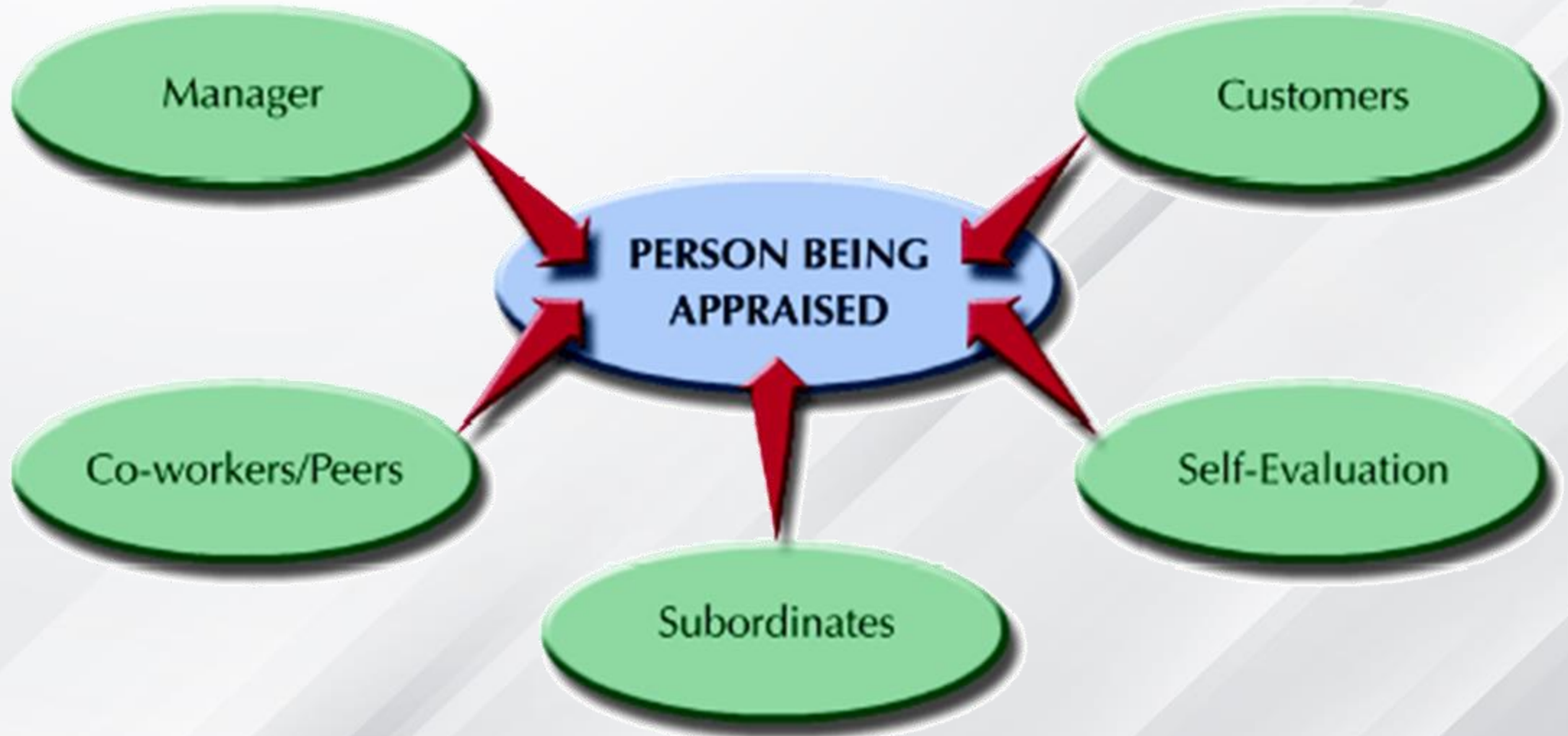


Figure 11–8

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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”

Chapter  
11**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.

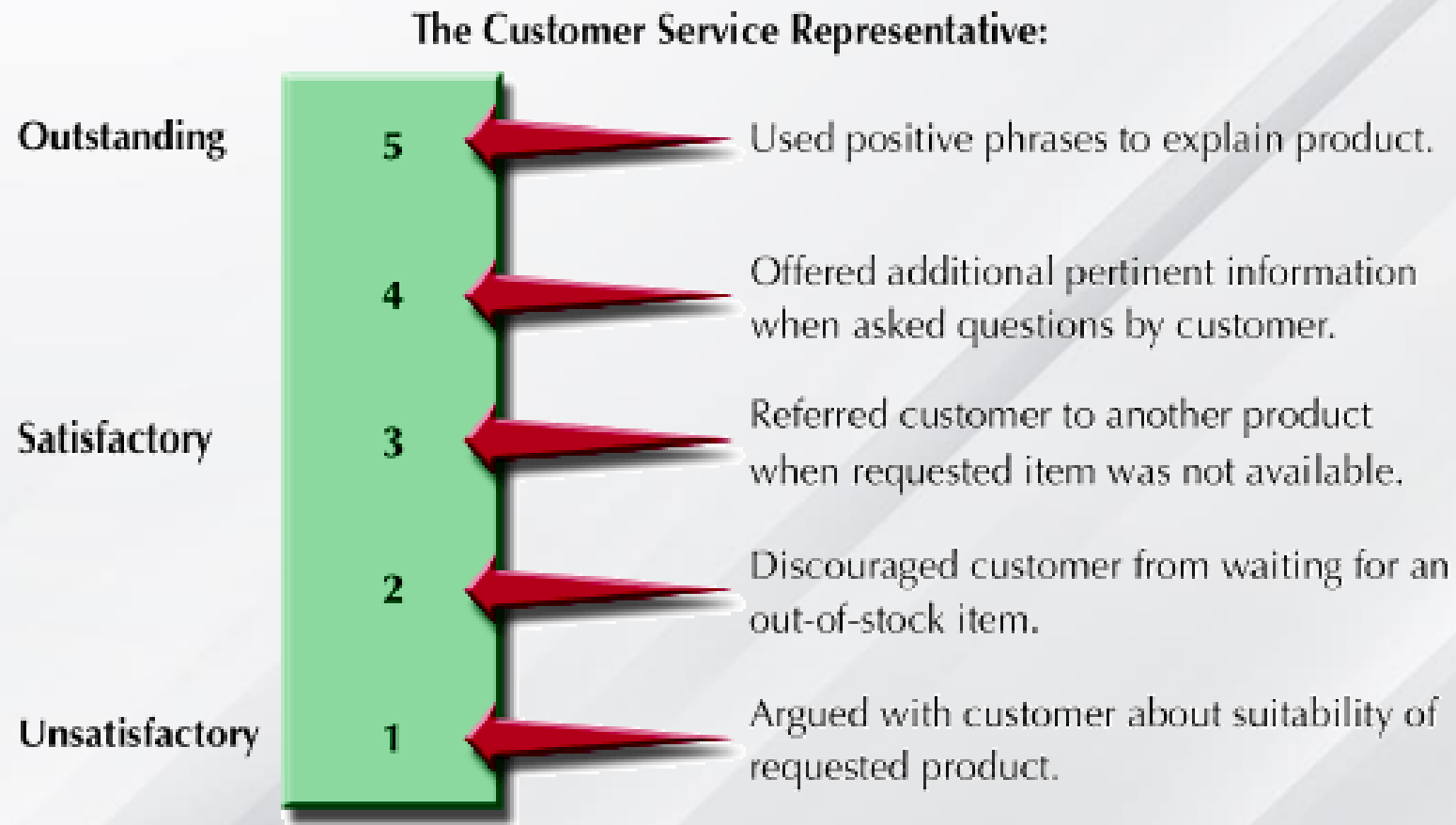
○ **Drawbacks**

- 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.

Chapter  
11**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)

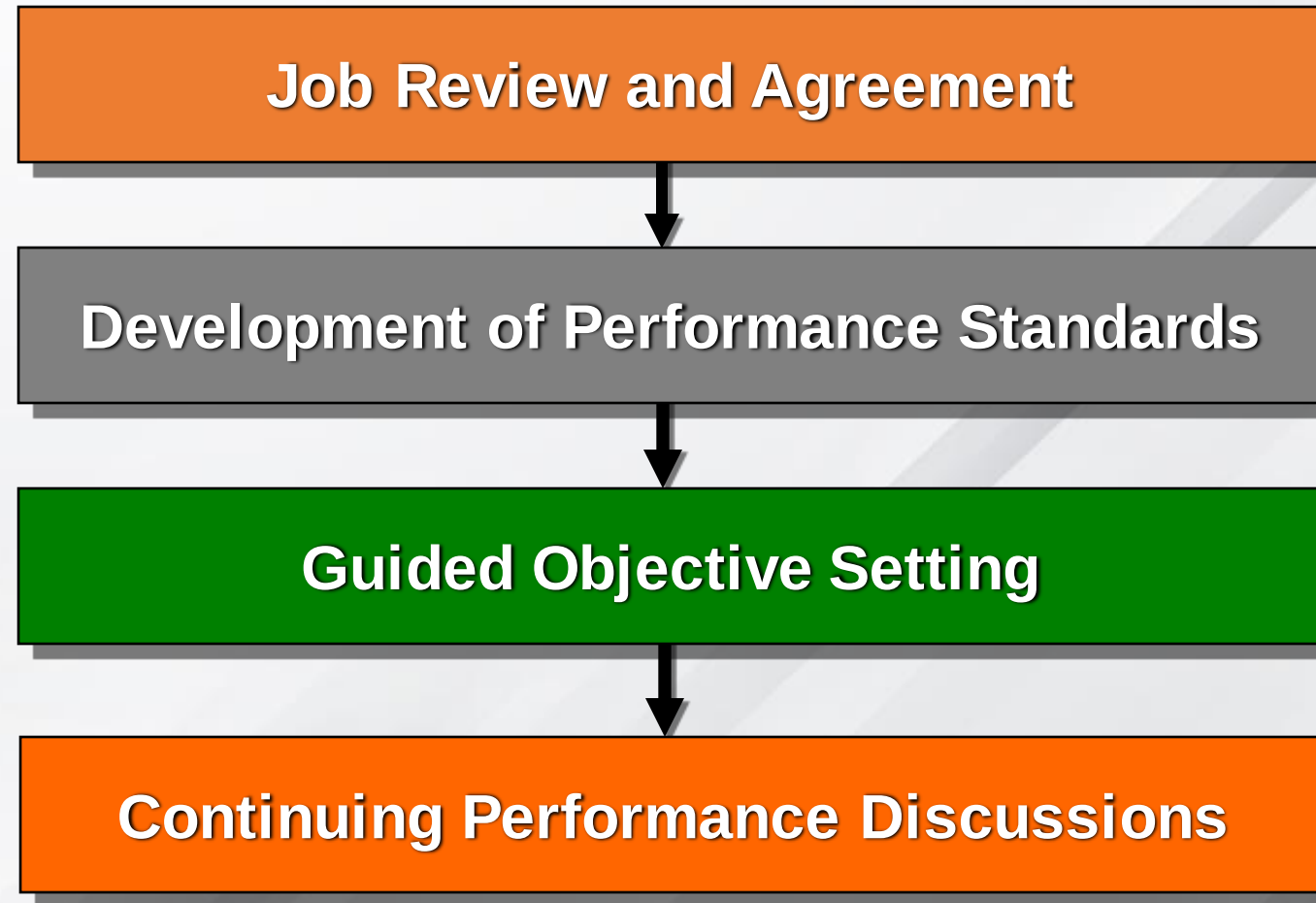


**Figure 11–9**

Chapter  
11**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



# COMMON RATER ERRORS

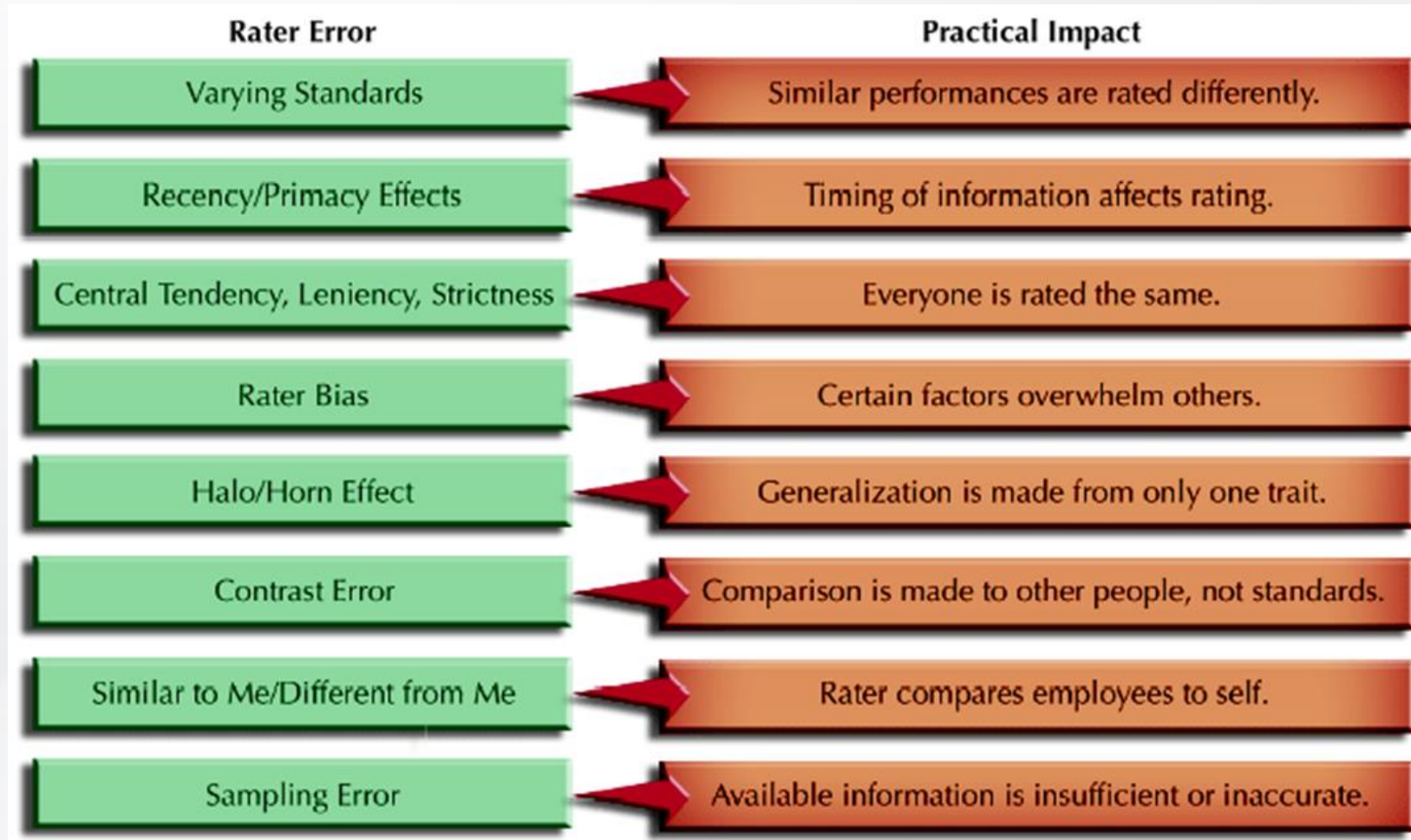
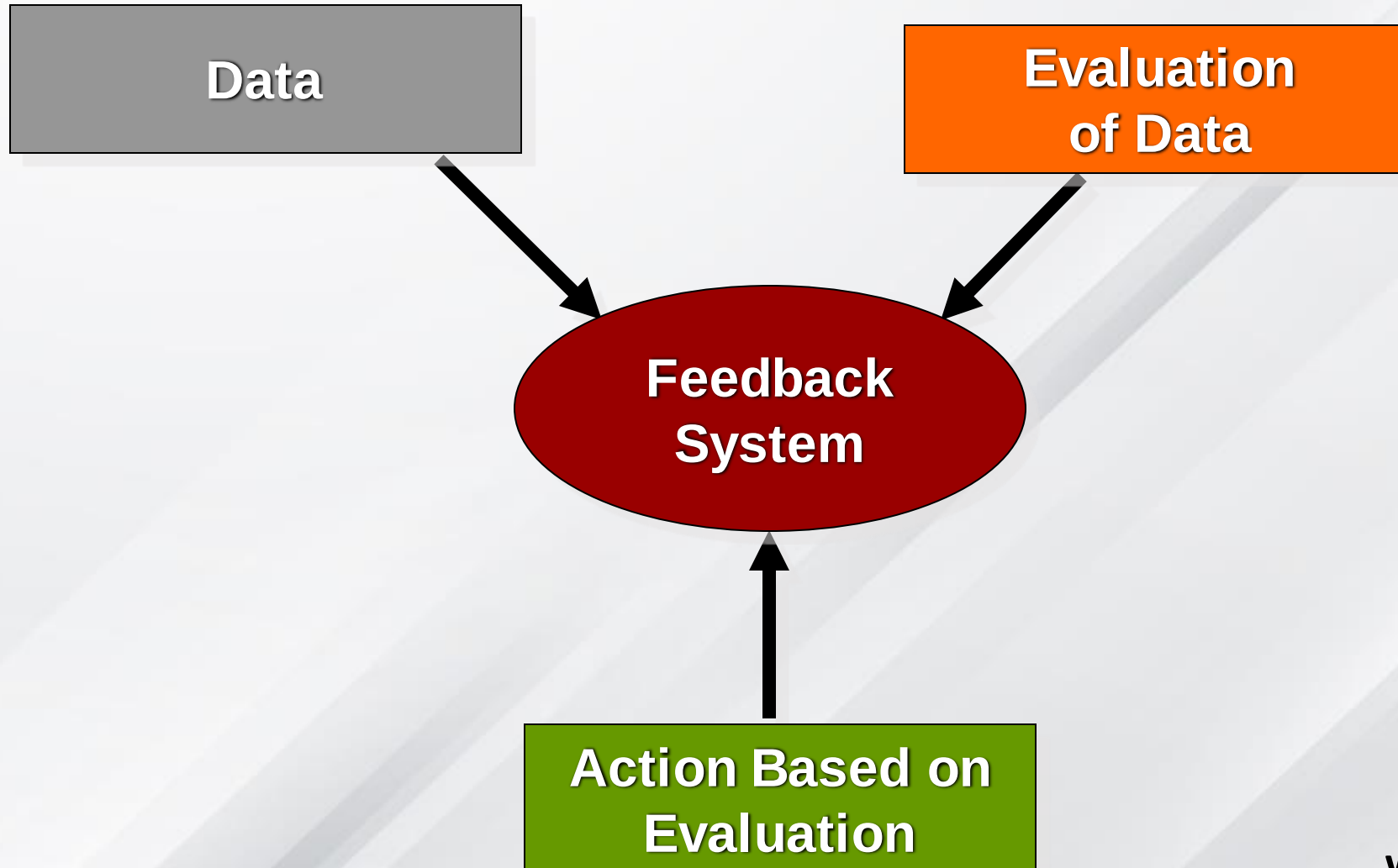


Figure 11–10

# FEEDBACK AS A SYSTEM



## APPRAISAL INTERVIEW HINTS

| DO                                                                                                                                                                                                                                                                                                                                                                                                      | DO NOT                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Prepare in advance.</li> <li>• Focus on performance and development.</li> <li>• Be specific about reasons for ratings.</li> <li>• Decide on specific steps to be taken for improvement.</li> <li>• Consider the supervisor's role in the subordinate's performance.</li> <li>• Reinforce desired behaviors.</li> <li>• Focus on future performance.</li> </ul> | <ul style="list-style-type: none"> <li>• Do all the talking.</li> <li>• Lecture the employee.</li> <li>• Mix performance appraisal and salary or promotion issues.</li> <li>• Concentrate only on the negative.</li> <li>• Be overly critical or "harp on" a failing.</li> <li>• Feel it is necessary that both parties agree in all areas.</li> <li>• Compare the employees with others.</li> </ul> |

Figure 11–11

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11**PERFORMANCE APPRAISALS and the LAW****Legally Defensible PA System**

- Appraisal criteria based on job analysis
- Absence of disparate impact and evidence of validity
- Formal evaluation criterion that limit managerial discretion
- Formal rating instrument linked to job duties and responsibilities
- Training of supervisors in conducting appraisals
- Review process to prevent undue control of careers
- Counseling to help poor performers improve

# PERFORMANCE MANAGEMENT SYSTEM

## Chapter 11

### ○ **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



# Thank You