

1 Define performance management and discuss how it differs from performance appraisal.

2 Describe the appraisal process.

BASIC CONCEPTS IN PERFORMANCE MANAGEMENT AND APPRAISAL

Few things supervisors do are fraught with more peril than appraising subordinates' performance. Employees tend to be overly optimistic about what their ratings will be. They also know that their raises, careers, and peace of mind may hinge on how you rate them. As if that's not enough, few appraisal processes are as fair as employers think they are. Hundreds of obvious and not-so-obvious problems (such as bias, and the tendency for supervisors to rate everyone "average") distort the process. However, the perils notwithstanding, performance appraisal plays a central role in human resource management.

The Performance Appraisal Process

Performance appraisal means evaluating an employee's current and/or past performance relative to his or her performance standards. You may equate appraisal forms like Figure 9-1 with "performance appraisal," but appraisal involves more than forms.

FIGURE 9-1 Online Faculty Evaluation Form

Source: Used with permission of Central Oregon Community College.

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Faculty Evaluation Form

INSTRUCTIONS FOR COMPLETING STUDENT EVALUATION FORM

Today you are being asked to evaluate this course and the instructor. Please read and answer each question thoughtfully and honestly.

Evaluations are helpful to faculty in improving their teaching and their courses. They are also an important element in the College's ongoing evaluation of faculty for tenure and promotion.

Your answers are anonymous and confidential. Comments will be typed so that the instructor cannot identify your handwriting. Your answers will be returned to the instructor only after final grades for this course have been recorded.

Your written comments on the last page are especially helpful.

CRN \_\_\_\_\_ Course \_\_\_\_\_

Instructor \_\_\_\_\_ Term \_\_\_\_\_

STUDENT EVALUATION OF INSTRUCTION

Student Information: (Please circle your answers).

1. I had completed the recommended preparation (prerequisites) for this course before beginning the course. (Select NA if the course has no prerequisites.)

All Most Some Very Few Don't Know NA

2. I attended classes.

All Most Some Very Few NA

3. To be adequately prepared for this class, I feel I need to spend this many hours per week outside of class, studying and preparing assignments:

15+ hours 12-14 hours 9-11 hours 7-8 hours 4-6 hours 1-3 hours

4. For this course, I expect to receive a grade of:

A B C D F

Evaluation of Instruction: (7 = strongly agree..... 1 = strongly disagree).

1. The learning objectives (competencies) of this course have been made clear.

7 6 5 4 3 2 1

2. The course activities are related to the learning objectives (competencies).

7 6 5 4 3 2 1

3. The instructor is well-prepared for class.

7 6 5 4 3 2 1

4. The instructor is available during posted office hours or by appointment.

7 6 5 4 3 2 1

5. Feedback on my work is timely, constructive, and clear enough to benefit my learning.

7 6 5 4 3 2 1

6. My grades accurately measure my learning in this class.

7 6 5 4 3 2 1

FIGURE 9-1 (Continued)

|                                                                                                                             |   |   |   |   |   |   |   |
|-----------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|---|---|
| 7. The instructor creates a learning environment in which diverse points of view are respected and can be freely expressed. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 8. Based on what I have learned, I would recommend this course to other students.                                           | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

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**COMMENTS**

Your written comments are especially helpful. Comments will be typed so that the instructor cannot identify your handwriting. Your answers will be returned to the instructor only after final grades for this course have been recorded.

---

1. What are the most valuable aspects of this course and/or the way the course was taught?
2. Even excellent courses can be improved. Can you give some constructive suggestions for making the course better?
3. Do you wish to comment on any of your ratings in the "Evaluation of Instruction" section on the Previous page? If so, please state the item number to which your comment refers.

Effective appraisal also requires that the supervisor set performance standards. And it requires that the employee receives the training, feedback, and incentives required to eliminate performance deficiencies.

Effective appraisals begin before the actual appraisal, with the manager defining the employee's job and performance criteria. Defining the job means making sure that you and your subordinate agree on his or her duties and job standards and on the appraisal method you will use. Stripped to its essentials, performance appraisal always involves the 3-step performance appraisal process: (1) setting work standards; (2) assessing the employee's actual performance relative to those standards (this usually involves some rating form); and (3) providing feedback to the employee with the aim of helping him or her to eliminate performance deficiencies or to continue to perform above par.

## Why Appraise Performance?

There are five reasons to appraise subordinates' performance.

- First, most employers still base pay, promotion, and retention decisions on the employee's appraisal.<sup>3</sup>
- Second, appraisals play a central role in the employer's performance management process. Performance management means continuously making sure that each employee's and team's performance makes sense in terms of the company's overall goals. The accompanying HR as a Profit Center feature illustrates this.
- Third, the appraisal lets you and the subordinate develop a plan for correcting any deficiencies, and to reinforce the things the subordinate does right.
- Fourth, appraisals should facilitate career planning. They provide an opportunity to review the employee's career plans in light of his or her exhibited strengths and weaknesses. We address career planning in Chapter 10.
- Finally, supervisors use appraisals to identify employees' training and development needs. The appraisal should enable the supervisor to identify if there is a "performance gap" between the employee's performance and his or her standards. And it should help identify the cause of any such gap, and the remedial steps required.

**performance appraisal**  
Evaluating an employee's current and/or past performance relative to his or her performance standards.

**performance appraisal process**  
A 3-step appraisal processing involving (1) setting work standards, (2) assessing the employee's actual performance relative to those standards, and (3) providing feedback to the employee with the aim of helping him or her to eliminate performance deficiencies or to continue to perform above par.

## HR AS A PROFIT CENTER

### Setting Performance Goals at Ball Corporation

Few HR practices have as pronounced an impact on a company's performance as does setting and measuring goals. For example, consider a report by management at Ball Corporation, which supplies metal packaging to customers such as food and paint manufacturers worldwide.<sup>4</sup> The management team at one Ball plant concluded that it could improve plant performance by instituting an improved process for setting goals and for ensuring that the plant's leaders' mind-sets and behaviors were in synch with these goals.<sup>5</sup> The new program began by training plant leaders on how to improve performance, and then setting and communicating daily performance goals. Management communicated and tracked daily goal attainment by distributing team scorecards to the plant's work teams. Plant employees received special coaching and training to ensure they had the skills required for achieving the goals.

According to management, within 12 months the plant increased production by 84,000,000 cans, improved customer complaints by 50 percent, and yielded a return-on-investment of more than \$3,090,000.<sup>6</sup>

### The Importance of Continuous Feedback

For accomplishing several of these aims, traditional annual or semiannual appraisal reviews make sense. For example, promotions and raises tend to be periodic decisions. Similarly, you probably wouldn't want to make career decisions without at least several months of data gathering and introspection.

However, it's usually a mistake to wait until the actual "appraisal" to let employees know what they're doing wrong and doing right. Aligning the employee's efforts with the job's standards should be a continuous process. When you see a performance problem, the time to take action is immediately—there is no substitute for nudging your employee's performance back into line continuously and incrementally. Similarly, when someone does something well, the best reinforcement comes immediately, not 6 months later.

### Performance Management

Recognizing this, many employers today take a more continuous approach to the performance appraisal cycle. For example, at Toyota Motor's Lexington, Kentucky, Camry plant, the supervisors don't sit with individual employees to fill out forms and appraise them. Instead, teams of employees monitor their own results, even posting individual daily performance metrics. In frequent meetings, they continuously align those results with the work team's standards and with the plant's overall quality and productivity needs. They do this by continuously adjusting how they and their team members do things. Team members who need coaching and training receive it, and procedures that need changing are changed. This is performance management in action.

**PERFORMANCE MANAGEMENT DEFINED** Performance management means different things to different people. Some use "performance management" as just a new way of saying "performance appraisal." Others say performance appraisal represents just the "appraisal" step of a three-step goal-setting/appraisal/feedback performance management process. In this book, we assume that performance management is a uniquely goal-oriented and continuous way to appraise and manage employees' performance. It is the "continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the organization's goals."<sup>7</sup>

The difference between performance management and performance appraisal is more than a matter of degree; it's a matter of substance. Many employers have what they call performance management processes, but in fact still use traditional performance appraisal. Continuous feedback and strategically related performance criteria are the two distinguishing characteristics of performance management. As one expert

puts it, “a system that involves employee evaluations once a year without an ongoing effort to provide feedback and coaching so that performance can be improved is not a true performance management system.”<sup>8</sup> Similarly, “performance management systems that do not make explicit the employee contribution to the organizational goals are not true performance management systems.”<sup>9</sup> The accompanying Strategic Context feature illustrates this.

## THE STRATEGIC CONTEXT

### TRW

TRW management decided it needed a new company-wide performance management system to help bring its employees’ actual performance into synch with the firm’s new operating goals. Top management appointed a special team, and charged it with creating a “one company, one system” performance management system.

The team’s aim was to quickly develop a performance management system that was *consistent* in that employees in all of TRW’s far-flung organization could use the same system. It also had to be *comprehensive* in that it consolidated into a single integrated system the necessary goal setting, performance appraisal, professional development, and succession planning functions.

The new performance management system produced many benefits. Most notably, it focuses every employee’s attention on what each employee needs to do to contribute to achieving TRW’s goals. It also identifies development needs that are relevant to both TRW and to the employee.

We’ll discuss performance management more fully later in the chapter after we address some basics of performance appraisal.

- 3 Set effective performance appraisal standards.

## Defining the Employee’s Goals and Performance Standards

Most employees need and expect to know ahead of time on what basis their employer will appraise them.<sup>10</sup> Ideally, each employee’s goals should derive from and contribute to the company’s overall aims. The manager’s goals flow from the vice president’s, whose goals flow from the president’s, for instance. However, setting useful goals is not as simple as it may appear. There is an art to setting effective goals.

First, the supervisor must decide what to measure. Many employers simply use packaged employee appraisal forms with generic scales, similar to that in Figure 9-1. That appraisal form shows what will be measured, for instance, “The instructor is well-prepared for class.” Other firms use a management by objectives approach. Thus, the CEO may have a goal to double sales this year. Based on that, her vice president of sales has his or her own sales goals, and each salesperson has his or her sales goal, set in discussions with his or her supervisor.

It is typical to set measurable goals for each expectation you have for the employee. Suppose you expect your sales manager to “handle the company’s three biggest accounts personally,” and to “manage the sales force.” You might measure the “personal selling” activity in terms of a money goal—how many dollars of sales the manager is to generate personally. You might measure “managing the sales force” in terms of a turnover goal (on the assumption that less than 10% of the sales force will quit in any given year if morale is high).

But is, say, a 10% turnover goal reasonable? One way to think of this is to remember that effective goals are “SMART.” They are specific, and clearly state the desired results. They are measurable, and answer the question “How much?” They are

attainable. They are relevant, and clearly derive from what the manager and company want to achieve. And they are timely, and reflect deadlines and milestones.<sup>11</sup>

**HR IN PRACTICE: HOW TO SET EFFECTIVE GOALS** Behavioral science research studies suggest four guidelines for setting performance goals:

1. Assign specific goals. Employees who receive specific goals usually perform better than those who do not.
2. Assign measurable goals. Put goals in quantitative terms and include target dates or deadlines.
3. Assign challenging but doable goals. Goals should be challenging, but not so difficult that they appear impossible or unrealistic.
4. Encourage participation. The evidence suggests that participatively set goals do not consistently result in higher performance than assigned goals, nor do assigned goals consistently result in higher performance than participatively set ones. It is only when the participatively set goals are more difficult (are set higher) than the assigned ones that the participatively set goals produce higher performance. Because it tends to be easier to set higher standards when your employees participate in the process, participation tends to facilitate standards setting and performance.<sup>12</sup>

**TALENT MANAGEMENT: BASING APPRAISAL STANDARDS ON REQUIRED COMPETENCIES** Other firms appraise employees based on the competencies and skills the job requires. For example, BP's exploration division appraises and rewards employees based on a skills matrix. This matrix shows (1) the basic skills required to do that job (such as "technical expertise") and (2) the minimum level of each skill that job requires.

**THE ROLE OF JOB DESCRIPTIONS** Ideally, what to appraise and how to appraise it will be obvious from the job description. In terms of what criteria to appraise, the job description should list the job's duties or tasks, including how critical each is to the job, and how often it's performed. For example, a nurse's job description may include "safely administer patient medication" as a task. You might then appraise the nurse on "how well he or she safely administers patient medication," for instance using data from periodic hospital safety inspections.<sup>13</sup> The job description may also include strategically important behaviors such as "building patient trust and satisfaction." Their presence (either in the job description's list of duties or in a separate list of strategically relevant "core behaviors") enables the manager to identify competencies (such as "quality consciousness") to appraise that support the employers strategic aims.

## Who Should Do the Appraising?

Appraisals by the immediate supervisor are still the heart of most appraisal processes. Getting a supervisor's appraisal is relatively straightforward and makes sense. The supervisor is usually in the best position to observe and evaluate his or her subordinate's performance. The supervisor is also responsible for that person's performance.

The human resources department serves a policy-making and advisory role. Generally, human resource managers provide the advice and the appraisal tool to use, but leave final decisions on procedures to operating division heads. The human resource team should also be responsible for training supervisors to improve their appraisal skills, for monitoring the appraisal system's effectiveness, and for ensuring that it complies with EEO laws.

Yet, although widely used, relying only on supervisors' appraisals isn't always advisable. For example, an employee's supervisor may not understand or appreciate how customers and colleagues see the employee's performance. Furthermore, there is always some danger of bias for or against the employee. If so, managers have several options.

**PEER APPRAISALS** With more firms using self-managing teams, appraisal of an employee by his or her peers—peer appraisal—is popular. Typically, an employee due for an annual appraisal chooses an appraisal chairperson. The latter



Source: Shutterstock.

Many employers use rating committees to appraise employees.

then selects one supervisor and three peers to evaluate the employee's work.

Research indicates that peer appraisals can be effective. One study involved undergraduates placed into self-managing work groups. The researchers found that peer appraisals had “an immediate positive impact on [improving] perception of open communication, task motivation, social loafing, group viability, cohesion, and satisfaction.”<sup>14</sup> Employees, in other words, seem to be motivated to meet their colleagues' expectations.

**RATING COMMITTEES** A rating committee is usually composed of the employee's immediate supervisor and three or four other supervisors.<sup>15</sup>

Using multiple raters is advantageous. It can help cancel out problems such as bias on the part of individual raters.<sup>16</sup> It can also provide a way to include in the appraisal the different facets of an employee's performance observed by different appraisers. Multiple raters often see different facets of an employee's performance. Studies often find that the ratings obtained from different sources rarely match.<sup>17</sup> It's therefore advisable to obtain ratings from the supervisor, his or her boss, and at least one other manager who is familiar with the employee's work.<sup>18</sup> At a minimum, most employers require that the supervisor's boss sign off on any appraisals the supervisor does.

**SELF-RATINGS** Some employers obtain employees' self-ratings, usually in conjunction with supervisors' ratings. The basic problem, of course, is that employees usually rate themselves higher than do their supervisors or peers.<sup>19</sup> One study found that, when asked to rate their own job performances, 40% of employees in jobs of all types placed themselves in the top 10%, and virtually all remaining employees rated themselves at least in the top 50%.<sup>20</sup> In another study, subjects' self-ratings correlated negatively with their subsequent performance in an assessment center—the higher they appraised themselves, the worse they did in the center. In contrast, an average of the person's supervisor, peer, and subordinate ratings predicted the subjects' assessment center performance.<sup>21</sup>

**APPRAISAL BY SUBORDINATES** Many employers have subordinates rate their managers, usually for developmental rather than for pay purposes. Anonymity affects the feedback. Managers who receive feedback from subordinates who identify themselves view the upward feedback process more positively. However, subordinates prefer giving anonymous responses (not surprisingly), and those who must identify themselves tend to give inflated ratings.<sup>22</sup>

The evidence suggests that upward feedback can improve a manager's performance. One study focused on 252 managers during five annual administrations of an upward feedback program. Managers who were initially rated poor or moderate “showed significant improvements in [their] upward feedback ratings over the five-year period.” In another study, cynicism toward management and inadequate time to interact with the boss reduced the upward appraisal's usefulness.<sup>23</sup> And, managers who met with their subordinates to discuss their upward feedback improved more than the managers who did not.<sup>24</sup>

**360-DEGREE FEEDBACK** With 360-degree feedback, the employer collects performance information all around an employee—from his or her supervisors, subordinates, peers, and internal or external customers—generally for developmental rather than pay purposes.<sup>25</sup> The usual process is to have the raters complete online appraisal surveys on the ratee. Computerized systems then compile all this feedback into individualized reports to ratees (see the sample in Figure 9-2). The person may then meet with his or her supervisor to develop a self-improvement plan.

Results are mixed. Participants seem to prefer this approach, but one study concluded that multisource feedback led to “generally small” improvements in subsequent ratings by supervisors, peers, and subordinates. Improvement was most likely to occur when the feedback the person received indicated that change was necessary, and when the recipients believed that change was necessary and had a positive view of

FIGURE 9-2 Part of 360-Degree Feedback Survey

Source: [www.hr-survey.com/sd3609q.htm](http://www.hr-survey.com/sd3609q.htm), accessed April 28, 2009.

HR-Survey.com

360 Degree Feedback Survey Demo

ARC-TAN  
Rapid Electrical Design - Innovation

Home  
Product Demos  
Employee Opinions  
360 Feedback  
Portfolio  
Useful Links  
Client Login

Other Demos  
Demo 1  
Demo 2  
Demo 3  
Demo 4  
Demo 5  
Demo 6

Rater:  
Ratee:

| Communication                                                        | Needs Significant Improvement | Could benefit from Development | Capable and Effective | Role Model            |
|----------------------------------------------------------------------|-------------------------------|--------------------------------|-----------------------|-----------------------|
| 1. Listens to me                                                     | <input type="radio"/>         | <input type="radio"/>          | <input type="radio"/> | <input type="radio"/> |
| 2. Demonstrates persuasiveness in objectives.                        | <input type="radio"/>         | <input type="radio"/>          | <input type="radio"/> | <input type="radio"/> |
| 3. Clarifies statements to gain better understanding of the message. | <input type="radio"/>         | <input type="radio"/>          | <input type="radio"/> | <input type="radio"/> |
| 4. Conveys priorities with a sense of urgency and importance.        | <input type="radio"/>         | <input type="radio"/>          | <input type="radio"/> | <input type="radio"/> |
| 5. Speaks clearly, fluently, and in a compelling manner.             | <input type="radio"/>         | <input type="radio"/>          | <input type="radio"/> | <input type="radio"/> |

the change process.<sup>26</sup> Also, 360-degree appraisals are more candid when subordinates know rewards or promotions are not involved.

There are several ways to improve 360-degree appraisals.

- Anchor the 360-degree rating dimensions (such as “conflict management”) with specific behavioral examples (such as “effectively deals with conflicts”).<sup>27</sup>
- Carefully train the people who are giving and receiving the feedback.<sup>28</sup>
- With so many appraisers involved, each potentially with his or her own ax to grind, make sure that the feedback the person receives is productive, unbiased, and development oriented.<sup>29</sup>
- Reduce the administrative costs associated with collecting multisource feedback by using a Web-based system such as the one in Figure 9-2. This lets the rater log in, open a screen with a rating scale, and rate the person along a series of competencies with ratings such as “capable and effective.”<sup>30</sup>

Supervisors must be familiar with appraisal techniques, understand and avoid problems that can cripple appraisals, and know how to conduct appraisals fairly.



Source: Getty Images, Inc.

TECHNIQUES FOR APPRAISING PERFORMANCE

The manager generally conducts the actual appraisal using a formal tool or method like one or more of those described next. The two basic questions in designing the actual appraisal tool are what performance dimensions to measure, and how to measure them. For example, in terms of what dimensions to measure, we might measure the employee’s performance in terms of generic dimensions such as quality and timeliness, or with respect to achieving specific goals. In terms of how to measure it, you can use one or more of various tools or methods, such as graphic rating scales or forced distribution (“grading on a curve”). We’ll start with the most popular, graphic rating scales.

Graphic Rating Scale Method

The graphic rating scale is the simplest and most popular method for appraising performance. Figure 9-3 shows one graphic rating scale. A graphic rating scale lists traits or performance dimensions (such as “communication” or “teamwork”) and a range of performance values (from “below expectations” to “role model” or “unsatisfactory” to “outstanding,”) for each trait. The supervisor rates each subordinate by

**Sample Performance Rating Form**

Employee's Name \_\_\_\_\_

Level: Entry-level employee

Manager's Name \_\_\_\_\_

Key Work Responsibilities

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

Results/Goals to Be Achieved

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

**Communication**

| 1                                                                                                                                                                                                                                                                                                                           | 2                                                                                                                                                                                                                                                                                                 | 3                                                                                                                                                                                                                                                                  | 4 | 5 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|
| <b>Below Expectations</b><br>Even with guidance, fails to prepare straightforward communications, including forms, paperwork, and records, in a timely and accurate manner; products require minimal corrections.<br><br>Even with guidance, fails to adapt style and materials to communicate straightforward information. | <b>Meets Expectations</b><br>With guidance, prepares straightforward communications, including forms, paperwork, and records, in a timely and accurate manner; products require minimal corrections.<br><br>With guidance, adapts style and materials to communicate straightforward information. | <b>Role Model</b><br>Independently prepares communications, such as forms, paperwork, and records, in a timely, clear, and accurate manner; products require few, if any, corrections.<br><br>Independently adapts style and materials to communicate information. |   |   |

**Organizational Know-How**

| 1                                                                | 2                                                                | 3                                                        | 4 | 5 |
|------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------|---|---|
| <b>Below Expectations</b><br><performance standards appear here> | <b>Meets Expectations</b><br><performance standards appear here> | <b>Role Model</b><br><performance standards appear here> |   |   |

**Personal Effectiveness**

| 1                                                                | 2                                                                | 3                                                        | 4 | 5 |
|------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------|---|---|
| <b>Below Expectations</b><br><performance standards appear here> | <b>Meets Expectations</b><br><performance standards appear here> | <b>Role Model</b><br><performance standards appear here> |   |   |

**Teamwork**

| 1                                                                | 2                                                                | 3                                                        | 4 | 5 |
|------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------|---|---|
| <b>Below Expectations</b><br><performance standards appear here> | <b>Meets Expectations</b><br><performance standards appear here> | <b>Role Model</b><br><performance standards appear here> |   |   |

**Achieving Business Results**

| 1                                                                | 2                                                                | 3                                                        | 4 | 5 |
|------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------|---|---|
| <b>Below Expectations</b><br><performance standards appear here> | <b>Meets Expectations</b><br><performance standards appear here> | <b>Role Model</b><br><performance standards appear here> |   |   |

**FIGURE 9-3** Sample Graphic Performance Rating Form

Source: Elaine Pulakos, "Performance Management," SHRM Foundation, 2004, pp. 16–17.

**graphic rating scale**

A scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait.

**FIGURE 9-4** One Item from an Appraisal Form Assessing Employee Performance on Specific Job-Related Duties

| Position: Pizza Chef                                                                                                                                                                                                                                                         |  |                   |                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------|-----------------------------|
| Duty 1: Maintain adequate inventory of pizza dough                                                                                                                                                                                                                           |  | Rating            |                             |
| Each round pizza dough must be between 12 and 14 ounces each, kneaded at least 2 minutes before being placed in the temperature and humidity-controlled cooler, and kept there for at least 5 hours prior to use. There should be enough, but no more for each day's demand. |  | Needs improvement | Satisfactory      Excellent |

circling or checking the score that best describes the subordinate's performance for each trait. The manager then totals the assigned ratings for the traits.

4 Develop, evaluate, and administer at least four performance appraisal tools.

**FIGURE 9-5** Appraisal Form for Assessing Both Competencies and Specific Objectives

Source: [www.case.edu/finadmin/humres/policies/perfexempt.pdf](http://www.case.edu/finadmin/humres/policies/perfexempt.pdf), accessed May 17, 2007. Used with permission of Case Western Reserve University.

**WHAT TO RATE?** We can use graphic ratings scales to illustrate the range of traits or performance dimensions one might evaluate. For example:

- As in Figure 9-3, some rating scales assess generic job dimensions such as communications, teamwork, know-how, and quantity.
- Another option is to rate the employee's performance on the job's actual duties. For example, Figure 9-4 shows part of an appraisal form for a pizza chef. This assesses the job's main specific duties, one of which is "Maintain adequate inventory of pizza dough." Here you would assess how well the employee did in exercising each of these duties.
- Or, you might rate (as in Section I of Figure 9-5) how well the employee did with respect to achieving specific performance expectations or objectives. Although not

SECTION I

Responsibilities/Objectives and Performance Standards in Support of Departmental Goals  
"Maximizing one's professional qualifications to make a difference"

| Primary Performance Expectations:<br>Responsibilities/Objectives and Standards | Mid-Year<br>Progress Notes | End of Period Rating<br>of Success and Effectiveness<br>Comment and Place X on<br>Scale to Rate |
|--------------------------------------------------------------------------------|----------------------------|-------------------------------------------------------------------------------------------------|
|                                                                                |                            | Not Strong      Very Strong                                                                     |
| Objective 1:                                                                   |                            | <div></div>                                                                                     |
| Objective 2:                                                                   |                            | <div></div>                                                                                     |
| Objective 3:                                                                   |                            | <div></div>                                                                                     |
| Objective 4:                                                                   |                            | <div></div>                                                                                     |
| Objective 5:                                                                   |                            | <div></div>                                                                                     |

Objectives for new rating period reviewed and agreed to:

Mid-Year Review:

|           |      |          |      |           |      |          |      |
|-----------|------|----------|------|-----------|------|----------|------|
| Evaluator | Date | Employee | Date | Evaluator | Date | Employee | Date |
|-----------|------|----------|------|-----------|------|----------|------|

| SECTION II                                                                                                                                                                                                                                                                                                                                                                    |                            | Performance Competencies<br>“Making a Difference by Working and Learning Together.”             |                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------------------------------------------------------------|----------------|
|                                                                                                                                                                                                                                                                                                                                                                               | Mid-Year<br>Progress Notes | End of Period Rating<br>of Success and Effectiveness<br>Comment and Place X on<br>Scale to Rate |                |
|                                                                                                                                                                                                                                                                                                                                                                               |                            | Not<br>Strong                                                                                   | Very<br>Strong |
| <b>Job Knowledge/Competency:</b> Demonstrates the knowledge and skills necessary to perform the job effectively. Understands the expectations of the job and remains current regarding new developments in areas of responsibility. Performs responsibilities in accordance with job procedures and policies. Acts as a resource person upon whom others rely for assistance. |                            | ----- ----- ----- -----                                                                         |                |
| <b>Quality/Quantity of Work:</b> Completes assignments in a thorough, accurate, and timely manner that achieves expected outcomes. Exhibits concern for the goals and needs of the department and others that depend on services or work products. Handles multiple responsibilities in an effective manner. Uses work time productively.                                     |                            | ----- ----- ----- -----                                                                         |                |
| <b>Planning/Organization:</b> Establishes clear objectives and organizes duties for self based on the goals of the department, division, or management center. Identifies resources required to meet goals and objectives. Seeks guidance when goals or priorities are unclear.                                                                                               |                            | ----- ----- ----- -----                                                                         |                |
| <b>Initiative/Commitment:</b> Demonstrates personal responsibility when performing duties. Offers assistance to support the goals and objectives of the department and division. Performs with minimal supervision. Meets work schedule/attendance expectations for the position.                                                                                             |                            | ----- ----- ----- -----                                                                         |                |
| <b>Problem Solving/Creativity:</b> Identifies and analyzes problems. Formulates alternative solutions. Takes or recommends appropriate actions. Follows up to ensure problems are resolved.                                                                                                                                                                                   |                            | ----- ----- ----- -----                                                                         |                |
| <b>Teamwork and Cooperation:</b> Maintains harmonious and effective work relationships with co-workers and constituents. Adapts to changing priorities and demands. Shares information and resources with others to promote positive and collaborative work relationships.                                                                                                    |                            | ----- ----- ----- -----                                                                         |                |
| <b>Interpersonal Skills:</b> Deals positively and effectively with coworkers and constituents. Demonstrates respect for all individuals.                                                                                                                                                                                                                                      |                            | ----- ----- ----- -----                                                                         |                |
| <b>Communication (Oral and Written):</b> Effectively conveys information and ideas both orally and in writing. Listens carefully and seeks clarification to ensure understanding.                                                                                                                                                                                             |                            | ----- ----- ----- -----                                                                         |                |
| Competencies Reviewed and Discussed:                                                                                                                                                                                                                                                                                                                                          |                            | Mid-Year Review                                                                                 |                |
| Evaluator                                                                                                                                                                                                                                                                                                                                                                     | Date                       | Employee                                                                                        | Date           |

FIGURE 9-5 (Continued)

in the figure, “sell \$600,000 worth of products per year” illustrates a performance expectation/objective.

- Competency-based appraisal forms are another option. Here you focus on the extent to which the employee exhibits the competencies (generally the skills and/or knowledge) needed to perform the job. Section II of Figure 9-5 illustrates this appraisal approach. To illustrate, one competency that a nurse supervisor should bring to the job might be “builds a culture that is open and receptive to improved clinical care.” Why appraise such competencies? Suppose this hospital’s strategic goals include improving quality of patient care. If so, then focusing the nurse supervisor’s attention on improving his or her clinical care competencies better supports the hospital’s strategy than would appraising how he or she rates on duties like “supervise one dozen nurses.”<sup>31</sup>

Some graphic rating forms appraise several things. For example, Figure 9-5 (Sections I and II) assesses the employee’s performance relating to both competencies and objectives. With respect to competencies, the employee is expected to develop and exhibit competencies (Section II) such as “identifies and analyzes problems” (Problem Solving), and “maintains harmonious and effective work relationships with co-workers and constituents” (Teamwork). The employee and supervisor would fill in the objectives section (Section I) at the start of the year, and then rate results and set new ones as part of the next appraisal.

**FIGURE 9-6** Scale for  
Alternate Ranking of Appraisee

| ALTERNATION RANKING SCALE                                                                                                                                                                                                                                                                                               |           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Trait: _____                                                                                                                                                                                                                                                                                                            |           |
| For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee's name on line 1. Put the lowest-ranking employee's name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on. Continue until all names are on the scale. |           |
| Highest-ranking employee                                                                                                                                                                                                                                                                                                |           |
| 1. _____                                                                                                                                                                                                                                                                                                                | 11. _____ |
| 2. _____                                                                                                                                                                                                                                                                                                                | 12. _____ |
| 3. _____                                                                                                                                                                                                                                                                                                                | 13. _____ |
| 4. _____                                                                                                                                                                                                                                                                                                                | 14. _____ |
| 5. _____                                                                                                                                                                                                                                                                                                                | 15. _____ |
| 6. _____                                                                                                                                                                                                                                                                                                                | 16. _____ |
| 7. _____                                                                                                                                                                                                                                                                                                                | 17. _____ |
| 8. _____                                                                                                                                                                                                                                                                                                                | 18. _____ |
| 9. _____                                                                                                                                                                                                                                                                                                                | 19. _____ |
| 10. _____                                                                                                                                                                                                                                                                                                               | 20. _____ |
| Lowest-ranking employee                                                                                                                                                                                                                                                                                                 |           |

### Alternation Ranking Method

Ranking employees from best to worst on a trait or traits is another option. Since it is usually easier to distinguish between the worst and best employees, an alternation ranking method is most popular. First, list all subordinates to be rated, and then cross out the names of any not known well enough to rank. Then, on a form like that in Figure 9-6, indicate the employee who is the highest on the performance dimension being measured and the one who is the lowest. Then choose the next highest and the next lowest, alternating between highest and lowest until all employees have been ranked.

### Paired Comparison Method

The paired comparison method helps make the ranking method more precise. For every trait (quantity of work, quality of work, and so on), you pair and compare every subordinate with every other subordinate.

Suppose you have five employees to rate. In the paired comparison method, you make a chart, as in Figure 9-7, of all possible pairs of employees for each trait. Then, for each trait, indicate (with a + or –) who is the better employee of the pair. Next, add up the number of + 's for each employee. In Figure 9-7, Maria ranked highest (has the most + marks) for quality of work, whereas Art was ranked highest for creativity.

### Forced Distribution Method

The forced distribution method is similar to grading on a curve. With this method, you place predetermined percentages of ratees into several performance categories. The proportions in each category need not be symmetrical; GE used top 20%, middle 70%, and bottom 10% for its managers. (GE now tells managers to use more discretion in assigning rankings, and no longer strictly adheres to its famous 20/70/10 split.)<sup>32</sup> Forced distribution makes some sense. It reflects the fact that top employees often outperform average or poor ones by as much as 100%.<sup>33</sup> About a fourth of Fortune 500 companies including Microsoft, Conoco, and Intel use versions of forced distribution.<sup>34</sup>

**FIGURE 9-7** Ranking Employees by the Paired Comparison Method

Note: + means “better than.”  
— means “worse than.” For each chart, add up the number of +’s in each column to get the highest ranked employee.

| FOR THE TRAIT “QUALITY OF WORK” |       |         |         |         |        | FOR THE TRAIT “CREATIVITY” |       |         |         |         |        |
|---------------------------------|-------|---------|---------|---------|--------|----------------------------|-------|---------|---------|---------|--------|
| Employee rated:                 |       |         |         |         |        | Employee rated:            |       |         |         |         |        |
| As Compared to:                 | A Art | B Maria | C Chuck | D Diane | E José | As Compared to:            | A Art | B Maria | C Chuck | D Diane | E José |
| A Art                           |       | +       | +       | —       | —      | A Art                      |       | —       | —       | —       | —      |
| B Maria                         | —     |         | —       | —       | —      | B Maria                    | +     |         | —       | +       | +      |
| C Chuck                         | —     | +       |         | +       | —      | C Chuck                    | +     | +       |         | —       | +      |
| D Diane                         | +     | +       | —       |         | +      | D Diane                    | +     | —       | +       |         | —      |
| E José                          | +     | +       | +       | —       |        | E José                     | +     | —       | —       | +       |        |
| Maria ranks highest here        |       |         |         |         |        | Art ranks highest here     |       |         |         |         |        |

As most students know, forced grading systems are unforgiving. With forced distribution, you’re either in the top 5% or 10% (and thus get that “A”), or you’re not. And, if you’re in the bottom 5% or 10%, you get an “F,” no questions asked. Your professor hasn’t any wiggle room. Some students must fail. One survey found that 77% of responding employers using this approach were at least “somewhat satisfied” with forced ranking, while the remaining 23% were dissatisfied. The biggest complaints: 44% said it damages morale. Forty-seven percent said it creates interdepartmental inequities: “High performing teams must cut 10% of their workers while low performing teams are still allowed to retain 90% of theirs.”<sup>35</sup> Some writers refer unkindly to forced rankings as “Rank and Yank.”<sup>36</sup>

Given this, to protect against unfairness and bias claims, managers should take several steps.<sup>37</sup> Appoint a review committee to review any employee’s low ranking. Train raters to be objective, and consider using multiple raters in conjunction with the forced distribution approach. And remember that distinguishing between top and bottom performers is usually not even the problem: “The challenge is to differentiate meaningfully between the other 80%.”<sup>38</sup>

### Critical Incident Method

With the critical incident method, the supervisor keeps a log of positive and negative examples (critical incidents) of a subordinate’s work-related behavior. Every 6 months or so, supervisor and subordinate meet to discuss the latter’s performance, using the incidents as examples.

Compiling incidents is useful. It provides examples of good and poor performance the supervisor can use to explain the person’s rating. It makes the supervisor think about the subordinate’s appraisal all during the year (so the rating does not just reflect the employee’s most recent performance). And the list provides examples

#### alternation ranking method

Ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all are ranked.

#### paired comparison method

Ranking employees by making a chart of all possible pairs of the employees for each trait and indicating which is the better employee of the pair.

#### forced distribution method

Similar to grading on a curve; predetermined percentages of ratees are placed in various performance categories.

#### critical incident method

Keeping a record of uncommonly good or undesirable examples of an employee’s work-related behavior and reviewing it with the employee at predetermined times.

**TABLE 9-1** Examples of Critical Incidents for Assistant Plant Manager

| Continuing Duties                                            | Targets                                                                       | Critical Incidents                                                                                                                             |
|--------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Schedule production for plant                                | 90% utilization of personnel and machinery in plant; orders delivered on time | Instituted new production scheduling system; decreased late orders by 10% last month; increased machine utilization in plant by 20% last month |
| Supervise procurement of raw materials and inventory control | Minimize inventory costs while keeping adequate supplies on hand              | Let inventory storage costs rise 15% last month; overordered parts “A” and “B” by 20%; underordered part “C” by 30%                            |
| Supervise machinery maintenance                              | No shutdowns due to faulty machinery                                          | Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part                             |

of how the subordinate can eliminate deficiencies. The downside is that without some numerical rating, this method is not as useful for comparing employees or for salary decisions.

In any case, it is common to accumulate incidents to illustrate the reasons behind the employee's ratings. In Table 9-1, one of the assistant plant manager's continuing duties was to supervise procurement and to minimize inventory costs. The critical incident log shows that he or she let inventory storage costs rise 15%; this provides an example of what performance to improve.

### Narrative Forms

All or part of the written appraisal may be in narrative form. Figure 9-8 presents an example. Here the person's supervisor assesses the employee's past performance and required areas of improvement. The supervisor's narrative assessment aids helps the employee understand where his or her performance was good or bad, and how to improve that performance.

### Behaviorally Anchored Rating Scales

A behaviorally anchored rating scale (BARS) is an appraisal tool that anchors a numerical rating scale with specific illustrative examples of good or poor performance. Its proponents say it provides better, more equitable appraisals than do the other tools we discussed.<sup>39</sup>

Developing a BARS typically requires five steps:

1. Write critical incidents. Ask the job's jobholders and/or supervisors to write specific illustrations (critical incidents) of effective and ineffective performance on the job.
2. Develop performance dimensions. Have these people group the incidents into 5 or 10 performance dimensions, such as “salesmanship skills.”
3. Reallocate incidents. To verify these groupings, have another team of people who also know the job reallocate the original critical incidents. They must reassign each incident to the cluster they think it fits best. Retain a critical incident if most of this second team assigns it to the same cluster as did the first group.
4. Scale the incidents. This second group then rates the behavior described by the incident as to how effectively or ineffectively it represents performance on the dimension (7- to 9-point scales are typical).
5. Develop a final instrument. Choose about six or seven of the incidents as the dimension's behavioral anchors.<sup>40</sup> We'll look at an example.

**FIGURE 9-8** Appraisal-Coaching Worksheet

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**Appraisal-Coaching Worksheet**

Instructions: This form is to be filled out by supervisor and employee prior to each performance review period.

Employee: \_\_\_\_\_ Position: \_\_\_\_\_

Supervisor: \_\_\_\_\_ Department: \_\_\_\_\_

Date: \_\_\_\_\_ Period of Work under Consideration: from \_\_\_\_\_ to \_\_\_\_\_

1. What areas of the employee's work performance are meeting job performance standards?
  
2. In what areas is improvement needed during the next six to twelve months?
  
3. What factors or events that are beyond the employee's control may affect (positively or negatively) his or her ability to accomplish planned results during the next six to twelve months?
  
4. What specific strengths has the employee demonstrated on this job that should be more fully used during the next six to twelve months?
  
5. List two or three areas (if applicable) in which the employee needs to improve his or her performance during the next six to twelve months (gaps in knowledge or experience, skill development needs, behavior modifications that affect job performance, etc.).
  
6. Based on your consideration of items 1–5 above, summarize your mutual objectives:
  - A. What supervisor will do:
  
  - B. What employee will do:
  
  - C. Date for next progress check or to re-evaluate objectives:
  
  - D. Data/evidence that will be used to observe and/or measure progress.

\_\_\_\_\_  
Employee Signature      Supervisor Signature

\_\_\_\_\_  
Date

**RESEARCH INSIGHT** Three researchers developed a BARS for grocery checkout clerks.<sup>41</sup> They collected many critical incidents, and then grouped or clustered these into eight performance dimensions:

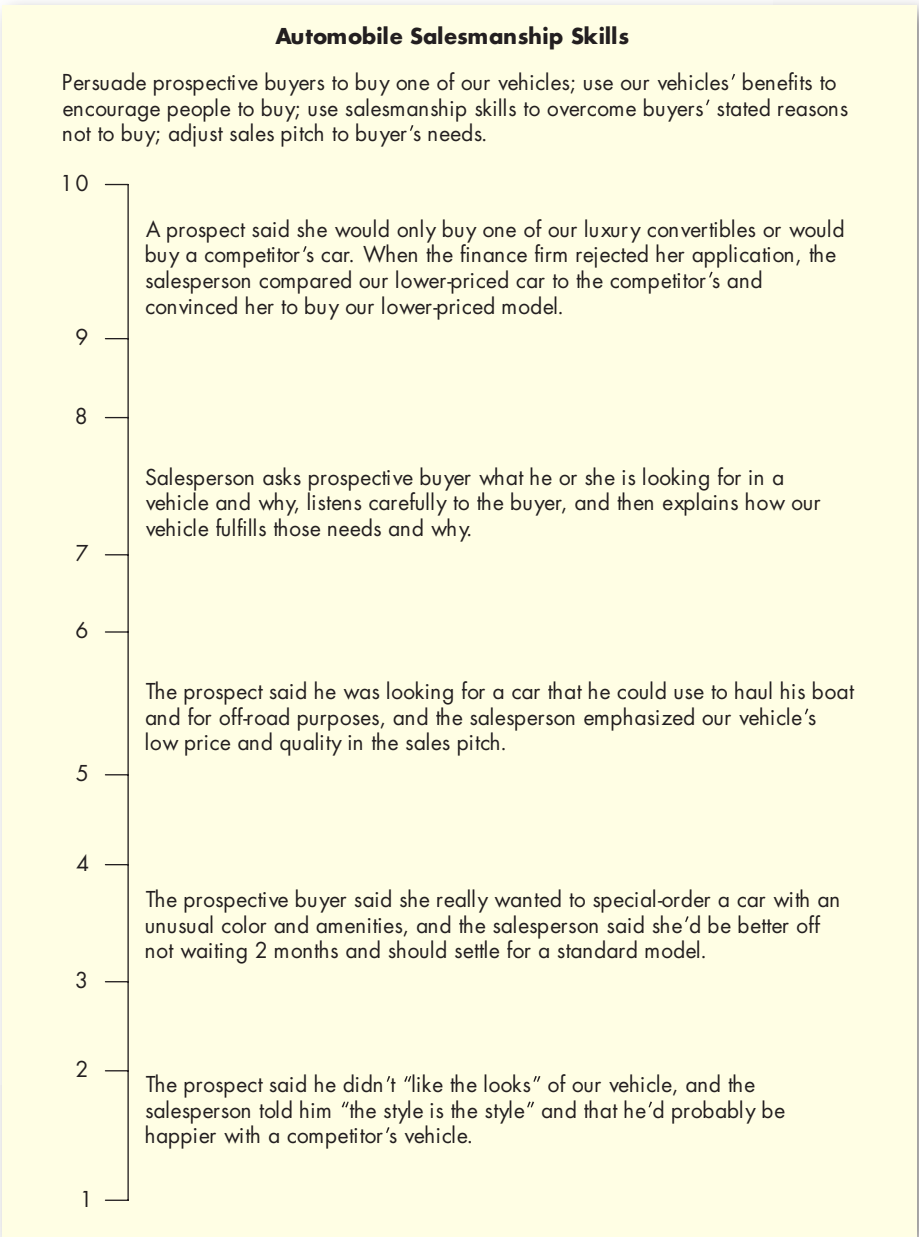
Knowledge and Judgment  
 Conscientiousness  
 Skill in Human Relations  
 Skill in Operation of Register

**behaviorally anchored rating scale (BARS)**  
 An appraisal method that aims at combining the benefits of narrative critical incidents and quantified ratings by anchoring a quantified scale with specific narrative examples of good and poor performance.

- Skill in Bagging
- Organizational Ability of Checkstand Work
- Skill in Monetary Transactions
- Observational Ability

They then developed behaviorally anchored rating scales for each of these dimensions. Each BARS contained a scale (ranging from 1 to 9) for rating performance from “extremely poor” to “extremely good.” Then a specific critical incident (such as “by knowing the price of items, this checker would be expected to look for mismarked and unmarked items”) helped anchor or specify what was meant by “extremely good” (9) performance. Similarly, they used several other critical incident anchors along the performance scale from (8) down to (1). To illustrate, Figure 9-9 shows a BARS for one performance dimension for a car sales person—the dimension “automobile salesmanship skills.”

**FIGURE 9-9** Example of a Behaviorally Anchored Rating Scale for the Dimension Salesmanship Skills



**ADVANTAGES** It takes more time to develop a BARS, but the tool has advantages.

1. A more accurate gauge. People who know the job and its requirements better than anyone develop the BARS. This should produce a good gauge of job performance.
2. Clearer standards. The critical incidents along the scale illustrate what to look for in terms of superior performance, average performance, and so forth.
3. Feedback. The critical incidents make it easier to explain the ratings to appraisees.
4. Independent dimensions. Clustering the critical incidents into five or six performance dimensions (such as “salesmanship skills”) helps to make the performance dimensions more independent of one another. For example, a rater should be less likely to rate an employee high on all dimensions simply because he or she was rated high in “salesmanship skills.”
5. Consistency.<sup>42</sup> BARS evaluations seem to be relatively reliable, in that different raters’ appraisals of the same person tend to be similar.

### Mixed Standard Scales

Mixed standard scales are somewhat similar to behaviorally anchored scales. However, mixed scales generally list just a few (usually 3) behavioral examples (or “standards”) for each of, say, 3 performance dimensions. The employer then “mixes” the resulting behavioral examples statements when listing them. The aim is to reduce rating errors by making it less obvious to the person doing the appraising (1) what performance dimensions he or she is rating; and (2) whether the behavioral example statements represent high, medium, or low performance. The supervisor rates the employee by indicating whether the latter’s performance is better than, the same, or worse than the statement.

Suppose you want to appraise employees on the dimensions Quality of Work, Conscientiousness, and Gets Along with Others. You write three “high, medium, low” behavioral examples for each of these three dimensions, as follows.<sup>43</sup>

#### For Quality of Work:

Employee’s work is striking in its accuracy, there is never any evidence of carelessness in it.

The accuracy of employee’s work is satisfactory; it is not often that you find clear evidence of carelessness.

Frequent careless errors in this employee’s work.

#### For Conscientiousness:

Is quick and efficient, able to keep work on schedule. Really gets going on a new task.

Is efficient enough, usually getting through assignments and work in reasonable time.

There is some lack of efficiency on employee’s part. Employee may take too much time to complete assignments, and sometimes does not really finish them.

#### For Gets Along with Others:

Is on good terms with everyone. Can get along with people even when they disagree.

Only very occasionally has conflicts with others on the job, and these are likely to be minor.

Has a tendency to get into unnecessary conflicts with people.

Next, take the resulting nine high, medium, low statements, and list them randomly, in a mixed fashion, for instance with the “low” statement from Conscientiousness followed by the “high” Quality statement, and so on. Then the supervisor would appraise each employee by rating him or her “better,” “the same” or “worse than” for each of the 9 statements. However, it is not clear that mixed standard appraisals are superior to others, such as graphic rating scales.

## Management by Objectives

Some employers use management by objectives (MBO) as the primary appraisal method. Others use it to supplement a graphic rating or other appraisal method. You could engage in an informal MBO program with subordinates by jointly setting goals and periodically providing feedback. However, MBO generally refers to a comprehensive and formal organization-wide goal setting and appraisal program. Here goals cascade down by level and department, from company-wide strategic goals to tactical day-to-day goals.

## Computerized and Web-Based Performance Appraisal

Employers increasingly use computerized or Web-based performance appraisal systems. These enable managers to compile computerized notes on subordinates during the year, and then to merge these with ratings for each employee on several performance traits. The software then generates written text to support each appraisal. Most such appraisals combine several appraisal methods, such as graphic ratings anchored by critical incidents.

**EXAMPLES** There are many examples from which to choose. Employee Appraiser (developed by the Austin-Hayne Corporation, San Mateo, California) presents a menu of more than a dozen evaluation dimensions, including dependability, initiative, communication, decision making, leadership, judgment, and planning and productivity.<sup>44</sup> Within each dimension (such as “Communication”) are separate performance factors for things like writing, verbal communication, and receptivity to criticism. When the user clicks on a performance factor, he or she is presented with a graphic rating scale. However, instead of numerical ratings, Employee Appraiser uses behaviorally anchored examples. For example, for verbal communication there are six choices, ranging from “presents ideas clearly” to “lacks structure.” The manager chooses the phrase that most accurately describes the worker. Then “Employee Appraiser” generates an appraisal with sample text.

The eAppraisal system from Halogen Software is another example.<sup>45</sup> Employees using it can access the system year-round, track their progress against goals in real time, and enter significant accomplishments.<sup>46</sup> Seagate Technology uses “Enterprise Suite” for managing the performance of its 39,000 employees.<sup>47</sup> Early in Seagate’s first fiscal quarter, employees enter the system and set goals and development plans for themselves that make sense in terms of Seagate’s corporate objectives. Employees update their plans quarterly, and then do self-evaluations at the end of the year, with

Many employers today make use of online appraisals for evaluating employee performance.



Source: Corbis Images.

follow-up reviews by their supervisors. Figure 9-10 illustrates another good online appraisal tool, in this case from PerformancePro.

## Electronic Performance Monitoring

Electronic performance monitoring (EPM) systems use computer network technology to allow managers to monitor their employees' computers. They thus allow managers to monitor the employees' rate, accuracy, and time spent working online.<sup>48</sup>

EPM can improve productivity. For example, for more routine, less complex jobs, highly skilled and monitored subjects keyed in more data entries than did highly skilled unmonitored participants. However, EPM can also backfire. In this same study, low-skilled but highly monitored participants did more poorly than did low-skilled, unmonitored participants. EPM also seems to raise employee stress. However, one researcher concludes that "Electronic Performance Monitoring (EPM) represents the future of performance feedback where supervisors can electronically monitor the amount and quality of work an employee is producing and have objective indicators of employee performance immediately available and visible."<sup>49</sup>

## Appraisal in Practice

The best appraisal forms merge several approaches. Figure 9-3 (page 291) was an example. It supports a numerical graphic rating scale with illustrative behavioral incidents such as "Even with guidance, fails to. . . ."

**FIGURE 9-10** Online Performance Appraisal Tool

Source: [www.hrnonline.com/per\\_about.asp](http://www.hrnonline.com/per_about.asp), accessed April 29, 2009.

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(Continued)

electronic performance monitoring (EPM) Having supervisors electronically monitor the amount of computerized data an employee is processing per day, and thereby his or her performance.

FIGURE 9-10 (Continued)

**Factor Info**

Available Factors:  
Communication Weight: 20%

Definition:  
The ability to effectively converse and listen to others concerning company matters. The use of proper written and grammatical skills, and the meaningful application of computer technology (e-mail, Internet, etc.).

**Evaluation**

Last: 4.5 Current: 4

5 - High Performer  
Communication skills are superior. Listening and interpersonal communication skills strengthen others. Effectively uses all available communication technology. Written

4 - Valued Performer  
Communication skills are excellent. Listening and interpersonal skills are above average. Effectively uses most available communication technology. Written

3 - Contributor  
Communication and listening skills are good. Effectively uses some available communication technology. Written documents convey information appropriately.

2 - Needs Improvement  
Communication skills are lacking in some areas. Verbal communication skills of listening and speaking impede job performance. More effective use of communication

1 - Unacceptable  
Communication skills are inadequate for the job. Immediate improvement is necessary in one or more key areas (listening, speaking, writing, using communication)

Comments:  
Annette is a clear and concise communicator. She uses the appropriate method, and tone in her communication that is required by the situation. She presents facts and recommends alternatives effectively.

**E-Signature**

| Date Completed | Employee       | Item      | Status   |
|----------------|----------------|-----------|----------|
| 4/3/2007       | Henry L. Smith | Appraisal | Unsigned |

**Routing In-Box**

| Date Routed | Routed By    | Item                                         | Status |
|-------------|--------------|----------------------------------------------|--------|
| 4/3/2007    | Smith, Henry | Record of Oral Warning FORM: Murray, Annette |        |

**Routing Out-Box**

| Status Date | Status   | Routed To         | Item                                        |
|-------------|----------|-------------------|---------------------------------------------|
| 4/3/2007    | Approved | Granger, Francois | Employee Commendation FORM: Smith, Henry L. |

**Employee Notes**

| Date      | Title                                         | View/Edit | Delete |
|-----------|-----------------------------------------------|-----------|--------|
| 3/15/2007 | Schedule staff Q2 goal status meetings by 5/1 |           |        |
| 2/13/2007 | Quarterly report completed                    |           |        |

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5 Explain and illustrate the problems to avoid in appraising performance.

## DEALING WITH APPRAISAL PROBLEMS AND INTERVIEWS

As we said, few things managers do are fraught with more peril than appraising subordinates' performance.<sup>50</sup> We now turn to appraisal problems and how to solve them, and to several other appraisal issues.

TABLE 9-2 A Graphic Rating Scale with Unclear Standards

|                                                                                              | Excellent | Good | Fair | Poor |
|----------------------------------------------------------------------------------------------|-----------|------|------|------|
| Quantity of work                                                                             |           |      |      |      |
| Quality of work                                                                              |           |      |      |      |
| Creativity                                                                                   |           |      |      |      |
| Integrity                                                                                    |           |      |      |      |
| <i>Note:</i> For example, what exactly is meant by “good,” “quantity of work,” and so forth? |           |      |      |      |

## Potential Appraisal Problems

Graphic-type rating scales in particular are susceptible to several problems: unclear standards, halo effect, central tendency, leniency or strictness, and bias.

**UNCLEAR STANDARDS** Table 9-2 illustrates the unclear standards problem. This graphic rating scale seems objective. However, it would probably result in unfair appraisals, because the traits and degrees of merit are ambiguous. For example, different supervisors might define “good” performance, “fair” performance, and so on differently. The same is true of traits such as “quality of work” or “creativity.”<sup>51</sup>

The best way to fix this problem is to include descriptive phrases that define or illustrate each trait, as in Figure 9-3. That form spells out what measures like “Role Model” or “Below Expectations” mean. This specificity results in more consistent and more easily explained appraisals.

**HALO EFFECT** Experts define halo effect as “the influence of a rater’s general impression on ratings of specific ratee qualities.”<sup>52</sup> For example, supervisors often rate unfriendly employees lower on all traits, rather than just on “gets along well with others.” Being aware of this problem is a step toward avoiding it. Supervisory training can also alleviate the problem, as can using a BARS (on which, recall, the performance dimensions are usually independent of each other).

**CENTRAL TENDENCY** Some supervisors stick to the middle when filling in rating scales. For example, if the rating scale ranges from 1 to 7, they tend to avoid the highs (6 and 7) and lows (1 and 2) and rate most of their people between 3 and 5. Central tendency means rating all employees average. Doing so distorts the evaluations, making them less useful for promotion, salary, or counseling purposes. Ranking employees instead of using graphic rating scales can reduce this problem, since ranking means you can’t rate them all average.

**LENIENCY OR STRICTNESS** Other supervisors tend to rate all their subordinates consistently high or low, just as some instructors are notoriously high or low graders. This strictness/leniency problem is especially severe with graphic rating scales. On the other hand, ranking forces supervisors to distinguish between high and low performers.

There are other solutions. One is for the employer to recommend that supervisors avoid giving all their employees high (or low) ratings. A second is to basically enforce a

**unclear standards**  
An appraisal that is too open to interpretation.

**halo effect**  
In performance appraisal, the problem that occurs when a supervisor’s rating of a subordinate on one trait biases the rating of that person on other traits.

**central tendency**  
A tendency to rate all employees the same way, such as rating them all average.

**strictness/leniency**  
The problem that occurs when a supervisor has a tendency to rate all subordinates either high or low.

distribution—that, say, about 10% of the people should be rated “excellent,” 20% “good,” and so forth. (But beware: Sometimes what appears to be an error—such as leniency—isn’t an error at all, as when all subordinates really are superior performers.)<sup>53</sup>

**RECENTY EFFECTS** The recency effect means letting what the employee has done recently blind you to what his or her performance has been over the year. The main solution is to accumulate critical incidents all year long.

**BIAS** The number of things that can lead to bias during appraisals is limitless. One study focused on the rater’s personality. Raters who scored higher on “conscientiousness” tended to give their peers lower ratings—they were stricter, in other words; those scoring higher on “agreeableness” gave higher ratings—they were more lenient.<sup>54</sup> In another study, “performance appraisal ratings obtained for administrative purposes [such as pay raises or promotions] were nearly one-third [higher] than those obtained for research or employee development purposes.”<sup>55</sup> Another writer says, “performance ratings amplify the quality of the personal relationship between boss and employee. Good relationships tend to create good [appraisal] experiences, bad relationships bad ones.”<sup>56</sup>

Unfortunately, personal characteristics (such as age, race, and sex) also affect ratings. A 36-year-old supervisor ranked a 62-year-old subordinate at the bottom of the department’s rankings, and then fired him. The court held that the younger boss’s discriminatory motives might have prejudiced the dismissal decision.<sup>57</sup> In one study, promoted women had to receive higher performance ratings than promoted men to be promoted, “suggesting that women were held to stricter standards for promotion.”<sup>58</sup> Another study found that raters might actually penalize successful women for their success.<sup>59</sup> Other studies suggest that, “rater idiosyncratic biases account for the largest percentage of the observed variances in performance ratings.”<sup>60</sup>

The bottom line is that the appraisal often says more about the appraiser than about the appraisee.<sup>61</sup> This is a powerful reason for using multiple raters, for having the supervisor’s boss review the rating, and/or for having what some employers call “calibration” meetings; here supervisors discuss among themselves their reasons for the appraisals they gave each of their subordinates.<sup>62</sup>

## Guidelines for Effective Appraisals

It’s probably safe to say that problems like these can make an appraisal worse than no appraisal at all. Would an employee not be better off with no appraisal than with a seemingly objective but actually biased one? However, problems like these aren’t inevitable, and you can minimize them. Do five things to have effective appraisals.

**KNOW THE PERFORMANCE APPRAISAL PROBLEMS** First, learn and understand the potential appraisal problems (such as central tendency). Understanding and anticipating the problem can help you avoid it.

**USE THE RIGHT APPRAISAL TOOL** Second, use the right appraisal tool—or combination of tools. Each has its own pros and cons. For example, the ranking method avoids central tendency but can cause bad feelings when employees’ performances are in fact all “high.”

In practice, employers choose an appraisal tool based on several criteria. Accessibility and ease-of-use is probably first. That is why graphic rating scales are still so popular, even within computerized appraisal packages. Table 9-3 summarizes each tool’s pros and cons.

**KEEP A DIARY** Third, keep a diary of employees’ performances over the year.<sup>63</sup> One study involved 112 first-line supervisors. The conclusion of this and similar studies is that compiling critical incidents as they occur reduces appraisal problems.<sup>64</sup>

**GET AGREEMENT ON A PLAN** Fourth, the aim of the appraisal should be to improve unsatisfactory performance (and/or to reinforce exemplary performance). The appraisal’s end product should therefore always be a plan for what the employee must do to improve his or her efforts.

6 Discuss the pros and cons of using different raters to appraise a person’s performance.

TABLE 9-3 Important Advantages and Disadvantages of Appraisal Tools

| Tool                       | Advantages                                                                                                                                  | Disadvantages                                                                                       |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Graphic rating scale       | Simple to use; provides a quantitative rating for each employee.                                                                            | Standards may be unclear; halo effect, central tendency, leniency, bias can also be problems.       |
| BARS                       | Provides behavioral “anchors.” BARS is very accurate.                                                                                       | Difficult to develop.                                                                               |
| Alternation ranking        | Simple to use (but not as simple as graphic rating scales). Avoids central tendency and other problems of rating scales.                    | Can cause disagreements among employees and may be unfair if all employees are, in fact, excellent. |
| Forced distribution method | End up with a predetermined number or % of people in each group.                                                                            | Employees’ appraisal results depend on your choice of cutoff points.                                |
| Critical incident method   | Helps specify what is “right” and “wrong” about the employee’s performance; forces supervisor to evaluate subordinates on an ongoing basis. | Difficult to rate or rank employees relative to one another.                                        |
| MBO                        | Tied to jointly agreed-upon performance objectives.                                                                                         | Time-consuming.                                                                                     |

**ENSURE FAIRNESS** Fifth, make sure that every appraisal you give is fair. Studies confirm that, in practice, some managers ignore accuracy and honesty in performance appraisals. Instead, they use the process for political purposes (such as encouraging employees with whom they don’t get along to leave the firm).<sup>65</sup> The employees’ standards should be clear, employees should understand the basis on which you’re going to appraise them, and the appraisals should be objective and fair.<sup>66</sup> One study found that a number of best practices, such as “have an appeal mechanism,” distinguish fair appraisals. The checklist in Figure 9-11 summarizes these.

**FIGURE 9-11** Checklist of Best Practices for Administering Fair Performance Appraisals

Source: Based on Richard Posthuma, “Twenty Best Practices for Just Employee Performance Reviews,” *Compensation and Benefits Review*, January/February 2008, pp. 47–54.

- ☐ Base the performance review on duties and standards from a job analysis.
- ☐ Try to base the performance review on observable job behaviors or objective performance data.
- ☐ Make it clear ahead of time what your performance expectations are.
- ☐ Use a standardized performance review procedure for all employees.
- ☐ Make sure whoever conducts the reviews has frequent opportunities to observe the employee’s job performance.
- ☐ Either use multiple raters or have the rater’s supervisor evaluate the appraisal results.
- ☐ Include an appeals mechanism.
- ☐ Document the appraisal review process and results.
- ☐ Discuss the appraisal results with the employee.
- ☐ Let the employees know ahead of time how you’re going to conduct the reviews.
- ☐ Let the employee provide input regarding your assessment of him or her.
- ☐ Indicate what the employee needs to do to improve.
- ☐ Train the supervisors who will be doing the appraisals. Make sure they understand the procedure to use, how problems (like leniency and strictness) arise, and how to deal with them.

bias

The tendency to allow individual differences such as age, race, and sex to affect the appraisal ratings employees receive.

**FIGURE 9-12** Checklist for a Legally Defensible Appraisal

- ☐ Preferably, conduct a job analysis to establish performance criteria and standards.
- ☐ Communicate performance standards to employees and to those rating them, in writing.
- ☐ When using graphic rating scales, avoid undefined abstract trait names (such as “loyalty” or “honesty”).
- ☐ Use subjective narratives as only one component of the appraisal.
- ☐ Train supervisors to use the rating instrument properly.
- ☐ Allow appraisers daily contact with the employees they’re evaluating.
- ☐ Don’t use a single overall rating of performance.
- ☐ Have more than one appraiser, and conduct all such appraisals independently.
- ☐ One appraiser should never have absolute authority to determine a personnel action.
- ☐ Give employees the opportunity to review and make comments.
- ☐ Have a formal appeals process.
- ☐ Document everything.
- ☐ Provide corrective guidance to assist poor performers in improving.

## Appraisals and the Law

One sure way to cause legal problems for an employer is to hold unfair appraisals. One court held that the firm had violated Title VII when it laid off several Hispanic-surnamed employees based on poor performance ratings.<sup>67</sup> The court concluded that the practice was illegal because:

1. The firm based the appraisals on subjective supervisory observations.
2. It didn’t administer and score the appraisals in a standardized fashion.
3. Two of the three supervisory evaluators did not have daily contact with the employees.

If your case gets to court, what will judges look for? A review of about 300 U.S. court decisions is informative. Actions reflecting fairness and due process were most important. Figure 9-12 presents a checklist for developing a legally defensible appraisal process.<sup>68</sup>

**7** Perform an effective appraisal interview.

## Managing the Appraisal Interview

The appraisal typically culminates in an appraisal interview. Here you and the subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths. Interviews like these are often uncomfortable. Few people like to receive—or give—negative feedback. Adequate preparation and effective implementation are therefore essential.

**TYPES OF APPRAISAL INTERVIEWS** Supervisors face four types of appraisal interviews, each with its unique objectives:

**Satisfactory—Promotable** is the easiest interview: The person’s performance is satisfactory and there is a promotion ahead. Your objective is to discuss the person’s career plans and to develop a specific professional development plan.

**Satisfactory—Not promotable** is for employees whose performance is satisfactory but for whom promotion is not possible. The objective here is to maintain satisfactory performance. The best option is usually to find incentives that are important to the person and sufficient to maintain performance. These might include extra time off, a small bonus, and reinforcement, perhaps in the form of an occasional “well done!”

When the person’s performance is unsatisfactory but correctable, the interview objective is to lay out an action plan (see Figure 9-13) for correcting the unsatisfactory performance.

Finally, if the employee is unsatisfactory and the situation is uncorrectable, you can usually skip the interview. You either tolerate the person’s poor performance for now, or (more likely) dismiss the person.

**HOW TO CONDUCT THE APPRAISAL INTERVIEW** Beforehand, review the person’s job description, compare performance to the standards, and review the previous appraisals. Give the employee at least a week’s notice to review his or her work.

**FIGURE 9-13** Sample Employee Development Plan

Source: [www.career-change-mentor.com/support-files/sampleemployeedevelopmentplan.pdf](http://www.career-change-mentor.com/support-files/sampleemployeedevelopmentplan.pdf), accessed April 28, 2009.

**Sample Employee Development Plan**

Employee Name: J. Citizen Position Title: HR Analyst Date Developed: \_\_\_\_\_ Date Last Revised: \_\_\_\_\_

**A. Key objectives and core competencies**

|                                                                                                                                                                                                |                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>List top 3-5 business objectives for this year:</b><br>1. Implement revised employee development system<br>2. Provide organization development support<br>3. Reduce employee turnover by 5% | <b>List core competencies for position:</b><br>1. Employee Development      4. Communication<br>2. Recruitment                      5. Conflict Management<br>3. Organization Development    6. Grievance Management |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**B. Competency gaps and action plan**

| List top 2-3 core competencies that need development | List key gaps for each core competency | Briefly state how you will close each gap                                              | Target completion date | Status R/Y/G |
|------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------------------------|------------------------|--------------|
| 1. Employee Dev.                                     | 1. Succession Plng.                    | 1. Participate in succession planning reviews in sister company to learn about process |                        | G            |
| 2. Grievance Mgmt.                                   | 2. Elevation Process                   | 2. Attend refresher training. Develop draft process. Pilot draft process and review.   |                        | Y            |
| 3.                                                   | 3.                                     | 3.                                                                                     |                        |              |

**C. Comments/Notes – to be noted during Manager & Employee progress review of development plan**

|                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Succession Planning – good progress made on understanding process. Next step is to improve working knowledge of process by implementing it. Keep in close contact with mentor from sister company for advice and direction.<br>Elevation Process – refresher training attended but was inadequate. Plan in place to get assistance from HR Manager. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Status: Green – completed; Yellow – incomplete/plan in place to achieve objective; Red – not achieved/no plan in place

Manager's Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date Reviewed: \_\_\_\_\_

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Set a time for the interview and allow enough time. Interviews with lower-level personnel like clerical workers should take no more than an hour. Interviews with management employees often take 2 or 3 hours. Conduct the interview in a private place with no interruptions.

There are four things to keep in mind when conducting the interview:

1. Talk in terms of objective work data. Use examples such as absences, tardiness, quality records, orders processed, productivity records, and so on.
2. Don't get personal. Don't say, "You're too slow in producing those reports." Instead, try to compare the person's performance to a standard. ("These reports should normally be done within 10 days.") Similarly, don't compare the person's performance to that of other people. ("He's quicker than you are.")
3. Encourage the person to talk. Stop and listen to what the person is saying; ask open-ended questions such as, "What do you think we can do to improve the situation?" Use a command such as "Go on." Restate the person's last point as a question, such as, "You don't think you can get the job done?"
4. Get agreement. Make sure the person leaves knowing specifically what he or she is doing right and doing wrong and with agreement on how things will be improved, and by when. Write an action plan (Figure 9-13) with targets and dates.

Whether subordinates express satisfaction with their appraisal interview depends on several things. Subordinates will prefer:

1. not feeling threatened during the interview;
2. having an opportunity to present their ideas and feelings and to influence the course of the interview; and
3. having a helpful and constructive supervisor conduct the interview.

#### appraisal interview

An interview in which the supervisor and subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths.

**FIGURE 9-14** Checklist During Appraisal Interview

Source: Reprinted from www.HR.BLR.com with permission of the publisher *Business and Legal Resources, Inc.* 141 Mill Rock Road East, Old Saybrook, CT © 2004. BLR® (Business & Legal Resources, Inc.).

| CHECKLIST DURING THE APPRAISAL INTERVIEW                                                                                                                |                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|
|                                                                                                                                                         | Yes No                                            |
| • Did you discuss each goal or objective established for this employee?                                                                                 | <input type="checkbox"/> <input type="checkbox"/> |
| • Are you and the employee clear on the areas of agreement? disagreement?                                                                               | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you and the employee cover all positive skills, traits, accomplishments, areas of growth, etc.? Did you reinforce the employee's accomplishments? | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you give the employee a sense of what you thought of his or her potential or ability?                                                             | <input type="checkbox"/> <input type="checkbox"/> |
| • Are you both clear on areas where improvement is required? expected? demanded? desired?                                                               | <input type="checkbox"/> <input type="checkbox"/> |
| • What training or development recommendations did you agree on?                                                                                        | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you indicate consequences for noncompliance, if appropriate?                                                                                      | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you set good objectives for the next appraisal period?                                                                                            | <input type="checkbox"/> <input type="checkbox"/> |
| • Objective?                                                                                                                                            | <input type="checkbox"/> <input type="checkbox"/> |
| • Specific?                                                                                                                                             | <input type="checkbox"/> <input type="checkbox"/> |
| • Measurable?                                                                                                                                           | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you set a standard to be used for evaluation?                                                                                                     | <input type="checkbox"/> <input type="checkbox"/> |
| • Time frame?                                                                                                                                           | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you set a time for the next evaluation?                                                                                                           | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you confirm what your part would be? Did the employee confirm his or her part?                                                                    | <input type="checkbox"/> <input type="checkbox"/> |
| • Did you thank the employee for his or her efforts?                                                                                                    | <input type="checkbox"/> <input type="checkbox"/> |

Figure 9-14 provides an appraisal interview checklist.

**HOW TO HANDLE A DEFENSIVE SUBORDINATE** Defenses are a familiar aspect of our lives. When a supervisor tells someone his or her performance is poor, the first reaction is often denial. Denial is a defense mechanism. By denying the fault, the person avoids having to question his or her own competence. Others react with anger and aggression. This helps them let off steam and postpones confronting the immediate problem.

In any event, understanding and dealing with defensiveness is an important appraisal skill. In his book *Effective Psychology for Managers*, psychologist Mortimer Feinberg suggests the following:

1. Recognize that defensive behavior is normal.
2. Never attack a person's defenses. Don't try to "explain someone to themselves" by saying things like, "You know the real reason you're using that excuse is that you can't bear to be blamed." Instead, concentrate on the fact ("sales are down").
3. Postpone action. Sometimes it is best to do nothing. Employees may react to sudden threats by instinctively hiding behind their defenses. But given sufficient time, a more rational reaction takes over.
4. Recognize your own limitations. The supervisor should not try to be a psychologist. Offering understanding is one thing; trying to deal with psychological problems is another.

**HOW TO CRITICIZE A SUBORDINATE** When you must criticize, do so in a manner that lets the person maintain his or her dignity—in private, and constructively. Provide examples of critical incidents and specific suggestions of what to do

and why. Avoid once-a-year “critical broadsides” by giving feedback periodically, so that the formal review contains no surprises. Never say the person is “always” wrong (since no one is ever “always” wrong or right). Criticism should be objective and free of personal bias.

**HOW TO HANDLE A FORMAL WRITTEN WARNING** An employee’s performance may be so weak that it requires a formal written warning. Such warnings serve two purposes: (1) They may serve to shake your employee out of his or her bad habits, and (2) they can help you defend your rating, both to your own boss and (if needed) to the courts.

Written warnings should identify the employee’s standards, make it clear that the employee was aware of the standard, specify any deficiencies relative to the standard, and show the employee had an opportunity to correct his or her performance.

**REALISTIC APPRAISALS** When the employee is not doing well, the manager will have to decide how candid to be. Not all managers are devotees of candor, but some firms, like GE, are famous for hard-hearted appraisals. GE’s former CEO Jack Welch once said, for instance, that it is cruel to tell someone who’s doing a mediocre job that their work is satisfactory.<sup>69</sup> Someone who might have had the chance to correct bad behavior or find a more appropriate vocation may instead spend years in a dead-end job, only to have to leave when a more demanding boss arrives.

There are many practical motivations for giving soft appraisals: the fear of having to hire and train someone new; the appraisee’s unpleasant reactions; or a company appraisal process that’s not conducive to candor, for instance. Ultimately, the person doing the appraising must decide if the drawbacks of less-than-candid appraisals outweigh the assumed benefits. They rarely do.

## PERFORMANCE MANAGEMENT

Earlier in this chapter, we said that performance management is the continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning their performance with the organization’s goals.<sup>70</sup> We look at performance management more closely in this section.

### Performance Management vs. Performance Appraisal

In comparing performance management and performance appraisal, “the distinction is the contrast between a year-end event—the completion of the appraisal form—and a process that starts the year with performance planning and is integral to the way people are managed throughout the year.”<sup>71</sup> Three main things distinguish performance management from performance appraisal.

1. First, performance management never means just meeting with a subordinate once or twice a year to “review your performance.” It means continuous, daily, or weekly interactions and feedback to ensure continuous improvement.<sup>72</sup>
2. Second, performance management is always goal-directed. The continuing performance reviews always involve comparing the employee’s or team’s performance against goals that specifically stem from and link to the company’s strategic goals. Strategic congruence is central to performance management: each employee’s goals must be aligned with departmental and company goals.
3. Third, performance management means continuously reevaluating and (if need be) modifying how the employee and team get their work done. Depending on the issue, this may mean additional training, changing work procedures, or instituting new incentive plans, for instance.

Furthermore, performance management systems increasingly use information technology to help managers automatically track employee performance and take

immediate corrective action as required. By comparison, performance appraisal systems usually rely on paper forms, or perhaps online or computerized appraisal forms.

We can summarize performance management's six basic elements as follows:<sup>73</sup>

- Direction sharing means communicating the company's goals throughout the company and then translating these into doable departmental, team, and individual goals.
- Goal alignment means having a method that enables managers and employees to see the link between the employees' goals and those of their department and company.
- Ongoing performance monitoring usually includes using computerized systems that measure and then e-mail progress and exception reports based on the person's progress toward meeting his or her performance goals.
- Ongoing feedback includes both face-to-face and computerized feedback regarding progress toward goals.
- Coaching and developmental support should be an integral part of the feedback process.
- Recognition and rewards provide the consequences needed to keep the employee's goal-directed performance on track.

## Using Information Technology to Support Performance Management

Performance management needn't be high-tech. For example, in many production facilities, work teams simply meet daily to review their performance and to get their efforts and those of their members aligned with their performance standards and goals.

On the other hand, information technology enables management to automate performance management and to monitor and correct deviations in real time. We can sum up this IT-supported performance management process as follows:

- Assign financial and nonfinancial goals to each team's activities along the strategy map chain of activities leading from the team's activities up to the company's overall strategic goals. (For example, an airline measures ground crew aircraft turnaround time in terms of "improve turnaround time from an average of 30 minutes per plane to 26 minutes per plane this year.")
- Inform all employees of their goals.
- Use IT-supported tools like scorecard software and digital dashboards to continuously display, monitor, and assess each team's and employee's performance. (We discussed this in Chapter 3, Strategy.)
- Take corrective action before things swing out of control. Figure 9-15 presents an example of an online performance management report for an employee.

**FIGURE 9-15** Summary of Performance Management Process Report

Source: Performance Management Report from [www.activestrategy.com/images/7.2/PGM.jpg](http://www.activestrategy.com/images/7.2/PGM.jpg), accessed April 29, 2009. Used with permission of ActiveStrategy, Inc.

| PERSONAL GOAL MANAGEMENT                          |                                          |                                                                                                                                                       |                                       |       |                   |
|---------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------|-------------------|
| Details - 2009 Personal Goal Scorecard            |                                          |                                                                                                                                                       | Report Card                           | Link  | Edit Options Copy |
| Goals for Manager: Martin, Albert Henderson, Jean |                                          |                                                                                                                                                       | In Progress (01/01/2009 - 12/31/2009) |       |                   |
|                                                   |                                          |                                                                                                                                                       | Score 3.19 Appraise                   |       |                   |
| Organizational Goals                              |                                          | Target                                                                                                                                                | Weight                                | Score | Date              |
|                                                   |                                          |                                                                                                                                                       | 25                                    |       | Score 3.28        |
| <input checked="" type="checkbox"/>               | Achieve 10% Growth Rate                  | 10                                                                                                                                                    | 15                                    | 2.50  | May 2009          |
| <input checked="" type="checkbox"/>               | Increase Customer Satisfaction           | 4.25                                                                                                                                                  | 35                                    | 3.00  | May 2009          |
| <input checked="" type="checkbox"/>               | Exemplify Company Values                 |                                                                                                                                                       | 25                                    | 4.00  | May 2009          |
| <input checked="" type="checkbox"/>               | Follow Corporate Healthy Life            |                                                                                                                                                       | 15                                    | 3.50  | May 2009          |
|                                                   |                                          | Description: This goal will gauge the speed with which employees respond to customer needs as well as the quality of customer service being provided. |                                       |       |                   |
| Departmental Goals                                |                                          | Target                                                                                                                                                | Weight                                | Score | Date              |
|                                                   |                                          |                                                                                                                                                       | 25                                    |       | Score 3.37        |
| <input checked="" type="checkbox"/>               | Create Departmental Processes            | 5                                                                                                                                                     | 10                                    | 2.00  | May 2009          |
| <input checked="" type="checkbox"/>               | Improve Product Quality                  | 98.0                                                                                                                                                  | 30                                    | 3.50  | May 2009          |
| <input checked="" type="checkbox"/>               | Manage Operating Budget to Target        | 5                                                                                                                                                     | 25                                    | 3.50  | May 2009          |
| <input checked="" type="checkbox"/>               | Cross-Train All New Employees            | 5                                                                                                                                                     | 10                                    | 4.00  | May 2009          |
| <input checked="" type="checkbox"/>               | Incorporate Customer Feedback in Product | 5                                                                                                                                                     | 4.50                                  |       | May 2009          |
| Personal Goals                                    |                                          | Target                                                                                                                                                | Weight                                | Score | Date              |
|                                                   |                                          |                                                                                                                                                       | 50                                    |       | Score 3.05        |
| <input checked="" type="checkbox"/>               | Complete Greenbelt Training              | Complete                                                                                                                                              | 10                                    | 3.00  | May 2009          |
| <input checked="" type="checkbox"/>               | Improve Presentation Skills              | Excellent                                                                                                                                             | 25                                    | 2.50  | May 2009          |
| <input checked="" type="checkbox"/>               | Improve Technical Skills                 | 5                                                                                                                                                     | 15                                    | 4.00  | May 2009          |

## TALENT MANAGEMENT PRACTICES AND EMPLOYEE APPRAISAL

In Chapter 4, we defined talent management as the goal-oriented and integrated process of planning, recruiting, developing, appraising, and compensating employees. By way of review, we said five sets of practices distinguish talent management from merely recruiting, selecting, training, appraising, and paying employees. It requires:

1. Identifying the workforce profiles (competencies, knowledge, traits, and experiences) that the firm needs to achieve its strategic goals;
2. Consciously thinking through all the tasks (recruiting and so on) required for managing the company's talent;
3. Consistently using the same profile for formulating recruitment plans for the employee as you do for making the selection, training, appraisal, and payment decisions;
4. Actively managing different employees' recruitment, selection, development, and rewards; and
5. Integrating the underlying talent management activities (planning for, recruiting, developing, appraising, and compensating employees).

### Appraising and Actively Managing Employees

Performance appraisal traditionally plays a predictable role when managers make pay raise and related decisions. Perhaps with the exception of selected "fast-track" employees, managers tend to allocate resources such as compensation and development opportunities either across-the-board or based on the employee's appraisal ratings (or both).

In contrast, talent management requires actively managing decisions like these. The point is that the traditional practice of allocating pay raises, development opportunities, and other scarce resources across the board or based just on performance makes less sense than it used to. Today, employers also need to focus their attention and resources on their company's mission-critical employees, those who are critical to the firm's strategic needs. Simply allocating awards across the board obviously does not fill that need. But allocating pay based solely on performance can also backfire. For example, is an employer really actively managing its employees if it gives the same percentage pay raise to every employee who rates "excellent," regardless of how important that employee is to the company's future success?

Increasingly, the answer from employers is "no." They continue to use performance appraisal to evaluate how their employees are performing. However, they also segment their employees based on how critical the employees are to the company's success. The point again is to focus your attention and resources on your company's mission-critical employees.

**HOW TO SEGMENT EMPLOYEES** Figure 9-16 illustrates one way to do this. Accenture uses a  $4 \times 4$  Strategic Role Assessment matrix to plot employees by Performance (exceptional, high, medium, low) and Value to the organization (mission-critical, core, necessary, nonessential). As an example, consider a chemical engineering company that designs sophisticated pollution control equipment. The firm's experienced engineers may be mission-critical; engineer-trainees may be core; sales, accounting, and HR employees necessary; and peripheral, outsourceable employees such as those in maintenance non-essential. The company would then tie pay, development, dismissal, and other personnel decisions to each employee's position in the matrix.

### Segmenting and Actively Managing Employees in Practice

Several examples can illustrate how employers implement this active-management segmented approach in practice.