

PERFORMANCE MANAGEMENT

Unit 7

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Concept



Performance Appraisal

- Evaluating an employee's current and/or past performance relative to his or her performance standards.
- Systematic description of job-relevant strengths and weaknesses of an individual or group.
- The process of systematically evaluating performance and providing feedback on which performance adjustments can be made.

Performance Management

- The process employers use to make sure employees are working toward organizational goals.
- A process that consolidates goal setting, performance appraisal, and **development into a single, common system**, the aim of which is to ensure that the employee's performance is supporting the company's strategic aims.

Performance Management

Practices through which the manager

- defines the employee's goals and work,
- develops the employee's capabilities, and
- evaluates and rewards the person's effort all within the framework of how the employee's performance should be contributing to achieving the company's goals.

"Reviewing your performance"

"Continuous improvement"

Why Performance Management?

- Increasing use by employers of performance management reflects:
 - The popularity of the total quality management (TQM) concepts.
 - The belief that traditional performance appraisals are often not just useless but counterproductive.
 - The necessity in today's globally competitive industrial environment for every employee's efforts to focus on helping the company to achieve its strategic goals.

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Uses of Performance Appraisal

- Helps to identify performance deficiency
- Performance Feedback
- Provides information for policy choices
- Rewarding employees
- Taking decision on Training and Development

Sources: 1. Adhikari, D.R. p. 169 and 2. Agrawal, G. R. p. 227

An Introduction to Appraising Performance

- Why appraise performance?
 - Appraisals play an integral role in the employer's performance management process.
 - Appraisals help in planning for correcting deficiencies and reinforce things done correctly.
 - Appraisals, in identifying employee strengths and weaknesses, are useful for career planning
 - Appraisals affect the employer's salary raise decisions.

Sources: Dessler G. 10e human resource management pearson education

Performance Appraisal Process

- Defining the Job
 - Both employee and employer agree on duties and job standard.
- Appraising Performance
 - Comparing actual performance to the standards; involves some type of rating form
- Feedback Sessions
 - Discuss subordinate's performance and progress and plan for any development required.

Performance Appraisal Methods

- **Graphic rating scale**
 - A scale that lists a number of traits and a range of performance for each
 - that is used to identify the score
 - that best describes an employee's level of performance for each trait.

Performance Appraisal

Employee Name _____ Title _____
 Department _____ Employee Payroll Number _____
 Reason for Review: Annual Promotion Unsatisfactory Performance
 Merit End Probation Period Other _____
 Date employee began present position _____ Scheduled appraisal date _____

Instructions: Carefully evaluate employee's work performance in relation to current job requirements. Check rating box to indicate the employee's performance. Indicate N/A if not applicable. Assign points for each rating within the scale and indicate in the corresponding points box. Points will be totaled and averaged for an overall performance score.

RATING IDENTIFICATION

O—Outstanding—Performance is exceptional in all areas and is recognizable as being superior to others.
V—Very Good—Results clearly exceed most position requirements. Performance is of high quality and is achieved on a consistent basis.
G—Good—Consistent and dependable level of performance. Meets performance standards of the job.
I—Improvement Needed—Performance is deficient in certain areas. Improvement is necessary.
U—Unsatisfactory—Results are generally unacceptable and require immediate improvement. No merit increase should be granted to individuals with this rating.
N—Not Rated—Not applicable or too soon to rate.

GENERAL FACTORS	RATING SCALE	SUPPORTIVE DETAILS OR COMMENTS
1. Quality —The accuracy, thoroughness, and acceptability of work performed.	O <input type="checkbox"/> 100-90 Points V <input type="checkbox"/> 90-80 G <input type="checkbox"/> 80-70 I <input type="checkbox"/> 70-60 U <input type="checkbox"/> below 60	<input type="text"/> <input type="text"/> <input type="text"/>
2. Productivity —The quantity and efficiency of work produced in a specified period of time.	O <input type="checkbox"/> 100-90 Points V <input type="checkbox"/> 90-80 G <input type="checkbox"/> 80-70 I <input type="checkbox"/> 70-60 U <input type="checkbox"/> below 60	<input type="text"/> <input type="text"/> <input type="text"/>
3. Job Knowledge —The practical/technical skills and information used on the job.	O <input type="checkbox"/> 100-90 Points V <input type="checkbox"/> 90-80 G <input type="checkbox"/> 80-70 I <input type="checkbox"/> 70-60 U <input type="checkbox"/> below 60	<input type="text"/> <input type="text"/> <input type="text"/>
4. Reliability —The extent to which an employee can be relied upon regarding task completion and followup.	O <input type="checkbox"/> 100-90 Points V <input type="checkbox"/> 90-80 G <input type="checkbox"/> 80-70 I <input type="checkbox"/> 70-60 U <input type="checkbox"/> below 60	<input type="text"/> <input type="text"/> <input type="text"/>

Performance Appraisal Methods (cont'd)

□ Alternation ranking method

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

ALTERNATION RANKING SCALE

For the 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

Performance Appraisal Methods (cont'd)

□ 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.

**Ranking Employees by the
Paired Comparison Method**

FOR THE TRAIT "QUALITY OF WORK"						FOR THE TRAIT "CREATIVITY"							
		Employee Rated:							Employee Rated:				
As Compared to:	A	B	C	D	E	As Compared to:	A	B	C	D	E		
A Art		+	+	-	-	A Art		-	-	-	-		
B Maria	-		-	-	-	B Maria	+		-	+	+		
C Chuck	-	+		+	-	C Chuck	+	+		-	+		
D Diane	+	+	-		+	D Diane	+	-	+		-		
E José	+	+	+	-		E José	+	-	-	+			

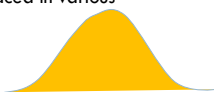
↑ Maria Ranks Highest Here
 ↑ Art Ranks Highest Here

Note: + means "better than," - means "worse than." For each chart, add up the number of 1's in each column to get the highest-ranked employee.

Performance Appraisal Methods (cont'd)

□ Forced distribution method

- Similar to grading on a curve; predetermined percentages of rates are placed in various performance categories.
- Example:
 - 15% high performers
 - 20% high-average performers
 - 30% average performers
 - 20% low-average performers
 - 15% low performers



Performance Appraisal Methods (cont'd)

□ 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.

Examples of Critical Incidents for an 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

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Performance Appraisal Methods (cont'd)

- 9-20 **Behaviorally anchored rating scale (BARS)**
 - An appraisal method that uses quantified scale with specific narrative examples of good and poor performance.
 - Developing a BARS:**
 - Generate critical incidents
 - Asking persons who know the job to describe specific illustrations of effective and ineffective performance
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Performance Appraisal Methods (cont'd)

- 9-21 **Developing a BARS:**
 - Develop performance dimensions
 - Clustering the incidents into a smaller set of (5 or 10) performance dimensions like technical ability, knowledge and judgment, salesmanship skills....
 - Reallocate incidents
 - To another group of people who also know the job
 - Retain the critical incidents if some percentage of second group assigns it to the same cluster as did the first group.
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Performance Appraisal Methods (cont'd)

- 9-22 **Developing a BARS:**
 - Scale the incidents
 - The second group then rates the behavior described by the incident as to how effectively or ineffectively it represents performance on the dimension.
 - Develop a final instrument
 - Choose about six or seven of the incidents as the dimension's behavioral anchors.
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SALESMANSHIP SKILLS	
9	A prospect stated he wanted the nuclear power program or he would not sign up. When he did not qualify, the recruiter did not give up; instead, he talked this young man into electronics by emphasizing the technical training he would receive.
8	The recruiter treats objections to joining the navy seriously; he works hard to counter the objections with relevant, positive arguments for a navy career.
7	When talking to a high school senior, the recruiter mentions names of other seniors from that school who have already enlisted.
6	When an applicant qualifies for only one program, the recruiter tries to convey to the applicant that is a desirable program.
5	When a prospect is deciding on which service to enlist in, the recruiter tries to sell the navy by describing navy life at sea and adventures in port.
4	During an interview, the recruiter said to the applicant, "I'll try to get you the school you want, but frankly it probably won't be open for another three months, so why don't you take your second choice and leave now."
3	The recruiter insisted on showing more brochures and films even though the applicant told him he wanted to sign up right now.
2	When a prospect states an objection to being in the navy, the recruiter ends the conversation because he thinks the prospect must not be interested.
1	

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Example of a Behaviorally Anchored Rating Scale for the Dimension Salesmanship Skill

Source: Walter C. Borman, "Behavior Based Rating," in Ronald A. Berk (ed.), *Performance Appraisal: Methods and Applications* (Baltimore, MD: Johns Hopkins University Press, 1986), p. 103.

Management by Objectives (MBO)

- 9-24 Involves setting specific measurable goals with each employee and then periodically reviewing the progress made.
 1. Set the organization's goals.
 2. Set departmental goals.
 3. Discuss departmental goals.
 4. Define expected results (set individual goals).
 5. Performance reviews.
 6. Provide feedback.
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Advantages and Disadvantages of Appraisal Tools

9-25	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.

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Potential Rating Scale Appraisal Problems

9-26	Excellent	Good	Fair	Poor
Quality of work				
Quantity of work				
Creativity				
Integrity				

Note: For example, what exactly is meant by "good," "quantity of work," and so forth?

- **Unclear standards**
 - An appraisal that is too open to interpretation.

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Potential Rating Scale Appraisal Problems

- 9-27
- **Halo effect**
 - 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.

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Potential Rating Scale Appraisal Problems (cont'd)

- 9-28
- **Strictness/leniency**
 - The problem that occurs when a supervisor has a tendency to rate all subordinates either high or low.
- **Bias**
 - The tendency to allow individual differences such as age, race, and sex to affect the appraisal ratings employees receive.

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How to Avoid Appraisal Problems

- 9-29
- Learn and understand the potential problems, and the solutions for each.
- Use the right appraisal tool. Each tool has its own pros and cons.
- Train supervisors to reduce rating errors such as halo, leniency, and central tendency.
- Have raters compile positive and negative critical incidents as they occur.

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Who Should Do the Appraising?

- 9-30
- The immediate supervisor
- Peers
- Rating committees
- Self-ratings
- Subordinates
- 360-Degree feedback

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The Appraisal Interview

9-31

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

Types Appra

9-33

- **Unsatisfactory—C**
 - Objective is to lay the unsatisfactory
- **Unsatisfactory—U**
 - Either tolerate the for now , or dismi

PERFORMANCE CONTRACT	
Within the next year, I understand that our organization's objectives are _____	
and that the goals of our department are _____, I also understood that our work unit goals are _____	
My key internal customers are _____ and their work needs and expectations are _____	
To make my contribution toward obtaining the goals stated above, I understand that I am expected to do the following:	
My individual performance goals are _____	
My goals for improving work methods (process) are _____	
My goals for improving specific interpersonal work behaviors when I interact with the following are _____	
I believe these goals are acceptable and attainable. I also understand that I will be evaluated by multiple appraisal sources (supervisor, peers, internal, and, if appropriate, external customers).	
Compensation for my work performance will be based on whether my performance was (1) outstanding, (2) fully competent, or (3) unsatisfactory. I understand that the following forms of compensation will be considered: (1) merit award for my individual performance goal attainment, (2) enhancement and utilization of my skills, (3) my work unit's or team's performance (gainsharing), and (4) our organization's performance (profit sharing).	
_____ Your signature	_____ Supervisor's signature

Conducting Appraisal Interview

9-35

- Talk in terms of objective work data.
- Don't get personal.
- Encourage the person to talk.
- Don't tiptoe around.

Types Appraisal Interview

9-32

- **Satisfactory—Promotable**
 - Objective is to discuss the **person's career plans** and
 - to develop **action plan** for educational and professional development the person needs to move to the next job.
- **Satisfactory—Not promotable**
 - **No more room** for promotion in the company.
 - Objective is to **maintain satisfactory performance**.

Further

The Appraisal Interview (cont'd)

9-36

- How to handle a defensive subordinate
 - Recognize that defensive behavior is normal.
 - Never attack a person's defenses.
 - Postpone action.
 - Recognize your own limitations.

The Appraisal Interview (cont'd)

9-37

- How to criticize a subordinate
 - Do it in a manner that lets the person maintain his or her dignity and sense of worth.
 - Criticize in private, and do it constructively.
 - Avoid once-a-year “critical broadsides” by giving feedback on a daily basis, so that the formal review contains no surprises.
 - Never say the person is “always” wrong
 - Criticism should be objective and free of any personal biases on your part.

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The Appraisal Interview (cont'd)

9-38

- How to ensure the interview leads to improved performance
 - Don't make the subordinate feel threatened during the interview.
 - Give the subordinate the opportunity to present his or her ideas and feelings and to influence the course of the interview.
 - Have a helpful and constructive supervisor conduct the interview.
 - Offer the subordinate the necessary support for development and change.

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The Appraisal Interview (cont'd)

9-39

- How to handle a formal written warning
 - Purposes of the written warning
 - To shake your employee out of bad habits.
 - Help you defend your rating, both to your own boss and (if needed) to the courts.
 - Written warnings should:
 - Identify standards by which employee is judged.
 - Make clear that employee was aware of the standard.
 - Specify deficiencies relative to the standard.
 - Indicates employee's prior opportunity for correction.

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