

# Week 1 & 2

Performance  
Appraisal

The logo for Stamford Online is positioned behind the text. It features a stylized orange and blue graphic on the left, followed by the text "stamfordonline" in a blue sans-serif font. Below this, the words "STAMFORD COLLEGE" and "ONLINE" are written in a smaller, grey, all-caps font.

# Comparing Performance Appraisal and Performance Management

- Performance appraisal
  - Evaluating an employee's current and/or past performance relative to his or her performance standards.
- Performance management
  - The process employers use to make sure employees are working toward organizational goals.

# 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.



# 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.

# Realistic Appraisals

- Motivations for soft (less-than-candid) appraisals
  - The fear of having to hire and train someone new
  - The unpleasant reaction of the appraisee
  - A company appraisal process that's not conducive to candour
- Hazards of giving soft appraisals
  - Employee loses the chance to improve before being forced to change jobs.
  - Lawsuits arising from dismissals involving inaccurate performance appraisals.

# Continuous improvement

- A management philosophy that requires employers to continuously set and relentlessly meet ever-higher quality, cost, delivery, and availability goals by:
  - Eradicating the seven wastes:
    - overproduction, defective products, and unnecessary downtime, transportation, processing costs, motion, and inventory.
  - Requiring each employee to continuously improve his or her own personal performance, from one appraisal period to the next.

# The Components of an Effective Performance Management Process

- *Direction sharing*
- *Role clarification*
- *Goal alignment*
- *Developmental goal setting*
- *Ongoing performance monitoring*
- *Ongoing feedback*
- *Coaching and support*
- *Performance assessment (appraisal)*
- *Rewards, recognition, and compensation*
- *Workflow and process control and return*

Figure 9–2

# Defining Goals and Work Efforts

- Guidelines for effective goals
  - Assign specific goals
  - Assign measurable goals
  - Assign challenging but doable goals
  - Encourage participation
- SMART goals are:
  - **S**pecific, and clearly state the desired results.
  - **M**easurable in answering “how much.”
  - **A**ttainable, and not too tough or too easy.
  - **R**elevant to what’s to be achieved.
  - **T**imely in reflecting deadlines and milestones.

# Performance Appraisal Roles

- Supervisors
  - Usually do the actual appraising.
  - Must be familiar with basic appraisal techniques.
  - Must understand and avoid problems that can cripple appraisals.
  - Must know how to conduct appraisals fairly.

# Performance Appraisal Roles (cont'd)

- HR department
  - Serves a policy-making and advisory role.
  - Provides advice and assistance regarding the appraisal tool to use.
  - Prepares forms and procedures and insists that all departments use them.
  - Responsible for training supervisors to improve their appraisal skills.
  - Responsible for monitoring the system to ensure that appraisal formats and criteria comply with EEO laws and are up to date.

# Steps in Appraising Performance

- Defining the job
  - Making sure that you and your subordinate agree on his or her duties and job standards.
- Appraising performance
  - Comparing your subordinate's actual performance to the standards that have been set; this usually involves some type of rating form.
- Providing feedback
  - Discussing the subordinate's performance and progress, and making plans for any development required.

# Designing the Appraisal Tool

- What to measure?
  - Work output (quality and quantity)
  - Personal competencies
  - Goal (objective) achievement
- How to measure?
  - Graphic rating scales
  - Alternation ranking method
  - MBO



# 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 Methods (cont'd)

- 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.



# Performance Appraisal Methods (cont'd)

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



# Performance Appraisal Methods (cont'd)

- Behaviourally 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
  - Develop performance dimensions
  - Reallocate incidents
  - Scale the incidents
  - Develop a final instrument

# Performance Appraisal Methods (cont'd)

- Advantages of using a BARS
  - A more accurate gauge
  - Clearer standards
  - Feedback
  - Independent dimensions
  - Consistency



# Potential Rating Scale Appraisal Problems

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

# Potential Rating Scale Appraisal Problems (cont'd)

- **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.

# How to Avoid Appraisal Problems

- 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.

