

# Performance Appraisal

## Part 1

### Introduction to Performance Appraisal

Lecturer - E. Eswaranathan  
MBA - HRM (2007)  
Degree - Accounting (2003)

Text Book

- 1) Human Resource Management  
Dessler Gary
- 2) Human Resource Management  
Byas, Lloyd & Rue, Leslie W.

# Learning Objectives

After you have read these chapters, you should be able to:

- Distinguish between job criteria and performance standards and discuss criterion contamination and deficiency.
- Identify two major uses of performance appraisal.
- Provide examples of several rater errors.
- Describe both the advantages and disadvantages of multisource (360°) appraisal.

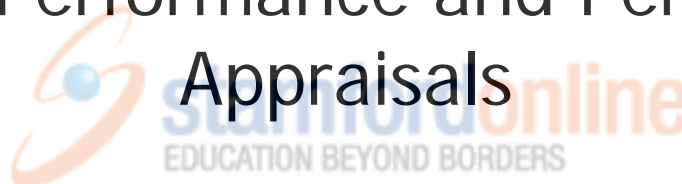
## Learning Objectives (cont'd)

- Identify the nature of behavioural approaches to performance appraisal and management by objectives (MBO).
- Discuss several concerns about appraisal feedback interviews.
- Identify the characteristics of a legal and effective performance appraisal system.




# Chapter 1

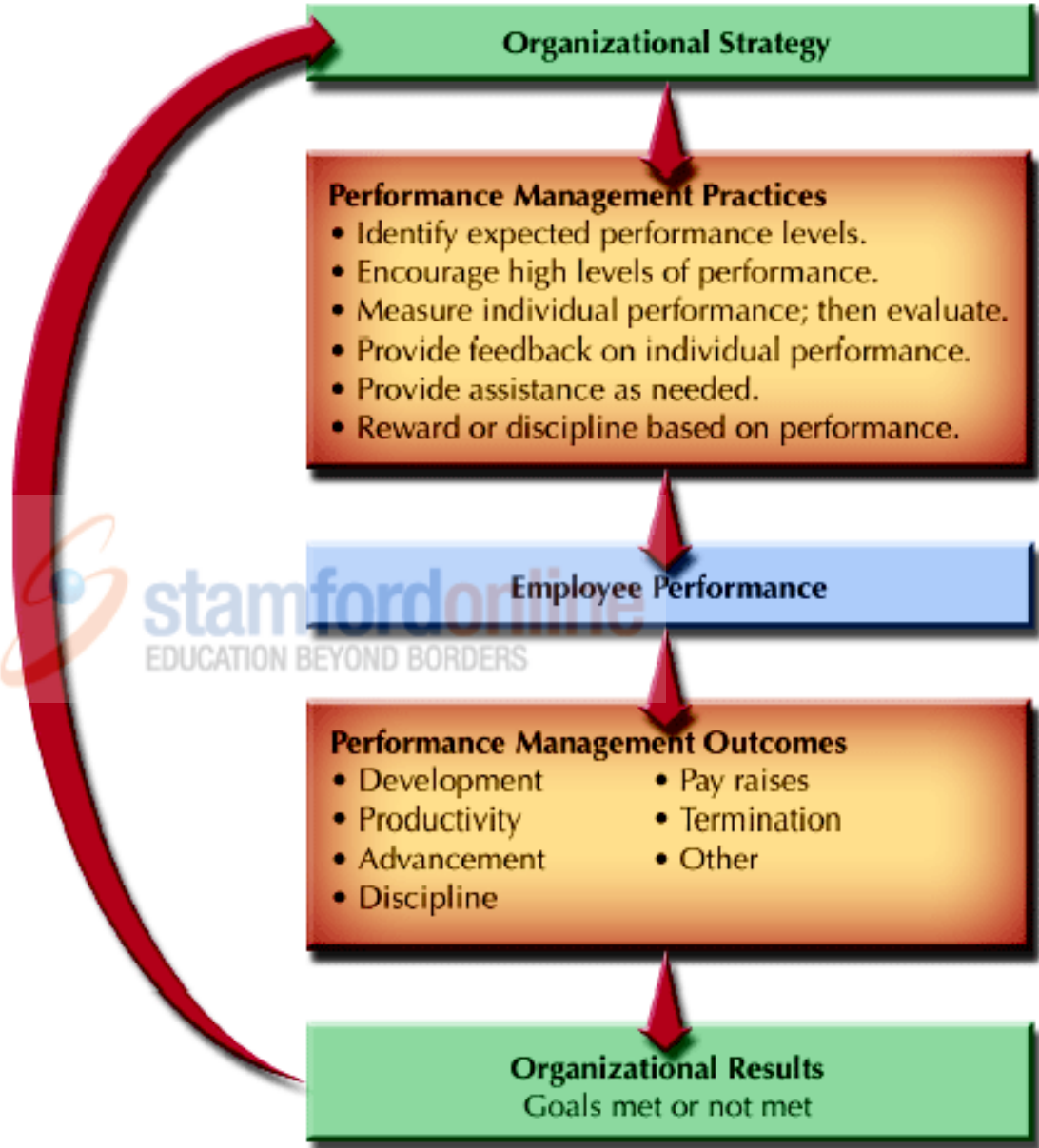
## Employee Performance and Performance Appraisals



# Identifying and Measuring Employee Performance

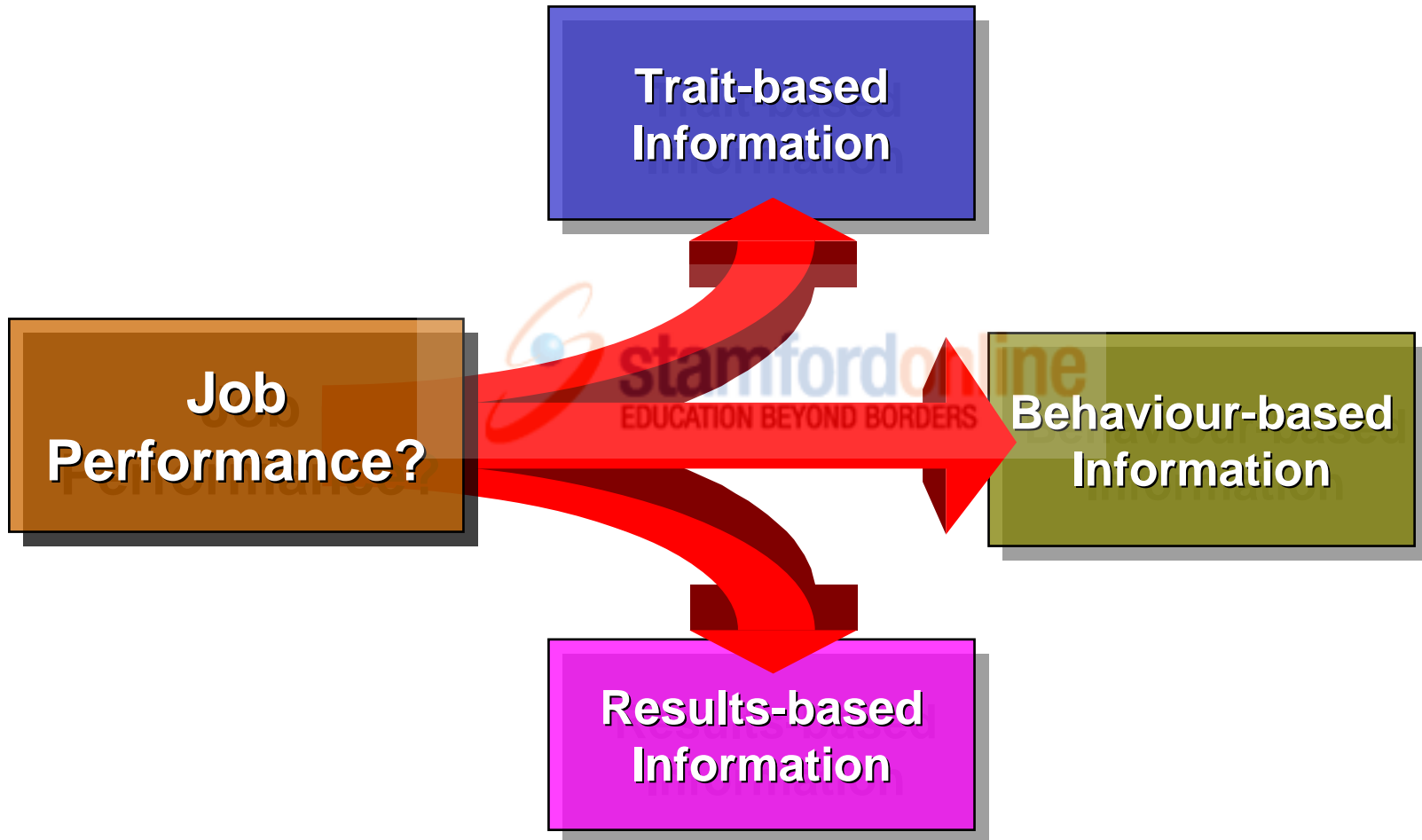
- Performance Management System
  - Processes used to identify, encourage, measure, evaluate, improve, and reward employee performance.
- Performance 
  - What an employee does and does not do.
    - Quantity of output
    - Quality of output
    - Timeliness of output
    - Presence at work
    - Cooperativeness
- Job Criteria
  - Important elements in a given job

**Linkage  
Between  
Strategy,  
Outcomes,  
and  
Organizational  
Results**

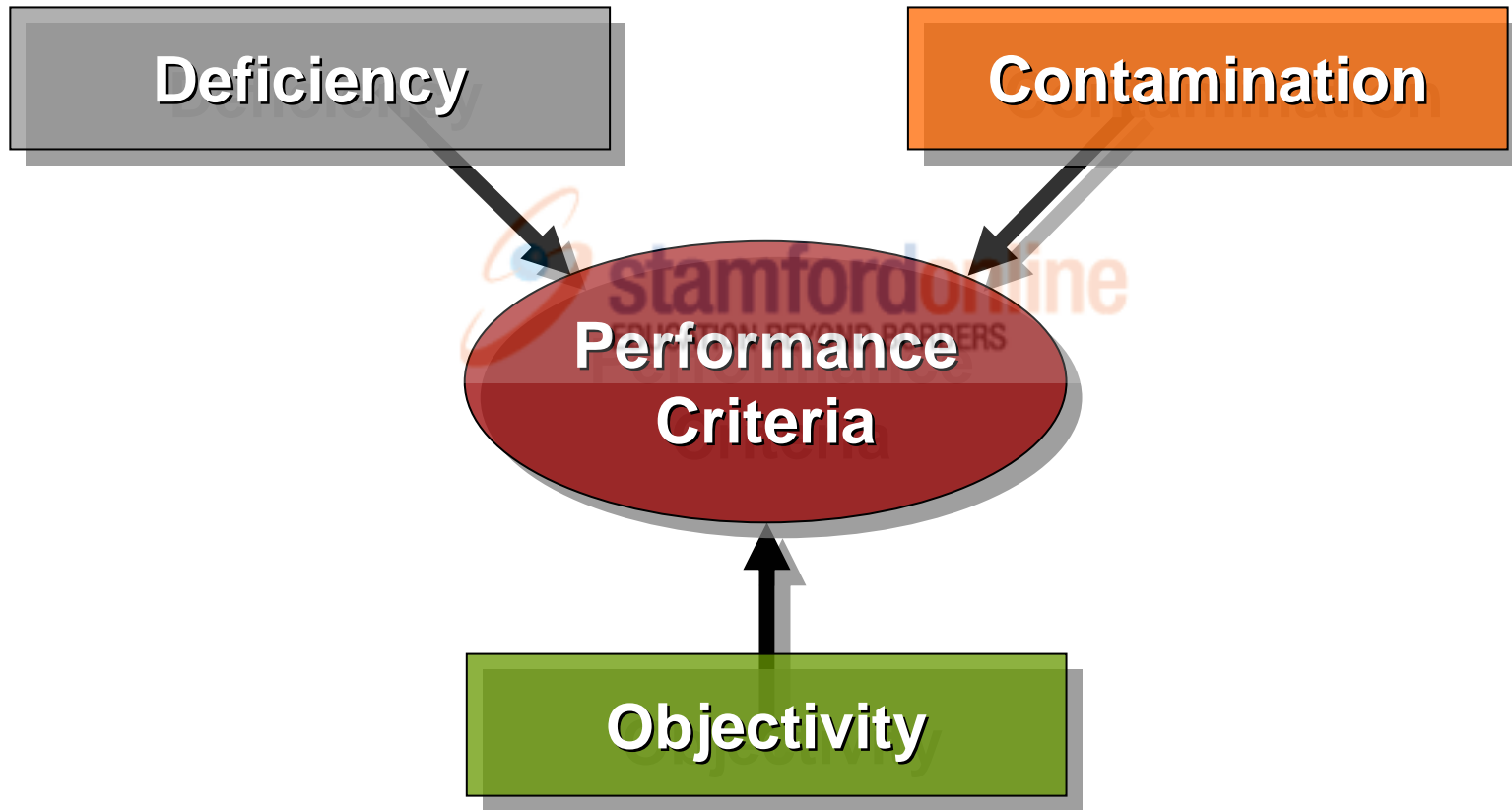


stamfordonline  
EDUCATION BEYOND BORDERS

# Types of Performance Information



# Potential Performance Criteria Problems



# Performance Standards

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



# Terms Defining Standards on One Company

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

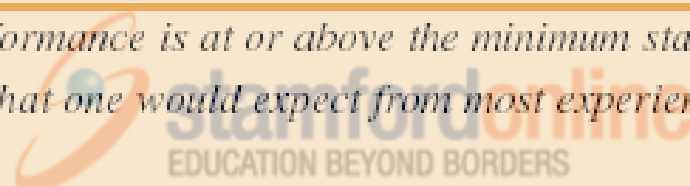


Figure 11-2

# Uses of Performance Appraisal

- Performance Appraisal (PA)
  - The process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating the information to employees.
  - Informal Appraisal
    - **Day-to-day contacts, largely undocumented**
  - Systematic Appraisal
    - **Formal contact at regular time intervals, usually documented**

# Uses of Performance Appraisal (cont'd)



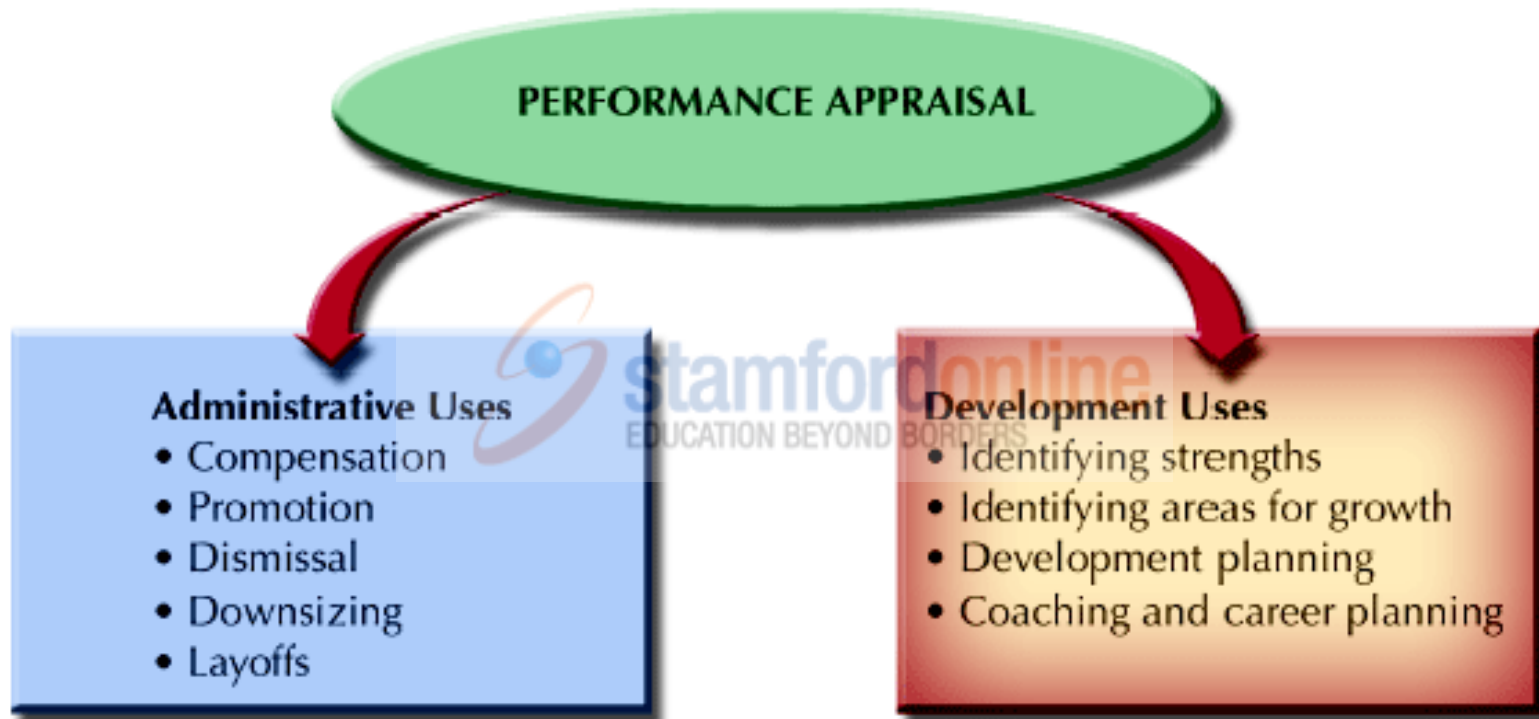
## Uses of Performance Appraisal (cont'd)

- Criticisms of Performance Appraisal
  - Focus is too much on the individual and does little to develop employees.
  - Employees and supervisors believe the appraisal process is seriously flawed.
  - Appraisals are inconsistent, short-term oriented, subjective, and useful only at the extremes of performance.

# Chapter 2

## Conflicting Roles, typical Division of HR Responsibilities for Performance Appraisal & Performance Appraisal Methods

# Conflicting Roles for Performance Appraisal

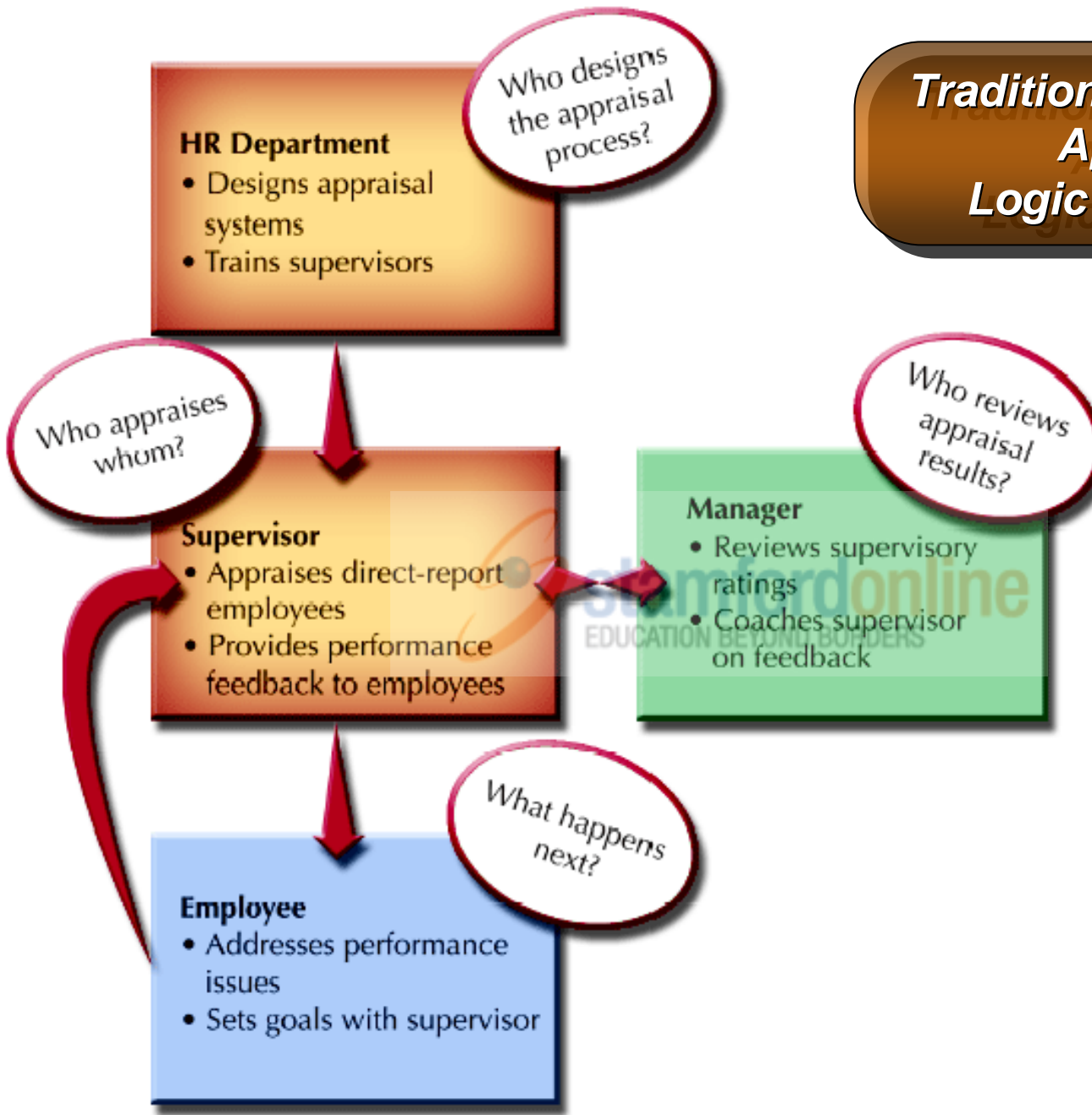


## Typical Division of HR Responsibilities for Performance Appraisal

HR Unit	Managers
<ul style="list-style-type: none"><li>• <i>Designs and maintains formal system</i></li><li>• <i>Trains raters</i></li><li>• <i>Tracks timely receipt of appraisals</i></li><li>• <i>Reviews completed appraisals for consistency</i></li></ul>	<ul style="list-style-type: none"><li>• <i>Typically rate performance of employees</i></li><li>• <i>Prepare formal appraisal documents</i></li><li>• <i>Review appraisals with employees</i></li><li>• <i>Identify development areas</i></li></ul>

# Who Conducts Appraisals

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



# Employee Rating of Managers

## ▪ Advantages

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

## ▪ Disadvantages

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

# Team/Peer Ratings

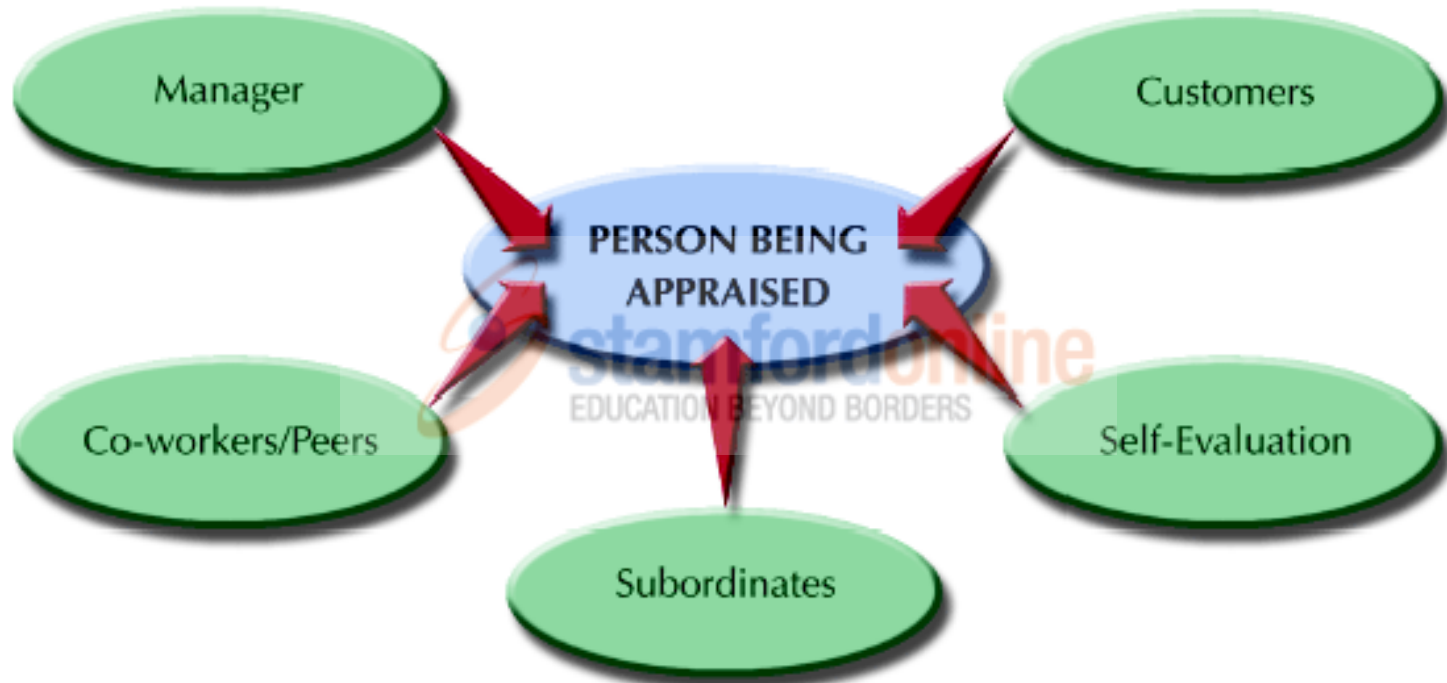
## ▪ Advantages

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

## ▪ Disadvantages

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

# Multisource Appraisal



# Performance Appraisal Methods



# Category Rating Methods

## ▪ Graphic Rating Scale

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

- **Job criteria scales**
- **Behavioural scales**

– Drawbacks

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



# Category Rating Methods (cont'd)

## ▪ Checklists

– A performance appraisal tool that uses a list of statements or work behaviours that are checked by raters.

- **Can be quantified by applying weights to individual checklist items.**

## – Drawbacks

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

# Sample Performance Appraisal Form

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

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

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

M—Performance meets job requirements and standards.

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

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

I \_\_\_\_\_ M \_\_\_\_\_ E

**Job Duty #1:** **Inventory receiving and checking**

Explanation: \_\_\_\_\_

Figure 11–8a

# Sample Performance Appraisal Form

I \_\_\_\_\_ M \_\_\_\_\_ E

**Job Duty #2:** Accuracy of records kept

Explanation: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I \_\_\_\_\_ M \_\_\_\_\_ E

**Attendance** (including absences and tardies):                  Number of absences \_\_\_\_                  Number of tardies \_\_\_\_

Explanation: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Overall Rating:** Based on the total performance, place the letter I, M, or E in the box provided that best describes the employee's overall performance.

Explanation: \_\_\_\_\_  
\_\_\_\_\_

# Comparative Methods

## ▪ Ranking

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

# Comparative Methods (cont'd)

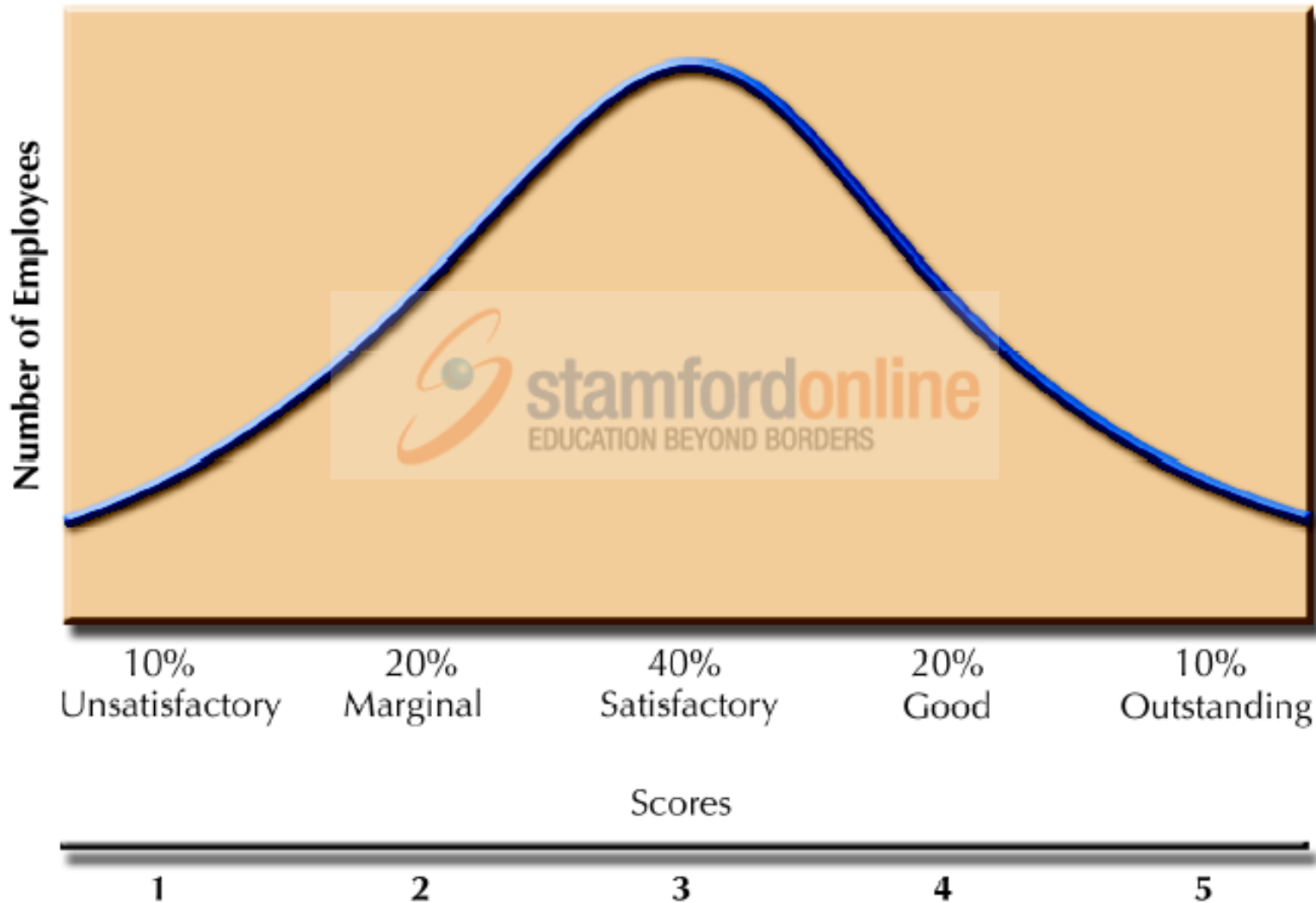
## ▪ Forced Distribution

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

### – Drawbacks

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

# Forced Distribution on a Bell-Shaped Curve



# Narrative Methods

- Critical Incident

- Manager keeps a written record of highly favourable and unfavourable employee actions.

- Drawbacks

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

# Narrative Methods (cont'd)

- Essay Method

- Manager writes a short essay describing an employee's performance.
- Drawbacks
  - **Depends on the managers' writing skills and their ability to express themselves.**

- Field Review

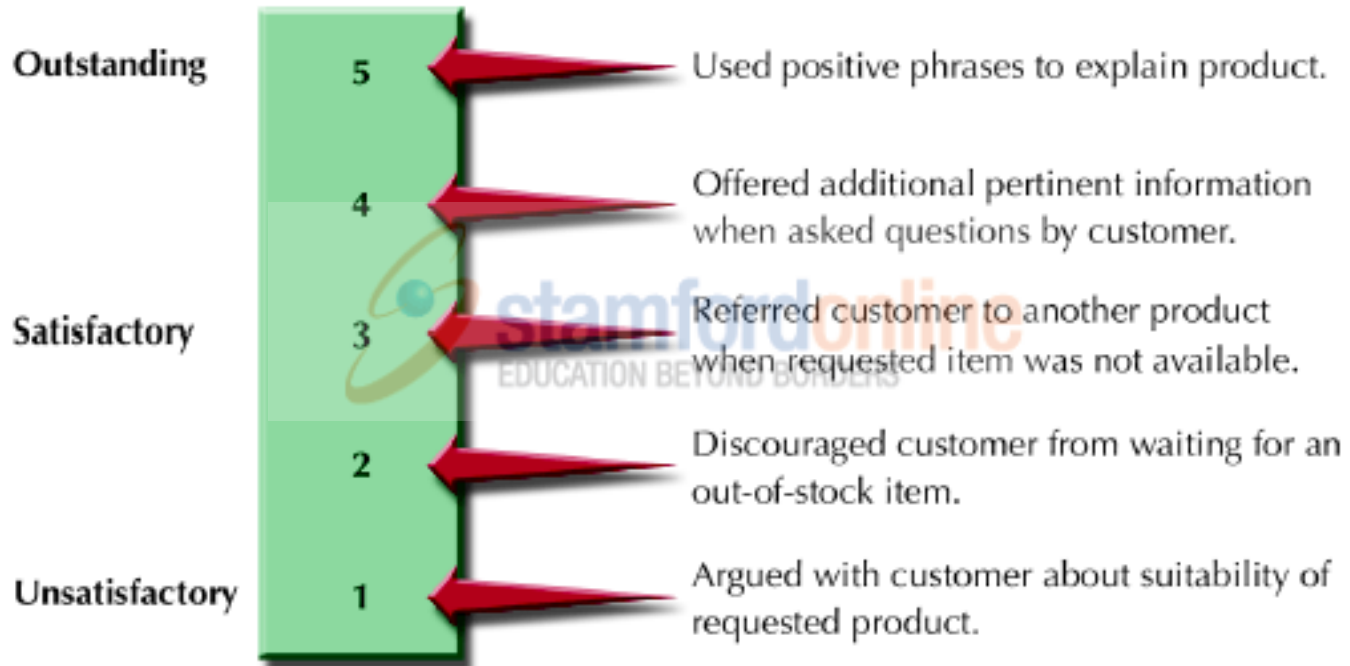
- Outside reviewer interviews the manager about the performance of each employee and develops a rating for the employees from the interview notes.

# Behavioural/Objective Methods

- Behavioural Rating Approach
  - Assesses employees' behaviours instead of other characteristics
  - Consists of a series of scales created by:
    - Identifying important job dimensions
    - Creating statements describing a range of desired and undesirable behaviours (anchors)
  - Types of behavioural scales
    - Behaviourally anchored rating scales (BARS)
    - Behavioural observation scales (BOS)
    - Behavioural expectation scales (BES)

# Customer Service Skills (BOS)

## The Customer Service Representative:



# Chapter 3

## Management by Objectives & Performance Appraisals Feedback



# Management by Objectives

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

# The MBO Process

**Job Review and Agreement**



**Development of Performance Standards**



**Guided Objective Setting**



**Continuing Performance Discussions**

# Common Rater Errors

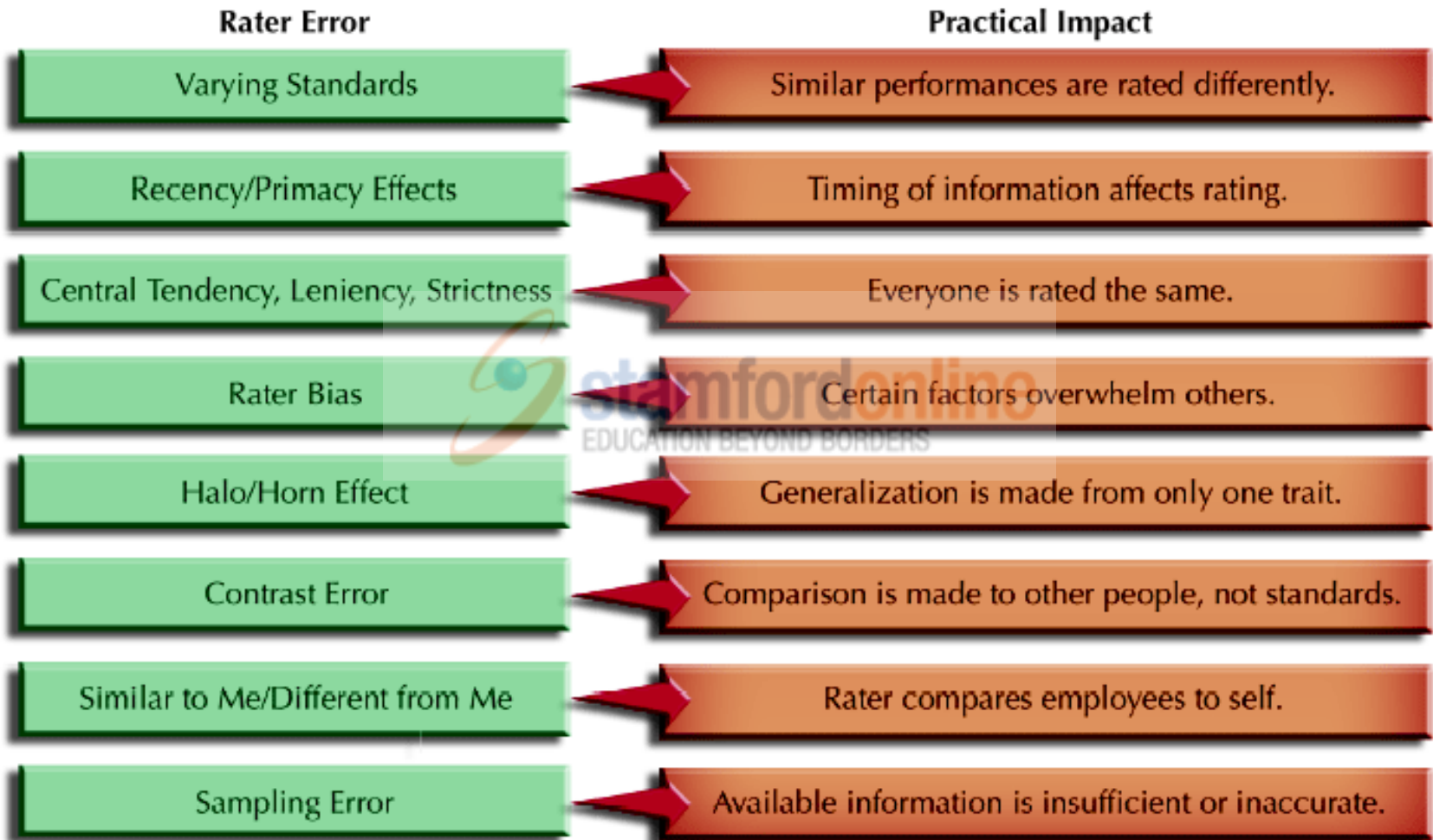
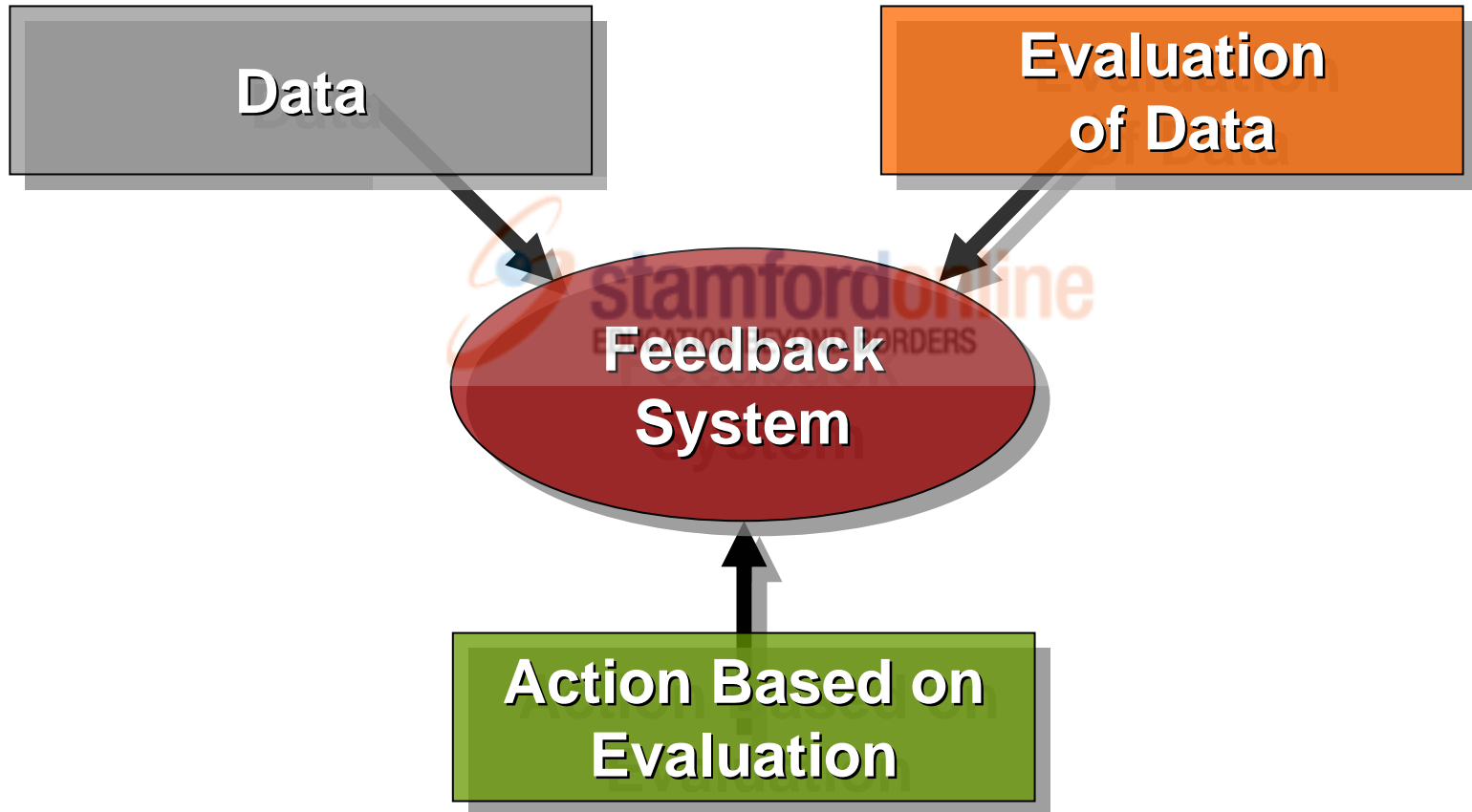


Figure 11-11

# Feedback as a System



# Appraisal Interview Hints

## DO

- Prepare in advance.
- Focus on performance and development.
- Be specific about reasons for ratings.
- Decide on specific steps to be taken for improvement.
- Consider the supervisor's role in the subordinate's performance.
- Reinforce desired behaviors.
- Focus on future performance.

## DO NOT

- Do all the talking.
- Lecture the employee.
- Mix performance appraisal and salary or promotion issues.
- Concentrate only on the negative.
- Be overly critical or "harp on" a failing.
- Feel it is necessary that both parties agree in all areas.
- Compare the employees with others.

# Performance Appraisals and the Law

- Legally Defensible PA System
  - Appraisal criteria based on job analysis
  - Absence of disparate impact and evidence of validity
  - Formal evaluation criterion that limits managerial discretion
  - Formal rating instrument linked to job duties and responsibilities
  - Personal knowledge of and contact with ratee
  - Training of supervisors in conducting appraisals
  - Review process to prevent undue control of careers
  - Counselling to help poor performers improve