

# PERFORMANCE MANAGEMENT AND APPRAISAL

Week 5

# PERFORMANCE APPRAISAL (1)

- Evaluating an employee's current and/or past performance relative to his or her performance standards
- 3-step performance appraisal
  - Setting work standard
  - Assessing the employee's actual performance
  - Providing feedback
    - To eliminate performance deficiencies
    - To continue to perform above par

# PERFORMANCE APPRAISAL (2)

## ■ Reasons

- Pay, promotion and retention decisions is based on appraisal
- Appraisals play a central role in the employer's performance management process
- Appraisals lead to a plan for correcting deficiencies and reinforcement
- Appraisal facilitates career planning through reviews on strengths and weaknesses
- Appraisal identifies training and development needs
  - Performance gap and its cause

# PERFORMANCE APPRAISAL (3)

- **Traditional: annual or semiannual appraisal review**
- **Now: continuous process, immediate reinforcement**
  - **Performance Management**
    - The continuous process of identifying, measuring and developing the performance of individuals and teams and aligning their performance with the organization's goals
    - Continuous feedback and strategically related performance criteria
- **Defining Goals and Performance Standards**
  - What to measure
  - Effective goals are SMART
    - See job description

# PERFORMANCE APPRAISAL (4)

- **How to Set Effective Goals**
  - Assign specific goals
  - Assign measurable goals
    - Quantitative terms
    - Deadlines
  - Assign challenging and doable goals
  - Encourage participation

# PERFORMANCE APPRAISAL (5)

- Who should do the Appraising?
  - Supervisor
    - In the best position to observe and evaluate
    - Supervisor is responsible for the employee's performance
  - Peer
    - Effective and motivating
  - Rating Committee
    - Avoid bias
    - Different facet of behaviors are observed
  - Self-Rating
    - higher rate
  - Appraisal by Subordinates
    - Anonymity
  - 360-degree Feedback
    - All around
    - Online

# PERFORMANCE APPRAISAL TECHNIQUES

## (1)

- **Graphic Scale**
  - Competency-based appraisal forms → competencies
- **Alternative Ranking**
- **Paired Comparison**
- **Forced Distribution**
  - Some employee must fail ← objective, multiple rater
- **Critical Incident**
  - A log of positive and negative examples to be discussed
- **Narrative Forms**

# PERFORMANCE APPRAISAL TECHNIQUES

## (2)

- Behaviorally Anchored Rating Scales (BARS)
  - Combining the benefits of narrative critical incidents and quantified ratings by anchoring a quantified scale with specific narrative examples of good and poor performance
    - Write critical incidents
    - Develop performance dimensions
    - Reallocate incidents
    - Scale the incidents
    - Develop a final instrument
  
- INSERT FIGURE 9-9 p. 324



# PERFORMANCE APPRAISAL TECHNIQUES

## (3)

- **Mixed Standard Scales**
  - Similar to BARS, but mix the listing to reduce rating errors
- **Management By Objectives (MBO)**
  - A comprehensive and formal organization-wide goal setting and appraisal program → goals cascade down to tactical day-to-day goals
- **Computerized and Web-Based Performance Appraisal**
- **Electronic Performance Monitoring**
  - To allow manager to monitor their employee's computers → online work

# POTENTIAL APPRAISAL PROBLEMS

- **Unclear standards**
  - To include descriptive phrases that define or illustrate each trait
- **Halo effect**
  - The influence of a rater's general impression on ratings of specific ratee qualities
- **Central tendency**
  - Rating all employees average
- **Leniency or Strictness**
  - Consistently high or low
- **Recency effects**
  - Letting what the employee has done recently blind you to what his or her performance has been over the year
- **Bias**

# APPRAISAL TOOLS

- INSERT TABLE 9-3 p. 331

# GUIDELINES FOR EFFECTIVE APPRAISALS

- Know the performance appraisals problems
- Use the right appraisal tool
- Keep a diary
- Get agreement on a plan
- Ensure fairness

# MANAGING THE APPRAISAL INTERVIEW

## (1)

- **Types of Appraisal Interviews**
  - Satisfactory – Promotable
  - Satisfactory – Not promotable
  - Unsatisfactory – Correctable
  - Unsatisfactory – Uncorrectable
  
- **How to conduct the interview**
  - Objective data
  - Don't get personal
  - Encourage to talk
  - Get agreement

# MANAGING THE APPRAISAL INTERVIEW

## (2)

- How to handle a defensive subordinate
  - It is normal
- How to criticize a subordinate
  - In private and constructively
- How to handle a formal written warning
  - Be aware of the standards, be specific, opportunity to correct
- Realistic appraisals

# PERFORMANCE MANAGEMENT VS. PERFORMANCE APPRAISALS

- **Performance management**
  - Continuous, daily or weekly
  - Goal-directed
  - Modifying how the employee and team get their work done
  
- **Basic elements**
  - Direction sharing
  - Goal alignment
  - Ongoing performance monitoring
  - Ongoing feedback
  - Coaching and developmental support
  - Recognition and rewards

# IT-SUPPORTED PERFORMANCE MANAGEMENT

- Assign financial and nonfinancial goals
- Inform all employees of their goals
- Use IT-supported tools
  - Scorecard software
  - Digital dashboards
- Take corrective action



# TALENT MANAGEMENT PRACTICES AND EMPLOYEE APPRAISALS (1)

- Talent management
  - Identity workforce profiles
  - Consciously manage company's talent
  - Consistently use the same profile
- Appraising and Actively Managing Employees
  - Performance appraisal → make pay raise and related decisions
  - Talent management → actively managing decisions like these

# TALENT MANAGEMENT PRACTICES AND EMPLOYEE APPRAISALS (2)

- INSERT 9-16 P. 338