

Slide 1

Chapter Ten: Performance Management

Slide 2

Performance Management

- process encompassing all activities related to improving employee performance, productivity, and effectiveness
- includes goal setting, pay for performance, training and development, career management, and disciplinary action

Slide 3

Why Should Performance Be Appraised?

1. provides information for promotion and salary decisions
2. provides opportunity for reinforcement and/or corrective action regarding performance
3. provides opportunity to review career plans

Slide 4

Performance Appraisal Problems

- lack of standards; irrelevant, subjective, unrealistic standards
- poor measures of performance
- rater errors
- poor feedback to employees, e.g. arguing
- failure to use evaluation results for decision making

Slide 5

The Performance Appraisal Process

Three steps:

1. defining performance expectations (i.e. setting work standards)
2. assessing actual performance relative to standards
3. providing feedback to employee regarding performance

Slide 6

Step 1: Defining Performance Expectations

Slide 7

Defining Performance Expectations

- job description often insufficient to clarify performance expectations
- measurable standards should be developed for each position
- *Question: What are we measuring?*

Slide 8

Step 2: Appraising (assessing) actual performance

Outcome/Result Based
Narrative
Graphic Rating Scales
Ranking Methods
Alternation
Paired Comparison
Forced Distribution
Critical Incident
BARS/BOS
MBO
Mixed
360 Degree Feedback
Executive

Slide 9

Appraisal Methods: Narrative Forms

1. rate performance
2. note performance analysis and examples
3. create improvement plan, including a timetable and follow-up process
4. discussion with employee

Slide 10

Appraisal Methods: Narrative Forms

- evaluator's written report appraising an employee's performance, usually in terms of job behaviours and/or results.
- used for justification of pay, promotion, termination decisions, developmental purposes.
- Individualistic
- writing skills and thoughtfulness
- unstructured and open-ended
- lack of standardization is a major problem
- highly susceptible to evaluator bias, which may in some cases be discriminatory.
 - not having to report on all job-related behaviours or results, an evaluator may simply comment on those that reflect favourably or unfavourably on an employee. This does not usually represent a true picture of the employee or the job, and content validity of the method suffers.

Slide 11

Appraising Performance Results Based

- employee's results are compared against some objective standard of performance.
- standard can be absolute or relative to the performance of others.
- employee's job has measurable results.
 - Examples of job results indexes are dollar volume of sales, amount of scrap, and quantity and quality of work produced (calls).
- when such quantitative results are not available, evaluators tend to use appraisal forms based on employee behaviours and/or personal characteristics.
- however, where job content is highly variable, as in many managerial positions, where it is difficult to specify appropriate behaviors for evaluative purposes.
- results indexes such as turnover, absenteeism, grievances, profitability, and production rates can be used to evaluate the performance of organization units.

Slide 12

Step 2: Appraising Performance

Graphic Rating Scale

Trait: _____

_____	Outstanding
_____	Very Good
_____	Good
_____	Improvement Needed
_____	Unsatisfactory
_____	Not Rated

Slide 13

	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?

Copyright © 2008 Pearson Education Canada

Slide 14

[illegible]

Slide 15

Graphic Rating Scale

- most common methods of performance appraisal.
- evaluator indicates on a scale the degree to which an employee demonstrates a particular trait, behavior, or performance result.
- rating forms are composed of a number of scales, each relating to a certain job or performance-related dimension, such as job knowledge, responsibility, or quality of work.
- each scale is a continuum of scale points, or anchors, which range from high to low, from good to poor, from most to least effective, etc.
- scales typically have from five to seven points, though they can have more or less, or may be left undefined

Slide 16

Graphic Rating Scale

- performance dimensions should be clearly defined
- scales should be behaviorally based so that the rater is able to support all ratings with objective, observable evidence.
- abstract trait names such as "loyalty," "honesty," and "integrity" should be avoided unless they can be defined in terms of observable behaviors.
- points, or anchors, on each scaled dimension should be brief, unambiguous, and relevant to the dimension being rated.
- for example, in rating a person's flow of words, it is preferable to use anchors such as "fluent," "easy," "unimpeded," "hesitant," and "laboured," rather than "excellent," "very good," "average," "below average," and "poor"

Slide 17

Graphic Rating Scale

- Advantages:
 - standardization of content permitting comparison of employees.
 - ease of development use and relatively low development and usage cost.
 - reasonably high rater and ratee acceptance.
- Disadvantages:
 - rating errors which result in inaccurate appraisals.

Slide 18

Appraisal Methods: Ranking

- compare one employee to another, resulting in an ordering of employees in relation to one another.
- overall assessments of employees, rather than in specific judgments about a number of job components.
- straight ranking requires an evaluator to order a group of employees from best to worst overall or from most effective to least effective in terms of a certain criterion.
- alternative ranking makes the same demand, but the ranking process must be done in a specified manner (for example, by first selecting the best employee in a group, then the worst, then the second-best, then the second-worst, etc.).
- rarely popular – may not seem as fair!
- evaluator reluctant to make such discriminations.
- no comparability employees across different groups
- usefulness: if an organization has a very limited number of promotions or dollars to allocate, rankings can be very useful in differentiating among employees.

Slide 19

**Appraisal Methods:
Alternation Ranking Scale**

Trait: _____

Highest-ranking employee

1. _____ 4. _____

2. _____ 5. _____

3. _____ 6. _____

Lowest-ranking employee

Slide 20

FIGURE 10.2 Alternation Ranking Scale

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

Copyright © 2008 Pearson Education Canada

Slide 21

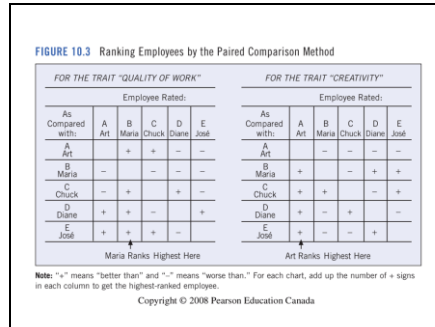
**Appraisal Methods:
Paired Comparison Method**

Trait: _____

As Compared to:	Art	Bob	Carl	Diane
Art		+	+	-
Bob	-		-	-
Carl	-	+		+
Diane	+	+	-	
	1	3	1	1

→ Bob ranks highest

Slide 22



Slide 23

Appraisal Methods: Forced Distribution Method

- comparative evaluation in which an evaluator rates subordinates according to a specified distribution.
- frequently applied to several rather than only one component of job performance.
- manager who is told to rate subordinates according to a distribution, and proportions can vary.
- used to eliminate rating errors but can cause rating errors because it forces discriminations between employees even where job performance is quite similar.
- So even if all employees in a unit are doing a good job, the forced distribution approach dictates that a certain number be placed at the bottom of a graded continuum
- raters and ratees do not readily accept this method, especially in small groups or when group members are all of high ability.

Slide 24

Appraisal Methods: Forced Distribution Method

- High Performers 15% of employees
- High-Average Performers 20% of employees
- Average Performers 30% of employees
- Low-Average Performers 20% of employees
- Low Performers 15% of employees

Slide 25

Appraisal Methods: Critical Incident Method

- keep a record of:
 - uncommonly good
 - undesirable
- work-related behaviours
- review with employee at predetermined times

Slide 26

TABLE 10.1 Examples of Critical Incidents for an Assistant Plant Manager

Continuing Duties	Targets	Critical Incidents
Schedule production for plant	Full utilization of employees and machinery in plant; orders delivered on time	Instituted new production scheduling system; decreased late orders by 10 percent last month; increased machine utilization in plant by 20 percent 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 percent last month; overordered parts "A" and "B" by 20 percent; underordered part "C" by 30 percent
Supervise machinery maintenance	No shutdowns because of faulty machinery	Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part

Copyright © 2008 Pearson Education Canada

Slide 27

Appraisal Methods: Behaviourally Anchored Rating Scales

- rating scales whose scale points are defined by statements of effective and ineffective behaviours
- behaviourally anchored in that the scales represent a continuum of descriptive statements of behaviours ranging from least to most effective.
- the evaluator must indicate which behaviour on each scale best describes an employee's performance.
- BARS differ from other rating scales in that scale points are specifically defined behaviours.
- these are constructed by the evaluators who will use them.
- four steps in the BARS construction process:
 - listing of all the important dimensions of performance for a job or jobs
 - collection of critical incidents of effective and ineffective behavior
 - classification of effective and ineffective behaviors to appropriate performance dimensions
 - assignment of numerical values to each behaviour within each dimension (i.e., scaling of behavioural anchors)

Slide 28

**Appraisal Methods:
Behaviourally Anchored Rating Scales**

- **INTERPERSONAL**
SKILL DESCRIPTION: Develops and maintains a friendly rapport with others; demonstrates a sensitivity to their feelings; respects the dignity of others and responds with empathy to their own sense of self-worth.

Ratings 1 and 2: Demonstrates the ability to get along well with subordinates, managers, and peers; strives to achieve work group objectives. Can express own ideas, thoughts, and feelings and considers the needs, ideas, and feelings of others.

Ratings 3 and 4: Demonstrates the ability to apply factors of effective listening, on a one-to-one basis, such as displaying interest, not interrupting when another is speaking, and withholding judgments. Consistently provides honest (both positive and negative) feedback and provides constructive criticism when appropriate.

Ratings 5 and 6: Demonstrates the ability to consistently consider and respond to the needs and ideas of others which encourages and stimulates further communication. Effectively listens in group or one-to-one situations involving distractions, stress, complex information, or when the person speaking is emotional/distraught. Creates/maintains a positive working environment that encourages expression of thoughts, ideas, and feelings.

Slide 29

**Appraisal Methods:
Behaviourally Anchored Rating Scales**

- **generate critical incidents** (job experts specify effective and ineffective job-related behaviours)
- **develop performance dimensions** (experts group incidents into clusters)
- **reallocate incidents** (different experts group incidents into same clusters; retain incidents similarly assigned twice)

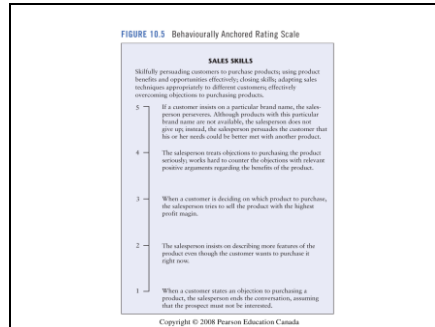
...(cont'd)

Slide 30

**Appraisal Methods:
Behaviourally Anchored Rating Scales (cont'd)**

- **scale the incidents** (from effective to ineffective behaviour)
- **develop final instrument** (6-7 incidents used as behavioural anchors for each performance dimension)
- Issues
 - limited applicability given expense
- Behaviour Observation Scales (BOS)

Slide 31



Slide 32

Appraisal Methods: Behaviourally Anchored Rating Scales

Advantages

- more accurate measure
- clearer standards
- assists feedback
- independent dimensions
- consistency

Disadvantage

- time consuming

Slide 33

Appraisal Methods: Management by Objectives (MBO)

- setting specific measurable goals with each employee and then periodically discussing his/her progress toward these goals.
- almost always refers to a comprehensive organization-wide goal setting and appraisal program
- six steps

Slide 34

Appraisal Methods: Management by Objectives (MBO)

1. set the organization's goals: establish organization-wide plan for next year and set goals.
2. set departmental goals: department heads and their superiors jointly set goals for their department
3. discuss and allocate department goals. Department heads discuss the department's goals with all subordinates in the department (often at a department-wide meeting) and ask them to develop their own individual goals; in other words, how can each employee contribute to the department's attaining its goals?
4. define expected results (individual goals) Define expected results (set individual goals). Here, department heads and their subordinates set short-term performance targets.
5. performance reviews: measure the results Performance review and measure the results. Department heads compare actual performance for each employee with expected results
6. provide feedback. Department heads hold periodic performance review meetings with subordinates to discuss and evaluate progress in achieving expected results.

Slide 35

Appraisal Methods: Management by Objectives (MBO)

Problems

1. setting unclear, unmeasurable objectives
2. time consuming
3. tug of war between manager and employee

Slide 36

TABLE 10.3 Important Advantages and Disadvantages of Appraisal Tools

	Advantages	Disadvantages
Graphic rating scale	Simple to use, provides a quantitative rating for each employee.	Standards may be unclear, halo effect, central tendency, leniency, and bias can also be problems.
Alternation ranking	Simple to use (but not as simple as graphic rating scale). 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 of people in each group.	Appraisal results depend on the adequacy of the original choice of cutoff points.
Critical incident method	Helps specify what is "right" and "wrong" about the employee's performance; forces supervisor to evaluate employees on an ongoing basis.	Difficult to rate or rank employees relative to one another.
Behaviourally anchored rating scale	Provides behavioural "anchors." BARS is very accurate.	Difficult to develop.
Management by objectives	Tied to jointly agreed-upon performance objectives.	Time consuming.

Copyright © 2008 Pearson Education Canada

Slide 37

Appraisal Methods: Mixed Standards Scales

- relatively recent innovation in rating scales.
- each performance dimension has three statements relating to it: one illustrating good performance, one average, and one poor performance based on behavioural examples obtained from knowledgeable persons, usually supervisors.
- evaluator's task is to indicate whether an employee either fits the statement, is better than the statement, or worse than the statement.
- randomly mixed, tending to reduce Rater errors by making it less obvious which statements reflect effective or ineffective performance.
- Example: Three dimensions (Accuracy, Timeliness, Interpersonal skills). Nine statements, three for each of the three dimensions used

Slide 38

Appraisal Methods: Mixed Standards Scales

- Example of a mixed standard scale
 1. Is on good terms with everyone. Can get along with people even in disagreement.
 2. Employee's work is spotty, sometimes being all right and sometimes not. Could be more accurate and careful.
 3. Has a tendency to get into unnecessary conflicts with people.
 4. Is quick and efficient, able to keep work on schedule. Really gets going on a new task.
 5. The accuracy of employee's work is satisfactory. It is not often that you find clear evidence of carelessness.
 6. Gets along with most people. Only very occasionally has conflicts with others on the job, and these are likely to be minor.
 7. Is efficient enough, usually getting through assignments and work in reasonable time.
 8. Work is striking in its accuracy. Never any evidence of carelessness in it.
 9. 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.

Slide 39

Performance Appraisal: Problems and Solutions

Reliability

- criteria must be precise enough to result in consistent measures when applied across many employees by many different raters

Validity

- criteria must be accurate to be valid; must be relevant to the job; broad enough to cover all aspects of job, yet specific

Slide 40

Rating Scale Problems

- unclear standards
- halo effect
- central tendency
- leniency/strictness
- appraisal bias
- recency effect
- similar-to-me bias

Slide 41

Avoiding Appraisal Problems

Ensure rater
awareness
of problems

Choose
the right
appraisal tool

Train
supervisors
to eliminate
rating errors


Slide 42

Who Should Do the Appraising?

- immediate supervisor
- peers
- rating committees
- self
- employees/subordinates
- 360-degree appraisal (all of the above)

Slide 43

360 Degree Feedback: ADVANTAGES



- comprehensive
- anonymous so more truthful (see below)
- more suited to the interdependent nature of organizations
- sometimes used as appraisal instruments
- privacy issues
- training issues

Slide 44

Executive Appraisal

- not needed/wanted
- inconsistent with the position
- too time consuming
- detrimental to creativity etc
- irrelevant (bottom line)
- intangibles (politics)
- narrative with MBO approaches

Slide 45

Step 3: Providing Feedback -The Appraisal Interview

Slide 46

Step 3: Providing Feedback -The Appraisal Interview

Types of Appraisal Interview

- performance is satisfactory; employee is promotable
- performance is satisfactory; employee is not promotable
- performance is unsatisfactory, but correctable

Slide 47

How to Conduct an Appraisal Interview

- be direct and specific
- don't get personal
- encourage the person to talk
- develop an action plan

Slide 48

How to Handle Criticism and Defensive Employees

- recognize that defensive behaviour is normal
- never attack a person's defenses
- postpone action
- recognize human limitations

Slide 49

Future of Performance Management

- remains the basis for managing employee skills and talents
- a key component of organizational effectiveness
- managers in high performing organizations manage performance more effectively
- quality of performance appraisal dialogue is key; ongoing training required

Slide 50

FIGURE 10.6 Performance Appraisal Plan

Performance Appraisal Plan

Appraiser Name: [Blank] **Appraisee Name:** [Blank] **Appraisal Period:** [Blank]

Appraisal Purpose and Supporting Details: Provide any relevant information (Title, Role, Area of Responsibility, and Performance Goals) to the Appraiser.

Appraisal Period: [Blank]

Appraisal Purpose: The purpose of this appraisal is to provide feedback to the Appraisee on their performance during the appraisal period. It is also a chance for the Appraiser to discuss the Appraisee's strengths and areas for improvement.

Appraisal Goals: The Appraiser should discuss the Appraisee's performance goals for the appraisal period. These goals should be specific, measurable, achievable, relevant, and time-bound (SMART).

Appraisal Results: The Appraiser should provide feedback to the Appraisee on their performance during the appraisal period. This feedback should be based on the Appraiser's observations and the Appraisee's self-assessment.

Appraisal Summary: The Appraiser should provide a summary of the Appraisee's performance during the appraisal period. This summary should include the Appraisee's strengths, areas for improvement, and overall performance rating.

Appraiser Signature: [Blank]

Appraisee Signature: [Blank]

Date: [Blank]

Slide 51

FIGURE 10.8 Example of an Action Plan

ACTION PLAN		
Date: May 18, 2007		
For: John, Assistant Plant Manager		
Problem: Parts inventory too high		
Objective: Reduce plant parts inventory by 10% in June		
Action Steps	When	Expected Results
Determine average monthly parts inventory	6/2	Establish a base from which to measure progress
Review ordering quantities and parts usage	6/15	Identify overstock items
Ship excess parts to regional warehouse and scrap obsolete parts	6/20	Clear stock space
Set new ordering quantities for all parts	6/25	Avoid future overstocking
Check records to measure where we are now	7/1	See how close we are to objective

Slide 52

[illegible]