

Human Resource Management

TWELFTH EDITION



Gary Dessler | Biju Varkkey

ALWAYS LEARNING

PEARSON

Postgraduate Diploma in Business and Management Program PGD S2.4 Human Resource Strategy By Dr. Travis Perera

Day 6. Activities Associated with the Management of Human Capital – Part 4

Performance Management and Appraisal

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After doing this session, you should be able to:

1. Evaluate and improve the appraisal form
2. Describe the appraisal process.
3. Develop, evaluate, and administer at least four performance appraisal tools.
4. Explain and illustrate the problems to avoid in appraising performance.
5. List and discuss the pros and cons of six appraisal methods.
6. Perform an effective appraisal interview.
7. Discuss the pros and cons of using different raters to appraise a person's performance.

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Basic Concepts in Performance Management and Appraisal

Comparing Performance Appraisal and Performance Management

Performance Appraisal:
Setting work standards, assessing performance, and providing feedback to employees to motivate, correct, and continue their performance.

Performance Management:
An integrated approach to ensuring that an employee's performance supports and contributes to the organization's strategic aims.

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Staff Appraisal Form



Employee: _____
Position: _____
Period of Evaluation: From: _____ To: _____

	Exceeds Expectations 1	Meets Requirements 2	Average 3	Above Average 4	Out- standing 5	Score
1 Quality of work						
2 Volume of work						
3 Knowledge of job						
4 Initiative						
5 Co-operation						
6 Adaptability						
7 Communication						
8 Planning						
9 Teamwork						
10 Reliability						
					Total	

Suggestions for Improvements:

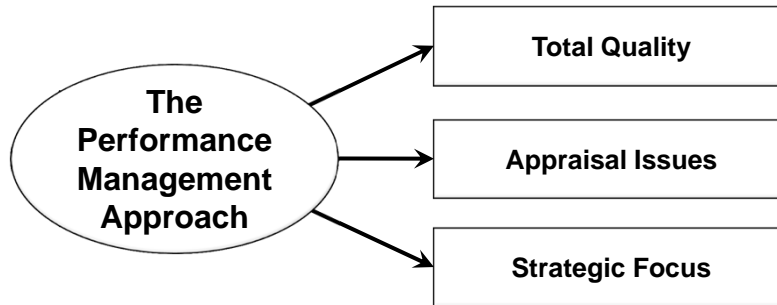
Any other Comments:

Date:

Signed: Supervisor Employee

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Why Performance Management?



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The Building Blocks of an Effective Performance Management Process



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Defining the Employee's Goals and Work Standards



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Setting Goals

- **SMART Goals:**
 - **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.

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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.



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Performance Appraisal Roles (continued)

- The HR Department

- Serves a policy-making and advisory role.
- Provides advice and assistance regarding the appraisal tool to use.
- Trains supervisors to improve their appraisal skills.
- Monitors the appraisal system effectiveness and compliance with relevant laws and guidelines.



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An Introduction to Appraising Performance

Why Appraise Performance?

- ① → Is basis for pay and promotion decisions.
- ② → Plays an integral role in performance management.
- ③ → Helps in correcting deficiencies and reinforcing good performance.
- ④ → Is useful in career planning.

(Un)Realistic Appraisals

- Motivations for Soft Appraisals
 - The fear of having to hire and train someone new.
 - The unpleasant reaction of the appraisee.
 - An appraisal process that's not conducive to candor.
- Hazards of Soft Appraisals
 - Employee loses the chance to improve before being forced to change jobs.
 - Lawsuits arising from actions involving inaccurate performance appraisals.

An Introduction to Appraising Performance

Steps in Appraising Performance

- ① → Defining the job
- ② → Appraising performance
- ③ → Providing feedback



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Designing the Appraisal Tool

- What to Measure?
 - Work output (quality and quantity)
 - Personal competencies
 - Goal (objective) achievement
- How to Measure?
 - Generic dimensions
 - Actual job duties
 - Behavioral competencies

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FIGURE 9-3
Sample
Performance
Rating Form

Source: Elaine Pulakos,
Performance Management
(SHRM Foundation, 2004)
p. 16–17.

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Sample Performance Rating Form

Employee's Name _____ Level: Entry-level employee

Manager's Name _____

Key Work Responsibilities

1. _____

2. _____

3. _____

4. _____

Results/Goals to be Achieved

1. _____

2. _____

3. _____

4. _____

Behavioral Assessment of Competencies

Communication

1	2	3	4	5
Below Expectations Even with guidance, fails to prepare straightforward communications, including forms, paperwork, and records, in a timely and accurate manner; products require minimal corrections. Even with guidance, fails to adapt style and materials to communicate straightforward information.		Meets Expectations With guidance, prepares straightforward communications, including forms, paperwork, and records, in a timely and accurate manner; products require minimal corrections. With guidance, adapts style and materials to communicate straightforward information.		Role Model Independently prepares communications, such as forms, paperwork, and records, in a timely, clear, and accurate manner; products require few, if any, corrections. Independently adapts style and materials to communicate information.

Organizational Know-How

1	2	3	4	5
Below Expectations <performance standards appear here>		Meets Expectations <performance standards appear here>		Role Model <performance standards appear here>

Personal Effectiveness

1	2	3	4	5
Below Expectations <performance standards appear here>		Meets Expectations <performance standards appear here>		Role Model <performance standards appear here>

Teamwork

1	2	3	4	5
Below Expectations <performance standards appear here>		Meets Expectations <performance standards appear here>		Role Model <performance standards appear here>

Achieving Business Results

1	2	3	4	5
Below Expectations <performance standards appear here>		Meets Expectations <performance standards appear here>		Role Model <performance standards appear here>

FIGURE 9-3
Sample
Performance
Rating Form
(continued)

Source: Elaine Pulakos,
Performance Management
(SHRM Foundation, 2004)
p. 16–17.

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Results Assessment

Accomplishment 1: _____

1	2	3	4	5
Low Impact The efficiency or effectiveness of operations remained the same or improved only minimally. The quality of products remained the same or improved only minimally.		Moderate Impact The efficiency or effectiveness of operations improved quite a lot. The quality of products improved quite a lot.		High Impact The efficiency or effectiveness of operations improved tremendously. The quality of products improved tremendously.

Accomplishment 2: _____

1	2	3	4	5
Low Impact The efficiency or effectiveness of operations remained the same or improved only minimally. The quality of products remained the same or improved only minimally.		Moderate Impact The efficiency or effectiveness of operations improved quite a lot. The quality of products improved quite a lot.		High Impact The efficiency or effectiveness of operations improved tremendously. The quality of products improved tremendously.

Narrative

Areas to be Developed	Actions	Completion Date

Manager's Signature _____ Date _____

Employee's Signature _____ Date _____

The above employee signature indicates receipt of, but not necessarily concurrence with, the evaluation herein.

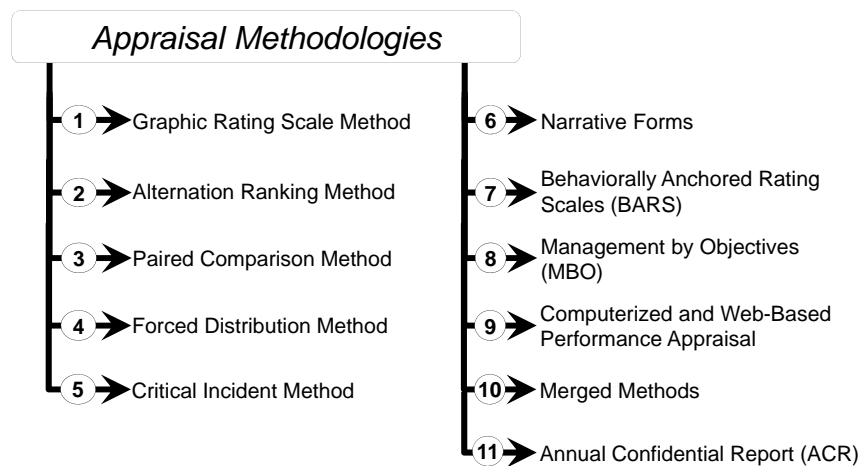
FIGURE 9-4 One Item from an Appraisal Form Assessing Employee Performance on Specific Job-Related Duties

Position: Pizza Chef			
Duty 1: Maintain adequate inventory of pizza dough		Rating	
Each round pizza dough must be between 12 and 14 ounces each, kneaded at least 2 minutes before being placed in the temperature and humidity-controlled cooler, and kept there for at least 5 hours prior to use. There should be enough,	Needs improvement	Satisfactory	Excellent

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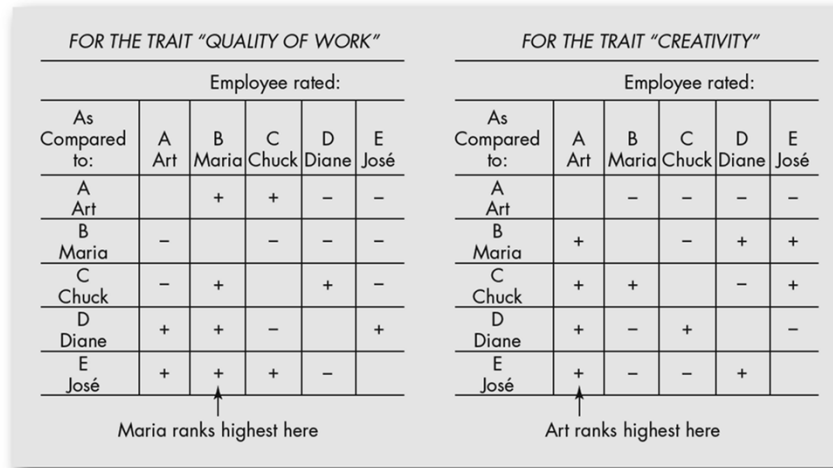
Performance Appraisal Methods



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FIGURE 9–6 Ranking Employees by the Paired Comparison Method



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

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TABLE 9–1 Examples of Critical Incidents for 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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FIGURE 9-7
Appraisal-Coaching Worksheet

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Appraisal-Coaching Worksheet

Instructions: This form is to be filled out by supervisor and employee prior to each performance review period.

Employee: _____ Position: _____

Supervisor: _____ Department: _____

Date: _____ Period of Work under Consideration: from _____ to _____

1. What areas of the employee's work performance are meeting job performance standards?
2. In what areas is improvement needed during the next six to twelve months?
3. What factors or events that are beyond the employee's control may affect (positively or negatively) his or her ability to accomplish planned results during the next six to twelve months?
4. What specific strengths has the employee demonstrated on this job that should be more fully used during the next six to twelve months?
5. List two or three areas (if applicable) in which the employee needs to improve his or her performance during the next six to twelve months (gaps in knowledge or experience, skill development needs, behavior modifications that affect job performance, etc.).
6. Based on your consideration of items 1–5 above, summarize your mutual objectives:
 - A. What supervisor will do:
 - B. What employee will do:
 - C. Date for next progress check or to re-evaluate objectives:
 - D. Data/evidence that will be used to observe and/or measure progress.

Employee Signature _____ Supervisor Signature _____

Date _____

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Behaviorally Anchored Rating Scale (BARS)

Developing a BARS

1. Generate critical incidents
2. Develop performance dimensions
3. Reallocate incidents
4. Scale the incidents
5. Develop a final instrument

Advantages of BARS

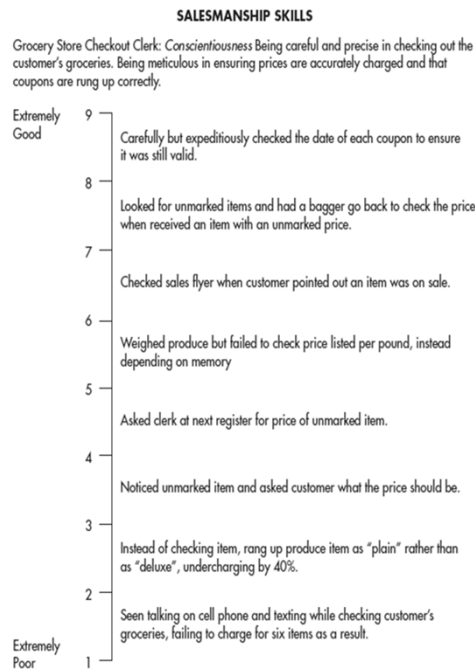
- A more accurate gauge
- Clearer standards
- Feedback
- Independent dimensions
- Consistency

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FIGURE 9-8
Example of a
Behaviorally
Anchored Rating
Scale for the
Dimension
Salesmanship
Skills

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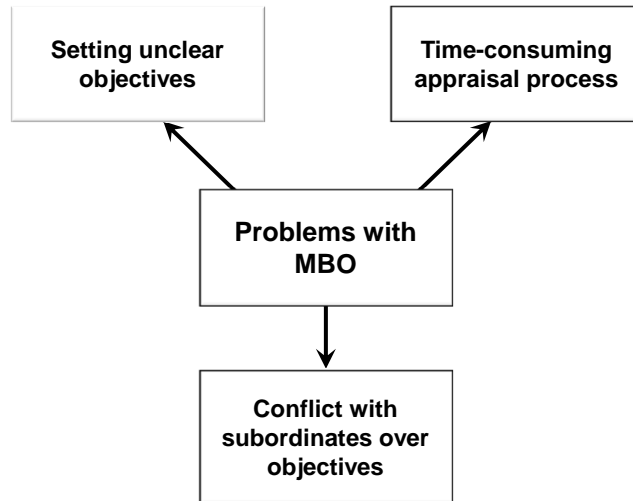
Management by Objectives (MBO)

- A comprehensive and formal organization wide goal-setting and appraisal program requiring:
 1. Setting of organization's goals.
 2. Setting of departmental goals.
 3. Discussion of departmental goals.
 4. Defining expected results (setting individual goals).
 5. Conducting periodic performance reviews.
 6. Providing performance feedback.

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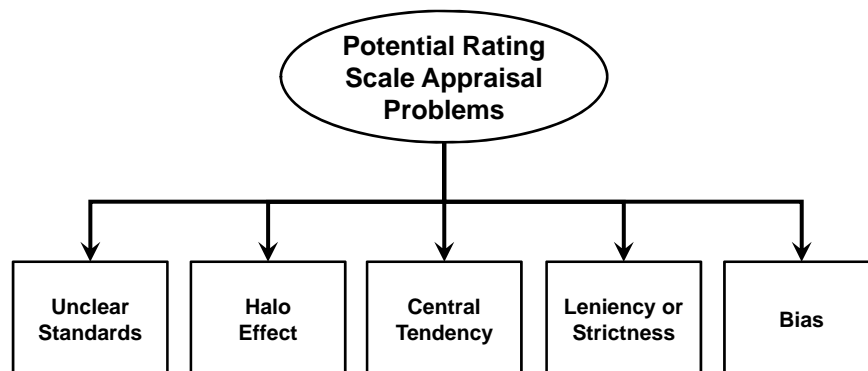
Using MBO



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Appraising Performance: Problems and Solutions



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TABLE 9-2 A Graphic Rating Scale with Unclear Standards

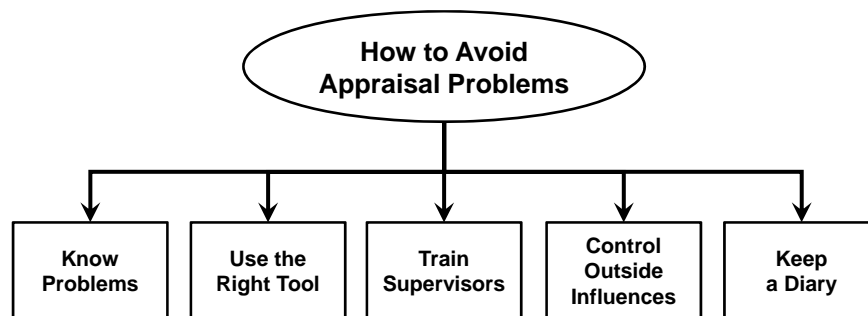
	Excellent	Good	Fair	Poor
Quality of work				
Quantity of work				
Creativity				
Integrity				

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

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Appraising Performance: Problems and Solutions (continued)



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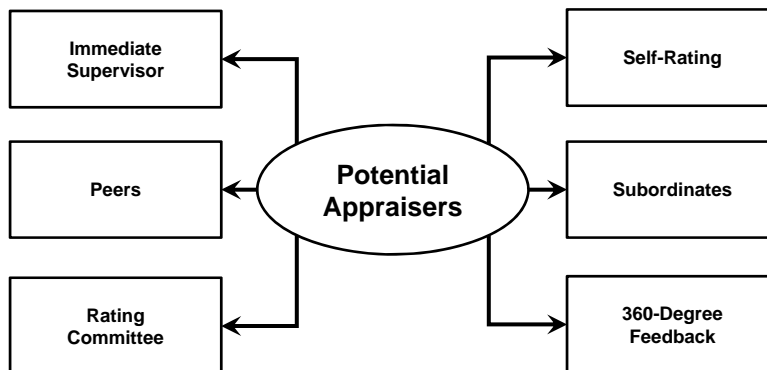
TABLE 9-3 Important Advantages and Disadvantages of Appraisal Tools

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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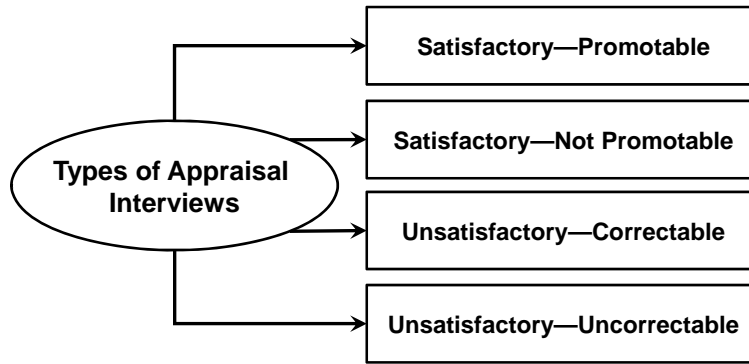
Who Should Do the Appraising?



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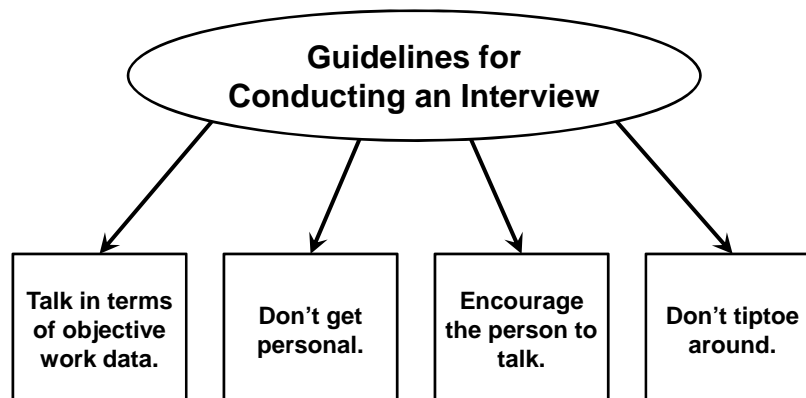
The Appraisal Interview



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The Appraisal Interview (continued)



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The Appraisal Interview (continued)

How to Handle a Defensive Subordinate

- ① → Recognize that defensive behavior is normal.
- ② → Never attack a person's defenses.
- ③ → Postpone action.
- ④ → Recognize your own limitations.

The Appraisal Interview (continued)

How to Criticize a Subordinate

- ① → Do it in a manner that lets the person maintain his or her dignity and sense of worth.
- ② → Criticize in private, and do it constructively.
- ③ → Give daily feedback so that the review has no surprises.
- ④ → Never say the person is “always” wrong.
- ⑤ → Criticism should be objective and free of biases.

FIGURE 9-13
Checklist
During the
Appraisal
Interview

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CHECKLIST DURING THE APPRAISAL INTERVIEW

	Yes	No
• Did you discuss each goal or objective established for this employee?	<input type="checkbox"/>	<input type="checkbox"/>
• Are you and the employee clear on the areas of agreement? disagreement?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you and the employee cover all positive skills, traits, accomplishments, areas of growth, etc.? Did you reinforce the employee's accomplishments?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you give the employee a sense of what you thought of his or her potential or ability?	<input type="checkbox"/>	<input type="checkbox"/>
• Are you both clear on areas where improvement is required? expected? demanded? desired?	<input type="checkbox"/>	<input type="checkbox"/>
• What training or development recommendations did you agree on?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you indicate consequences for noncompliance, if appropriate?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you set good objectives for the next appraisal period?	<input type="checkbox"/>	<input type="checkbox"/>
• Objective?	<input type="checkbox"/>	<input type="checkbox"/>
• Specific?	<input type="checkbox"/>	<input type="checkbox"/>
• Measurable?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you set a standard to be used for evaluation?	<input type="checkbox"/>	<input type="checkbox"/>
• Time frame?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you set a time for the next evaluation?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you confirm what your part would be? Did the employee confirm his or her part?	<input type="checkbox"/>	<input type="checkbox"/>
• Did you thank the employee for his or her efforts?	<input type="checkbox"/>	<input type="checkbox"/>

Formal Written Warnings

- Purposes of a Written Warning
 - To shake your employee out of bad habits.
 - To help you defend your rating, both to your own boss and (if needed) to the courts.
- A Written Warning Should:
 - Identify standards by which employee is judged.
 - Make clear that employee was aware of the standard.
 - Specify deficiencies relative to the standard.
 - Indicate employee's prior opportunity for correction.

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Creating the Total Performance Management Process

- “What is our strategy and what are our goals?”
- “What does this mean for the goals we set for our employees, and for how we train, appraise, promote, and reward them?”

PMS in India

Performance evaluation has reached high maturity levels in Indian organizations.

Successful practices like goal setting, balanced scorecard, development orientation etc., are being introduced and it mostly covers managerial employees and employees who are not part of any union.

ACR system of government is being changed to PMS.
Online appraisal systems are also used.

Initiatives like training, appraisals, multiple levels appraisers, reviews, etc. are undertaken to improve the quality of PMS.

KEY TERMS

performance appraisal
performance management
graphic rating scale
alternation ranking method
paired comparison method
forced distribution method
critical incident method
behaviorally anchored rating
scale (BARS)

management by objectives (MBO)
electronic performance monitoring
(EPM)
unclear standards
halo effect
central tendency
strictness/leniency
bias
appraisal interview