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.
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.

Staff Appraisal Form

Employee: ___________________________
Position: ___________________________
Period of Evaluation: From: ___________ To: ___________

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quality of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Volume of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Knowledge of job</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Initiative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Cooperation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Adaptability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Communication</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Financier</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Teamwork</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Reliability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Score:

Suggestions for Improvements:

Any other Comments:

Date: ___________________________
Signed: ________________________ Supervising: ________________________

Copyright © 2011 Dorling Kindersley (India) Pvt. Ltd
Authorized adaptation from the United States edition of Human Resource Management, 12/e
Why Performance Management?

The Performance Management Approach

- Total Quality
- Appraisal Issues
- Strategic Focus

The Building Blocks of an Effective Performance Management Process

- Direction sharing
- Role clarification
- Goal setting and planning
- Goal alignment
- Developmental goal setting
- Ongoing performance monitoring
- Ongoing feedback
- Coaching and support
- Performance assessment (appraisal)
- Rewards, recognition, and compensation
- Workflow, process control, and return on investment management
Defining the Employee’s Goals and Work Standards

Guidelines for Effective Goal Setting

- Assign Specific Goals
- Assign Measurable Goals
- Assign Challenging but Doable Goals
- Encourage Participation

Setting Goals

- SMART Goals:
  - Specific, and clearly state the desired results.
  - Measurable in answering “how much.”
  - Attainable, and not too tough or too easy.
  - Relevant to what’s to be achieved.
  - Timely 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 (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.
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

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
FIGURE 9–3  
Sample Performance Rating Form

Reprinted by permission of Society for Human Resource Management via Copyright Clearance Center.
Copyright © 2011 Dorling Kindersley (India) Pvt. Ltd.  
Authorized adaptation from the United States edition of Human Resource Management, 12/e.
FIGURE 9–4 One Item from an Appraisal Form Assessing Employee Performance on Specific Job-Related Duties

Performance Appraisal Methods
FIGURE 9–6 Ranking Employees by the Paired Comparison Method

<table>
<thead>
<tr>
<th>FOR THE TRAIT “QUALITY OF WORK”</th>
<th>FOR THE TRAIT “CREATIVITY”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee rated:</td>
<td>Employee rated:</td>
</tr>
<tr>
<td>As Compared to:</td>
<td>As Compared to:</td>
</tr>
<tr>
<td>A Art</td>
<td>A Art</td>
</tr>
<tr>
<td>B Maria</td>
<td>B Maria</td>
</tr>
<tr>
<td>C Chuck</td>
<td>C Chuck</td>
</tr>
<tr>
<td>D Diane</td>
<td>D Diane</td>
</tr>
<tr>
<td>E José</td>
<td>E José</td>
</tr>
<tr>
<td>A Art</td>
<td>– – – –</td>
</tr>
<tr>
<td>B Maria</td>
<td>+ – – –</td>
</tr>
<tr>
<td>C Chuck</td>
<td>+ + – –</td>
</tr>
<tr>
<td>D Diane</td>
<td>+ + + –</td>
</tr>
<tr>
<td>E José</td>
<td>– – + –</td>
</tr>
<tr>
<td>Moria ranks highest here</td>
<td>Art ranks highest here</td>
</tr>
</tbody>
</table>

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.

TABLE 9–1 Examples of Critical Incidents for Assistant Plant Manager

<table>
<thead>
<tr>
<th>Continuing Duties</th>
<th>Targets</th>
<th>Critical Incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule production for plant</td>
<td>90% utilization of personnel and machinery in plant; orders delivered on time</td>
<td>Instituted new production scheduling system; decreased late orders by 10% last month; increased machine utilization in plant by 20% last month</td>
</tr>
<tr>
<td>Supervise procurement of raw materials and inventory control</td>
<td>Minimize inventory costs while keeping adequate supplies on hand</td>
<td>Let inventory storage costs rise 15% last month; overordered parts ”A” and “B” by 20%; underordered part “C” by 30%</td>
</tr>
<tr>
<td>Supervise machinery maintenance</td>
<td>No shutdowns due to faulty machinery</td>
<td>Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part</td>
</tr>
</tbody>
</table>
FIGURE 9–7
Appraisal-Coaching Worksheet

Source: Reprinted from www.HR.BLR.com with permission of the publisher
Business and Legal Reports, Inc. 141 Mill Rock Road East, Old Saybrook, CT © 2004.

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 ______________________

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
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.
Using MBO

Problems with MBO

- Setting unclear objectives
- Time-consuming appraisal process
- Conflict with subordinates over objectives

Appraising Performance: Problems and Solutions

Potential Rating Scale Appraisal Problems

- Unclear Standards
- Halo Effect
- Central Tendency
- Leniency or Strictness
- Bias
TABLE 9–2  A Graphic Rating Scale with Unclear Standards

<table>
<thead>
<tr>
<th></th>
<th>Excellent</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creativity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Appraising Performance:
Problems and Solutions (continued)

How to Avoid Appraisal Problems

Know Problems
Use the Right Tool
Train Supervisors
Control Outside Influences
Keep a Diary
TABLE 9–3 Important Advantages and Disadvantages of Appraisal Tools

<table>
<thead>
<tr>
<th>Tool</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graphic rating scale</td>
<td>Simple to use; provides a quantitative rating for each employee.</td>
<td>Standards may be unclear; halo effect, central tendency, leniency, bias can also be problems.</td>
</tr>
<tr>
<td>BARS</td>
<td>Provides behavioral &quot;anchors.&quot; BARS is very accurate.</td>
<td>Difficult to develop.</td>
</tr>
<tr>
<td>Alternation ranking</td>
<td>Simple to use (but not as simple as graphic rating scales). Avoids central tendency and other problems of rating scales.</td>
<td>Can cause disagreements among employees and may be unfair if all employees are, in fact, excellent.</td>
</tr>
<tr>
<td>Forced distribution method</td>
<td>End up with a predetermined number or % of people in each group.</td>
<td>Employees’ appraisal results depend on your choice of cutoff points.</td>
</tr>
<tr>
<td>Critical incident method</td>
<td>Helps specify what is &quot;right&quot; and &quot;wrong&quot; about the employee’s performance; forces supervisor to evaluate subordinates on an ongoing basis.</td>
<td>Difficult to rate or rank employees relative to one another.</td>
</tr>
<tr>
<td>MBO</td>
<td>Tied to jointly agreed-upon performance objectives.</td>
<td>Time-consuming.</td>
</tr>
</tbody>
</table>

Who Should Do the Appraising?

- **Immediate Supervisor**
- **Self-Rating**
- **Peers**
- **Subordinates**
- **Rating Committee**
- **360-Degree Feedback**
The Appraisal Interview

Types of Appraisal Interviews

- Satisfactory—Promotable
- Satisfactory—Not Promotable
- Unsatisfactory—Correctable
- Unsatisfactory—Uncorrectable

The Appraisal Interview (continued)

Guidelines for Conducting an Interview

- Talk in terms of objective work data.
- Don't get personal.
- Encourage the person to talk.
- Don't tiptoe around.
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.
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.
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)
external performance monitoring (EPM)
unclear standards
halo effect
central tendency
strictness/leniency
bias
appraisal interview