

8

Performance Management and Appraisal



Learning Outcomes

After studying this chapter you should be able to:

- 8.1** Discuss the difference between performance management and performance appraisal
- 8.2** Identify the necessary characteristics of accurate performance management tools
- 8.3** List and briefly discuss the purposes for performance appraisals
- 8.4** Identify and briefly discuss the options for “what” is evaluated in a performance appraisal
- 8.5** Briefly discuss the commonly used performance measurement methods and forms
- 8.6** Identify and briefly discuss available options for the rater/evaluator
- 8.7** Briefly discuss the value and the drawbacks of a 360° evaluation
- 8.8** Identify some of the common problems with the performance appraisal process
- 8.9** Identify the major steps we can take to avoid problems with the appraisal process
- 8.10** Briefly discuss the differences between evaluative performance reviews and developmental performance reviews
- 8.11** Define the following terms:

Performance management	Graphic rating scale form
Performance appraisal	Behaviorally Anchored Rating Scale (BARS) form
Motivation	Ranking method
Traits	360° evaluation
Behaviors	Bias
Results	Stereotyping
Critical incidents method	Electronic Performance Monitoring (EPM)
Management by Objectives (MBO) method	
Narrative method or form	

Chapter 8 Outline

Performance Management Systems

- Performance Management Versus Performance Appraisal
- The Performance Appraisal Process
- Accurate Performance Measures

Why Do We Conduct Performance Appraisals?

- Communicating
- Decision Making (Evaluating)
- Motivating (Developing)
- Evaluating and Motivating (Development)

What Do We Assess?

- Trait Appraisals
- Behavioral Appraisals
- Results/Outcomes Appraisals
- Which Option Is Best?

How Do We Use Appraisal Methods and Forms?

- Critical Incidents Method
- Management by Objectives (MBO) Method
- Narrative Method or Form
- Graphic Rating Scale Form
- Behaviorally Anchored Rating Scale (BARS) Form
- Ranking Method
- Which Option Is Best?

Who Should Assess Performance?

- Supervisor
- Peers
- Subordinates
- Self
- Customers
- 360° Evaluation
- Who Do We Choose?

Performance Appraisal Problems to Avoid

- Common Problems With the Performance Appraisal Process
- Avoiding Performance Appraisal Process Problems

Debriefing the Appraisal

- The Evaluative Performance Appraisal Interview
- The Developmental Performance Appraisal Interview

Trends and Issues in HRM

- Is It Time to Do Away With Performance Appraisals?
- Technology: Electronic Performance Monitoring
- Competency-Based Performance Management
- Aligning the Appraisal Process

C. Job Analysis/Job Design (required)

4. Performance management (performance criteria and appraisal)

F. Performance Management (required)

1. Identifying and measuring employee performance
2. Sources of information (e.g., managers, peers, clients)
3. Rater errors in performance measurement
4. Electronic monitoring
5. Performance appraisals
6. Appraisal feedback
7. Managing performance

Case 8-1. Beauty and the Beastly Situation at Aerospace Designs' Marketing Department

Case 8-2. Performance Evaluation at DHR: Building a Foundation or Crumbling Ruins?

**SHRM
HR CONTENT**

See Appendix A:
**SHRM 2010 Curriculum
Guidebook for the
complete list**

Performance Management Miscue

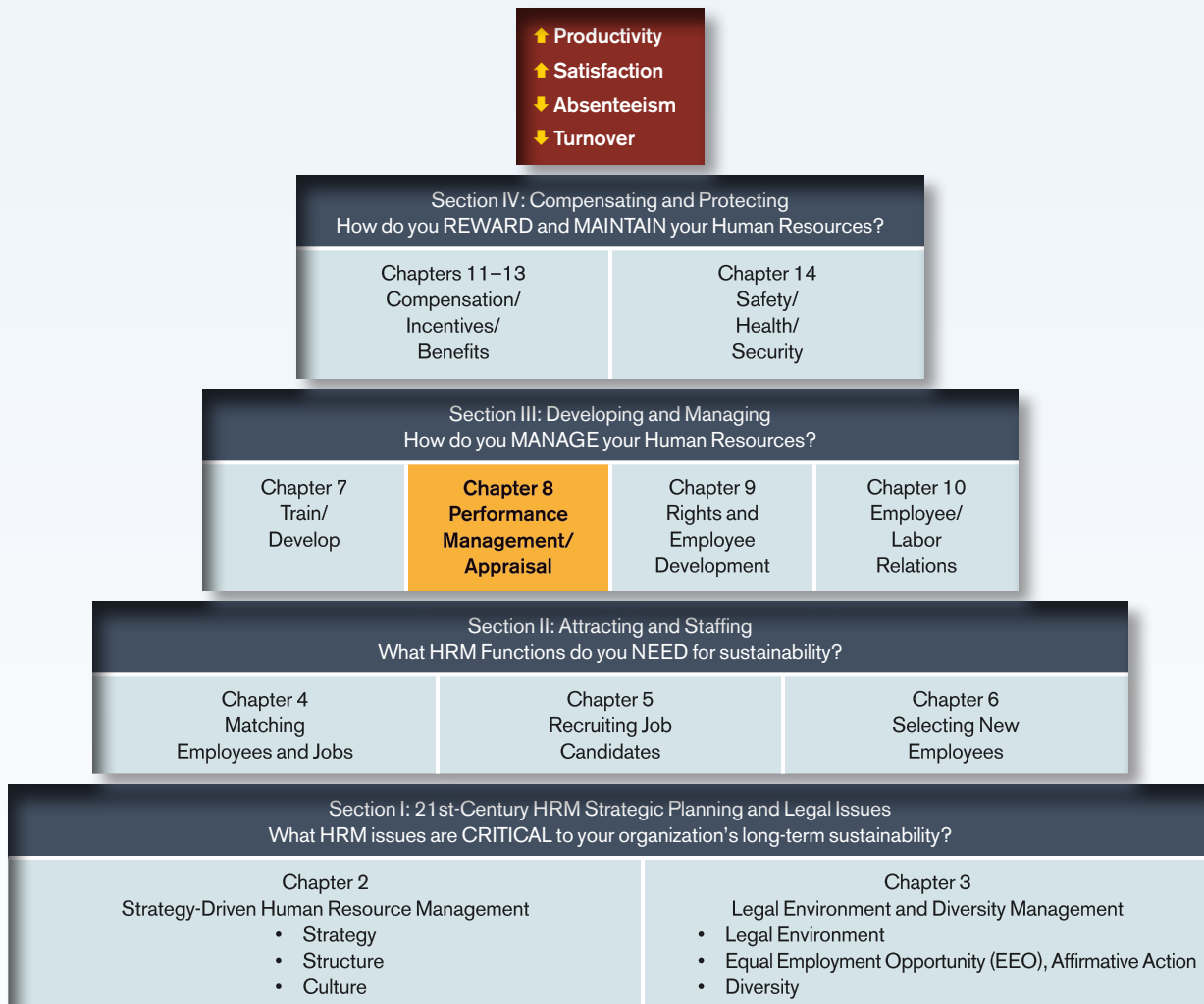
Most managers don't look forward to performance appraisals. As soon as Heather stuck her head in my office and asked me to sit in on her performance appraisal, I knew I had *two* employees who needed some coaching—Heather and her supervisor, Christine. Our company bases many employment decisions on performance appraisals, so the results are important.

When I entered the room, it became apparent that although Heather believed she had been doing a great job, Christine did not agree. Christine recorded Heather's performance as needing improvement overall, but did not offer any reason beyond a vague charge that Heather had a poor attitude and wasn't a team player.

I quickly suggested a small interruption to the meeting, and asked Heather to step out of the room. It soon became clear that the overall problem was Heather's failure to report to work on time. When Heather was late, it impacted her entire work group as the other employees then had to answer Heather's phone calls.

What's going on here? Why don't Heather and Christine agree on Heather's performance? Where did Christine go wrong? How can Christine get Heather to agree with her performance review now? How can this problem be avoided during the next formal performance appraisal session? The answers to these questions are based on having a good performance management system. By reading this chapter, you will learn how you can avoid these problems.

The Practitioner's Model for HRM



Performance Management Systems

At this stage of human resource management (HRM), we now have employees in our organization who can do the work, we've given them at least some initial training, and they are now doing their individual jobs. What's next? The next issue that we need to figure out is how to manage their performance over time to ensure that they remain productive, and hopefully become even more capable, as they progress in their careers. Remember our discussion from Chapter 1 that our human resources are typically one of the few options available to create a sustainable competitive advantage for the firm. So we need to ensure that our human resources perform at the highest possible level. To this end, in this section, we discuss the difference between performance management and performance appraisal, and present the performance appraisal process.

Performance Management Versus Performance Appraisal

"In a knowledge economy, organizations rely heavily on their intangible assets to build value. Consequently, performance management at the individual employee level is essential and the business case for implementing a system to measure and improve employee performance is strong."¹ Management time and effort to increase performance not only meets this goal; it also decreases turnover rates.²

How do we manage performance within the organization? The most common part of the process, and the one with which we are most familiar, is the process of the performance appraisal, or evaluation. In this chapter, we will use the phrases *performance evaluation*, *performance appraisal*, and *appraisal* interchangeably. However, the performance appraisal process is not the only thing that's done in performance management. **Performance management** is the process of identifying, measuring, managing, and developing the performance of the human resources in an organization. Basically we are trying to figure out how well employees perform and then to ultimately improve that performance level. When used correctly, performance management is a systematic analysis and measurement of worker performance (*including* communication of that assessment to the individual) that we use to improve performance over time.

Performance appraisal, on the other hand, is the ongoing process of evaluating employee performance. Performance appraisals are reviews of employee performance over time³, so appraisal is just one piece of performance management. Although we will spend most of this chapter discussing performance appraisal, there are several other significant pieces of performance management that we already covered in past chapters and will cover in future chapters. We discussed "strategic planning," which provides inputs into what we want to evaluate in our performance management system, in Chapter 2. We also discussed the major method of identifying performance requirements in a particular job when we went through "job analysis and design" in Chapter 4. In Chapter 7, we discussed "training and development," which obviously play a part in performance management. Additionally, we will discuss motivating employees, employee relations, compensation, and other pieces in Chapters 9–14. Now that we understand the difference between performance management and performance appraisal, let's look at the performance appraisal process.

The Performance Appraisal Process

Exhibit 8-1 illustrates the performance appraisal (PA) process. Note the connection between the organization's mission and objectives and the performance appraisal process. Here we briefly discuss each step of the process.

LO 8.1

Discuss the difference between performance management and performance appraisal.

SHRM

Guide – C:4

Performance management (performance criteria and appraisal)



Video Link 8.1

Performance Appraisal Process

Exhibit 8-1

The Performance Appraisal Process



Step 1. Job analysis. This is logically our first step because if we don't know what a job consists of, how can we possibly evaluate an employee's performance? We already learned how to do a job analysis in Chapter 4, but as shown in Exhibit 8-1, we should realize that the job must be based on the organizational mission and objectives, the department, and the job itself.

Step 2. Develop standards and measurement methods. If we don't have standards of acceptable behavior and methods to measure performance, how can we assess performance? We will discuss performance measurement methods in the next part of this section, and in the major section "How Do We Use Appraisal Methods and Forms?" we will discuss these topics in more detail.

Step 3. Informal performance appraisal—coaching and disciplining. Performance appraisal should not be simply a once- or twice-yearly formal interview. As its definition states, performance appraisal is an ongoing process. While a formal evaluation may only take place once or twice a year, people need regular feedback on their performance to know how they are doing.⁴ We will briefly discuss coaching in the "Critical Incidents Method" subsection of "How Do We Use Appraisal Methods and Forms?" and in more detail along with teaching how to discipline in the next chapter.

Step 4. Prepare for and conduct the formal performance appraisal. The common practice is to have a formal performance review with the boss once or sometimes twice a year using one or more of the measurement forms we will be learning about. Later in this chapter we will discuss the steps of preparing for and conducting the performance appraisal.

In the major sections to come, we discuss "why" we assess performance, "what" we assess, "how" we assess, and "who" conducts the performance appraisal. Then we discuss performance appraisal problems and how to avoid them, and we end the performance appraisal process with the actual formal review session. But before we leave this section, we need to understand a critically important part of each step in the performance appraisal process—accurate performance measurement.

WORK APPLICATION 8-1

Select a job you have or had. Did you know the organization's mission and objectives? Briefly state the mission. If you don't know it, find out. Did you understand how your job fits or helps to meet the mission and objectives? Explain in some detail.

Accurate Performance Measures

Performance should be accurately measured so employees will know where they can improve.⁵ Knowing where to improve should lead to training employees to develop new skills to improve.⁶ To be an accurate measure of performance, our measure must be valid and reliable, acceptable and feasible, specific, and based on the mission and objectives. Let's discuss each here.

Valid and reliable. As with all areas of our people management process, we must make sure that all of our performance management tools are valid and reliable. Here again, we can pull out and dust off the OUCH test as a quick measure to ensure fairness and equity in the performance management and appraisal process. We remember by now that OUCH stands for *Objective, Uniform in application, Consistent in effect, and Has job relatedness*, right? However, we still need to analyze validity and reliability in some detail.

If our method of measurement is not valid and reliable, then it makes no sense to use it. We discussed reliability and validity in Chapter 4. Recall that a valid measure is “true and correct.” When a measure has validity, it is a factual measure that measures the process that you wanted to measure. A reliable measure is consistent; it works in generally the same way each time we use it.

Acceptable and feasible. In addition to validity and reliability, we need to look at a couple of other characteristics of our performance measures. We need to analyze acceptability and feasibility. Acceptability means that the use of the measure is satisfactory or appropriate to the people who must use it. However, in performance appraisal, this isn't enough.⁷ Acceptability must include whether or not the evaluation tool is feasible. Is it possible to reasonably apply the evaluation tool in a particular case? As an example, if the performance evaluation form is two or three pages long and covers the major aspects of the job that is being evaluated, and both managers and employees believe that the form truly evaluates performance measures that identify success in the job, then they are likely to feel that the tool is acceptable and feasible. If, however, the manager must fill out a 25-page form that has very little to do with the job being evaluated, the manager may not feel that the form is acceptable or feasible, at least partially due to its length, even if the employee does.

Conversely, if managers fill out a two-page evaluation that they feel is a true measure of performance in employees' jobs but the employees feel that the evaluation leaves out large segments of what they do in their work routine, they may not feel that the form is acceptable and feasible. If either management or employees feel that the form is unacceptable, it most likely will not be used correctly. So, we always have to evaluate acceptability and feasibility of a measure.

Specific. Next, we want any evaluation measure to be specific enough to identify what is going well and what is not. The word *specific* means that something is explicitly identified, or defined well

LO 8.2

Identify the necessary characteristics of accurate performance management tools.



Without accurate measures of performance, the performance appraisal can't be reliable or valid.

WORK APPLICATION 8-2

Assess the accuracy of the measurements of your performance on your last performance appraisal. Be sure to describe the measures' validity and reliability, their acceptability and feasibility, if they were specific, and if they were based on the organization's mission and objectives.

enough that all involved understand the issue completely. In performance appraisal, *specific* means that the form provides enough information for everyone to understand what level of performance has been achieved by a particular employee within a well-identified job.

Creating specific measures is the only way that we can use a performance appraisal to improve the performance of our employees over time. The employees have to understand what they are doing successfully and what they are not. Many times, evaluation forms may be too general in nature to be of value for modifying employee behaviors because we want the form to serve for a large number of different types of jobs. This can create significant problems in the performance appraisal process.

Based on the mission and objectives. Finally, you want to make sure that your performance management system leads to accomplishment of your organizational mission and objectives. As with everything else we do in HR, we need to ensure that the performance management process guides our employees toward achievement of the company's mission and objectives over time. As managers in the organization, making sure of this connection will allow us to reinforce employee behaviors that aim at achieving organizational goals and to identify for our employees things that they may be doing that actively or unintentionally harm our ability to reach those goals.

Thus, stating specific objectives of exactly what each person in each job should achieve or his or her performance outcomes leads to accurate assessment that can increase performance. For some examples of inaccurate measures of performance, complete Applying the Concept 8-1.

8-1 APPLYING THE CONCEPT

Measurement Accuracy

Which of the following criteria for a measure to be accurate is not met in each of the given situations?

- | | |
|-------------|--|
| a. valid | d. feasible |
| b. reliable | e. specific |
| c. accepted | f. based on the mission and objectives |

___ 1. My boss asked me to fill out a self-evaluation of my performance. But I refused to do it. Evaluation is her job, so let her do it.

___ 2. My boss told me that I was not doing a very good job of data entry. When I asked him what he meant, he went around in circles and never gave me a good answer.

___ 3. The boss said I'm not producing as many widgets as I used to. But it's not my fault that the machine jams every now and then and I have to stop working to fix it.

___ 4. My boss asked to me to evaluate my employees four times a year instead of only once. I told her I don't have the time to do it that many times. It's just not possible to do a good review that often without cutting back other things that are more important.

___ 5. My boss said I have a bad attitude and gave me a lower overall rating. But I pointed out that I get all my work done well and by the deadline or early, and I questioned what my attitude had to do with my performance.

Why Do We Conduct Performance Appraisals?

As you can begin to see already, the appraisal process gets extremely complicated very quickly. And remember, anytime a process in an organization is complicated, it costs a lot of money. So why do we even do performance appraisals? What value provided to the organization and to the individual makes the process of evaluating the performance of our workers so critical?

If performance appraisals are done in the correct manner, they can provide us with a series of valuable results. However, done incorrectly, the process of evaluating employee performance can actually lead to lower levels of job satisfaction and productivity. In this section, let's discuss three major reasons why organizations complete performance evaluations—communicating, decision making, and motivating.

LO 8.3

List and briefly discuss the purposes for performance appraisals.

Communicating

The first major reason for performance appraisal is to provide an opportunity for formal communication between management and the employees concerning how the organization believes each employee is performing. All of us know intuitively that successful communication requires two-way interaction between people. “Organizations can prevent or remedy the majority of performance problems by ensuring that two-way conversation occurs between the manager and the employee, resulting in a complete understanding of what is required, when it is required and how the employee’s contribution measures up.”⁸

Communication always requires that employees have the opportunity and ability to provide feedback to their bosses in order to make sure that the communication is understood. So, in performance appraisals the communication process requires that we as managers communicate with the employees to provide them information about how we believe they’re doing in their job, but the process also requires that we provide the opportunity for the employees to speak to us concerning factors that inhibit their ability to successfully perform for the organization.

Factors in a job that management may not know about can include many things, including lack of training, poorly maintained equipment, lack of tools necessary to perform, conflict within work groups, and many other things that management may not see on a daily basis. If the communication component of the performance appraisal process does not allow for this two-way communication, managers may not know of the obstacles that the employees have to overcome. The only way that we can resolve problems is to know about them. So, as managers, we need to communicate with our employees to find out when issues within the work environment cause loss of productivity so we can fix them. Thus, two-way communication is a critical component of correcting problems through the performance appraisal process.

Decision Making (Evaluating)

The second major purpose of performance appraisals is to allow management to make decisions about employees within the organization. We need to make decisions based on information, the information we get from our communication. Accurate information is necessary for management decision making and is an absolutely critical component to allow the manager to improve organizational productivity.⁹ We use information from annual performance appraisals to make evaluative decisions concerning our workforce including pay raises, promotions, demotions, training and development, and termination. When we have valid and reliable information concerning each individual within our division or department, this gives us the ability to make decisions that can enhance productivity for the firm.

If, for instance, through the process of coaching (the third step of the performance appraisal process) we find that several machine operators are having trouble keeping their equipment in working order, this piece of information would quite likely lead to a *needs assessment* (as discussed in Chapter 7) to determine whether or not maintenance training is necessary for our group of operators. Without our rigorous evaluation process, we might not learn of this common problem as early, and as a result could do some significant damage to very expensive equipment. This and similar types of information frequently come to the forefront as we go through the performance appraisal process. Decision making based on good communication is a very large part of why we take the time to do annual performance appraisals.

SHRM

Guide – F:7
Managing Performance

Motivating (Developing)

The third major purpose for performance appraisal is to provide motivation to our employees to improve the way they work individually for developmental purposes, which in turn will improve organizational productivity overall.¹⁰ What is motivation, and are performance appraisals normally motivational? Well, from a business perspective, **motivation** can be defined as *the willingness to achieve organizational objectives*. We want to create this willingness to achieve the organization's objectives, which in turn will increase organizational productivity.

Our evaluative decisions should lead to development of employees. Returning to the machine operators having trouble keeping their equipment in working order, making the decision to train the employees leads to their development through improving their performance, as well as better utilizing the resources to improve organizational performance.

Evaluating and Motivating (Development)

An effective performance appraisal process has two parts (evaluating and motivating), and it does both parts well. Evaluating is about assessing *past* performance, and motivating is about developing employees to improve their *future* performance. But, are both parts done well? Have you ever been in a position of being evaluated and debriefed as an employee? Was the process motivational? Probably not. Think about the appraisal process and how it was carried out. Here we discuss problems with evaluation and how to overcome them, explain how to motivate, and suggest separating evaluation and motivation.

Problems with evaluation. A common problem in appraisals is overpowering employees during an evaluation debrief with large amounts of negative information that they have not heard during coaching. This tends to cause the employees to “turn off,” or stop listening to their managers as they explain what is wrong. Employees will just “raise their shields” to ward off all of the negative information. This is a natural human characteristic. We are naturally suspicious of negative information for a variety of psychological reasons (defense mechanisms), so when employees are presented with a large amount of negative information, they tend to discount or even disbelieve it. They may consider the process unfair or one-sided and not an accurate measure of their performance, and as a result the evaluation may be useless as a motivator.

Avoiding problems with evaluation. To help overcome such problems with evaluation, an effective manager who is a good coach will generally never identify a weakness that the employee has not previously been made aware of during the formal appraisal interview—there are no surprises. The evaluative part of the appraisal should only be a review of what the employee already knows and should be willing to hear. However, avoiding surprises is not enough.¹¹

The appraisal debrief must be a well-rounded look at individual employees; it should identify both positive and negative factors in the employees' behaviors and results within their job (and remember that the communication needs to be two-way). As managers, we want to tell employees what they are doing right, but also where they have room for improvement. This more balanced approach to the debriefing process will minimize the potential that the employees will raise those shields and avoid listening.

Motivating development. The important part of development is the need for managers to provide motivational opportunities for employees to improve their performance over time. In other words, we need to tell them how to fix the problem. We need to provide them with tools, training, or other methods that will allow them to improve to the point where their behavior is sufficient, and we then must continually strive to get them to perform at an above-average level and ultimately to be superior through ongoing coaching between formal reviews.

If we provide employees with tools to allow them to improve over time, we're focusing not on the negative past results but on the positive future potential results.¹² If they are given an honest opportunity to fix something that they know is a problem and are given the necessary tools or training, most will take advantage of that opportunity. So performance appraisals *can* be motivational if they are properly used and debriefed.

Separating evaluation and development. To improve both parts of the performance appraisal, we suggest splitting the debriefing into two separate interviews. The first meeting is to evaluate the employees' *past* performance, pointing out strengths and areas for improvement; the employees are asked to think about how they can improve their performance. At the second meeting, manager and employee *jointly* come up with a developmental plan that should lead to increased performance that will result in a higher *future* evaluative rating during the next formal appraisal. We will discuss how to conduct the two separate interviews in the "Debriefing the Appraisal" major section of this chapter.

What Do We Assess?

Now that we know why we conduct performance appraisals, the next step is to figure out what needs to be evaluated. In other words, we have to decide what aspects of the individuals and their performance we're going to measure. The best option for what we evaluate would come from analyzing the essential functions and qualifications required for a particular job—or, in HR terms, our job analysis. We could then use these facts to design an appraisal instrument with measurable and observable factors with which performance can be evaluated.¹³ However, we can't evaluate everything that is done over the course of the year. We have to choose what we will focus on because if we can't measure it, we can't manage it, and what gets measured and evaluated gets done.¹⁴ Our three primary options are traits, behaviors, and results.

Trait Appraisals

Traits identify the physical or psychological characteristics of a person. We can evaluate the traits of an individual during the performance appraisal process. Can we accurately measure traits that affect job performance, can trait measures pass the OUCH test, are traits commonly used to measure performance, and should we measure traits as part of our performance appraisal process? Here we answer these questions, and we will answer these same questions for our behavior and results options.

Can we accurately measure traits that affect job performance? Certainly, there's *some* evidence that particular types of traits are valuable in jobs that require management and leadership skills. Characteristics such as inquisitiveness, conscientiousness, and general

WORK APPLICATION 8-3

Assess the effectiveness of an evaluative performance appraisal you had. Did the manager present both positive and negative performance areas? Did you "really" listen? Were there any surprises? Explain any problems and how the evaluation could be improved.

LO 8.4

Identify and briefly discuss the options for "what" is evaluated in a performance appraisal.

cognitive ability have been shown to have a reasonable “link” to job performance.¹⁵ But just how accurate is the link?

Many traits that most of us would be likely to focus on, such as physical attractiveness, height, extroversion, and others, actually have been shown to have very little bearing on job performance. If we’re going to use traits in performance evaluation, we must ensure that we focus on traits that have a direct relationship to the essential functions of the job being done, and they have to be accurate measures.

If we decide to use trait-based evaluations, is that a good method for judging work performance? How many of us would want to have judgments made about our work based on our appearance or personality? Would you consider this to be a *valid and reliable* measure of your work performance? In most cases, it’s very difficult to show that personal traits are valid and reliable measures of work performance.

Can trait measures pass the OUCH test? Let’s take a look at trait-based measurements using the OUCH test. Is a physical characteristic, such as height, or a psychological characteristic, such as attitude, cheerfulness, work ethic, or enthusiasm, an objective measure of an individual’s work performance? We would have great difficulty creating a quantifiable and factual link between height or enthusiasm and job performance.

So it’s difficult when measuring traits to meet the *objective* requirement of the OUCH test. If we utilized these trait-based measures in all cases in employee evaluations, we would be able to meet the *uniform in application* requirement of the OUCH test. The third test—*consistent in effect*—would likely be extremely difficult to meet due to the fact that different racial, ethnic, social, and gender groups tend to have different physical and psychological characteristics. Remember, reliability is a measure of consistency. Could we meet the *has job relatedness* test? Is a particular trait directly related to the essential functions of the job? In a very few cases this may be true, but in most situations physical and personality characteristics have less to do with success in the job than certain behaviors will. So it’s very difficult to meet the *has job relatedness* test.

Finally, we need to ask whether or not different supervisors would evaluate our traits differently, based on their traits. Would their individual biases based on their personalities cause them to evaluate us differently? The answer is, of course, that different people would quite likely evaluate our traits differently.

Are traits commonly used to measure performance? Surprisingly, if you go to the local office supply store and look at standard evaluation forms that are available in pre-printed pads, you will find that they usually contain many traits as part of the evaluation. Why would this be the case? The simple answer is that at least some traits, both physical and psychological, are fairly easy to identify, and we make the *assumption* that they are related to how the individual will perform on the job. Many of us, individually and as managers, value certain things like enthusiasm even if enthusiasm has very little to do with the ability to do a particular job or the actual results of job performance.

Certainly, there are some jobs where enthusiasm is critical. However, in most jobs, being enthusiastic employees may have very little to do with job success. If we evaluated individuals based on the characteristic of enthusiasm, we might make an error in judgment concerning their performance. And if we make errors in analyzing the performance of our employees, the appraisal form becomes much less *acceptable* to both the individual employee and management.

Finally, if our organization happened to be sued by a former employee who claimed that they were fired based on an appraisal process that was unreliable and not valid, it would be very difficult to defend trait-based evaluation forms due to their subjective nature.

Should we measure traits? Author Ken Blanchard says that there are too many evaluation items that can’t be objectively measured because they attempt to measure things that no one knows how to accurately measure, such as attitude, initiative, and promotability. An

important question is whether both managers and employees will agree that the measured rating is accurate. The bottom-line test (we will call it the Blanchard test) is whether everyone understands why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development).¹⁶ So we should only assess traits if we meet the bottom-line test of having a direct and obvious objective relationship between the trait and success in the job.

Behavioral Appraisals

Our second option in the assessment process is to evaluate employees based on behaviors. You will recall that **behaviors** are simply *the actions taken by individuals*—the things that they do and say. Behavioral appraisals measure what individuals *do* at work, not their personal characteristics. Is this a good option to use in a performance appraisal process?

Can we accurately measure behaviors that affect job performance? As a general rule, behaviors are a much better option to use in an appraisal than traits. While an individual supervisor or manager may make a mistake in judgment of the traits of an employee, physical actions or behaviors can be directly observed, and as a result they are more likely to be a valid assessment of the individual's performance.

Can behavior measures pass the OUCH test? Let's take a look at a behavioral evaluation using the OUCH test. Would an evaluation based on actions taken by an employee be *objective*? In general, directly observing and evaluating an action is significantly more objective than making an attempt to judge a trait such as effort. If we applied the same evaluation of behaviors to all of the individuals in the same type of job, we would have a reasonable certainty that we were being *uniform in application*. The same thing would be true here in evaluating the concept of *consistent in effect*.

So, we come down to whether or not a behavioral evaluation *has job relatedness*. Would a behavioral evaluation be directly related to the essential functions of a job? It would be if we made sure that we chose behaviors that were necessarily a part of successfully accomplishing a task. For instance, if a person *acted* correctly to fill out a requisition form, putting the proper information in the correct blocks and providing the requisition to the appropriate person who would then order the material, we would be assessing behaviors that are job-related. If, however, we evaluated the action of walking to the lunchroom and back to your workstation, would that be a valid job-related behavior? More than likely it would not. Of course, this is a silly example, but it should help you understand that no matter what we do in the evaluation process, we need to ensure that our actions are job-related.

Would behavioral evaluations be defensible in the situation of our fired employee above? Would it be possible for us to show that our evaluation process was *valid and reliable*? If we choose job-related behaviors, it becomes much easier for the organization to defend the validity and reliability of the appraisal process. Observation of actions that are directly related to a job provides at least some presumption of validity as well as reliability purely because the behaviors are directly job-related. Again, if we chose behaviors that were not able to be directly associated with the job, the validity and reliability would be suspect.

Should we measure behavior? Are behaviors that measure performance more *acceptable* to the individual employee and the managers than personal traits? In fact, evidence shows that most individuals are very comfortable with the evaluation of their performance being based on their behaviors. In general, the most useful and therefore acceptable feedback to employees is considered to be in the form of specific job-related behaviors.¹⁷ As managers, though, we still need to be cognizant of the fact that a behavioral evaluation can be a poor measure of work performance unless the behaviors chosen are directly applicable to being successful in the job. So, like with traits, the Blanchard test is whether everyone understands why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development).¹⁸

Results/Outcomes Appraisals

Our final option concerning what we evaluate is the results, or outcomes, of the work process. **Results** are simply *a measure of the goals achieved through a work process*. Using results as an evaluation measure provides management of the organization with an assessment of the goals that were achieved in a particular job over time.

Can we accurately measure results that affect job performance? Is measuring the outcomes of a particular individual's job a valid and reliable measure of that person's performance? Well, certainly results are a concrete measure of what has happened in the organization. However, could results of a job have been skewed based on factors that were outside the control of the individual who is performing that job? The answer is obviously that the results could be affected by many other factors besides the individual. For example, the goals could be set too low and be easy to achieve, or too high and be impossible to achieve.

Even though this is true, the measurement of results is the final organizational measure of success. The results produced through organizational processes provide the company with its return on investment—in this case its investment in the people in the organization. So, organizations really like to measure results.

Can results pass the OUCH test? Let's take a look at the OUCH test concerning results-based evaluations. Is a result achieved in a particular job a concrete, factual measure that can easily be quantified? Obviously, it is a very *objective* measure of what has happened in that particular job. If we apply the same results-based measure to each similar job, then our measure is *uniform in application*. The measure of results would almost certainly be consistent across different groups of employees, so we would meet the *consistency in effect* requirement of the OUCH test. And of course, if we are measuring the results of what happens in a job, we are certainly providing a measure that *has job relatedness*. So, with a quick scan we can see that a results-based performance appraisal meets the requirements of the OUCH test better than either of the other two options.

Should we measure results? Results-based evaluations, like behavior, are also typically very acceptable to both the employee and the manager. Employees readily accept results-based appraisals because they feel that such measures are one of the fairest methods of analyzing their performance. After all, results are the most concrete form of evaluation that can be performed. Either the result was achieved, or it wasn't. We can also defend this type of appraisal much easier than the other two options in court, if necessary. It tends to be very easy for the organization to go into a courtroom and show that an individual's results were absolutely lower than the results achieved by other people in the same or similar jobs, if such an action becomes necessary.

But would a performance evaluation measured on results be valid and reliable? The results-based evaluation would most likely be highly valid and would usually be reliable, assuming that we were able to take into account factors outside of individuals' control that nonetheless affect the performance of their job. So, like with traits and behaviors, the Blanchard test is whether everyone understands why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development).¹⁹

Which Option Is Best?

Our three options concerning *what* we evaluate are traits, behaviors, and results. But, which option is best? The answer's not as easy as you might think. Certainly, results-based and behavior-based evaluations are more defensible due to the fact that they are more reliable and valid than trait-based evaluations. But we have to include a large number of factors in order to select which option is best in a particular situation.

WORK APPLICATION 8-4

Very briefly describe a job you have or had. Describe how your performance was assessed based on traits, behavior, and/or results.

8-2 APPLYING THE CONCEPT**Assessment Options**

Which of the following assessment options for measuring performance is being described in each of the given situations?

- a. traits
- b. behavior
- c. results

- ___ 6. This is the second time you got upset and yelled at customers. This has to stop.
- ___ 7. You have produced 15 products again this week. You know the standard is 20, so I'm giving you a formal warning that if you don't get up to standard in two weeks, you will be fired.
- ___ 8. When you promote one of the women from waitress to hostess, be sure she is attractive so customers have a good impression of our restaurant and want to come back.
- ___ 9. I'm really surprised. Since you started working from home, you have actually increased your data entry numbers by 5 percent.
- ___ 10. On item number 5, willingness to take responsibility, I'm giving you an average rating.

For example, if we need to evaluate employees who work on the assembly line, we may need to evaluate behaviors such as punctuality—do they show up to work on time? If we have employees who, when they are there, produce at 150% of the standard, but only show up two or three days a week, that creates a problem for the whole assembly line. In that case, we may need to evaluate attendance and punctuality (behaviors) because everyone on the assembly line depends on everyone else.

However, if we have individuals who don't do their actual work where managers can measure traits and behaviors—for example, people who work from home (telecommuters) and in independent outside sales positions—we need to rely on results. Other employees are often not affected by the hours that the telecommuters and salespeople work. It will not matter when they are at the office, as long as they get the job done. The firm will be concerned with how much they produced or sold. So circumstances dictate which method we will use; we cannot say one method will always be superior to the other two.

How Do We Use Appraisal Methods and Forms?

The formal performance appraisal usually involves the use of a standard form developed by the HR department to measure employee performance. Again, “If you can't measure it, you can't manage it.”²⁰ But you must be careful how you measure success,²¹ as the assessment should be as objective as possible, not subjective.²² Employees need to know the standards and understand what good performance looks like, and they need to be able to measure their own performance. If you are stuck with a form that has subjective sections, work with your employees to develop clear accurate standards.

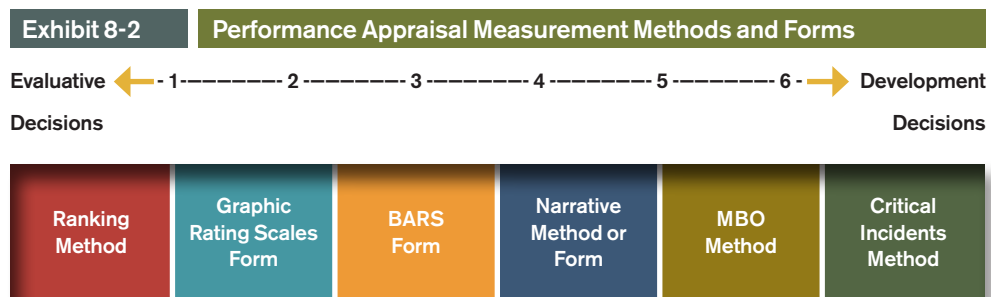
Exhibit 8-2 lists the commonly used performance appraisal measurement methods and forms and displays them on a continuum based on their use in administrative evaluative and developmental decisions. In the following section, we discuss each of them, starting with the developmental methods and working toward the evaluative.

SHRM**Guide – F:5**

Performance appraisals

LO 8.5

Briefly discuss the commonly used performance measurement methods and forms.



Critical Incidents Method

The **critical incidents method** is a performance appraisal method in which a manager keeps a written record of positive and negative performance of employees throughout the performance period. There is no standard form used, so it is a method. Here, and for each of the other methods and forms, let's answer two questions: Why and when is it used, and how is it used?

Why and when do we use the critical incidents method? Most formal reviews take place only once or twice a year. Do you want to wait for formal reviews to talk to employees about what they are doing well and when they are not performing up to expectations? Of course you want to let them know how they are doing on an ongoing basis. Also, let's say we are a manager with 12 employees. Can we remember everything each of them did well, and when they messed up, and on what dates, so we can evaluate their total performance for the past 6–12 months? Very few, if any, of us can say yes. However, many managers don't keep a record of critical incidents, which leads to problems of accurate measures during the formal review meeting.

We use critical incidents to do a good assessment of the entire review period, and we coach when needed during the entire review period for developmental decisions. We need to continually conduct informal coaching and disciplining when needed as we make notes of critical incidents to use during the formal review. With clear standards and coaching, you can minimize disagreements over performance during the formal performance appraisal because there are no surprises, because employees know what is coming.²³

Although critical incidents are commonly used for developmental decisions, they are also used for evaluative decisions. For legal purposes, a list of documented critical incidents is especially important to have leading up the evaluative decision of firing employees. We will discuss discipline and documentation in Chapter 9.

How do we use critical incidents? Managers commonly simply have a file folder for each employee, which can be hard copy or electronic. Critical incidents are important employee actions, not minor ones, which help or hurt performance. Every time employees do something very well, such as beat a tough deadline or save angry customers from terminating their business relationship with the firm, a note goes in the employees' file. Notes also go into the file every time the employees' behavior hurts performance, such as coming to work late or the quality of work not meeting standards.

The note is usually written by the manager and/or is in the form of documentation, such as a warning that is given, performance reports, or a letter from a happy customer thanking the employee for doing a great job. Coaching is part of this ongoing process, and it involves helping employees succeed by monitoring performance through giving feedback to praise progress and to redirect inappropriate behavior as often as needed.²⁴ One error managers tend to make is to focus on the negative actions of employees. Remember that

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Identifying and measuring
employee performance

a good balanced evaluation includes both positive and negative, so look for good performance, not just poor, and praise it when you see it.²⁵

Management by Objectives (MBO) Method

The **Management by Objectives (MBO) method** is a process in which managers and employees jointly set objectives for the employees, periodically evaluate performance, and reward according to the results. Although it is a three-step process, no standard form is used with MBO, so it is a method. MBO is also referred to as work planning and review, goals management, goals and controls, and management by results.

Why and when do we use the MBO method? The MBO method is one of the best methods of developing employees. Like critical incidents, employees get ongoing feedback on how they are doing, usually at scheduled interval meetings. We can use the MBO method successfully with our employees if we commit to the process and truly involve employees rather than trying to make them believe that our objectives are theirs—accurate measures.

On an organization-wide basis, MBO is not too commonly used as the sole assessment method. It is more commonly used based on the evaluative assessment during the development part of the performance appraisal. One difficult part of MBO is that in many situations, most, if not all, employees will have different goals, making MBO more difficult and time-consuming than using a standard assessment form.

How do we use the MBO method? MBO is a three-step process:

Step 1. Set individual objectives and plans. The manager sets objectives jointly with each individual employee.²⁶ The objectives are the heart of the MBO process and should be accurate measures of performance results. To be accurate, objectives should be SMART.²⁷ They need to be *Specific, Measurable, Attainable, Relevant, and Time-based*. Being specific, measurable, and time-based is fairly easy to determine in a written goal, but being attainable and relevant is more difficult. So we developed a model based on the work of Max E. Douglas with two examples in Model 8-1 that we can use when setting objectives for ourselves or with others.

Step 2. Give feedback and evaluate performance. Communication is the key factor in determining MBO's success or failure, and employees should continually critique their own performance.²⁸ Thus, the manager and employee must communicate often to review progress.²⁹ The frequency of evaluations depends on the individual and the job performed. However, most managers do not conduct enough review sessions.

Step 3. Reward according to performance. Employees' performance should be measured against their objectives. Employees who meet their objectives should be rewarded through recognition, praise, pay raises, promotions, and so on.³⁰ Employees who do not meet their goals, so long as the reason is not out of their control, usually have rewards withheld and even punishment when necessary.

Model 8-1 Setting Objectives Model

- To + 2. Action Verb + 3. Specific and Measureable Result + 4. Target Date
To + produce + 20 units + per day
To increase widget productivity 5% by December 31, 2014.

WORK APPLICATION 8-5

Select a job you have or had. Did your boss use critical incidents? Assess how well your boss used coaching between formal performance appraisal meetings to review your performance.

Narrative Method or Form

The **narrative method or form** requires a manager to write a statement about the employee's performance. There often is no actual standard form used, but there can be a form, so narrative can be a method or a form.

Why and when do we use the narrative method or form? A narrative gives managers the opportunity to give their evaluative assessment in a written form that can go beyond a simple “check of a box” to describe an assessment item. Managers can also write up a developmental plan of how the employee will improve performance in the future. Narratives can be used alone, but are often combined with another method or form. Although the narrative is ongoing, it is commonly used during the formal review.

How do we use the narrative method or form? The system can vary. Managers may be allowed to write whatever they want (method), or they may be required to answer questions with a written narrative about the employee's performance (form). Let's discuss both here.

The no-form narrative method can be the only assessment method used during the formal review process. But the narrative method, when used alone, is more commonly used with professionals and executives, not operative employees. How we write the formal narrative assessment varies, as writing content and styles are different. A narrative based on critical incidents and MBO results is clearly the best basis for the written assessment.

The narrative is also often used as part of a form. For example, you have most likely seen an assessment form (such as a recommendation) that has a list of items to be checked off. Following the checklist, the form may ask one or more questions requiring a narrative written statement.

Graphic Rating Scale Form

The **graphic rating scale form** is a performance appraisal checklist on which a manager simply rates performance on a continuum such as excellent, good, average, fair, and poor. The continuum often includes a numerical scale, for example from 1 (*lowest performance level*) to 5 (*highest performance level*). Self-Assessment and Skill Builder 8-1 uses a graphic rating scale form; it is found at the end of this chapter.

Why and when do we use the graphic rating scale form? Graphic rating scales are probably the most commonly used form during the formal performance appraisal (primarily for evaluative decisions), but they should lead to development decisions as well. Why the popularity? Because graphic rating scales can be used for many different types of jobs, they are a kind of “one form fits all” form that requires minimal time, effort, cost, and training. If we walk into an office supply store, we can find pads of them. But on the negative side, graphic rating scales are not very accurate measures of performance because the selection of one rating over another, such as an excellent versus good rating, is very subjective. For example, think about professors and how they measure performance with grades. Some give lots of work and few As, while others give less work and almost all As.

How do we use the graphic rating scale form? It is very simple, and we have most likely all used one. For example, many colleges have student assessments of professors at the end of the course. All we do is check off, or usually fill in a circle for, our rating. One problem is

that some of us don't bother to actually read the questions. Based on our biases, some of us just go down the list checking the same rating regardless of actual performance on the item. To be fair, this problem is not common with managers formally evaluating their employees. However, it does tend to occur when customers evaluate products and services, including student assessments of professors.

To overcome this problem, which is unfortunately not commonly done, we can reverse the scale from good to poor on different questions. Why isn't this done all the time? Some HR, or other, managers who make the scales do not know they should do this. Some who do know they should reverse the scales don't because they don't want to end up with overall ratings being pushed to the middle because people don't read the questions.



There shouldn't be any surprises or lack of agreement on performance levels during the formal performance appraisal interview.

Behaviorally Anchored Rating Scale (BARS) Form

The **Behaviorally Anchored Rating Scale (BARS) form** is a performance appraisal that provides a description of each assessment along a continuum. Like with rating scales, the continuum often includes a numerical scale from low to high.

Why and when do we use the BARS form? The answer to why and when is the same as for graphic rating scales. So let's focus on the differences between graphic rating scale and BARS forms. BARS forms overcome the problem of subjectivity by providing an actual description of the performance for each rating along the continuum, rather than one simple word (*excellent, good, etc.*) like graphic rating scales. A description of each level of performance makes the assessment a more objective accurate measure. So if BARS forms are more accurate, why aren't they more commonly used than graphic rating scale forms?

It's partly economics and partly expertise. Again, the graphic rating scale can be used for many different jobs, but BARS forms have to be customized to every different type of job. And developing potentially hundreds of different BARS forms takes a lot of time (which costs money) and expertise. Even when a firm has an HR staff, the question becomes whether developing BARS forms is the most effective use of staff members' time. Obviously, it depends on the types of jobs being evaluated and the resources available to complete the evaluation process.

How do we use BARS forms? Like graphic rating scales, we simply select a level of performance along the continuum. College accreditation associations are requiring more measures of student outcomes as assurance of learning, and as part of the process they want more BARS rubrics as evidence. So in college courses, especially for written assignments, professors give out rubrics that describe in some detail the difference between excellent (A), good (B), average (C), poor (D), and not acceptable (F) grades for multiple criteria put together to provide a final grade. Here is a very simple example of making a graphic rating scale item into the more objective BARS form.

Attendance—excellent, good, average, fair, poor

Attendance—number of days missed 1, 2, 3–4, 5, 6 or more

Ranking Method

The **ranking method** is a performance appraisal method that is used to evaluate employee performance from best to worst. There often is no actual standard form used, and we don't always have to rank all employees.

Why and when do we use the ranking method? Managers have to make evaluative decisions, such as who is the employee of the month, who gets a raise or promotion, and who gets laid off. So when we have to make evaluative decisions, we generally have to use ranking. However, our ranking can, and when possible should, be based on other methods and forms.

Ranking can also be used for developmental purposes by letting employees know where they stand in comparison to their peers—they can be motivated to improve performance. For example, when one of the authors passes back exams, he places the grade distribution on the board. It does not in any way affect the current grades—but it lets students know where they stand, and he does it to motivate improvement.

How do we use the ranking method? Under the ranking method, the manager compares an employee to other similar employees, rather than to a standard measurement. An offshoot of ranking is the forced distribution method, which is similar to grading on a curve. Predetermined percentages of employees are placed in various performance categories, for example, *excellent*, 5%; *above average*, 15%; *average*, 60%; *below average*, 15%; and *poor*, 5%. The employees ranked in the top group usually get the rewards (raise, bonus, promotion), those not at the top tend to have the reward withheld, and those at the bottom sometimes get punished. In Self-Assessment and Skill Builder 8-1, you are asked to rank the performance of your peers.

Which Option Is Best?

While this section does not contain an exhaustive list, it provides examples of each major method of performance appraisal. Determining the best appraisal method or form to use depends on the objectives of the organization. A combination of the methods and forms is usually superior to any one used by itself. For developmental objectives, the critical incidents, MBO, and narrative methods work well. For administrative decisions, a ranking method based on the evaluative methods and especially graphic rating scale or BARS forms works well.

Remember that the success of the performance appraisal process does not just lie in the formal method or form used once or twice a year. It depends on the manager's human relations skills in ongoing critical incidents coaching, and on effective measures of performance that are accurate so that everyone knows why they are rated at a given level (evaluative), as well as how to improve (develop) for the next assessment.³¹

PerformanceReview.com is a website that has been designed to help managers write complete and effective performance appraisals online. The site offers practical advice to guide managers through the appraisal process.³²

WORK APPLICATION 8-6

Select an organization, preferably one you work or have worked for. Identify and briefly describe the assessment methods and/or forms that are used to assess employee performance.

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Sources of Information (e.g., managers, peers, clients)

Who Should Assess Performance?

Now that we've learned the why, what, and how of the performance appraisal process, the next thing we need to discuss is options for the rater, or evaluator. There are a number of different options concerning who should evaluate the individual employee, and the decision needs to be based on a series of factors. Let's take a look at our options for who should evaluate an employee.

8-3 APPLYING THE CONCEPT

Appraisal Methods and Forms

Which of the following assessments is being described in each of the given situations?

- | | |
|------------------------------|------------------------------|
| a. critical incidents method | d. BARS form |
| b. MBO method | e. graphic rating scale form |
| c. narrative method or form | f. ranking method |

___ 11. One of your employees has applied for a better job at another company and asked you for a letter of recommendation.

___ 12. You are overworked, so you want to develop a performance appraisal form you can use with all 25 of your employees who do a variety of jobs.

___ 13. You have been promoted from a supervisory position to a middle management position. You have been asked to select your replacement.

___ 14. One of your employees is not performing up to standard. You decide to talk to her in order to improve her performance.

___ 15. You want to create a system for developing each of your employees individually.

Supervisor

When we ask who should evaluate employees, the most common response is their immediate supervisor. Why would the supervisor be the best person to evaluate an employee? Well, the supervisor is supposed to know what the employee should be doing, right? Certainly, supervisors are frequently one of the best and most commonly used options to choose as evaluators for the employees under their control. However, this is not always the case due to problems with supervisor performance assessments.

Problems with supervisor evaluations. What if the supervisor doesn't see the employee very frequently? This may not be all that uncommon in a modern organization. Many times today, supervisors may be in a different building or even a different city than the individuals they supervise. Virtual teams, Internet-linked offices, telecommuting, and other factors cause supervisors to not be in constant touch with their employees, unlike the situation 20 or 30 years ago.

There are other problems as well. What if there's a personality conflict? Supervisors are human, just like their employees, and may just not relate well to some of their employees. This may cause a personal bias for, or against, certain employees that may invalidate the appraisal process if it's significant enough.

What if the supervisor doesn't know what employees are supposed to be doing in their jobs? Aren't supervisors always supposed to know every job for which they are responsible? Again, 30 years ago this may have been true. However, in today's work environment, with the amount of information necessary to do the complex tasks that organizations must accomplish in order to compete, nobody can know every job. There's just too much information for any one individual to learn. So jobs have been segmented down into smaller and smaller areas, and the supervisor may not know each of those jobs in great detail. So there are certainly problems that can occur in the case of a supervisor being responsible for a subordinate employee's evaluation process. This being the case, what other options do we have?

LO 8.6

Identify and briefly discuss available options for the rater/evaluator.

Avoiding supervisor review problems. A simple answer to overcome these problems is to have others, in addition to the supervisor, assess performance. Also, multiple measures can make a performance assessment more accurate. For example, using other evaluators can help overcome personal bias and provide information that supervisors don't always know about.

Peers

As discussed, the supervisor is not always knowledgeable enough to make a valid assessment of employee performance. Another possible option is to use coworkers or peers of the individual employee as appraisers. When would it be valuable to use peer evaluations in an organization? If the supervisor is absent or has infrequent contact with the employees, but all employees have multiple coworkers that they interact with on a frequent basis, peer evaluations may be valuable. Peers or coworkers also often know the job of the individual employee better than the supervisor does, and they are more directly affected by the employee's actions, either positive or negative. In addition, peers can evaluate the ability of the individual to interact with others successfully in a group or team setting. This may be very difficult for supervisors to see unless they are intimately involved with the group.

Problems with peer reviews. There are certainly issues that can come up in peer evaluations that can cause the process to become less objective. In fact, research evidence regarding the validity of peer evaluations is really unclear.³³ Personality conflicts and personal biases can affect how individual employees rate their peers. Individuals within a group or team may just have significantly different personality types, and these differences can cause friction within the work group that may spill over when it comes time to evaluate those with whom they are in conflict. Additionally, no matter how much we try and protect against it, personal biases can affect working relationships and may show up in peer evaluations.

Avoiding peer review problems. Because we know that these problems can occur within a peer evaluation, the organization can take the issues into account and adjust rating values as necessary. For example, assume you are the manager of a work group of six people who in your opinion work very well together and provide a quality work product, and you review a set of peer evaluations from the work group. In your review you notice that two of the members of the group gave each other significantly lower-than-average grades—one of the two is a young male, and the other is an older female. However, the other four members of the group gave both of them good marks for their contributions to the group.

This quite likely is a situation where a personality conflict has occurred between the two members, which caused them to lower each other's grades. Knowing that the other four members of the group evaluated these two individuals as valued members of the team, you may want to adjust the individual ratings from the two individuals to more closely match the overall evaluations from the team, noting that it appears that a personality conflict may have lowered their individual grades of each other. Even with the potential for personality conflicts and bias, peer evaluations can give us good insight into the inner workings of a group or team when the supervisor has infrequent contact with the team. In Self-Assessment and Skill Builder 8-1, you will do a performance assessment of your peers.

Subordinates

Our next available option is the subordinates of an individual supervisor in the firm. We would typically only use subordinate evaluators for manager-level employees. However, who within the firm knows, and suffers the consequences of, the actions of supervisors more than the people who work for them? Subordinate evaluations can give us good insight into the managerial practices and potential missteps of people who control other employees in our organization. As a result, subordinate evaluations may give us valuable information that we would be unable to find out using any other means.

Problems with subordinate reviews. Can subordinate evaluations cause a problem within the department or work group? Is the potential for bias, especially from subordinates who have been disciplined by the supervisor, significant in this type of evaluation? Of course there is a potential for bias. Obviously, the subordinates may try to get back at their supervisor for giving them tasks that they did not want to perform, or for disciplining them for failure in their jobs.

There may be a personality conflict, or some subordinates certainly may be biased against their supervisor or manager. So there are certainly negative aspects to subordinate evaluations. On the other end of the scale, the subordinates may inflate the capabilities of the manager, at least partly because of a lack of understanding of all the tasks and duties required of the manager. In fact, in a recent survey, about two thirds of employees rated their managers higher than the managers' self-ratings.³⁴

Avoiding subordinate review problems. In all of these problem areas, if we know that there is a potential problem, we can most likely guard against it. In many cases, as we go through a group of subordinate evaluations, we will see one or two outliers providing either very high or very low marks for the supervisor. In such a case we should probably throw those outliers out of the calculation when determining overall marks for the supervisor. It's honestly surprising how often these outliers are extremely easy to spot in a subordinate evaluation process.

Another significant issue in the case of subordinate evaluations is confidentiality. Subordinate evaluations *must* be confidential in nature, or it is unlikely that the subordinates will provide an honest evaluation of their supervisor. Why is this the case? Obviously, if the evaluation is not confidential, the supervisor can and may take retribution on subordinates who provide unflattering evaluations. So, if the evaluation is not anonymous, many of the subordinates will likely inflate the capabilities of the supervisor, which minimizes the value of the evaluation process itself. So, even though subordinate evaluations have the potential for biases and other problems, we can help to overcome these problems, and they can provide us with valuable information about the supervisor's capabilities.

Self

Self-assessment is also an option in the performance appraisal process, or is it? Virtually all employees do a self-assessment whether they are actually formally asked to do so as part of the assessment or not. It is required with MBO. Even when not asked to do a self-assessment, employees will still walk into the review discussion with some informal self-assessment that they compare to the supervisor's rating. But are self-evaluations valuable, or will the employees overestimate their individual capabilities and tell us that they're perfect? (As you know, every chapter of this book has one or more self-assessments, and the one for this chapter is Self-Assessment and Skill Builder 8-1; it is at the end of the chapter. You will assess your performance on a group project. If you want to, you can do the self-assessment now.)

Problems with self-assessments. *Most* of the research evidence shows that self-assessments tend to overestimate the individual's ability to do a job.³⁵ However, some of the research says that employees either underestimate or accurately estimate their job performance over time. A significant portion of the evidence seems to show that individuals with lower levels of knowledge and skills within their field tend to inflate their self-assessment of their abilities.³⁶ Conversely, as individuals become more knowledgeable and more skilled, the evidence tends to show that they will either accurately estimate or even underestimate their capabilities in their jobs.^{37,38,39}

Avoiding self-assessment problems. Based on the fact that most of the evidence shows that employees overestimate their ability to do their job, is this a valid performance measure? Here again, even though the measure may have validity concerns, if we know that self-evaluations tend to be skewed, we can most likely adjust for this factor. In addition, receiving

information from individuals concerning their perception of their skill set is extremely valuable in a number of management processes, including plans for training and development opportunities, providing work assignments, and counseling and disciplinary measures, among others. A big step in overcoming self-assessment problems, as well as other assessment problems, is the Blanchard test—do the employees understand why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development)?⁴⁰

Customers

We may also want to ask customers to evaluate individuals within the company. We use the word *customers* in a broad sense to include people outside the organization, including customers for our products and services and suppliers to the firm. Customers can also be internal including people in other departments of the firm—for example, the print shop that makes copies for other departments or the mail room that receives and delivers communications and products to the rest of the firm.

When and why would we want to use customers in the evaluation process? We may want to use customers as evaluators when the individual being evaluated has frequent contact with organizational customers, either internal or external to the firm. If employees interact routinely with internal or external customers, we need to know how the customers feel about their interactions with the employees because obviously external customers are the ones who ultimately pay the bills.

It does not matter what else we do successfully if our customers are uncomfortable with their interactions with our employees. If *external* customers are upset about their interactions with our employees, they have the ability to go elsewhere with their business. Even *internal* customers can create significant problems within the firm due to conflict between departments or divisions. So we want to ask customers to evaluate the individuals with whom they come into contact.

Problems with customer assessments. What do you think the major problem is with customer-based evaluations? One problem is that customer assessments commonly use simple rating scales, which we discussed as being very subjective. Also, customers are usually not trained to do an accurate assessment. So bias is a problem. For these and other reasons, the popular opinion is that customer evaluations are almost always skewed to the negative. However, research shows that this is not necessarily the case.⁴¹ In some situations, customer evaluations actually exceed evaluations of the individual that are internal to the firm or department.

Avoiding customer assessment problems. Regardless of whether or not customers will tell us when we're doing an exceptional or acceptable job, customer evaluations provide us with valuable information concerning our employees who have direct customer contact. If this is the case, can we adjust the evaluation process knowing that customer evaluations are frequently skewed either positively or negatively? Obviously, we can. One of the basic methods of adjusting the customer evaluation process is to compare the individuals being evaluated and identify the ratios of negative and positive comments to allow us to identify more successful and less successful employees. Although this is an imperfect measure, it still provides value to the firm in the fact that customers' perception is critical to our relationship with them. So, we need to measure this relationship.

WORK APPLICATION 8-7

Select your current or a past job. Identify who had input into your performance appraisal.

LO 8.7

Briefly discuss the value and the drawbacks of a 360° evaluation.

360° Evaluation

As a final option, we can do “all of the above.” The **360° evaluation**, in effect, *analyzes individuals' performance from all sides—from their supervisor's viewpoint, from their subordinates' viewpoint, from customers' viewpoint (if applicable), from their peers' viewpoint,*

and using their own self-evaluation. Obviously, the 360° evaluation would give us the most accurate, best possible analysis of individuals and their performance within the company. DuPont developed 360° reviews back in 1973, but they are still popular today.⁴² With the trend of structuring work in teams, peer evaluations are now being used regularly.⁴³ Those who fill out the appraisal form usually do so confidentially. The feedback from all these people is used to evaluate and develop the employee.

Problems with 360° evaluations. If they are the best, then why don't we always use 360° evaluations? The simple answer is "time and money." It takes a significant amount of time for a group of individuals to evaluate one person if we use a 360° format. By using up so much organizational time, it obviously also costs us a significant amount of money. If we multiply the numbers based on the time required to evaluate one individual to count everyone in the organization, the costs can quickly become massive.

Avoiding problems with 360° degree evaluations. Unfortunately, there really is no simple way to avoid such problems, besides what is commonly done—not using 360° evaluations. When used, the 360° evaluation format tends to be most valuable if it is used for purposes of individual development, rather than for making administrative evaluative decisions.⁴⁴ A good 360° feedback system can provide specific suggestions about how to improve individual competencies.⁴⁵ It can also go a long way toward minimizing some of the most common problems with the performance appraisal process, which we will review next.

Who Do We Choose?

Now that we know our options for who should conduct an evaluation of each employee, which option should we use? Again, we need to remember that each of the options costs us money because it takes time for the individual who must perform the appraisal. So, we need to determine which option or options to use. We can use any of these methods combined with any other, all the way up to the point of the 360° evaluation. However, we only want to use a 360° evaluation when it's worth it. If it's not necessary, then it doesn't make a lot of sense due to the cost of this method.

For instance, is there any need to do a 360° evaluation of janitorial or housekeeping staff? Does this make sense? Obviously, in this case we probably don't need to do this type of evaluation. In most cases, with low-level staff members, a supervisor's evaluation is sufficient. We also make this statement because the evaluation is often more than just a supervisor's biased opinion. Even though only the supervisor does the formal assessment, the supervisor often does get informal feedback regarding performance from customers and peers during conversations. Customers will often complain to the supervisor if the service is not satisfactory, and peers will complain about a fellow employee who is not meeting standards for some reason. The supervisor's critical incident file is often written based on information received from peers and customers.

What about the case of an outside salesperson? In this situation, the results tend to speak for themselves. Sales numbers are available to the salesperson and manager. Where the supervisor rarely sees the individual but the customer interacts with our salesperson on a routine basis, we can ask the customer to do an evaluation of the salesperson as well as asking the salesperson for a self-appraisal. With the sales figures, a self-assessment, and customer feedback, we can develop a plan to increase future performance.

Finally, if we are evaluating the marketing manager for the firm, we may want to do a 360° evaluation because this individual would affect all of the groups—subordinates, customers, peers, the organization, and himself or herself. So, we evaluate the specific situation and use the number of methods necessary to get an accurate assessment of the individual.

Once again, we need to do a cost-benefit analysis to determine when the benefits of increasing performance outweigh the cost to give us a return on our investment. In essence, we attempt to maximize performance while minimizing the total cost of the appraisal process.

LO 8.8

Identify some of the common problems with the performance appraisal process.

WORK APPLICATION 8-8

Select an organization, preferably one you work or have worked for. Identify some of the positions and people who should be evaluated using 360° evaluations. Briefly describe your cost-versus-benefit analysis to justify your selection.

Performance Appraisal Problems to Avoid

During the performance appraisal process, there are common problems that we face. However, knowing these common problems, we can take measures to avoid them. So in this section we discuss the problems first with simple ways to avoid each of them as an individual. Then we discuss what the organization can do to overcome these problems on an organization-wide basis. We can actually overcome multiple problems with the same method. See Exhibit 8-3 for a list of problems and ways to avoid them.

SHRM

Guide – F:3
 Rater Errors in Performance
 Measurement

Common Problems With the Performance Appraisal Process

Let’s briefly discuss each of the common problems during the performance appraisal process listed in Exhibit 8-3 here.

Bias. **Bias** is simply *a personality-based tendency, either toward or against something*. In the case of performance assessment, bias is toward or against an individual employee. All human beings have biases, but supervisors especially cannot afford to allow their biases to enter into their evaluation of subordinates in the firm. This is very easy to say, but very difficult to do. Biases make the evaluation process subjective rather than objective, and certainly provide the opportunity for a lack of consistency in effect on different groups of employees. So to overcome the bias problem, we need to be objective and not let our feelings of liking or disliking the individual influence our assessment.

Stereotyping. **Stereotyping** is *mentally classifying a person into an affinity group, and then identifying the person as having the same assumed characteristics as the group*. Though stereotyping is almost always assumed to be negative, there are many incidents of positive stereotypes. However, regardless of whether the stereotype is positive or negative, making bershhip in a group, rather than explicitly identifying the characteristics of the individuals, creates the potential for significant error in evaluations. So we can avoid stereotyping by getting to know each employee as an individual and objectively evaluating individual employees based on their actual performance.

Halo error. This error occurs when the evaluator has a *generally* positive or negative (negative halo error is sometimes called “horns error”) impression of an individual, and the evaluator then artificially extends that general impression to many individual categories of performance to create an overall evaluation of the individual that is either positive or negative.⁴⁶ In other words, if employees are judged by their supervisor to be generally “good” employees, and the supervisor then evaluates each of the areas of their performance as

Exhibit 8-3

Performance Appraisal Problems and Avoiding Them

Common Problems	Avoiding Problems
Bias Stereotyping Halo Error Distributional Errors Similarity Error Proximity Error Recency Error Contrast Error Attribution Error	Develop Accurate Performance Measures Use Multiple Criteria Minimize the Use of Trait-Based Evaluations Use the OUCH and Blanchard Tests Train Your Evaluators Use Multiple Raters

good, regardless of any behaviors or results to the contrary, the supervisor is guilty of halo error. We can avoid halo error by remembering that employees are often strong in some areas and weaker in others, and we need to objectively evaluate individual employees based on their actual performance for each and every item of assessment.

Distributional errors. These errors occur in three forms: severity or strictness, central tendency, and leniency. They are based on a standard normal distribution, or the bell curve that we are all so familiar with. In *severity or strictness* error, the rater evaluates everyone, or nearly everyone, as below average. *Central tendency* error occurs when raters evaluate everyone under their control as average—nobody is either really good or really bad. Finally, *leniency* error occurs when the rater evaluates all others as above average. Leniency error, therefore, is basically a form of grade inflation. We can avoid distributional errors by giving a range of evaluations. The distribution is often based on the ranking method of evaluation and forced distribution.

Similarity error. This error occurs when raters evaluate subordinates that they consider more similar to themselves as better employees, and subordinates that they consider different from themselves as poorer employees. We all have a tendency to feel more comfortable with people who we feel are more similar to ourselves,⁴⁷ and if we are not careful, we can allow this feeling of comfort with similar individuals to be reflected in the performance appraisal process. We can avoid similarity error by embracing diversity and objectively evaluating individual employees based on their actual performance, even if they are different from us and don't do things the same way that we do.

Proximity error. This error states that similar marks may be given to items that are near (proximate to) each other on the performance appraisal form, regardless of differences in performance on those measures. We can avoid proximity error by objectively evaluating employees' actual performance on each and every item on the assessment form.

Recency error. This error occurs when raters use only the last few weeks or month of a rating period as evidence of their ratings of others. For instance, if a warehouse worker has been a strong performer for most of the appraisal period, but right before his annual evaluation he knocks over a stack of high-cost electronic equipment while driving a forklift, he may be rated poorly due to recency error. We can avoid the recency error by evaluating the employee based on the entire assessment period, commonly 6–12 months. Using the critical incidents method really helps our recall and assessment of the entire period more objectively.

Contrast error. In contrast error, the rater compares and contrasts performance between two employees, rather than using absolute measures of performance to measure each employee. For example, the rater may contrast a good performer with an outstanding performer, and as a result of the significant contrast, the good performer may seem to be “below average.” This would be a contrast error. We can avoid contrast error by objectively evaluating individual employees based on their actual performance. We must use the ranking method correctly; first we assess each individual based on the items on the assessment form—then we rank the individuals based on their assessments.

Attribution error. In simplified terms, attribution is a process where an individual *assumes* reasons or motivations (such as attitudes, values, or beliefs) for an observed behavior. So, attribution error in performance appraisal might occur when the rater observes an employee action—such as an argumentative answer to a question—and assumes that the individual has a negative attitude toward the job and is a poor performer. This may not be true, and in such a case the rater would be guilty of an attribution error. We need to avoid attribution error because it is based on our subjective conclusion. When in doubt, we shouldn't assume we know why the employee did or didn't do something. We should talk to employees to find out so that we can objectively evaluate employees based on their actual performance.

WORK APPLICATION 8-9

Identify the major steps we can take to avoid problems with the appraisal process.

8-4

APPLYING THE CONCEPT

Avoiding Appraisal Problems

Which of the following common problems or errors is being described in each of the given situations?

- | | |
|--------------------------|----------------------|
| a. bias | f. proximity error |
| b. stereotyping | g. recency error |
| c. halo error | h. contrast error |
| d. distributional errors | i. attribution error |
| e. similarity error | |

___ 16. My year's performance was not going very well. So I made sure to really push and do a good job for the month of December, and I got a good performance review.

___ 17. I did a really good job of coming to all the classes and participating in the discussions, so the professor gave me an A- even though my test-score average was a B+.

___ 18. I got an average rating, which is lower than I deserve, because my boss found out I was talking about him behind his back.

___ 19. I'm tired of hearing how much Juan is selling and being told I don't measure up.

___ 20. My boss gave me a good overall rating instead of an excellent rating. I told her I thought I deserve excellent, but she said everyone gets a good rating and that I'm doing a very good job.

LO 8.9

Identify the major steps we can take to avoid problems with the appraisal process.

Avoiding Performance Appraisal Process Problems

As you can see above, there are a significant number of ways that performance appraisals can fail to provide an accurate assessment of the capabilities and the behaviors of individual employees. Thus far we have only provided simple things we can do to overcome these problems as individuals. How can a firm avoid these problems on an organization-wide basis throughout the performance appraisal process?

Luckily, there are a number of fairly simple steps that we can take within the organization to minimize the negative issues that occur in the performance appraisal process. All we have to do is look at the problems noted, and we can fairly quickly come up with some possible solutions to at least the majority of those problems using the same methods. Let's discuss how the firm can limit the potential for the appraisal process to go astray by developing accurate performance measures, training evaluators, and using multiple raters.

Develop Accurate Performance Measures

As discussed earlier in this chapter, if the performance appraisal methods and forms are not accurate measures, the entire performance appraisal process will have problems. Therefore, the organization should have its own HR specialist or hire consultants to develop the assessment process and measures. Now, let's discuss three things HR specialists commonly do to help ensure accurate measures.

Use multiple criteria. One method of overcoming some of the problems with the appraisal process is to ensure that we use more than one or two criteria to evaluate an individual's performance over time. We should generally have at least one evaluation criterion for each major function within an individual job. As we noted earlier, behaviors and results that occur over the entire course of the evaluation period are typically the best criteria to use in the process of evaluating an individual's performance, but employees behave in many different ways in different circumstances throughout the course of a year, so we shouldn't

limit the appraisal process to one or two actions on the part of that individual employee. By evaluating multiple criteria, we have the ability to lower the incidence of halo, recency, contrast, and attribution errors, and may even be able to affect bias and stereotyping, because many criteria, not just one or two, are being analyzed.

Minimize the use of trait-based evaluations. Our next method of overcoming problems within the appraisal process is to minimize the evaluation of individual traits. As we noted in the section on what we have the ability to evaluate, trait-based evaluations tend to be more subjective than behavior- or results-based evaluations and as a result should generally not be used unless there is a specific reason why the particular trait must be exhibited in order to be successful in a job. Only when we have *specific reason* for trait-based evaluations should those traits be measured and evaluated in the appraisal process.

In addition, because of their subjectivity, trait-based evaluations are much more difficult to defend in cases where the organization used the evaluation process for later disciplinary action with an individual employee. By minimizing the evaluation of traits, we lower the incidence of bias, stereotyping, similarity error, and potentially attribution error. So, minimizing trait evaluations lowers the ability of the rater to make some of the most significant mistakes that can occur in the appraisal process.

Give the measures the OUCH and Blanchard tests. Yes. We already stated this with each of the three types of assessment. But these two tests are so important to successful accurate measures that we are repeating them again. With the OUCH test, is the measure objective, uniform in application, and consistent in effect, and does it have job relatedness? With the Blanchard test, does everyone understand why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development)?⁴⁸

Train Evaluators

Once we have accurate measurement methods and forms, the next thing that we should do to help overcome some of the issues with the appraisal process is to train our evaluators concerning the common errors and problems that occur and how to use the methods and forms.

Train evaluators to overcome the common problems of assessment. Simply through the process of training, many of the common problems are mitigated, if not eliminated. Once evaluators become aware that the common errors occur with some regularity, they almost immediately begin to evaluate such errors and guard against them. Even the bias and stereotyping errors *may* be mitigated through the rater training process. As we've said several times in this book, most of our employees want to do a good job, and once they know that an error is being committed, they will make attempts to correct that error. So, rater training provides them with knowledge of these errors and allows them the opportunity to correct them.

Train evaluators to use the measurement methods and forms. Evaluators should also be trained to use the various performance assessment methods and forms. Because the critical incidents method is not commonly used as a formal assessment method, evaluators should be taught to use it to help overcome recency error. Evaluators need training to effectively use MBO and to write a good narrative. When a rating scale is used, some training should be given to better understand the differences between the word descriptors along the continuum (*excellent, good, etc.*). BARS and ranking forms are fairly straightforward, but when they are used, some training can help overcome problems.

Use Multiple Raters

The next tool to minimize errors in the evaluation process, at least in some cases, is to use multiple raters to evaluate an individual. As we noted earlier, this becomes expensive very quickly, so we must decide whether or not the value inherent in using multiple evaluators

LO 8.10

Briefly discuss the differences between evaluative performance reviews and developmental performance reviews.

WORK APPLICATION 8-10

Select your current or a past job. Identify and explain how it did or did not use each of the three methods organizations can use to overcome common problems during the performance appraisal process. How could it improve the process?

overcomes the cost of the process. If it does, using multiple evaluators can conquer some significant problems in the appraisal process. What will the process of using multiple evaluators do to improve the appraisal process? Multiple evaluators limit the ability of one individual appraiser to provide a biased opinion concerning an employee's performance, as well as limiting the ability for stereotyping in the appraisal process. In addition, halo, similarity, contrast, and attribution errors become less likely, and distributional errors tend to even out among multiple raters. It is for these reasons that 360° evaluations have gained favor in many organizations over the past 20 years.

Debriefing the Appraisal

The debriefing process is where we communicate the analysis of each individual's performance with that person. Earlier in the chapter, we noted that there are two major reasons for assessing performance: for evaluative decisions and for development. We also suggested breaking the formal performance appraisal debriefing into two separate interviews. In this section, we describe how to conduct both reviews.

The Evaluative Performance Appraisal Interview

Planning ahead is critical when it comes to performance appraisal interviews. Therefore, this section is separated into preparing for and conducting the evaluative interview. Because the evaluative interview is the basis for the developmental interview, it should be conducted first.

SHRM

Guide – F:6
Appraisal feedback

Preparing for an Evaluative Interview

When preparing for an evaluative interview, follow the steps outlined in Model 8-2. Our evaluation should be fair (ethically and legally not based on any of the problems discussed).⁴⁹ If we have had regular coaching conversations with our employees, they know where they stand,⁵⁰ and our preparation is mostly done except the form. So our relationship with an employee will directly affect the outcome.⁵¹ Employees should also critique their own performance through a self-assessment using the form.⁵²

So Step 1 of Model 8-2 is to simply set up the meeting. Step 2 has employees use the form to conduct a self-assessment of their performance, and in Step 3 we, too, assess employees' performance using the form. In keeping with the balanced evaluation, in Step 4, we identify both strengths and areas for improvement that serve as the basis for the developmental interview. Last, Step 5 is to predict employee reactions to our assessment and plan how to handle them. Using critical incidents will help support our assessment when employees disagree. Don't forget the Blanchard test states that we should be able to explain, and agree on, the employee's level of performance.

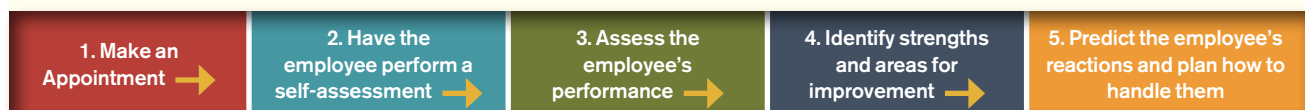


Video Link 8.2

Prepare for the
Evaluative Interview

Model 8-2 The Evaluative Performance Appraisal Interview

Preparation for the Appraisal Interview



Conducting the Appraisal Interview



Conducting an Evaluative Interview

During the interview, encourage employees to talk and listen to the critique of their performance.⁵³ Model 8-2 lists the steps for conducting an evaluative performance appraisal interview. We open the meeting with some small talk to put the person at ease in Step 1. Then in Step 2 we go over our evaluation of the items on the assessment form. For Step 3, we identify the employee’s strengths and weaknesses, and discuss and agree on them. Our last Step 4 is to conclude the interview, which may be to make the appointment for the developmental interview.

When we are the employee, we should be open to negative feedback, even if we don’t agree with it. We shouldn’t make excuses or blame others. If we don’t agree with the assessment, we should say something like “Thanks for the feedback, but I don’t agree with it for the following reasons.” Then we should give our objective reasons without being argumentative and disrespectful. We may want to schedule a follow-up meeting to have time to gather facts that support our stance on the assessment.⁵⁴

The Developmental Performance Appraisal Interview

Again, planning ahead is critical when it comes to performance appraisal interviews. Therefore, this section is also separated into preparing for and conducting the interview.

Preparing for a Developmental Interview

After the employee’s performance evaluation is completed, we should prepare for the developmental interview based on areas for improvement. Yes—managers are busy, and may question the need for coaching and cost of separate formal developmental interviews, but spending time developing employees leads to increased performance and lower turnover.⁵⁵ To do this, follow the steps in Model 8-3, which begins with simply setting up a time to conduct the review. As stated in Step 2, have employees come up with their own objectives and strategies for improvement,⁵⁶ and then develop objectives for them (in Step 3).

Conducting a Developmental Interview

The steps to follow when conducting a developmental performance appraisal interview are listed in Model 8-3. Again, we start with small talk to open the interview. In Step 2, it is important to agree on developmental objectives. As part of Step 3, employees need to know exactly what they must do to improve and increase the rating on the next review, and follow-up feedback on progress is essential for changing behavior.⁵⁷ So Step 4 is to set up a follow-up meeting to review progress. When conducting Steps 3 and 4, we don’t want the employee working on too many things at once, so keep the number of objectives

WORK APPLICATION 8-11

Assess how well your present or past boss helped develop your knowledge, skills, and competencies through informal coaching and/or the formal performance appraisal interview. Describe how the boss could improve.



between 1 and 3. We can always add new objectives later. We end in Step 5 by concluding the interview with some positive encouragement about reaching the objectives.

Trends and Issues in HRM

It's time to take a look at some of the trends and issues in performance appraisal over the past several years. The first item in this chapter's trends and issues is a question: Should we even be using performance appraisals? Second, we will take a look at Electronic Performance Monitoring or EPM—does it improve performance and add value to the organization's performance appraisal process by providing results-based evidence of employee productivity? Our third issue deals with the question of competency-based performance management, rather than the historical task-based evaluation of performance. And finally, we will discuss one method of aligning the organization's performance appraisals so that the variability between managers does not cause one group of employees to suffer relative to another group, due to the fact that the managers don't happen to evaluate consistently.

Is It Time to Do Away With Performance Appraisals?

Samuel Culbert, a clinical psychologist at the University of California at Los Angeles, has written a book called *Get Rid of the Performance Review!*⁵⁸ His premise is that performance appraisals are one-sided analyses by the manager of what the subordinate is doing wrong. He notes that if the process can become a two-way communication between the manager and the subordinate, a performance review becomes a “performance preview.” The boss and the subordinate “have conversations” that allow the manager to become a coach and tutor for the subordinate.

However, if you take note of the purposes for performance appraisals that we identified early in this chapter, communication is one of the three main aims of the process. As we discussed, we need two-way communication between the supervisor and the subordinate. If it's one-way, the process has very little chance of improving the subordinate's performance over time.

In addition, one of our other purposes—motivation—also requires a continuing conversation between the supervisor and the subordinate—coaching. The performance management process does not occur one day a year. If it is going to be successful, it has to occur continuously throughout the year as the supervisor and the subordinate have conversations about ongoing performance.

The most significant problem, if organizations were to get rid of performance reviews, is that these appraisals are used legitimately by organizations in order to make good decisions about their employees and their development. If performance appraisals are not completed, the organization doesn't have valid and reliable information about the human



A well-designed form can help managers do a good job during the formal performance appraisal.

resources in the organization and therefore has no ability to make good decisions about things such as training, promotions, pay raises, and other factors. Going back to the OUCH and Blanchard tests, in *any* personnel action within the organization we need to attempt to be as objective as possible.

An appraisal process that is done correctly (and most aren't) is an absolutely necessary piece if the organization is going to be objective in management of its human resources—one of the most critical pieces of organizational success today. In fact, what Culbert is really saying is if you are not going to do it right with accurate measures and coaching, don't do performance reviews. This is what good managers have been saying for the last 40 years. If we're going to be successful in improving employee performance over time, two-way conversations have to occur that allow employees to identify problems and issues that prevent them from being as successful as possible—coaching. If coaching occurs, individual performance is almost certain to increase, and as a result organizational performance will increase overall over the course of time. We will discuss how to coach in the next chapter.

Technology: Electronic Performance Monitoring

Electronic Performance Monitoring (EPM) is *the process of observing ongoing employee actions using computers or other nonhuman methods*. The number of employees monitored through EPM has increased drastically in the past 20 years. In the early 1990s, about one third of employees were being monitored electronically. By 2001, approximately 78% were monitored electronically,⁵⁹ and in 2010 that number more than likely increased even more. The reason for this steep increase is that EPM apparently is an effective means of increasing productivity.⁶⁰ EPM allows management to know if employees are actually working or doing personal things during work hours. The biggest upside to EPM seems to be that it provides information for concrete results-based performance evaluations.

Certainly, this is a valuable outcome. However, some researchers and practitioners argue against EPM because of a number of factors including ethical questions concerning such monitoring, legal concerns over employee privacy, and apparent increases in stress due to constant monitoring of performance. So, the question is whether or not organizations should use EPM systems.

There's no simple answer to such a question. Again, EPM has been shown to increase productivity, and organizations need to maximize employee productivity. However, increases in stress are known to decrease productivity if the stress level becomes too significant. So there's an obvious trade-off between more employee monitoring and controlling stress levels in our workforce. Management must understand this trade-off in order to successfully improve productivity in the organization overall.

In addition, the ethical and legal questions noted in the previous paragraph may be significant enough in some cases to cause individual employees to leave the organization. If these individuals are our more productive workers, and especially if they are knowledge workers, what does the loss of these knowledgeable individuals do to organizational productivity? There doesn't appear to be any current research-based answer to these questions. Therefore, because these questions exist, organizations must be very careful in how they implement EPM processes so that they improve their chances of reaching the stated goal of EPM—improving organizational productivity.

Finally, as these programs are rolled out in the organization, managers must be acutely aware of the potential for increased levels of stress as well as employee feelings concerning invasion of privacy that could lead to decreases in productivity and higher rates of turnover as well.⁶¹ In other words, management must work to overcome the potential problems and costs in order to gain the benefits.

WORK APPLICATION 8-12

Select an organization you work or have worked for. Does it use formal evaluations? Do you believe the organization should or should not conduct formal evaluations?

SHRM

Guide - F:4
Electronic monitoring

WORK APPLICATION 8-13

Select an organization you work or have worked for. Does it use EPM? If so, describe the EPM system. Do you believe the organization should or should not use EPM?

WORK APPLICATION 8-14

Select an organization you work or have worked for. Does it use competency-based performance management? Do you believe the organization should or should not use it?

Competency-Based Performance Management

What is competency-based performance management? Historically, the performance appraisal process evaluates specific employee skills and the employee's success in using those skills to produce products or services for the organization. Competency-based performance, on the other hand, evaluates large sets of capabilities and knowledge which, if put to good use, can significantly improve organizational productivity to a much greater extent than just doing a job using an existing skill set. Or, using Chapter 7 terms, development is more effective than simply training.

Because jobs have been changing at a rapid pace over the past 20 years, competency-based performance management is becoming a more useful form for performance appraisal than the historical skill-based, transactional process. How are jobs changing? According to the Society for Human Resource Management (SHRM), the nature of work is changing from single-skilled jobs to multiskilled jobs, from repetitive tasks to problem-solving tasks, from individual work to teamwork, and from functional specialization to collaboration.⁶² Taking a look at the ways in which work is changing, we can understand why it may be necessary for the organization to move from skill-based performance appraisal to evaluations based on larger-scale competencies.

Because competencies are becoming so significant in organizations, the performance management systems need to be redesigned so that we evaluate the skills and capabilities that are most important to the business. However, these types of performance management systems can present significant design challenges to the organization. To successfully use competency-based performance management, the organization has to move from an analysis and measurement of the *individual activities* within a process to a more holistic evaluation of the *ability to combine and improve activities* to create the most successful organizational outcomes.

SHRM notes that one of the problems with knowledge workers is that “performance analysts cannot directly observe much of what they do.”⁶³ This being the case, new competency-based evaluation methods that measure the ability to manipulate and manage information and to collaborate across many dimensions must be designed and used.

SHRM explains that because the most common type of historical job (the individual repetitive job) is going away, the organization has an increasing need for competency-based evaluations. They also note that competency-based evaluations are necessary in order to align performance with rewards if the organization is going to use a competency-based pay and incentives program.⁶⁴ Competency-based pay programs have been shown to focus individual goals more closely to the organization's overall strategic goals. Because of all these factors, competency-based performance appraisals will likely continue to increase as a percentage of overall performance appraisal processes.

Aligning the Appraisal Process

The last of our trends and issues for Chapter 8 deals with problems that occur because of harder and easier individual evaluators causing the performance appraisal process to be inconsistent. But, what processes can be created in the organization that will minimize this inconsistency? There are two approaches.

One method is to gather all of the raters, within a given division, department, or section of the organization, in one place where they discuss each of the individuals being evaluated. A process called “calibration” provides the organization with a methodology for normalization of grades across raters.⁶⁵ Many organizations have done something similar to the process of calibration for years by gathering groups of managers together and, through a series of discussions, coming to an agreement on the rating of each of their employees.

Calibration is done face-to-face with a group of managers who are responsible for one division or department within the organization. However, the end result of the calibration process is not necessarily a ranking of employees. It is designed simply to standardize, or even out, evaluations between multiple managers. There are some issues with this process, though. If one manager is a better communicator or persuader than another, the process can still be inconsistent. Managers who are quiet, and who generally will not speak out in favor of or against something, may be at a disadvantage in these types of meetings. In order for a calibration or ranking meeting to be successful, all of the managers in the room must be given a chance to speak on behalf of their employees.

In fact, a professional facilitator may help to get individual managers the time to speak in support of their employees. There's no perfect method of ensuring that performance appraisals are consistent between different managers in the organization. However, open meetings where managers discuss each of their individual ratings can help to minimize the differences between raters.

On the other side, autocratically dictating a ranking process based on a forced distribution also helps overcome this problem of managers being too hard and easy in their evaluations. But not allowing managers to have input into the method of making raters more consistent in their assessments can lead to other problems within the performance appraisal process. So, two important questions must be considered in deciding on using participation in calibration or dictating a mandatory forced distribution.

First, what are the chances of getting the group of managers to agree on a calibration? If you know you have managers who very firmly disagree on assessment, one being very hard and another being very easy, maybe calibration will not work and could cause problems between managers. Second, dictating a forced distribution is faster and thus costs less. So do the benefits from participation in calibration outweigh the costs of the time and effort to use calibration? In a knowledge-based organization, the answer is often yes, but not always.

Wrap-Up

This chapter has covered the process of managing employee performance. What have we learned that will allow us to become better managers? We discussed the concept of performance management, and noted that it is a continuous process, not a once-a-year evaluation of performance. We then proceeded through a discussion of the steps in the performance appraisal process. We answered the question of why we even do them. Next we looked at what we evaluate—traits, behaviors, and results—and identified and then discussed how the evaluation is typically done using various assessment methods and forms. We then discussed options for who can complete the appraisal, why we would choose one option over others, and when a 360° evaluation is valuable.

After covering the assessment process itself, we then presented some of the common problems that individual evaluators and organizations encounter with the appraisal process and how to minimize or even overcome those problems. Then we discussed the debriefing process, where the manager and the subordinate sit down and discuss the employee's evaluation. Here, we discussed the two types of debriefs—the evaluative and the developmental appraisal interview.

Finally, we examined some of the trends in appraisal of employees in the firm, including whether or not to even complete them, the use of electronic monitoring to evaluate performance, the change in some organizations to a competency-based performance evaluation process, and, finally, how to make the process more consistent across raters. That's another big dose of information, and enough for this chapter, so let's move on to the chapter summary and end-of-chapter material.

WORK APPLICATION 8-15

For a change, let's use your college professors' grading. Are some professors hard graders (they give few As) and others easy (they give lots of As), or are they all consistent? Assuming there is inconsistency, should the college administration dictate a forced distribution or use calibration?



Video Link 8.3

Performance Evaluation

Chapter Summary



Visit www.sagepub.com/lussier for helpful study resources.

8.1 Discuss the difference between performance management and performance appraisal

Performance management identifies, measures, manages, and develops the performance of people in the organization. It is designed to improve worker performance over time. Performance appraisal is the part of the performance management process that identifies, measures, and evaluates the employee's performance, and then discusses that performance with the employee.

8.2 Identify the necessary characteristics of accurate performance management tools

The performance management tools that we use need to be valid and reliable, acceptable and feasible, and specific. Valid means that it measures the process that we wanted to measure. Reliable means the measure works in a generally consistent way each time we use it. Acceptability and feasibility deal with the measure being a *satisfactory* measure with the people who use it and a *reasonable* measure capable of being successfully applied in a particular situation. Finally, specific means the measure defines the performance well enough that we understand the current level of performance achieved and what, if anything, employees need to do to improve their performance to comply with standards.

8.3 List and briefly discuss the purposes for performance appraisals

Communication is the first purpose. Appraisals need to provide an opportunity for formal two-way communication between management and the employee concerning how the organization feels the employee is performing. The second purpose is "information for evaluative decisions." We need good information on how employees are performing so that we can take fair and equitable actions with our workforce, to improve organizational productivity. Motivation for development is the last major purpose. Used correctly, appraisals can motivate by providing opportunities for employees to improve their performance over time.

8.4 Identify and briefly discuss the options for "what" is evaluated in a performance appraisal

Our three primary options are traits, behaviors, and results. There is *some* evidence that particular types of traits are valuable in jobs that require management and leadership skills, but many traits have been shown to have very little bearing on job performance, making them invalid measures of performance. We can also use behaviors to evaluate our workers. Behaviors are

usually a much better appraisal option because physical actions or behaviors can be directly observed and as a result are more likely to be a valid assessment of the individual's performance. Finally, we can evaluate performance based on results. Results are a concrete measure of what has happened in the organization. However, results may be skewed based on factors that are outside the control of the individual who is being evaluated.

8.5 Briefly discuss the commonly used performance measurement methods and forms

The *critical incidents method* utilizes records of major employee actions over the course of the appraisal period in order to complete the employee evaluation. The *MBO method* uses objectives jointly set by the manager and the employee to gauge employee performance during the evaluation period. In the *narrative method*, the manager writes either a structured or an unstructured paragraph about the employee's performance. *Graphic rating scale forms* provide a numerical scale so that the manager can check off where an employee falls on the continuum. *BARS forms* provide a description of the behaviors that make up acceptable performance at each level on the scale. Finally, the *ranking method* creates a hierarchy of employees from best to worst.

8.6 Identify and briefly discuss available options for the rater/evaluator

Supervisors are a logical choice when they have ongoing contact with the subordinate and know the subordinate's job. When the supervisor may not spend lots of time with the individual employee, *peers* may be a better choice as evaluators because they may know the job of the individual employee better than the supervisor does, and are more directly affected by the employee's actions. *Subordinate* evaluations can give us good insight into the managers who control employees in our organization. We may want to use *customers* as evaluators when the individual being evaluated has frequent contact with those customers because we need to know how customers feel about their interactions with our employees. *Self-evaluation* is valuable in a number of management processes, from training and development to counseling and disciplinary measures, among others.

8.7 Briefly discuss the value and the drawbacks of a 360° evaluation

The 360° evaluation gives us the best overall analysis of any employee in the firm, because it looks at the employee's performance in the eyes of all others who are affected by the individual.

The 360° evaluation format is more useful for individual development than it is for administrative purposes. The biggest downside is that the process takes a lot of time, which means that it also costs the company a lot of money.

8.8 Identify some of the common problems with the performance appraisal process

Personal biases and stereotyping are two of the most significant appraisal problems. Other problems include halo error; distributional errors—the grading is either too harsh or too lenient, or everyone is judged to be average; similarity error; proximity error; recency error; contrast error; and attribution error.

8.9 Identify the major steps we can take to avoid problems with the appraisal process

The first step would be to develop *accurate performance measures*. Accurate performance measures use *multiple criteria*, *minimize trait-based evaluations*, and can be analyzed using the OUCH test and the Blanchard test. Next, *train the evaluators*,

because as soon as they know some of the common errors, those errors become less pronounced. *Use multiple raters* to mitigate any potentially biased evaluations and minimize other errors such as similarity, contrast, and attribution errors. Finally, *don't evaluate what you don't know*. Find people in the organization who do know the job and have them evaluate the individual performing that job.

8.10 Briefly discuss the differences between evaluative performance reviews and developmental performance reviews

The evaluative interview is a review of the individual employee's performance over a certain period. The evaluation needs to be fair and equitable, not based on bias. Employees must be given the opportunity to talk as well as listen to the critique of their performance. The developmental interview, on the other hand, will focus on areas for improvement over time. Managers should have employees come up with their own objectives and strategies for improvement, as well as develop their own objectives for employees.

Key Terms

360° evaluation

Bias

Management by

Performance management

Behaviorally Anchored

Critical incidents method

Objectives (MBO) method

Ranking method

Rating Scale

Electronic Performance

Motivation

Results

(BARS) form

Monitoring (EPM)

Narrative method or form

Stereotyping

Behaviors

Graphic rating scale form

Performance appraisal

Traits

Key Term Review

Complete each of the following statements using one of this chapter's key terms:

_____ the process of identifying, measuring, managing, and developing the performance of the human resources in an organization

_____ a performance appraisal method in which a manager keeps a written record of positive and negative performance of employees throughout the performance period

_____ the ongoing process of evaluating employee performance

_____ a process in which managers and employees jointly set objectives for the employees, periodically evaluate performance, and reward according to the results

_____ the willingness to achieve organizational objectives

_____ requires a manager to write a statement about the employee's performance

_____ identify the physical or psychological characteristics of a person

_____ the actions taken by an individual

_____ a performance appraisal checklist on which a manager simply rates performance on a continuum such as *excellent*, *good*, *average*, *fair*, and *poor*

_____ a measure of the goals achieved through a work process

_____ a performance appraisal that provides a description of each assessment along a continuum

_____ a performance appraisal method that is used to evaluate employee performance from best to worst

_____ analyzes individuals' performance from all sides—from their supervisor's viewpoint, from their subordinates' viewpoint, from customers' viewpoint (if applicable), from their peers' viewpoint, and using their own self-evaluation

_____ a personality-based tendency, either toward or against something

_____ mentally classifying a person into an affinity group, and then identifying the person as having the same assumed characteristics as the group

_____ the process of observing ongoing employee actions using computers or other nonhuman methods

Quick Check (True-False)

1. The annual performance evaluation process is naturally motivational because the company identifies each employee's weaknesses. T F
2. In performance appraisals, the word *specific* means that the form provides enough information for everyone to understand what level of performance has been achieved by a particular person within a well-identified job. T F
3. As a manager, an important part of your job is to make sure that your employees know exactly what is expected of them—the standards. T F
4. The basic performance appraisal is very simple to carry out. T F
5. To meet the communication purpose of performance appraisals, managers have to allow the employee the opportunity to speak to them concerning factors that inhibit their ability to succeed. T F
6. Without good information on performance of individual workers, managers cannot make reasonable decisions about their workforce. T F
7. Traits that most people would be likely to focus on, such as physical attractiveness, punctuality, and extroversion, have been shown to have very little bearing on job performance. T F
8. Results-based appraisal is the most concrete, or fact-based, form of appraisal. T F
9. The critical incidents and MBO methods tend to be the best appraisal methods for an evaluative interview. T F
10. The immediate supervisor is always the best person to evaluate any employee. T F
11. Personality conflicts and personal biases can affect how individual employees rate their peers. T F
12. Subordinate evaluations *must* be confidential in nature, or it is unlikely that the subordinates will provide an honest evaluation of their supervisor. T F
13. We rarely use 360° evaluations because they are so difficult to coordinate. T F
14. If they are guilty of halo error, evaluators *assume* reasons or motivations (such as attitudes, values, or beliefs) for an observed behavior. T F
15. Using multiple evaluators will limit the ability of one individual appraiser to provide a biased opinion concerning an employee's performance. T F

Communication Skills

The following critical-thinking questions can be used for class discussion and/or for written assignments to develop communication skills. Be sure to give complete explanations for all answers.

1. Other than an annual evaluation, what would you do to "manage" the performance of your employees? Explain why you chose the items that you did.
2. What would you do as the manager in order to make sure that your employees knew the standards that they would be evaluated against? Explain your answer.
3. Do you really think that it is possible for a performance appraisal to be motivational? Why or why not?
4. Can you think of a situation where a trait-based evaluation would be necessary? Explain your answer.
5. You are in charge, and you want to evaluate a group of assembly workers. Who would you choose as the evaluator(s)? What about an evaluation of the director of operation? Explain your answer.
6. How would you minimize the chance that stereotyping could affect the evaluation process in your company?

7. Which of the solutions to performance appraisal problems would you implement first if you were in charge? Second? Why?
8. What would you do to make the performance appraisal debrief more comfortable and less confrontational for your employees? How do you think this would help?
9. Do you agree that performance appraisals should be discontinued in companies? Defend your answer.
10. Is Electronic Performance Monitoring ethical? Would you use it if it was your choice? Why or why not?

Video

Please visit the student study site at www.sagepub.com/lussier to view the video links in this chapter.

Answers

REVIEW QUESTIONS (TRUE-FALSE) Answers

1. F 2. T 3. T 4. F 5. T 6. T 7. T 8. T 9. F 10. F 11. T 12. T 13. F 14. F 15. T

Cases

Case 8-1. Beauty and the Beastly Situation at Aerospace Designs' Marketing Department

"Oh no! What now?" said Tom Moore, Director of Human Resources at Aerospace Designs. "Just when I thought this mess was over on how the Marketing Department does performance appraisal, we're smacked with a sexual harassment lawsuit. Well, we've got to do something about this predicament, and fast."

Aerospace Designs Background

Aerospace Designs (AD) was founded in the early 1960s. A privately held company started by two engineers, it was deliberately designed to feed off the blossoming U.S. military budget as the United States fought the Cold War. It became part of the supplier system to the massive Grumman contractor on Long Island, New York, and took on a military-like culture and structure.

Aerospace's Marketing Department

Aerospace Designs was predominantly a population of White males, and the hiring of minorities and women would assist in meeting its government-imposed affirmative action goals. The Marketing Department had never employed women. It was a very flat structure, consisting of three internal salesmen, a sales coordinator on-site, and one road salesman, who all reported directly to Frank Fasting, the Vice President of Sales and Marketing. (See Appendix A for an abbreviated organizational chart of

the Sales and Marketing Department.) Aerospace Designs had hired Frank in hopes that he would be able to bring it out of its recent trend of flat growth. He was expected to grow the existing stable aerospace electronics business, and to firmly establish both a lights product line and a land-based vehicle business for military and commercial operations. The addition of new staff positions to the Marketing Department, of which the Marketing Assistant was one, was designed to help establish a web presence and improve the capabilities for print media and trade show coordination.

Enter Lola

Lola Meyer was above average in height, single, blonde, and 32 years old with lingering aspirations to be a model. Having a four-year degree, and opting out of the education field, she came over to Marketing in an attempt to find a steady job where she might be taken seriously. Although Frank had reservations regarding hiring Lola for the job given her qualifications, Sue Jones, the Human Resources Manager, eventually persuaded him to give Lola a chance. After a few months on the job, Frank approved arrangements for Lola to take courses related to the work that needed to be done, as it became apparent that she lacked some technical marketing skills necessary to be effective in her position.

Lola's Performance Evaluation

The ensuing year went by without fanfare. Lola, Frank, and the rest of the Marketing Department seemed to coexist amicably. Frank proved to be an outgoing, friendly sort, as you might expect of someone who is in Sales. His greatest weakness as a manager seemed to be his lack of administrative follow-through.

Aerospace Designs policies dictated an annual performance evaluation for every employee. This review unfortunately hadn't been done by Frank in a timely manner for Lola. By the time January rolled around, Lola's review was two months late. Frank discussed with Sue that he was not pleased with Lola's performance to date and would indicate such on her review. Sometime in April Frank became ill and needed to take time off to care for his personal health. Lola's review was written by Frank but not formally presented to Lola. Since it was now delayed nearly five months and it was apparent that Frank would be out for several more months, the decision was made to have Mark Gurello (Senior Sales Manager overseeing Marketing in Frank's absence) present Lola with the poor performance evaluation. This took place at the end of April. Lola was rated overall as "less than competent" and was not given a salary increase.

Lola's Reaction

Lola was both shocked and dismayed. In the beginning of May, she met with Sue to discuss her performance review. She handed Sue an 18-page, handwritten rebuttal of her evaluation. Her reply admitted her inability to reach designated goals, but stated that her performance was hindered due to items beyond her control. During this discussion with Sue, Lola alleged that sexual conversations and behavior had occurred in her work environment. Specifically, she cited that Frank had used highly inappropriate language, including nicknames for the President of Aerospace Designs. When she walked in on one of these conversations and was asked to comment, she abruptly left, and immediately filed her rebuttal report with HR.

Sue's Response and Lola's Bombshell

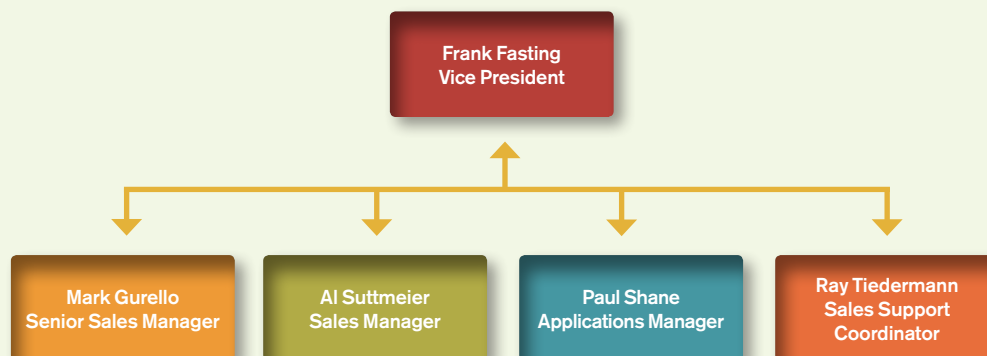
Upon reading about these incidents, Sue conducted a prompt, thorough internal investigation and determined that Lola's performance was marginal and upheld the performance review as written. She also determined that inappropriate conversations had taken place, and Frank received a written reprimand and was required to attend sexual harassment awareness training when he returned to the job. Lola's supervisor was permanently changed to Mark, and her workstation was moved to the other side of the Marketing area, away from Frank's office door. Lola was agreeable to these actions taken by the company. However, three months later Lola filed a sexual harassment lawsuit against the firm, stating that she could not get a fair evaluation given the harassing environment she was working in.

Questions

1. What evidence does this case provide for formulating and implementing a systematic approach to performance appraisal?
2. Do you believe that Lola's performance evaluation was valid and reliable? Do you feel that Frank had a bias or stereotypical mind when filling out the evaluation? Explain your answer.
3. What in the case indicates a problem with this supervisor's evaluation? Please connect examples from this case to what the chapter discusses.
4. How did Lola, her supervisor, and human resources communicate with one another? Do you feel that a performance appraisal interview should have been more formally established and conducted? Why or why not?
5. How can Lola's accusation of sexual harassment affect her personal work performance and her performance evaluation?

Case created by Herbert Sherman, PhD, and Mr. Theodore Vallas, Department of Management Sciences, School of Business Brooklyn Campus, Long Island University

Abbreviated Organizational Chart Sales and Marketing Department, Aerospace Designs, Inc., 2001



Case 8-2. Performance Evaluation at DHR: Building a Foundation or Crumbling Ruins?

DHR Construction was managed by Richard Davis, operating manager and senior partner. Homes were built on-demand to customer specifications. Richard Davis was in charge of the financial management of the firm including working with suppliers, creditors, and subcontractors (obtaining bids and construction loans). Davis and Richard Hodgetts, the general partner, met on a weekly basis and communicated through phone calls and e-mail. The role of project foreman was delegated to either one of their subcontractors or a hired employee and, in the worst-case scenario, filled by a reluctant Hodgetts (who had a full-time job outside of the business and had minimal free time).

DHR earned a reputation for honesty, promptness in paying bills, and professionalism—rare commodities for a small home builder in the area. However, DHR was also very demanding of suppliers—if you promised a job was going to be completed or supplies were going to be delivered by a certain date and you did not meet the deadline, you were going to hear from the firm. Repeated miscues would result in not being asked to bid on future projects.

Enter James Kennison

James Kennison was a successful corporate executive who was good with his hands; his main hobby and passion was working on his home. His mild-mannered, laid-back approach to life was perfect for the professional environment of his former firm, Micro-Tech, a business that produced specialized electronic parts and gauges. Kennison left the corporate world when he became economically self-sufficient in order to simplify his life, reconnect with nature, and become, as he called it, “self-actualized.”

In order to keep busy, Kennison decided that he would put his passion for building to good use and hire himself out as an independent handyman/subcontractor. His aptitude, acumen, and even-tempered style made it very easy for Kennison to fit into any work crew that would hire him. After a few jobs, Kennison decided to work on his own and hired himself out as a finisher on home construction projects. It was in that capacity that Kennison was originally hired by Davis and Hodgetts to work as a subcontractor on the homes in their Mountain Trails project. Kennison’s wit, charm, and polished demeanor sat well with Davis and Hodgetts, and he became a fixture at their weekly business meetings.

It was not surprising, then, that Davis and Hodgetts approached Kennison about taking over the position of contractor/foreman when a sudden vacancy occurred. Kennison had a plethora of experience, had a real head for business, and was respected by the other subcontractors as a fellow artisan, one who knew the work and was not afraid to get dirty doing it.

Although Kennison seemed open and honest in his dealings with Davis (with Kennison consistently indicating that all was going well), it didn’t take more than a month before Davis realized

that all was not going as planned. Davis’s Gantt chart indicated that several homes were falling behind schedule with one of the homes failing inspection.

Evaluative Appraisal Interview: Cracks in the Drywall?

Davis and Hodgetts talked about the situation at some length and decided that both of them needed to talk with Kennison at the next dinner meeting and find out exactly what was happening at the job site since Kennison hadn’t commented on work delays or problems with the inspectors. At the meeting, Davis reiterated with Kennison what he thought were the job responsibilities, the important tasks to be accomplished, and the need to have open and candid communications between them. Kennison admitted that getting subcontractors to show up as scheduled was starting to become a problem and that he thought that the construction inspections would be quickly dealt with. He apologized for the delays and said that he would keep in better contact with Davis and let him know exactly what was happening, especially if there were any new problems. Davis reminded Kennison that he needed to keep a close watch on the subcontractors since they had a tendency to work for multiple builders simultaneously and therefore would jump from job to job. Kennison assured Davis and Hodgetts that he would manage the situation and that things would improve.

The talk with Kennison seemed to get things back on track. Kennison provided Davis with a list of the subcontractors to invite to their dinner meetings. When the issue was raised with these subcontractors about work scheduling, the subcontractors promised to do the best they could to perform the work as required. The next few days saw a flurry of activity at the work site as the subcontractors, guided by Kennison, tried to catch up with the construction schedule. The next inspection came off without a hitch.

Here’s to the New Boss, Same as the Old Boss

After a few days, the subcontractors were back to their old routine of not showing up at the work site when planned. After a few weeks went by, Kennison tried to cover for the work not being done by the subcontractors but to no avail. The situation deteriorated when one of the home purchasers, who visited the work site, reported to Davis that their home was way behind schedule. After a quick talk with Kennison, several of the subcontractors had to be fired by Davis because they continued to not show up when scheduled without notification. Worse, now other subcontractor[s] (e.g., painters) were quitting because the homes were not ready to work on.

Questions

1. What appraisal method best describes how Davis and Hodgetts evaluated Kennison’s work?

2. Given your answer to Question 1, why do you believe that this method of appraisal did not produce long-lasting results in Kennison's ability to manage the subcontractors?
3. Assume that you are Davis and Hodgetts. What appraisal system would you use for Kennison? Why?
4. Evaluate how well Davis and Hodgetts prepared for and conducted the appraisal interview with Kennison.
5. Discuss "who" evaluated and "who" should be evaluating Kennison's performance. Explain why.

Case created by Herbert Sherman, PhD, and Mr. Theodore Vallas, Department of Management Sciences, School of Business Brooklyn Campus, Long Island University

SKILL BUILDER 8-1**Peer and Self-Assessment**

This exercise actually includes the usual self-assessment for each chapter, and an evaluation of peers, plus developing measures of performance.

Objective

To develop your skill at assessing your performance and that of your peers.

To develop your skill at developing measures of performance.

Skills

The primary skills developed through this exercise are:

1. *HR Management skill*—Conceptual and design skills
2. *HRM 2010 Curriculum Guidebook*—F: Performance management

Assignment Part 1—Self-Assessment

During your college courses, you most likely had to do some form of group assignment. Select one group you worked with for this assignment. Based on your performance in your prior group, or it could be for this course, do a self-evaluation using the rating scale form below.

Evaluator (you) _____ (Self-Evaluation)

This exercise can stop with just a self-assessment or continue to also include peer evaluations.

	A A-	B+ B B-	C + C C-	D+ D D-	F
	Always	Usually	Frequently	Sometimes	Rarely
Did a “good” analysis of project					
Developed “good” questions to ask					
Actively participated (truly interested/involved)					
Made “quality” effort and contributions					
Got along well with group members					
Displayed leadership					
List at least 3 of your own measures of performance here					
Class Attendance—number of absences	0–1	2	3	4	5+
Group Meetings Attendance to prepare group project—number of absences	0	1	2	3	4+
Managed the group's time well					

Assignment Part 2—Peer Review

- Part 2 begins by conducting a peer evaluation using the above form for each of the other members in your group with this heading:
Group Member _____ (Peer Evaluation)
Either copy the above form for each group member, do your assessment on any sheet without the form, or your instructor will provide you with a form that includes multiple forms for you to complete for each group member.
- Below, rank each group member (including yourself) based on his or her performance. The first person listed (number 1) should be the best performer, and the last person listed should be the least effective performer, based on the performance appraisal above. If members are close or equal, you may assign them the same rank number, but you must list the better one first.
- To the right of each group member (including yourself) place the letter overall grade (A–F) you would assign to this member based on the performance appraisal. You may give more than one member the same grade if he or she deserves the same grade. You may also use plus and minus grades.

<i>Rank</i>	<i>Name</i>	<i>Grade</i>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

SKILL BUILDER 8-2

Debriefing the Appraisal

Note: This exercise is designed for groups that have been working together as part of the course requirements for some time. It is a continuation of Skill Builder 8-1. Based on your peer evaluations, you will conduct performance appraisals for your group members.

Objective

To develop a plan to improve your team performance, and to develop your skills in conducting performance appraisals.

Skills

The primary skills developed through this exercise are:

- HR *Management skill*—Conceptual and design skills
- SHRM 2010 Curriculum Guidebook*—F: Performance management

Assignment

You will be both the evaluator and evaluatee. Get together with group members and beginning with the letter A have each member select a letter. Pair off as follows: A and B, C and D, E and F, etc. If there is an odd number in the group, each member will sit out one round. A, C, and E (etc.) conduct the evaluation interview using the form in Skill Builder 8-1, directly followed by the developmental interview to give suggestions on improve group member's performance for B, D, and F (be sure to follow the evaluative and developmental interview steps in Models 8-1 and 8-2). Be an evaluator and evaluatee; do not be peers having a discussion. When you finish, or the instructor tells you the time is up, reverse roles of evaluator and evaluatee—B, D, and F are the evaluators.

When the instructor tells you to, or the time is up, form new groups of two and decide who will be the evaluator first. Continue changing groups of two until every group member has appraised and been appraised by every other group member.

Apply It

What did I learn from this experience? How will I improve my group performance in the course? How will I use this knowledge in the future?



rate your level of
scale of 1 to 5 where 1 ref

- 3
- 4
- 5

SKIN/AIR

scale of 1 to 5 where 1 ref
and you rate your level of s