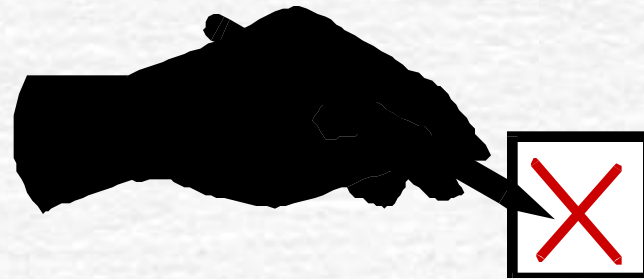


Chapter 9



Performance Appraisal

Performance Appraisal

Performance appraisal is the process by which organizations evaluate employee job performance.



Uses of Performance Appraisals

- *Performance Improvement.* Performance feedback allows the employee, the manager and human resource specialists to intervene with appropriate actions to improve performance.



Uses of Performance Appraisals

- *Compensation Adjustments.* Performance evaluations help decision-makers determine who should receive pay raises. Many firms grant part or all of their pay increases and bonuses on the basis of merit, which is determined mostly through performance appraisals.



Uses of Performance Appraisals



- *Placement decisions.* Promotions, transfers and demotions are usually based on past or anticipated performance. Often promotions are a reward for past performance.
- *Training and development needs.* Poor performance may indicate untapped potential that should be developed.




Uses of Performance Appraisals

- *Career planning and development.* Performance feedback guides career decisions about specific career paths one should investigate
- *Deficiencies in staffing process.* Good or bad performance implies strengths or weaknesses in the human resource department's staffing procedures.

Uses of Performance Appraisals

- *Informational inaccuracies.* Poor performance may indicate errors in job analysis information, human resource plans, or other parts of the human resource management information system. Reliance on inaccurate information may have led to inappropriate hiring, training, or counselling decisions.





Uses of Performance Appraisals

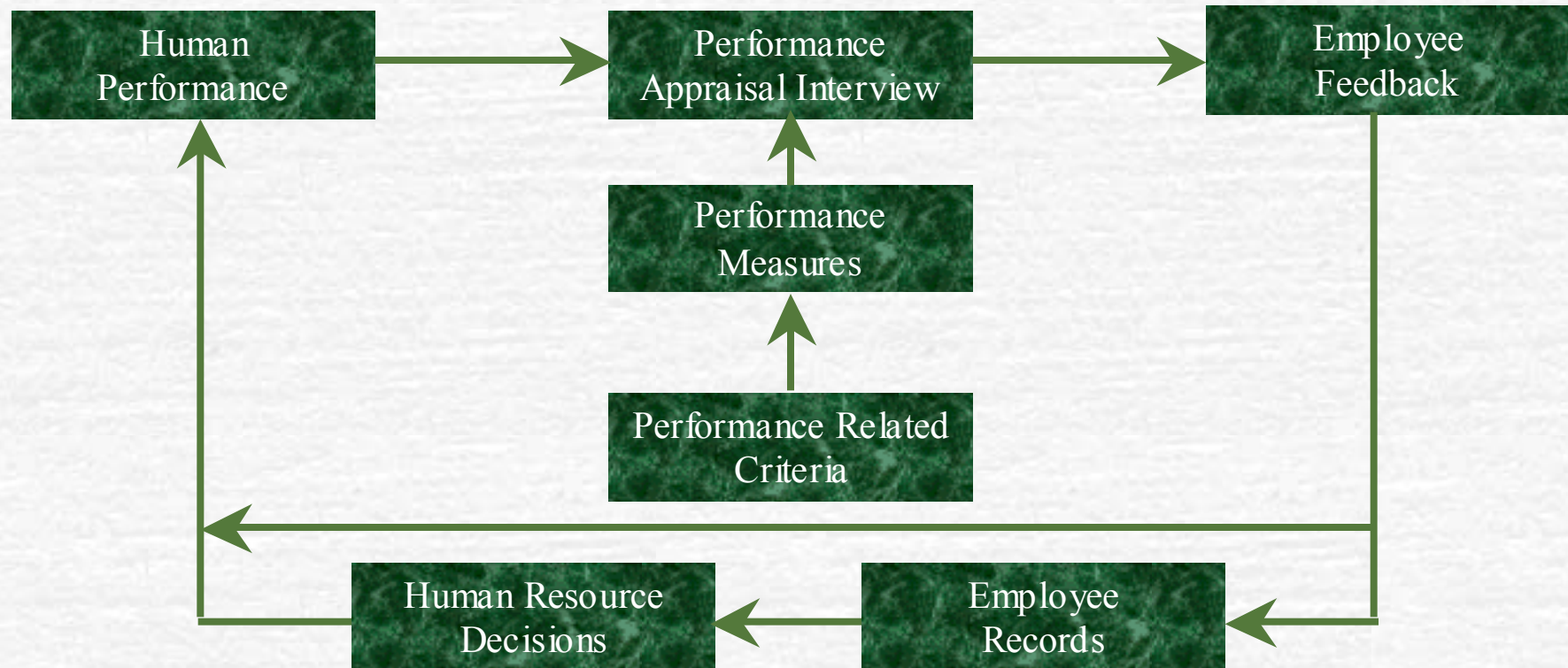
- *Job design error.* Poor performance may be a symptom of ill-conceived job designs. Appraisals help diagnose these errors.
- *Avoidance of discrimination.* Accurate performance appraisals that actually measure job-related performance ensure that internal placement decisions are not discriminatory.

Uses of Performance Appraisals

- *External challenges.* Sometimes performance is influenced by factors outside the work environment, such as family, finances, health, or other personal matters. If such influences are uncovered through appraisals, the human resource department may be able to provide assistance.

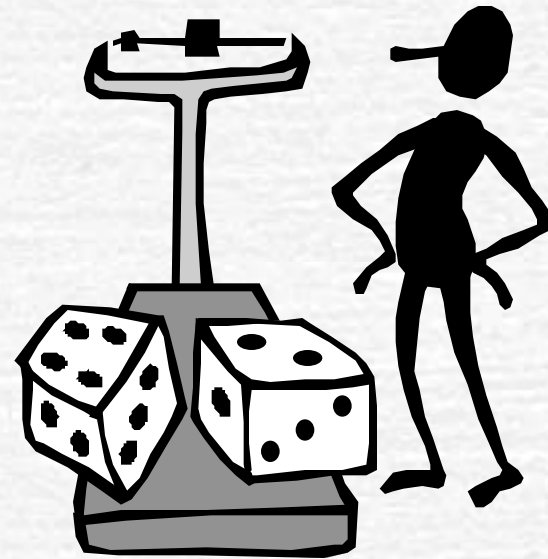


Key Elements of Performance Appraisal System



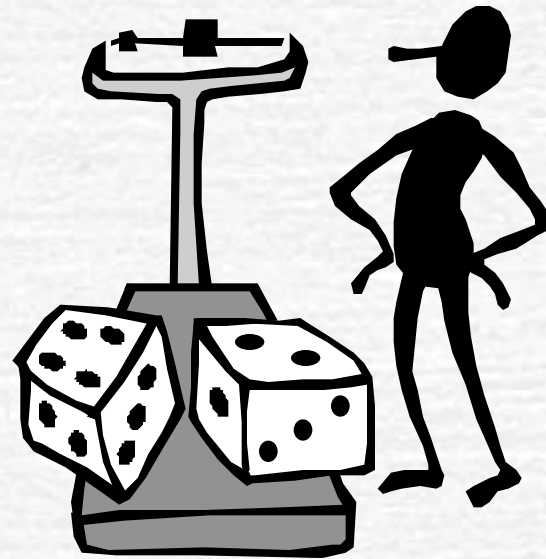
Performance Standards


Performance Standards. The benchmark against which performance is measured.



Performance Measures

Performance Measures. The ratings used to evaluate employee performance





Subjective vs. Objective Measures

SUBJECTIVE

- Not verifiable by others
- Based on rater's opinions
- Accuracy and usefulness low

OBJECTIVE

- Verifiable by others
- Usually quantitative and therefore more precise
- Rater's opinion of ratee can't change rating



Direct vs. Indirect Observation

DIRECT

- Rater actually sees the employee's performance
- Examples?

INDIRECT

- Rater must evaluate substitutes for performance
- Examples?

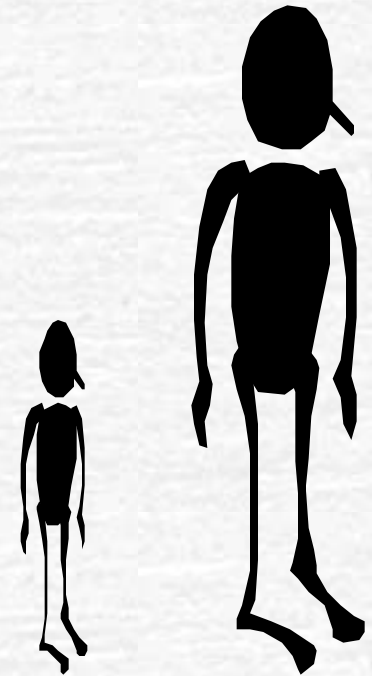


Types and Accuracy of Performance Measures

Types of Performance Measures	Relative Degree of Accuracy	
	Direct	Indirect
Objective	Very high	High
Subjective	Low	Very low

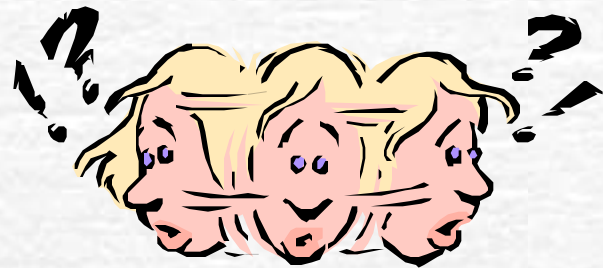
Rater Biases

- The halo effect
- The error of central tendency
- The leniency and strictness biases
- Personal prejudice
- The recency effect



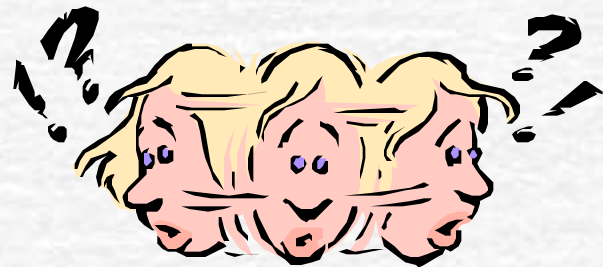
Characteristics of an Effective Performance Appraisal System

- Is it valid?
- Is it reliable?
- Did employees have input into its development?
- Are its standards acceptable to employees?
- Are its goals acceptable to employees?
- Are its standards under the control of employees?



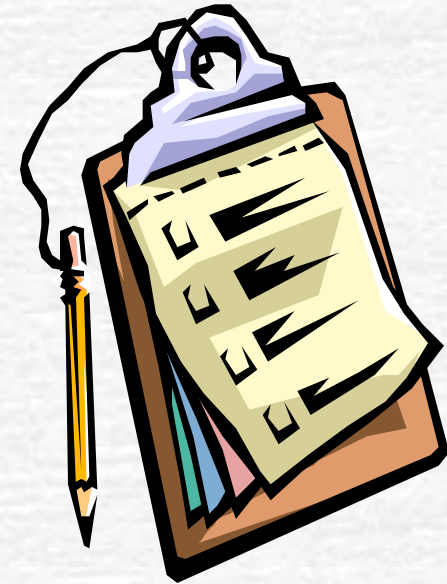
Characteristics of an Effective Performance Appraisal System

- How frequent is the feedback?
- Have raters been trained?
- Have ratees been trained?
- Do employees have input in the appraisal interviews?
- Do the appraisals have consequences?
- Are different sources (raters) utilized?



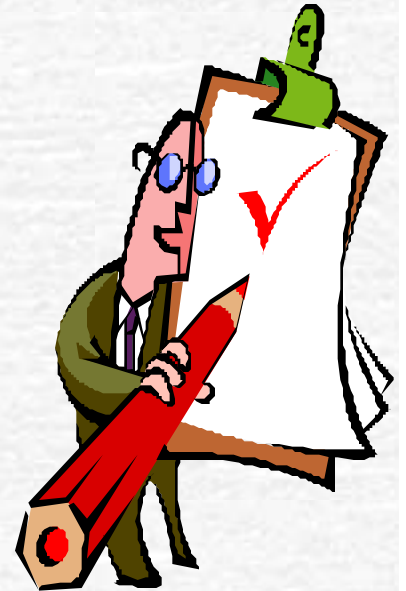
Past-Oriented Appraisal Methods

- Rating scale
- Checklist
- Forced choice method
- Critical incident method
- Behaviourally anchored rating scales



Past-Oriented Appraisal Methods

- Field review method
- Performance tests and observations
- Comparative evaluation methods



Future-Oriented Appraisal Methods

- Self-appraisals
- Management-by-objectives approach
- Assessment centre technique



360 Degree Performance Appraisal

360 Degree Performance. Combination of self, peer, supervisor, and subordinate performance evaluation



Steps in the Performance Appraisal Process

- Attention
- Categorization
- Recall
- Information Integration



Evaluation Interviews

Evaluation Interviews. Performance review sessions that give employees feedback about their past performance or future potential



Guidelines for Effective Performance Evaluation Interviews



- Emphasize positive aspects of employees performance
- Tell each employee that the evaluation session is to improve performance, not to discipline
- Conduct the performance review session in private with minimum interruptions



Guidelines for Effective Performance Evaluation Interviews

- Review performance formally at least annually and more frequently for new employees or those who are performing poorly
- Make criticisms specific, not general and vague
- Focus criticisms on performance, not on personality characteristics

Guidelines for Effective Performance Evaluation Interviews

- Stay calm and do not argue with the person being evaluated
- Identify specific actions the employee can take to improve performance



Guidelines for Effective Performance Evaluation Interviews

- Emphasize the evaluator's willingness to assist the employee's efforts and to improve performance
- End the evaluation session by stressing the positive aspects of the employee's performance and reviewing plans to improve performance

