

# Chapter 7

## **Chapter 7 – Performance Management and Appraisal**

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Criticizing a Subordinate  
Ensuring the Interview Leads to Better Performance  
Handling a Formal Written Warning

**Course Objectives**

After learning this chapter, students are able to:

- Describe the appraisal process
- Compare the various performance appraisal methods
- Discuss how MBO can be used as an appraisal method
- Explain why performance appraisals might be distorted
- Describe ways to conduct an effective performance appraisal
- Perform an effective appraisal interview
- Role-play the various scenarios in a performance appraisal interview

## 7.0 Introduction

Ee Leen is upset and de-motivated after attending her performance appraisal with her superior, Helen. Below is an excerpt of the performance appraisal interview:

**Ee Leen:** I disagree with the performance appraisal ratings because I feel that I should get a better rating. Can you please tell me what was wrong with my performance?

**Helen:** You are very slow in producing the weekly reports and the reports are full of errors. Just look at Annie, although she has only been here for two months, she can produce her weekly reports on time with 100% accuracy. She is definitely a better worker.

**Ee Leen:** That is fair but I have achieved the other goals given to me in the beginning of the year. All the clients praise me for the services as evidenced by the number of written compliments received so far. I was also involved in the project on improving customer service. I also trained other new employees. Don't these actions count when you are evaluating my performance?

**Helen:** I believe everyone in the department were also involved in the project and training. There is nothing outstanding about you. If you are unhappy with the ratings, you better work hard in the future or you might consider looking elsewhere for another job.

This is an example of a poor performance appraisal interview. Helen did not encourage Ee Leen to talk and she got very personal. You will learn how to conduct an effective appraisal interview later in the chapter.



Figure 7.1 Ee Leen upset after the performance appraisal

## 7.1 Definition of Performance Management and Performance Appraisal

Performance appraisal is a formal system of review and evaluation of individual or team task performance (Mondy & Noe 2005, p.252). It is assumed that employees understand their performance standards and supervisors will provide feedback and ways to improve their performance.

Performance management consists of all organizational processes that determine how well employees, teams and ultimately, the organization perform. The processes include objectives and performance standards, performance and development reviews, measurement, pay, learning and development, coaching, competencies, 360 degree feedback, teams and performance problem solving.

## 7.2 Defining Employee's Goals

In performance management, employees are goal-oriented and are appraised against specific standards. Employees are usually informed of their goals and standards at the start of the working year.

The goals should be specific, measurable, achievable, relevant and timely.

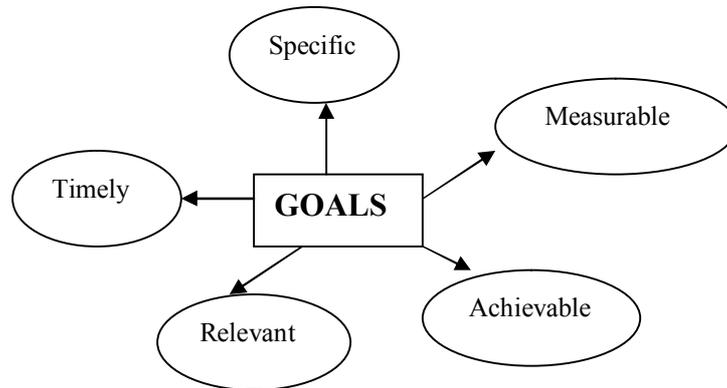


Figure 7.2 Characteristics of good goals

For example, employees in Bank B are assigned specific goals or performance standards in January. There will be a discussion between the manager and the team on the performance standards and the scores related to them. Let's say to get a rating of 1 in terms of efficiency; the processor must get an annual average efficiency of 150%. Although it is a challenging goal, it is do-able as proven by the bank's top performers.

**7.3 Uses of Performance Appraisal**

Performance appraisals are conducted for various reasons as follows:

**7.3.1 Internal Employee Relations**

Performance appraisal data can be used to make administrative decisions relating to promotions, firing, layoffs and merit pay increases. For example, the management might consider a person for promotion based on his performance.



Amy is ready for a promotion. Noone would get questioned it as she has a high performance rating

Figure 7.3 How performance appraisal data is used for promotion decisions

**7.3.2 Training and Development**

A performance appraisal helps to identify the training and development needs for the employee while identifying the employee's strengths and weaknesses. For example, an employee who lacks leadership could be sent for leadership training.

**7.3.3 Performance Improvement**

It provides an opportunity for a supervisor and subordinates to review their work-related behavior and encourages improvement in performance via the feedbacks given by the

supervisor. They can develop a plan for making improvement and the superior is in charge of coaching, training and guiding the employee's work efforts. Therefore, appraisals help an organization to better manage employees and improve overall performance.



Figure 7.4 Performance appraisal data used for performance improvement

### 7.3.4 Recruitment and Selection

Performance appraisal data may be used in predicting the performance of job applicants. For example, we can identify the characteristics and behaviors of successful lawyers, which will be used as a benchmark during the recruitment process, particularly, behavior interviews. It is also an input to the selection procedures. An employee's job performance is compared to the selection process scores to determine suitable candidates for the job.

Based on our performance appraisal data, we have identified some characteristics to determine the potential of job applicants for the position of secretary.



Figure 7.5 Performance appraisal data used for recruitment and selection

### 7.3.5 Career Planning and Development

As appraisals assess an employee's strengths and weaknesses, it helps the organization to determine the person's potential and review his career plans. This information is used to counsel subordinates and assist in developing and implementing their career plans.

### 7.3.6 Compensation Programs

The results of the performance appraisal are used to determine salary increments and annual bonuses. In order to encourage good performance, the organization needs to ensure that they design and implement a reliable performance appraisal system and rewards every employee fairly.

### 7.4 The Performance Appraisal Process

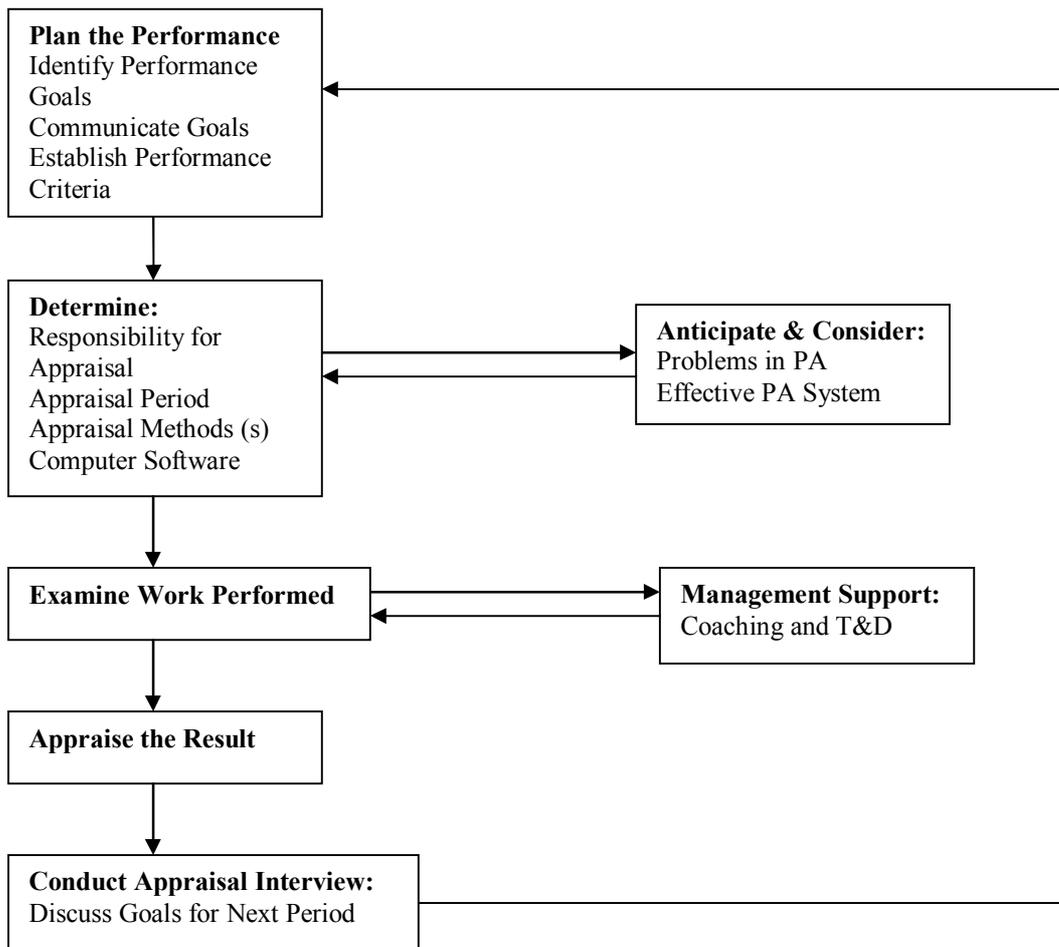


Figure 7.6 The performance appraisal process  
Source: Noe & Mondy 2006, p.258

The diagram above shows the performance appraisal process conducted by most organizations. The details of each step are explained below:

#### 7.4 Plan the Performance

The first step in the performance appraisal process is to identify performance goals which are usually derived from an organization’s strategic objectives. This will enable the employees and team to see how they can make a contribution to the organization’s overall strategy. Participation from employees in this stage would instill a sense of ownership towards the goals.



Figure 7.6 Employees participating in identifying performance goals

Once the performance goals have been established, the goals and the performance criteria needs to be communicated to all employees so that they know what the organizations expect from them.

The most common performance criteria are as follows:

**a. Traits**

Some traits such as attitude, appearance and initiative are used for evaluation. For example, appearance is an important criterion if one holds the position of an air stewardess.

**b. Behaviors**

Task-related behavior may be the criteria for evaluation if an individual’s task outcome is difficult to determine. For example, an organization may evaluate a manager based on his leadership style.

**c. Competencies**

Competencies refer to a set of knowledge, skills, traits and behaviors that may be technical, relate to interpersonal skills or be business oriented. For example, an account executive may be evaluated based on her interpersonal skills in dealing with clients.

**d. Goal achievement**

Managers and employees agree on the employee’s goals for the next evaluation period and also the assistance and resources the manager needs to provide.

**e. Improvement Potential**

An organization should focus on the future i.e. the needs and behaviors that an employee needs to develop and cultivate which will assist them in achieving the organization’s goal.

**7.5 Responsibility for Appraisal**

The Human Resources Department is usually responsible for coordinating the performance appraisal program. They will provide training to supervisors to improve their appraisal skills. Final decisions are usually made by the supervisors or department heads. However, the people who might be involved in this program are shown in the table below

People who may be involved in the appraisal process	Advantages	Disadvantages
The appraisee’s manager’s immediate manager	Used as a check whether manager is being fair. Is more objective about employee’s work and also does not feel threaten by their success	May not know the appraisee well and is likely to obtain information about the individual’s performance from their immediate manager
The HR manager	Used as a check to see whether manager is fair and consistent. Appraisee is not a threat to the manager	May not know the appraisee well and is likely to obtain information about the individual’s performance from their immediate manager
Appraisee’s immediate supervisor	Can observe subordinate’s job performance most of the time Able to identify the training and development needs of the subordinates	May emphasize some aspects of employee performance only Some managers may manipulate evaluations to justify pay increases and promotions
Peers	Useful approach in an organization with a matrix organization structure or where teamwork is important. All	May not know about all aspects of the individual’s job. They may be reluctant to express an honest opinion about a colleague and



	peers work closely with the employee and have an unbiased view on typical performance	maybe influenced by their relationship with that person or by jealousy or rivalry.
Subordinates	Subordinates are in an excellent position to comment on the superior's managerial effectiveness This helps top managers to understand management styles, identify potential people problems and take corrective actions with individual managers, if necessary.	May be afraid to express their real opinion if they feel that their manager might hold it against them in future The appraisee may not accept the views of his subordinates The appraisee might want to be liked by all subordinates at the expense of work performance
Self-appraisal	Appraiser and appraisee complete the forms separately and use them as a basis for discussion. Employee has a better knowledge of his performance compared to his manager.	Appraisee may have unrealistic views of their performance and may not be willing to admit to their weaknesses. In some cases, appraisee may be too critical of themselves
Customer appraisal	Demonstrates a commitment to the customer, hold employees accountable and fosters change	Goals set can be outside the employee's control
Rating Committee	Committee comprises the employee's immediate supervisor and three or four other supervisors. Combined ratings are more reliable, fair and valid. May cancel out problems like bias and halo effect	May not know the appraisee well and is likely to obtain information about the individual's performance from his or her immediate manager
360-Degree Feedback	Ratings are collected from supervisors, subordinates, peers, and internal or external customers. It is used for development purposes. Praise and criticisms come from all directions and they guide their organizations to continuous improvements	Reviews are done anonymously and ratings could be bias due to jealousy or rivalry Too much paperwork

Table 7.1 Advantages and disadvantages of including the various people in rating employees  
Source: Adapted from Noe & Mondy 2006, 158-260 and Foot & Caroline 2005, p.275

### 7.6 The Appraisal Period

The formal performance evaluations are usually conducted either quarterly, semiannually or annually. This is backed up by informal evaluations via coaching and other developmental activities throughout the appraisal period. Employees will be aware of their performance and strive to improve it in order to get a better score during the formal performance evaluation.

### 7.7 Performance Appraisal Methods

There is usually a predetermined and formal method in conducting appraisals in any organizations. It is predetermined because organizations had already decided what tools and processes to use before the performance appraisal exercise. The various types of performance appraisal methods are:

#### 7.7.1 Graphic Rating Scale Method

This is the most popular and simplest method. The rater assesses an employee on a list of traits such as quantity of work, job knowledge, and attendance, accuracy of work based on a range of performance values or graphic rating scale for each trait. The rating scales may include both numerical ranges and written descriptions. The assigned values for each trait are summed up to get the employees' overall performance.

Employers must know what performance to measure. Examples of the measurements are generic dimensions such as quality to quantity, the job's actual duties, competency-based appraisals or competencies and objectives. Objectives are usually set at the beginning of the year.

**Dessler & Tan 2006, p.215**

Figure 7.7 Graphic rating scale with space for comments

The advantages and disadvantages of graphic rating scale method is shown in the table below

Advantages	Disadvantages
1. Simple to use	1. Employers may select the wrong choice of rating categories which has little relationship to job performance
2. Provides a quantitative rating for each employee	2. Appraisers could misinterpret the written description due to different background, experience and personality
	3. Unclear standards
	4. Halo effect, central tendency and leniency

Table 7.2 Advantages and disadvantages of graphic rating method

#### 7.7.2 Alternation Ranking Method

The appraiser ranks employees from the most to the least valuable on a particular trait, choosing highest, then lowest, until all employees are ranked.

**Dessler & Tan 2006, p. 220 (Figure 9.5)**

Figure 7.8 Alternation ranking method

The advantages and disadvantages of this method is shown in the table below.

Advantages	Disadvantages
1. Simple to use	1. Can cause disagreements among employees
2. Avoids central tendency and other problems of rating scale	2. May be unfair if all employees are excellent

Table 7.3 Advantages and disadvantages of alternative ranking method

### 7.7.3 Paired Comparison Method

This is a ranking method where the performance of each employee is compared to all employees in the group based on a certain trait. As we make the comparison, indicate a plus sign (better performance) or negative sign (weaker performance) for each employee. The person who has the greatest number of plus signs will receive the highest ranking.

Dessler & Tan 2006, p.220

Figure 7.9 Paired Comparison Method

The diagram shows that Maria ranked highest in quality of work while Art ranked highest for creativity.

### 7.7.4 Forced Distribution Method

This method requires the rater to assign individuals in a team to a limited number of categories similar to a normal frequency distribution (Mondy & Noe 2005, p.265).

For example, an appraiser may decide to distribute employees as follows:

- 15% high performers
- 20% high-average performers
- 30% average performers
- 20% low-average performers
- 15% low performers

The advantages and disadvantages of this method are shown in the table below.

Advantages	Disadvantages
1. End up with a predetermined number or percentage of people in each group	1. It encourages unhealthy competition, paranoia and destroys employee loyalty
	2. Good employees maybe penalized if they are part of a superstar team.
	3. Employees' appraisal results depend on your choice of cutoff points

Table 7.4 Advantages and disadvantages of forced distribution method

### 7.7.5 Critical Incident Method

This method focuses on good and bad work-related behaviors. The appraiser records the employee's positive and negative work-related behavior and reviews these behaviors with employee on a semiannual basis.

The advantages and disadvantages of this method are shown in the table below.

Advantages	Disadvantages
1. Actual examples of appraisee's performance, thus, enabling the appraisee to eliminate any deficiencies	1. Time consuming and burdensome as the appraiser must record the incidents on a daily or weekly basis
2. Evaluation is done on an ongoing basis and covers the entire appraisal period	2. Difficult to compare and rank employees as incidents cannot be quantified
3. Accumulate incidents that are tied to the employee's goals	

Table 7.5 Advantages and disadvantages of critical incident method

**7.7.6 Narrative Forms**

This method is also called the essay method. The evaluator writes a brief narrative on the employee’s performance.

Dessler & Tan 2006, p.222

Figure 7.10 Example of a narrative form

The advantages and disadvantages of this method are shown in the table below.

Advantages	Disadvantages
1. Simple	1. Unable to rank employees as there are no common criteria
	2. Ratings are dependent on the evaluator’s writing skills
	3. Focus in extreme behavior in employee’s work rather than routine performance

Table 7.6 Advantages and disadvantages of narrative forms

**7.7.7 Behaviorally Anchored Rating Scales (BARS)**

This is a performance appraisal technique that combines the benefits of narrative, critical incidents and quantified ratings whereby the scales are specific narrative examples of good and poor performance (Dessler & Tan 2006, p.219). In other words, the evaluator appraises behavior instead of trait (DeCenzo & Robbins 2005, p.253).

The five steps used to develop BARS are:

- a. Generate critical incidents by asking the jobholders and supervisors to tell you good and poor work-related behaviors
- b. Develop performance dimensions by grouping the incidents into smaller set of performance dimensions and define each dimension such as “leadership skills”
- c. Ask another group of people to reallocate the original critical incidents into each performance dimension. Retain the critical incident if 50% to 80% of this second group assigns it to the same performance dimension
- d. Scale the incidents usually on either a 7 or 9 point scales
- e. Develop a final instrument by selecting six or seven of the incidents as the dimension’s behavioral anchor

**Dessler & Tan 2006, p.223**

Figure 7.11 Example of a behaviorally anchored rating scale for the dimension Salesmanship Skill

The advantages and disadvantages of BARS are shown in the table below.

Advantages	Disadvantages
1. A more accurate evaluation as it is developed by people who are well-versed with the job	1. Difficult to develop
2. Clearer standards as evidenced by the critical incidents along the scale	2. Not economically feasible because each job category requires its own BARS
3. Critical incidents makes it easier to explain ratings to appraisees	3. It is activity oriented instead of results oriented

4. The dimensions are independent from each other	4. It is more time consuming compared to other methods
5. BARS evaluations are relatively consistent and reliable	

Table 7.7 Advantages and disadvantages of behaviorally anchored rating scales

### 7.7.8 Management by Objectives (MBO)

This is a performance appraisal method that includes mutual objective setting and evaluation is based on achieving the objectives. It consists of six steps i.e.

- a. Set the organizational-wide plans and goals for the following year
- b. Head of departments and senior management jointly set departmental goals based on organization goals
- c. Discuss the departmental goals with subordinates and ask them to set individual goals
- d. Department heads and subordinates set short-term individual performance goals
- e. Department heads compare each subordinate’s actual and targeted performance goals
- f. Departments heads discuss and provide feedback on subordinate’s progress



Figure 7.12 Department Head and subordinates setting individual goals

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The problems faced in using MBO are:

- a. Setting unclear and unmeasurable objectives
- b. MBO takes a lot of time and effort as department heads need to discuss with each subordinate in terms of setting objectives, measuring progress and providing feedback
- c. Setting objectives may turn into a bargaining session with subordinates pushing for lower targets and department heads striving for higher targets. Objectives need to be fair and attainable to motivate performance.

### 7.7.9 Computerized and Web-Based Performance Appraisal

There are computer software programs available in the market for recording the appraisal data such as Employee Appraiser, PeopleSoft, Halogen Software and KnowledgePoint. The advantages of computer software programs are as follows:

- a. Reduces paperwork
- b. Managers can customize the design of the appraisal to suit the organization’s needs
- c. Easier to track employee’s progress as they have 24 hours access to performance information
- d. Simplifies reviews
- e. Professional appearance

### 7.7.10 Combination of Methods

Most organizations combine several methods. For example in figure 7.7, the appraisal form shows a graphic rating scale with descriptive phrases to define each trait. There is also a

comment section below each trait for the evaluator to provide critical incidents. Therefore, this form can be used to rank employees and is useful for salary, transfer and promotion decisions while the critical incidents give specific examples for developmental discussions.

## **7.8 Problems in Performance Appraisal**

There are some common errors that have been identified in performance appraisals. The errors are as follows:

### **7.8.1 Lack of Objectivity**

Most of the traditional performance appraisal methods such as the rating scales method lack objectivity. For example, factors such as attitude, appearance and personality are difficult to measure and may not have any influence to a person's job performance. This could lead to unfair appraisals.

### **7.8.2 Halo Effect**

Halo effect occurs when a supervisor's rating of a subordinate on trait biases the rating of that person on other traits (Dessler & Tan 2006, p.226).

Let's say, a supervisor places a high value on punctuality and he noted that Koo was always punctual for work. He might unconsciously give Koo high ratings on the other factors. If Koo had not been punctual, it would be the other way round which is known as the horn effect. Both ways have a negative impact on the ratings.

### **7.8.3 Leniency/Strictness**

This is a problem that happens when the supervisor has a tendency to rate all subordinates either as high or low. This problem is apparent with the graphic scales rating method. Strictness could de-motivate average and top performers, leading to high employee turnover.

### **7.8.4 Central Tendency**

This error occurs when the evaluator needs to justify extremely high or low rating in writing. In order to avoid any possible criticism, the evaluator only gives average ratings to employees, leading to unfair appraisals for top and low performers.

### **7.8.5 Recent Behavior Bias**

As all employees know the schedule of the performance review, they may unconsciously improve their behavior and productivity several weeks before the performance review. It is only natural for the evaluator to remember recent behaviors and this could cause unfair appraisals. As performance appraisals cover a specified time, the whole appraisal period should be considered. This problem can be rectified through maintaining records of performance.

### **7.8.6 Personal Bias**

Some evaluators may be biased by personal characteristics such as age, race and gender, background or personal connection. This has a negative impact on employee morale.

### **7.8.7 Manipulating the Evaluation**

Some supervisors may manipulate the evaluation system by giving an excellent rating to a certain employee because they want to promote them and vice versa. A research revealed that 70% of managers believe that inflated and low ratings are given intentionally.

The reasons for inflated ratings are as follows:

- a. The belief that accurate ratings would have a damaging effect on the subordinate's motivation and performance
- b. The desire to improve an employee's eligibility for merit raises
- c. The desire to avoid airing the department's dirty laundry
- d. The wish to avoid creating a negative permanent record of poor performance that might hound the employee in the future
- e. The need to protect good performers whose performance was suffering because of personal problems
- f. The wish to reward employees displaying great effort even when results are relatively low
- g. The need to avoid confrontation with certain hard-to-manage employees
- h. The desire to promote a poor or disliked employee up and out of the department

The reasons for lowered ratings are as follows:

- a. To scare better performance out of an employee
- b. To punish a difficult or rebellious employee
- c. To encourage a problem employee to quit
- d. To create a strong record to justify a planned firing
- e. To minimize the amount of the merit increase a subordinate receives
- f. To comply with an organization edict that discourages managers from giving high ratings

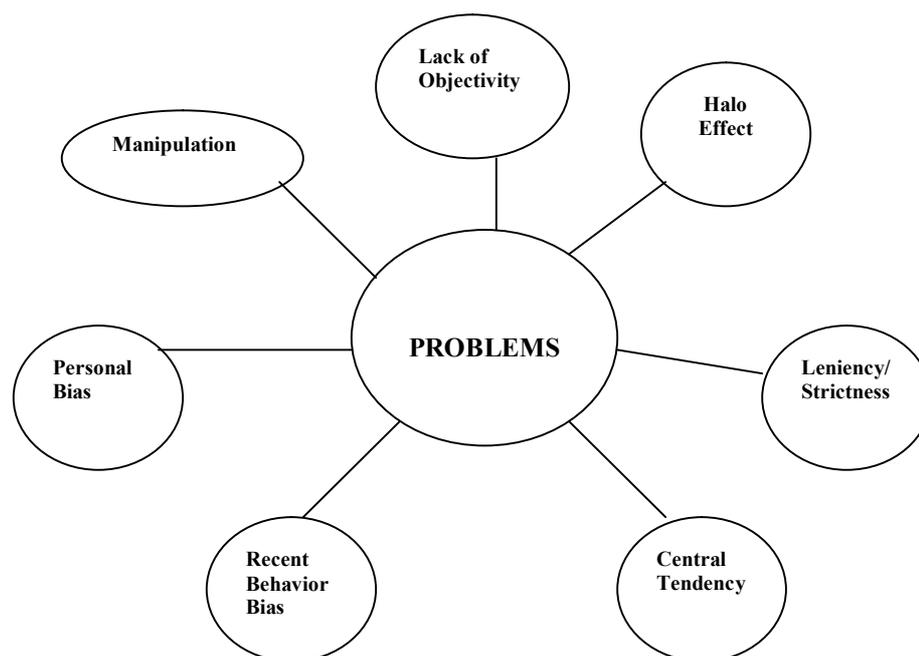


Figure 7.13 Problems in Performance Appraisal

## 7.9 How to Avoid Appraisal Problems

Although there are problems surrounding performance appraisals, these problems may be eliminated or minimized through the following actions:

### 7.9.1 Job Related Criteria

The criteria used to appraise employees should be job related i.e. determined through the job analysis. Although factors such as initiative, trustworthiness and cooperation are important, they should not be used as standards of performance if they are not job related.

### 7.9.2 Performance Expectations

Managers and subordinates must discuss and agree on performance expectations at the beginning of the appraisal period. This will enable them to understand the organization's expectations, evaluate their own performance and make timely adjustments without waiting for the formal evaluation review.



Figure 7.14 Agreeing on performance expectations

### 7.9.3 Standardization

All organizations should evaluate employees with the same instrument and covering similar period for those who work in the same job category. Regular feedback sessions and appraisal interviews are important for all employees. Formal documentation of appraisal data is important as they could be used to protect the organization from possible legal action. The records should include employee's responsibilities, expected performance results and the role of that data in making appraisal decisions.

### 7.9.4 Trained Appraisers

The organization should provide training to the appraisers to reduce rating errors such as halo effect, leniency and central tendency. The training should cover how to rate employees and how to conduct the appraisal interview.



Figure 7.15 Training the appraisers

### 7.9.5 Continuous Open Communication

There should be a continuous open communication between the supervisor and employees on their job performance throughout the appraisal period. Managers should handle daily performance problems as they occur and not wait for the appraisal interview. This will provide a signal to the employee to work harder if he receives negative feedback before the performance appraisal interview.



Figure 7.16 Open communication

### 7.9.6 Performance Reviews

Performance reviews are usually formal discussions of an employee's performance. It allows employees to detect any errors or omissions in the appraisals or even identify areas that employees need to improve on. An employee may also challenge the appraisal results. Managers need to constantly record employees' performance i.e. both positive and negative incidents in order to ensure accurate performance appraisals.



Figure 7.17 Performance Review

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### 7.9.7 Due Process

Organizations must have a procedure where employees have the opportunity to appeal appraisal results that they perceived as unfair or inaccurate.

### 7.10 The Appraisal Interview

An appraisal interview is an interview in which the supervisor and subordinate review the appraisal and make plans to correct weaknesses and improve strengths. To minimize the possibility of hostility, the face-to-face meeting and written review must have performance improvement as their goal.

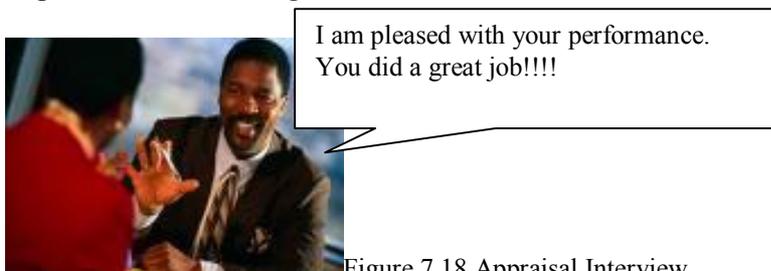


Figure 7.18 Appraisal Interview

#### 7.10.1 Types of Interviews

The four types of interviews are as follows:

**a. Satisfactory-Promotable**

The person's performance is satisfactory and the person is getting promoted. The objective of this interview is to discuss the person's career plans and identify areas for training and development in order for the person to move to the next job.

**b. Satisfactory- Not Promotable**

The person's performance is satisfactory but promotion is not possible. There could be no promotions in the organization or the person himself is contented with his position. The objective of the interview is to maintain satisfactory performance and to find incentives for the person to continue performing well. Incentives could be bonus, salary increment and praises.

**c. Unsatisfactory but Correctable**

The person's performance is unsatisfactory and the objective of the interview is to develop an action plan to rectify the unsatisfactory performance.

**d. Unsatisfactory and Uncorrectable**

An organization may choose to skip the interview as the next step of action is to either tolerate poor performance or dismiss the employee.

**7.10.2 Conducting the Appraisal Interview**

There are three stages involved in preparing for the interview.

- a. The evaluator needs to collect data, study the employee's job description, compare performance to standards and review the employee's past performance appraisals.
- b. Provide the employees sufficient time to review their work, job description, analyze problems and collect questions and comments.
- c. Agree on an appropriate time and allow sufficient time for the interview. Interviews range from one hour to three hours depending on the position. For example, clerks may only need one hour for their appraisal interviews. The interview should be conducted in a private place without any interruptions.

When conducting an interview, the evaluator must not get personal and talk in terms of work data such as absences, quality reports and tardiness. The evaluator should also encourage the person to talk by asking open-ended questions, use a command ("Tell me more") and restate the person's comments as a question. Finally, ensure that the person understands what is required of him and agrees to implement the action plan developed for him.

**7.10.3 Handling a Defensive Subordinate**

When a supervisor tells someone about his poor performance, a defensive subordinate may deny the fault, get angry or retreat into a shell. Therefore, managers need to understand and deal with defensiveness in the following manner:

- a. Recognize that defensive behavior is normal
- b. Attack a person's actions and not the person
- c. Postpone action until the subordinate has cooled down

d. Recognize that the manager cannot solve every problem, especially, employees with deep psychological problems.

#### 7.10.4 Criticizing a Subordinate

An evaluator should provide constructive criticism in private i.e. discuss on the performance deficiencies and not the person. Managers should criticize actions and ask the employee on how he would change things to improve the situation.



"Oh, boy, an apple! You definitely get a big promotion now. Not!" Figure 7.19 Do not criticize a subordinate

#### 7.10.5 Ensuring the Interviews Lead to Better Performance

The success of the appraisal interview depends on three factors:

- a. Employees do not feel threatened during the interview
- b. Employees have the chance to voice out their ideas and feelings
- c. The supervisor is helpful and constructive

Nevertheless, it is important to develop an action plan to correct any job-related problems, set new performance targets and deadlines to achieve it. The main aim of the interview is to increase performance.

#### 7.10.6 Handling a Formal Written Warning

Written warnings are given to employees with poor performance records. The letter should identify that the awareness of employee of the standard, violation of the standard and show that the employee had an opportunity to rectify the performance. The purpose of the warning is to warn the employee of his bad habits and to defend one's rating, both to the boss and courts.



Figure 7.20 An employee feeling frustrated after receiving the warning letter

### 7.11 Chapter Summary

1. Performance appraisal is a formal system of review and evaluation of individual or team task performance and is a part of performance management.
2. Performance management consists of all organizational processes that determine how well employees, teams and ultimately, the organization perform. In performance management, employees are goal-oriented and are appraised against specific standards. The goals should be specific, measurable, achievable, relevant and timely.
3. Performance appraisal data is used in all aspects of human resources management such as internal employee relations, training and development, performance improvement, recruitment and selection, career planning and development and compensation programs.
4. When planning the performance process, the manager needs to establish the performance goals and criteria and then communicate the goals and criteria to the subordinates.
5. The Human Resources Department is usually responsible for coordinating the performance appraisal program whereas final decisions on the ratings are made by the supervisors or department heads. However, peers, rating committee, subordinates, the employee himself and customers may also be involved in doing the appraisal.
6. There are many performance appraisal tools such as the graphic rating scale, alternation ranking method, forced distribution method, BARS, MBO, critical incident method and computer and web-based methods.
7. Appraisals problems to be aware of include lack of objectivity, halo effect, personal bias, strictness/leniency, central tendency, recent behavior bias, personal bias and manipulating the evaluation.
8. Most subordinates want a specific explanation or examples regarding why they were appraised high or low, and for this, compiling a record of positive and negative critical incidents can be useful.
9. There are four types of appraisal interviews: satisfactory-promotable, satisfactory-not promotable, unsatisfactory but correctable and unsatisfactory and uncorrectable.
10. In order to bring a constructive change in a subordinate's behavior, get the person to talk in the interview. Use open-ended questions, state questions in terms of a problem, use a command question, use questions to try to understand the feelings underlying what the person is saying and restate the person's last point as a question. On the other hand, don't do all the talking, don't use restrictive question, don't be judgmental, don't give free advice and don't get involved with name calling or sarcasm.

### 7.12 Case Study – ABC Electronics

As the production supervisor for ABC Electronics, Ronald Koo was generally well regarded by most of his subordinates. Ronald was an easygoing individual who tried to help his employees in any way he could. If a worker needed a small loan until payday, he would dig into his pocket with no questions asked. Should an employee need some time off to attend to a personal problem, Ronald would not deduct the individual's pay; rather, he would take up the slack himself until the worker returned.

Everything had been going smoothly, at least until the last performance appraisal period. One of Ronald's workers, David Lim, had been experiencing a large number of personal problems for the past year. David's wife had been sick much of the time and her medical expenses were high. David's son had a speech problem and the doctors had recommended a special clinic. David, who had already borrowed the limit the bank would loan, had become upset and despondent over his general circumstances.

When it was time for David's annual performance appraisal, Ronald decided he was going to do as much as possible to help him. Although David could not be considered more than an average worker, Ronald rated him outstanding in virtually every category. Because the firm's compensation system was heavily tied to the performance appraisal, David would be eligible for a merit increase of 10 percent in addition to a regular cost-of-living raise.

Ronald explained to David why he was giving him such high ratings and David acknowledged that his performance had really been no better than average. David was very grateful and expressed this to Ronald. As David left the office, he was excitedly looking forward to telling his friends about what a wonderful boss he has. Seeing David smile as he left gave David a warm feeling.

### Questions

1. From ABC Electronics's standpoint, what difficulties might Bill's performance appraisal practices create?
2. What can Ronald Koo do now to diminish the negative impact of his evaluation of David?

### 7.13 Exercises

#### 7.13.1 Answer the following questions

1. When goal setting, performance appraisal and development are consolidated into a single, common system designed to ensure that employee performance supports a company's strategy, it is called \_\_\_\_\_.
  - a. strategic organizational development
  - b. performance management
  - c. human resource management
  - d. performance appraisal
  - e. strategic management
2. Performance management combines performance appraisal with \_\_\_\_\_ to ensure that employee performance is supportive of corporate goals.
  - a. goal setting
  - b. training
  - c. incentive systems
  - d. all of the above
  - e. none of the above
3. Which of the following is not one of the guidelines for effective goal setting?
  - a. assign specific goals
  - b. assign measurable goals
  - c. assign challenging but doable goals
  - d. assign consequences for performance
  - e. encourage participation

4. Participatively set goals result in higher performance than assigned goals when \_\_\_\_\_.
- participatively set goals are more difficult
  - assigned goals are more difficult
  - the rewards are also higher
  - participatively set goals are used consistently
  - the goals are doable
5. Who is the primary person responsible for doing the actual appraising of an employee's performance?
- the employee's direct supervisor
  - the company appraiser
  - the human resource manager
  - the EEO contact person
  - none of the above
6. Which of the following is not a role played by the HR Department regarding performance appraisals?
- Training of supervisors
  - Monitoring the appraisal system
  - Appraising of employees
  - Ensuring compliance with EEO laws
  - Advising regarding appraisal tools and procedures
7. When designing an actual appraisal method, the two basic considerations are \_\_\_\_\_.
- who should measure and when to measure
  - when to measure and what to measure
  - what to measure and who should measure
  - what to measure and how to measure
  - when to measure and how to measure
8. What do performance appraisals measure?
- generic dimensions of performance
  - performance of actual duties
  - employee competency
  - achievement of objectives
  - all of the above
9. If a performance appraisal focuses on an employee's ability "to identify and analyze problems" or to "maintain harmonious and effective working relationships," then the performance appraisal is focused on measuring \_\_\_\_\_.
- generic dimensions of performance
  - performance of actual duties
  - employee competency
  - achievement of objectives
  - all of the above
10. The \_\_\_\_\_ method of performance appraisal involves listing all the subordinates to be rated, crossing out the names of any not known well enough to rank, indicating the

employee who is the highest on each characteristic being measured and who is the lowest, and then alternating between the next highest and lowest until all employees have been ranked.

- a. alternation ranking
- b. graphic rating scale
- c. Likert
- d. MBO
- e. constant sum rating scale

11. Suppose you have five employees to rate. You make a chart of all possible pairs of employees for each trait being evaluated. Then, you indicate the better employee of the pair for each pair. Finally, you add up the number of positives for each employee. In this case, you have used the \_\_\_\_\_ method of performance appraisal.

- a. graphic ranking scale
- b. constant sum ranking scale
- c. alternation ranking
- d. paired comparison
- e. forced distribution

12. John, the supervisor of the manufacturing department, is in the process of evaluating his staff's performance. He has determined that 15% of the group will be identified as high performers, 20% as above average performers, 30% as average performers, 20% as below average performers and 15% as poor performers. John is using a \_\_\_\_\_ method.

- a. graphic rating scale
- b. constant sum ranking scale
- c. forced distribution
- d. alternation ranking
- e. paired comparison

7

13. The critical incident technique refers to an appraisal method, which \_\_\_\_\_.

- a. is based on progress made toward the accomplishment of measurable goals
- b. combines the benefits of narratives, critical incidents and quantified scales by assigning scale points with specific examples of good or poor performance
- c. requires that the supervisor keep a log of positive and negative examples of a subordinate's work-related behavior
- d. requires a supervisor to evaluate performance by assigning predetermined percentages of those being rated into performance categories
- e. involves listing all the subordinates to be rated, crossing out the names of any not known well enough to rank, indicating the employee who is the highest on each characteristic being measured and who is the lowest, and then alternating between the next highest and lowest until all employees have been ranked

14. Which appraisal method combines the benefits of narratives, critical incidents and quantified scales by assigning scale points with specific examples of good or poor performance?

- a. behaviorally anchored rating scale
- b. graphic rating scale
- c. constant sums rating scale
- d. alternation ranking
- e. none of the above

15. Behaviorally anchored rating scale (BARS) refers to an appraisal method, which \_\_\_\_\_.
- is based on progress made toward the accomplishment of measurable goals
  - combines the benefits of narratives, critical incidents and quantified scales by assigning scale points with specific examples of good or poor performance
  - requires that the supervisor keep a log of positive and negative examples of a subordinate's work-related behavior
  - requires a supervisor to evaluate performance by assigning predetermined percentages of those being rated into performance categories
  - involves listing all the subordinates to be rated, crossing out the names of any not known well enough to rank, indicating the employee who is the highest on each characteristic being measured and who is the lowest, and then alternating between the next highest and lowest until all employees have been ranked
16. \_\_\_\_\_ is defined as the influence of a rater's general impression on ratings of specific ratee qualities.
- Impression management
  - Halo effect
  - Central tendency
  - Stereotyping
  - Bias
17. Which of the following could result in a legally questionable appraisal process?
- conduct a job analysis to establish criteria and standards for successful performance
  - base appraisals on subjective supervisory observations
  - administer and score appraisals in a standardized fashion
  - use clearly defined job performance dimensions
  - avoid abstract trait names when using graphic rating scales
18. While peer appraisals have many benefits, one problem is \_\_\_\_\_, when several peers collaborate to rate each other highly.
- social loafing
  - group think
  - logrolling
  - alliance forging
  - impression management
19. When subordinates provide feedback for supervisors, the comments should be anonymous because identifiable responses tend to result in \_\_\_\_\_.
- more critical ratings
  - increased comfort with the process on the part of the subordinate
  - more negative attitudes from managers receiving the feedback
  - more inflated ratings
  - all of the above
20. When conducting an appraisal interview, supervisors should do all of the following except
- talk in terms of objective work data
  - compare the person's performance to a standard

- c. encourage the employee to talk
- d. give specific examples of poor performance
- e. compare the person's performance to that of other employees

21. When a supervisor must criticize a subordinate in an appraisal interview, it is best to \_\_\_\_\_.

- a. hold the meeting with other people who can diffuse the negative situation
- b. provide examples of critical incidents
- c. acknowledge the supervisor's personal biases in the situation
- d. provide feedback once per year
- e. surprise the employee so they cannot develop excuses for poor performance

22. There are several components important for an effective performance management process. Name and explain five of these components.

23. What are the four types of performance that performance appraisals can measure? Explain each one.