

# Human Resource Management

*Eleventh Edition*

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## Chapter 11

### Performance Management and Appraisal

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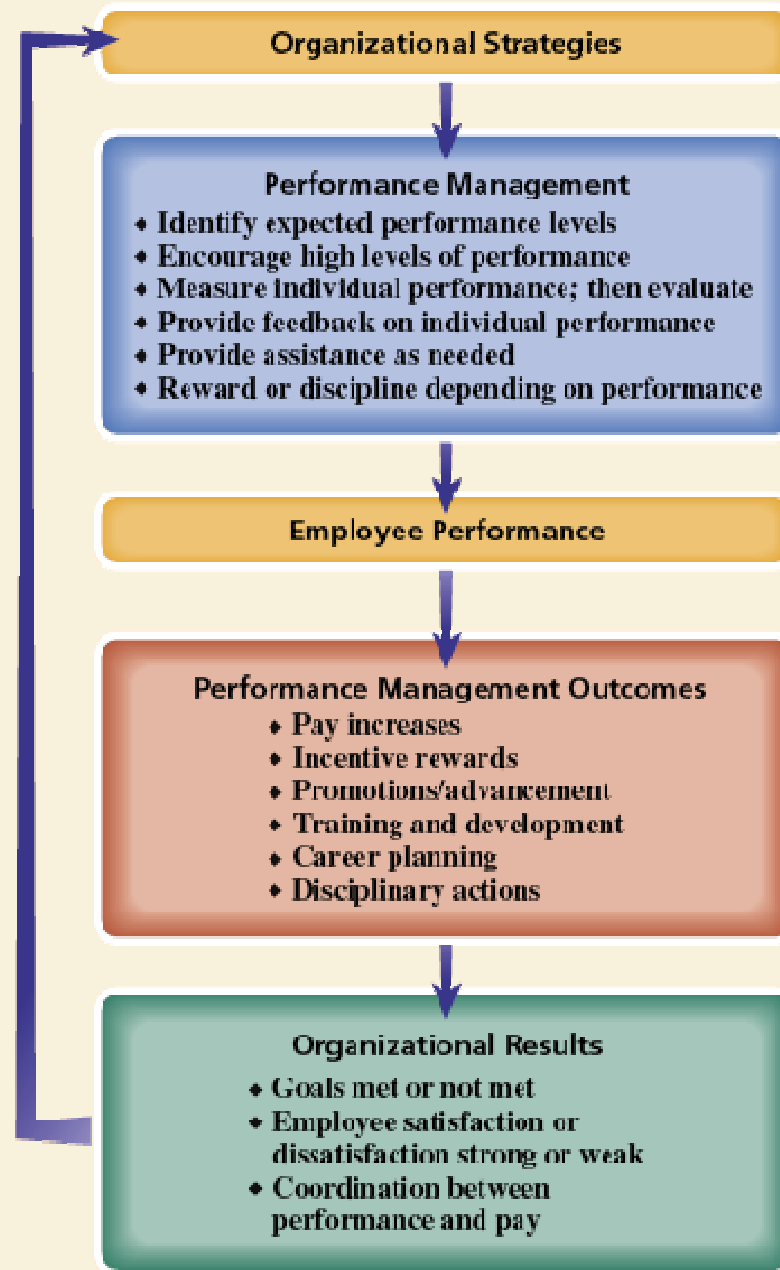
SECTION 3  
Training and Developing  
Human Resources

# Learning Objectives

- After you have read this chapter, you should be able to:
  - Identify the components of performance management systems.
  - Distinguish between performance management and performance appraisal, and between job criteria and performance standards.
  - Explain the administrative and developmental uses of performance appraisal.
  - Describe the advantages and disadvantages of multisource (360°) appraisals.
  - Discuss the importance of training managers and employees about performance appraisal, and give examples of several rater errors.
  - Identify several concerns about appraisal feedback and ways to make it more effective.

# Nature of Performance Management

- Performance Management
  - Processes used to identify, encourage, measure, evaluate, improve, and reward employee performance
    - ❖ Provide information to employees about their performance.
    - ❖ Clarify organizational performance expectations.
    - ❖ Identify the development steps that are needed to enhance employee performance.
    - ❖ Document performance for personnel actions.
    - ❖ Provide rewards for achieving performance objectives.



## *Performance Management Linkage*

Figure 11–1

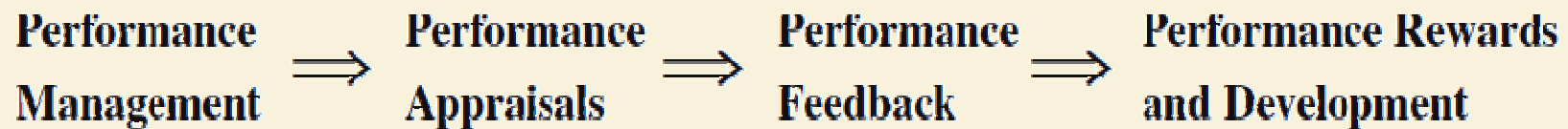
# Difference Between Performance Management and Performance Appraisals

- **Performance Management**

- Processes used to identify, encourage, measure, evaluate, improve, and reward employee performance.

- **Performance Appraisal**

- The process of evaluating how well employees perform their jobs and then communicating that information to the employees.





*Components of  
Effective Performance  
Management*

Figure 11-2

# Identifying and Measuring Employee Performance

- Performance

- What an employee does and does not do.

- ❖ Quantity of output
- ❖ Timeliness of output
- ❖ Cooperativeness
- Quality of output
- Presence at work

- Job Criteria

- Important elements in a given job

Management Job Criteria at Sample Firm	Weight
Revenue increase	40%
Cost control	30%
Employee development	30%
Total Management Performance	100%

## *Types of Performance Information*

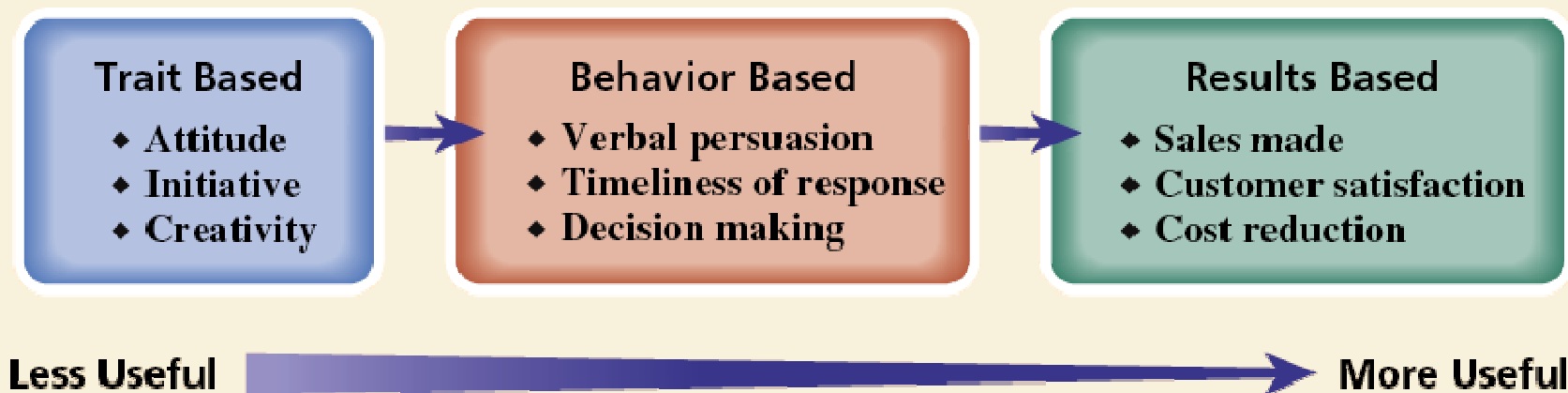
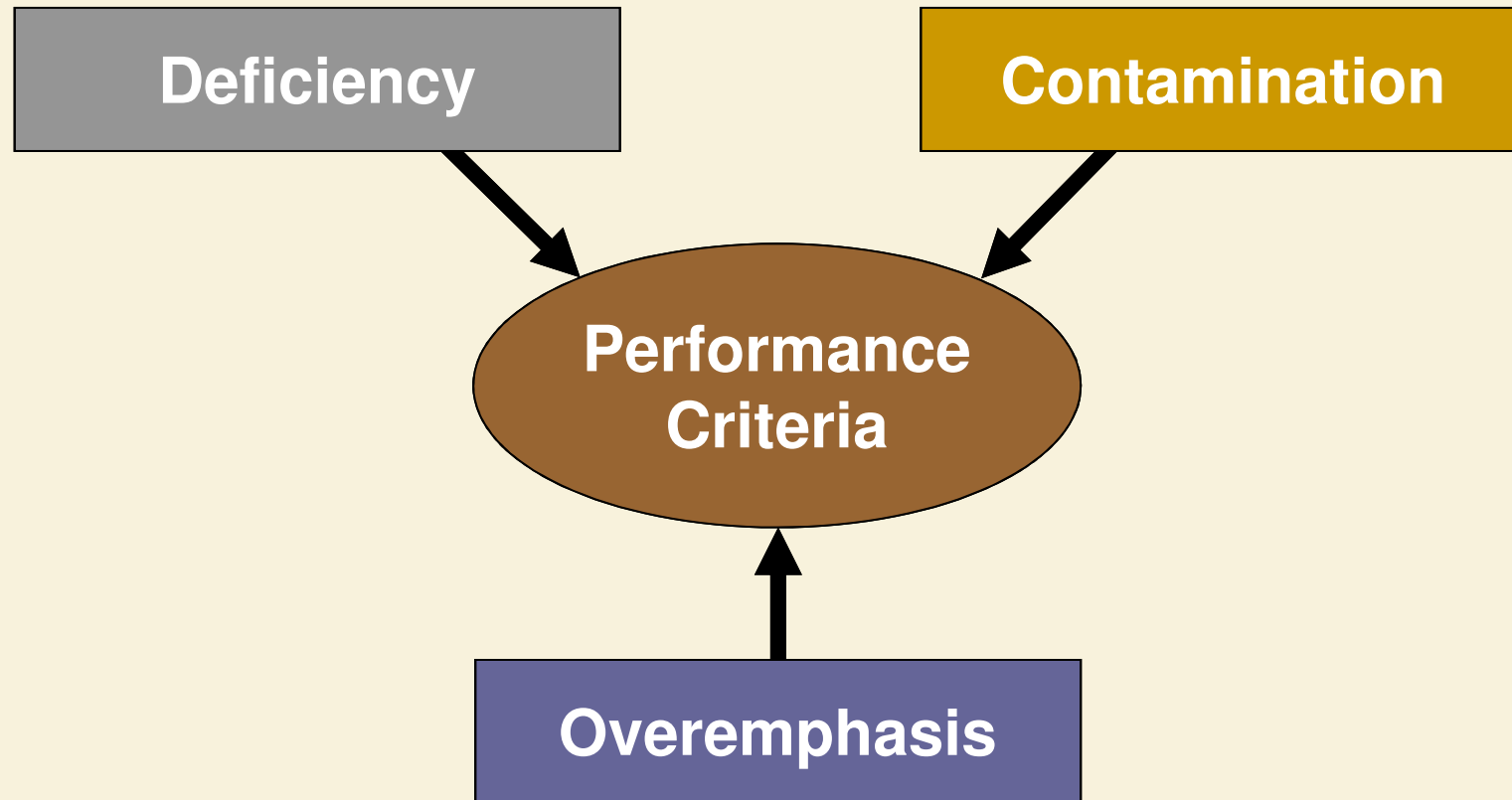


Figure 11-3

# Relevance of Performance Criteria



# Performance Standards

- Performance Standards
  - Expected levels of performance
    - ❖ Benchmarks, goals, and targets
  - Characteristics of well-defined standards
    - ❖ Realistic
    - ❖ Measurable
    - ❖ Clearly understood

***Job Criterion:*** Keep current on supplier technology.

***Performance Standards:*** 1. Every four months, invite suppliers to make presentation of newest technology. 2. Visit supplier plants twice a year. 3. Attend trade shows quarterly.

***Job Criterion:*** Do price or cost analysis as appropriate.

***Performance Standard:*** Performance is acceptable when employee follows all requirements of the procedure "Price and Cost Analysis."

# Performance Appraisals and the Law

- **Legally Defensible PA System:**
  - Appraisal criteria based on job analysis
  - Absence of disparate impact and evidence of validity
  - Formal evaluation criterion that limit managerial discretion
  - Formal rating instrument linked to job duties and responsibilities
  - Personal knowledge of and contact with ratee
  - Training of supervisors in conducting appraisals
  - Review process to prevent undue control of careers
  - Counseling to help poor performers improve

# Uses of Performance Appraisal

- Performance Appraisal (PA)
  - The process of evaluating how well employees perform their jobs when compared to a set of standards, and then communicating the information to employees.
  - Informal Appraisal
    - ❖ Day-to-day contacts, largely undocumented
  - Systematic Appraisal
    - ❖ Formal contact at regular time intervals, usually documented

# *Conflicting Uses for Performance Appraisal*

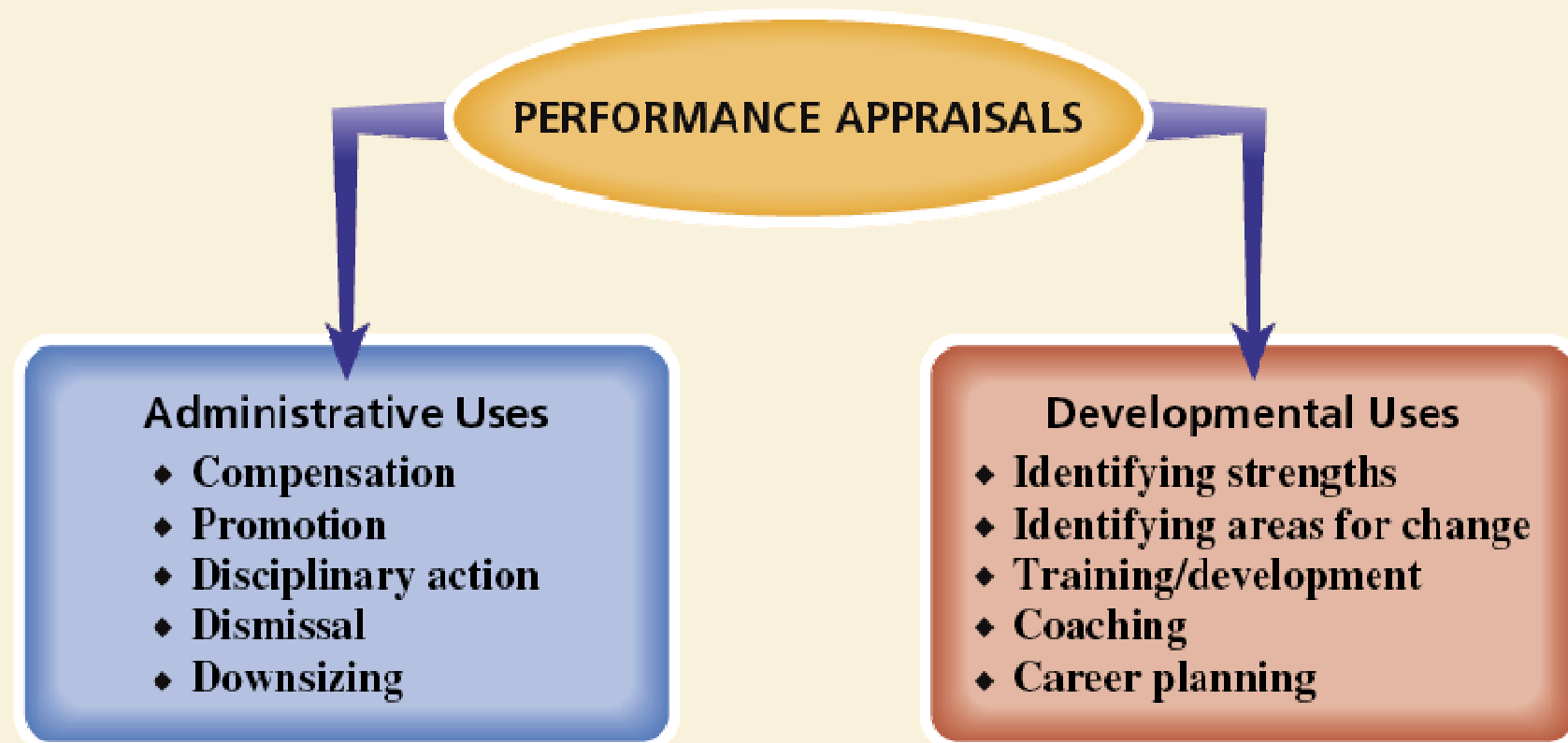
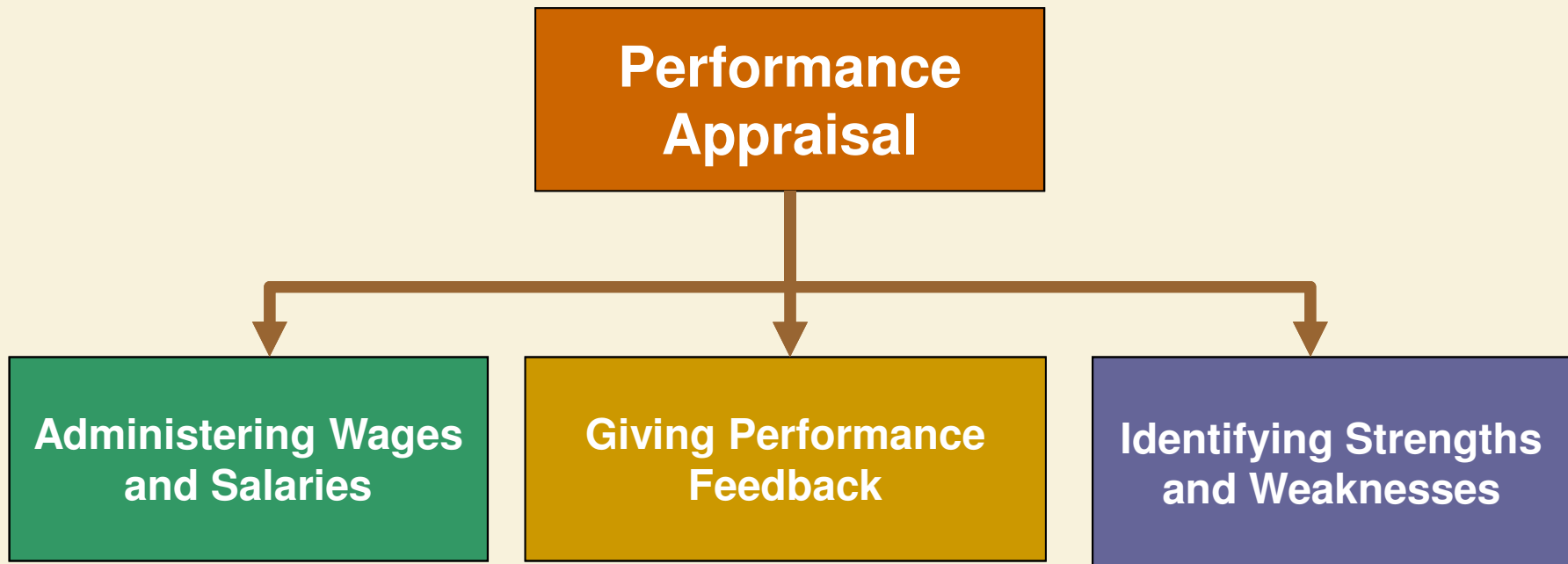


Figure 11–4

# Developmental Uses of Performance Appraisal



## Uses of Performance Appraisal (cont'd)

- **Criticisms of Performance Appraisal**
  - Focus is too much on the individual and does little to develop employees.
  - Employees and supervisors believe the appraisal process is seriously flawed.
  - Appraisals are inconsistent, short-term oriented, subjective, and useful only at the extremes of performance.

## *Typical Division of HR Responsibilities: Performance Appraisal*

HR Unit	Managers
<ul style="list-style-type: none"><li>◆ Designs and maintains appraisal system</li><li>◆ Trains raters</li><li>◆ Tracks timely receipt of appraisals</li><li>◆ Reviews completed appraisals for consistency</li></ul>	<ul style="list-style-type: none"><li>◆ Typically rate performance of employees</li><li>◆ Prepare formal appraisal documents</li><li>◆ Review appraisals with employees</li><li>◆ Identify development areas</li></ul>

Figure 11–5

## Who Conducts Appraisals



- Supervisors who rate their subordinates
- Employees who rate their supervisors
- Team members who rate each other
- Employees' self-appraisal
- Outside sources rating employees
- Multisource (360° feedback) appraisal

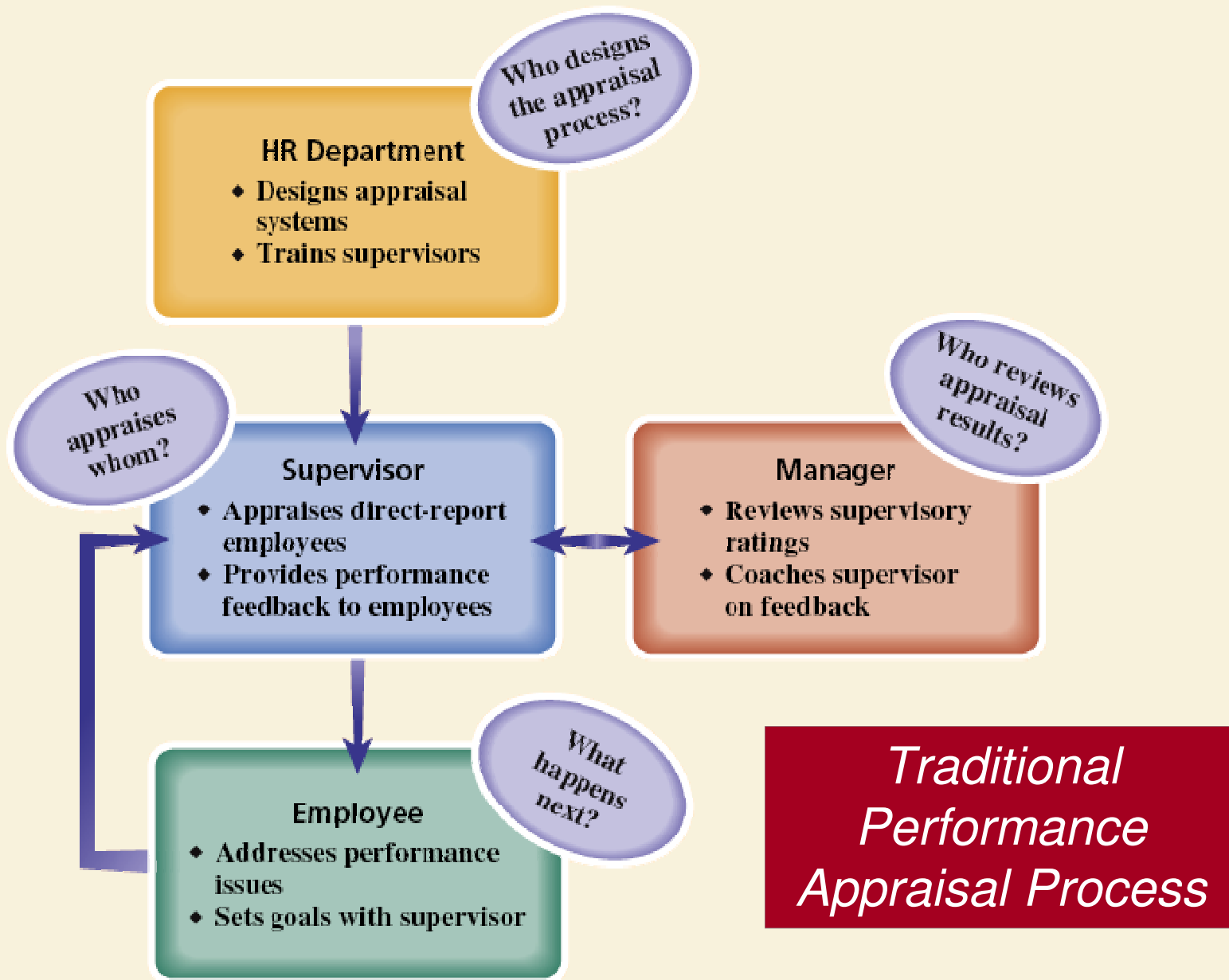


Figure 11-6

# Employee Rating of Managers

- **Advantages**

- Helps in identifying competent managers
- Serves to make managers more responsive to employees
- Can contribute to the career development of managers

- **Disadvantages**

- Negative reactions by managers to employee ratings
- Subordinates' fear of reprisals may inhibit them from giving realistic (negative) ratings
- Ratings are useful only for self-improvement purposes

# Team/Peer Rating

- Advantages

- Helps improve the performance of lower-rated individuals
- Peers have opportunity to observe other peers.
- Peer appraisals focus on individual contributions to teamwork and team performance.

- Disadvantages

- Can negatively affect working relationships.
- Can create difficulties for managers in determining individual performance.
- Organizational use of individual performance appraisals can hinder the development of teamwork

# *Multisource Appraisal*

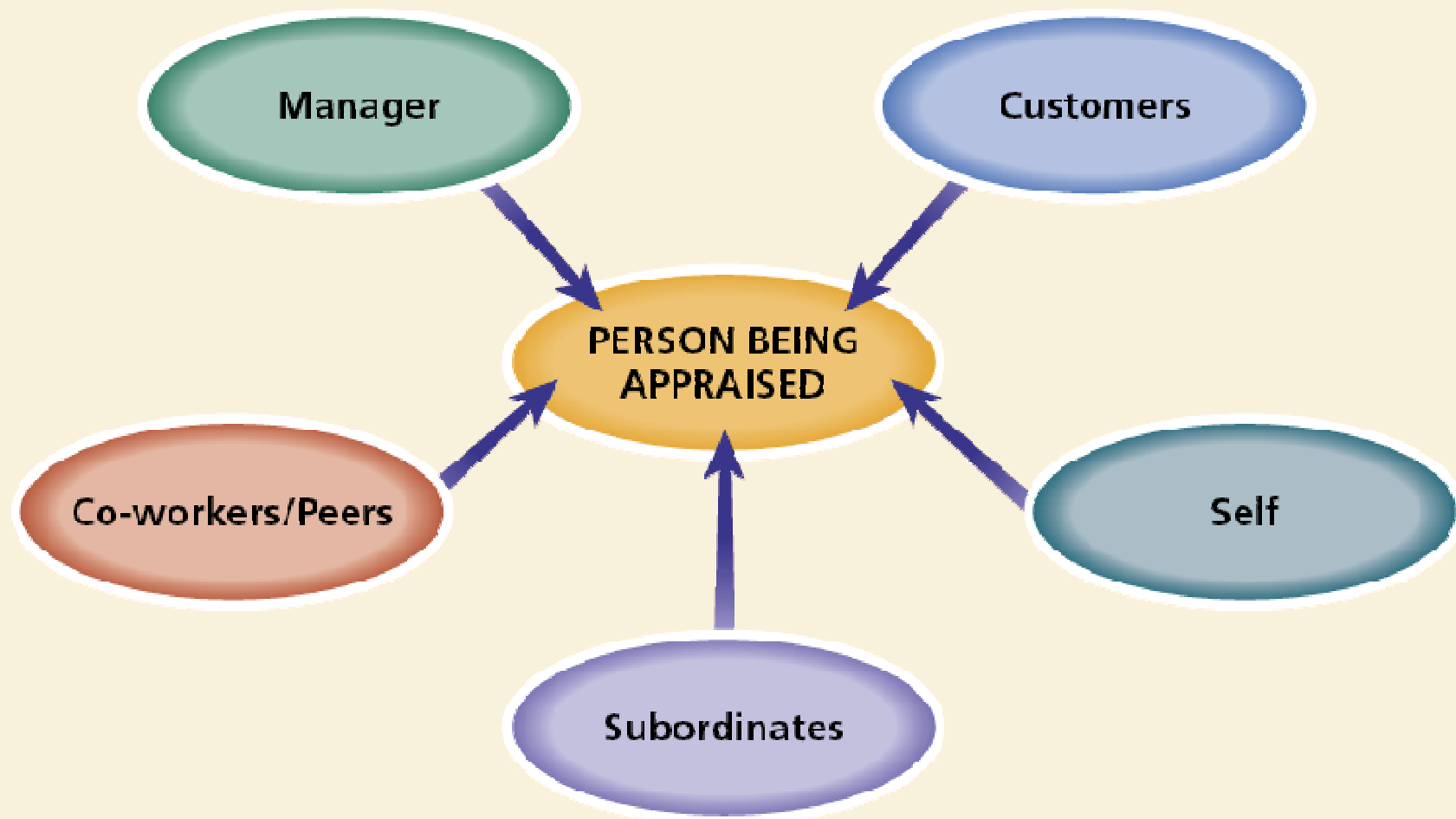


Figure 11-7

# Category Scaling Methods

- **Graphic Rating Scale**

- A scale that allows the rater to indicate an employee's performance on a continuum of job behaviors.
- Aspects of performance measured:
  - ❖ Descriptive categories, job duties, and behavioral dimensions
  - ❖ Behavioral rating scales (e.g., BARS)
- Drawbacks
  - ❖ Restrictions on the range of possible rater responses
  - ❖ Differences in the interpretations of the meanings of scale items and scale ranges by raters
  - ❖ Poorly designed scales that encourage rater errors
  - ❖ Rating form deficiencies limit effectiveness of the appraisal

Date sent: 4/19/05	Return by: 5/01/05
Name: Joe Hernandez	Job title: Receiving Clerk
Department: Receiving	Supervisor: Marian Williams
Employment status (check one): Full-time <input checked="" type="checkbox"/> Part-time <input type="checkbox"/>	Date of hire: 5/12/00
Rating period: From: 5/12/04 To: 5/12/05	
Reason for appraisal (check one): Regular interval <input checked="" type="checkbox"/> Introductory <input type="checkbox"/> Counseling only <input type="checkbox"/> Discharge <input type="checkbox"/>	

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Using the following definitions, rate the performance as I, M, or E.  
**I**—Performance is below job requirements and improvement is needed.  
**M**—Performance meets job requirements and standards.  
**E**—Performance exceeds job requirements and standards most of the time.

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**SPECIFIC JOB RESPONSIBILITIES:** List the principal activities from the job summary, rate the performance on each job duty by placing an X on the rating scale at the appropriate location, and make appropriate comments to explain the rating.

I \_\_\_\_\_ M \_\_\_\_\_ E

**Job Duty #1: Inventory receiving and checking**  
Explanation: \_\_\_\_\_  
\_\_\_\_\_

---

I \_\_\_\_\_ M \_\_\_\_\_ E

**Job Duty #2: Accurate recordkeeping**  
Explanation: \_\_\_\_\_  
\_\_\_\_\_

---

I \_\_\_\_\_ M \_\_\_\_\_ E

**Attendance (including absences and tardies):**      Number of absences \_\_\_\_\_      Number of tardies \_\_\_\_\_  
Explanation: \_\_\_\_\_  
\_\_\_\_\_

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**Overall rating:** In the box provided, place the letter—I, M, or E—that best describes the employee's overall performance.

Explanation: \_\_\_\_\_  
\_\_\_\_\_

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## Sample Performance Appraisal Form

Figure 11–8

## *Terms Defining Standards at One Company*

5	<b>Outstanding:</b> The person is so successful at this job criterion that special note should be made, and performance ranks in the top 10%.
4	<b>Exceeds Expectations:</b> Performance is better than average for the unit, given the common standards and unit results.
3	<b>Meets Expectations:</b> Performance is at or above the minimum standards. This level is what one would expect from most experienced, competent employees.
2	<b>Below Expectations:</b> Performance is somewhat below the minimum standards. However, potential to improve within a reasonable time frame is evident.
1	<b>Unsatisfactory:</b> Performance is well below standard. Whether the person can improve to meet the minimum standards is questionable.

Figure 11-9

# Behavioral/Objective Methods

- Behavioral Rating Approach
  - Assesses employees' behaviors instead of other characteristics
  - Consists of a series of scales created by:
    - ❖ Identifying important job dimensions
    - ❖ Creating statements describing a range of desired and undesirable behaviors (anchors)
  - Types of behavioral scales
    - ❖ Behaviorally anchored rating scales (BARS)
    - ❖ Behavioral observation scales (BOS)
    - ❖ Behavioral expectation scales (BES)

## *Behaviorally-Anchored Rating Scale for Customer Service Skills*

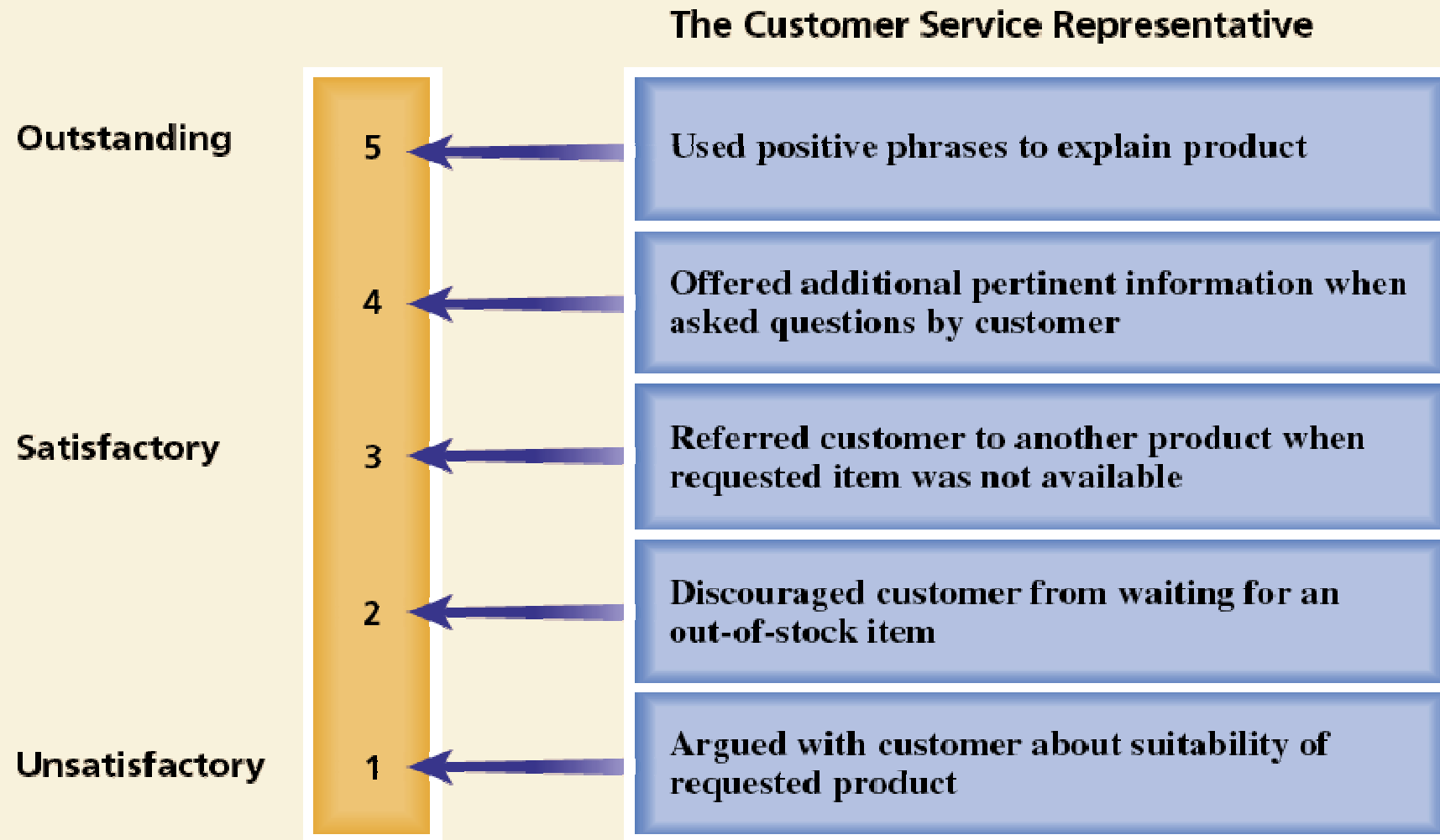


Figure 11-10

## Category Rating Methods (cont'd)

- Checklists

- A performance appraisal tool that uses a list of statements or work behaviors that are checked by raters.

- ❖ Can be quantified by applying weights to individual checklist items.

- Drawbacks

- ❖ Interpretation of item meanings by raters

- ❖ Weighting creates problems in appraisal interpretation

- ❖ Assignment of weights to items by persons other than the raters

# Comparative Methods

- Ranking

- A listing of all employees from highest to lowest in performance.

- Drawbacks

- ❖ Does not show size of differences in performance between employees
    - ❖ Implies that lowest-ranked employees are unsatisfactory performers.
    - ❖ Becomes an unwieldy process if the group to be ranked is large.

## Comparative Methods (cont'd)

- **Forced Distribution**

- Performance appraisal method in which ratings of employees are distributed along a bell-shaped curve.

- Drawbacks

- ❖ Assumes a normal distribution of performance.
    - ❖ Resistance by managers to placing individuals in the lowest or highest groups.
    - ❖ Providing explanation for placement in a higher or lower grouping can be difficult.
    - ❖ Is not readily applicable to small groups of employees.

## *Forced Distribution on a Bell-Shaped Curve*

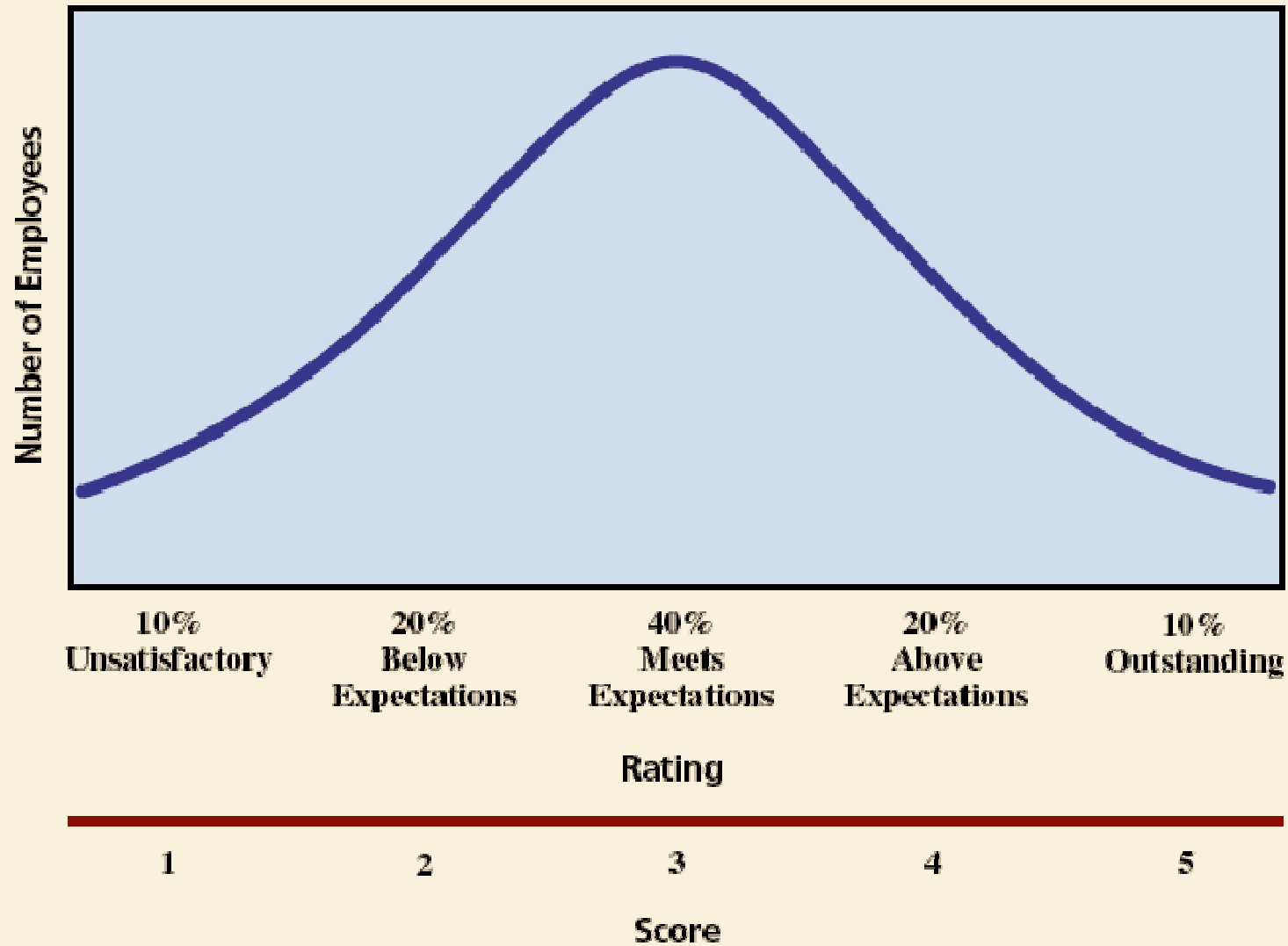


Figure 11-11

# Narrative Methods

- Critical Incident

- Manager keeps a written record of highly favorable and unfavorable employee actions.

- Drawbacks

- ❖ Variations in how managers define a “critical incident”
    - ❖ Time involved in documenting employee actions
    - ❖ Most employee actions are not observed and may become different if observed
    - ❖ Employee concerns about manager’s “black books”

## Narrative Methods (cont'd)

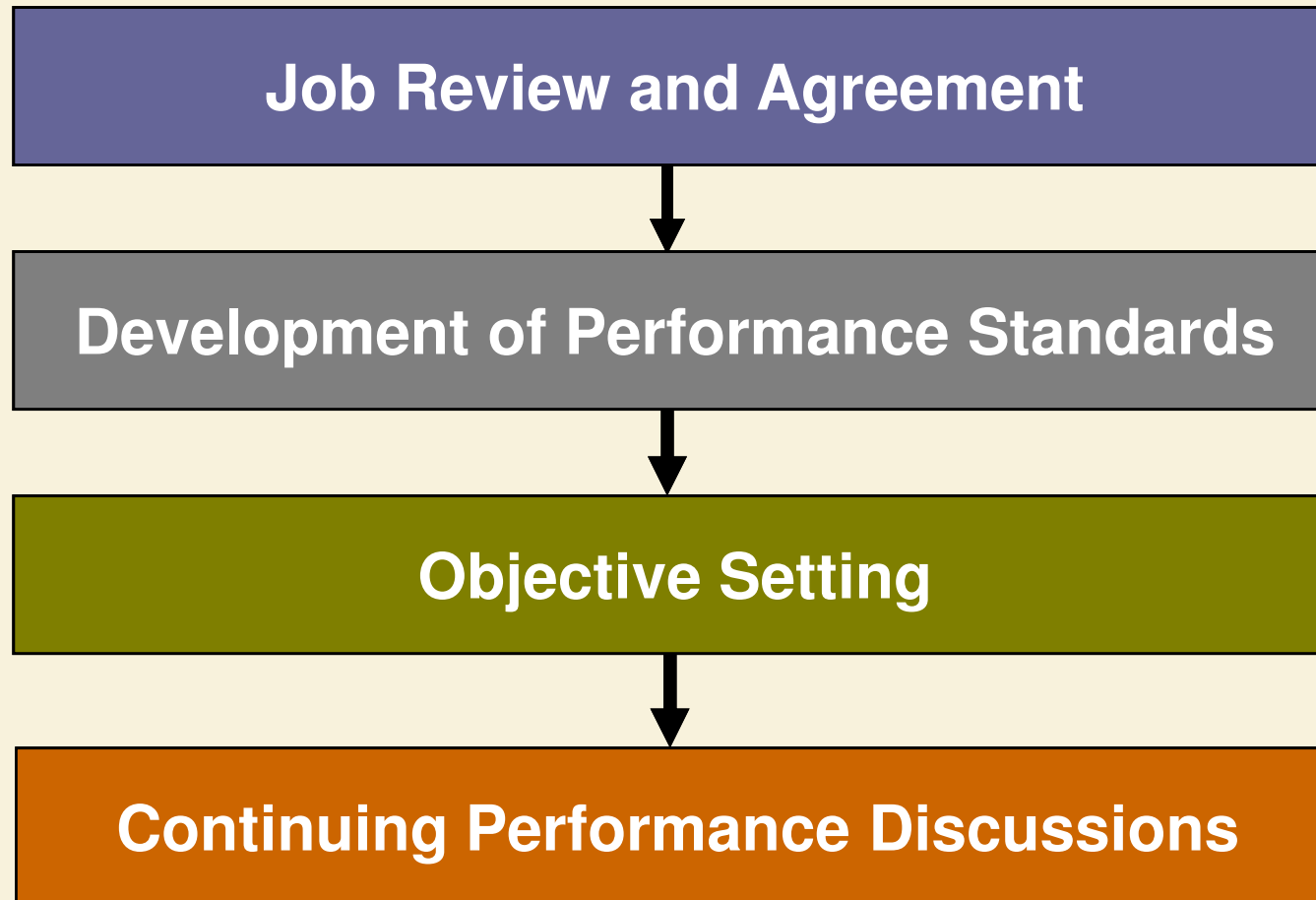
- Essay

- Manager writes a short essay describing an employee's performance.
- Drawback
  - ❖ Depends on the managers' writing skills and their ability to express themselves.

# Management by Objectives (MBO)

- **Management by Objectives**
  - Specifying the performance goals that an individual and his or her manager agree the employee will try to attain within an appropriate length of time.
- **Key MBO Ideas**
  - Employee involvement creates higher levels of commitment and performance.
  - Encourages employees to work effectively toward achieving desired results.
  - Performance measures should be measurable and should define results.

# The MBO Process



# Training of Managers and Employees

- Appraisal Training Topics:
  - Appraisal process and timing
  - Performance criteria and job standards that should be considered
  - How to communicate positive and negative feedback
  - When and how to discuss training and development goals
  - Conducting and discussing the compensation review
  - How to avoid common rating errors

# Common Rater Errors

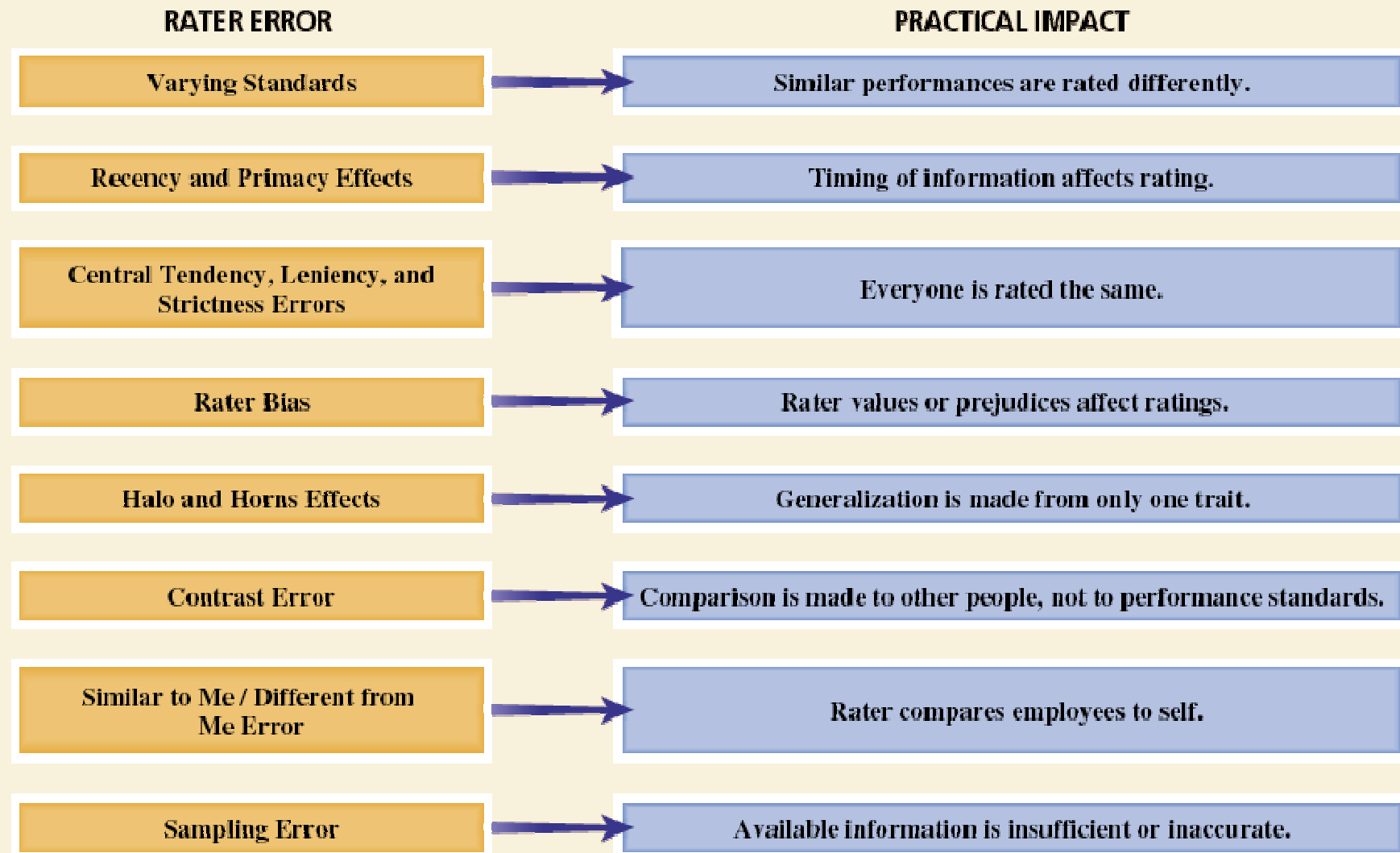


Figure 11-12

## *Appraisal Interview Hints*



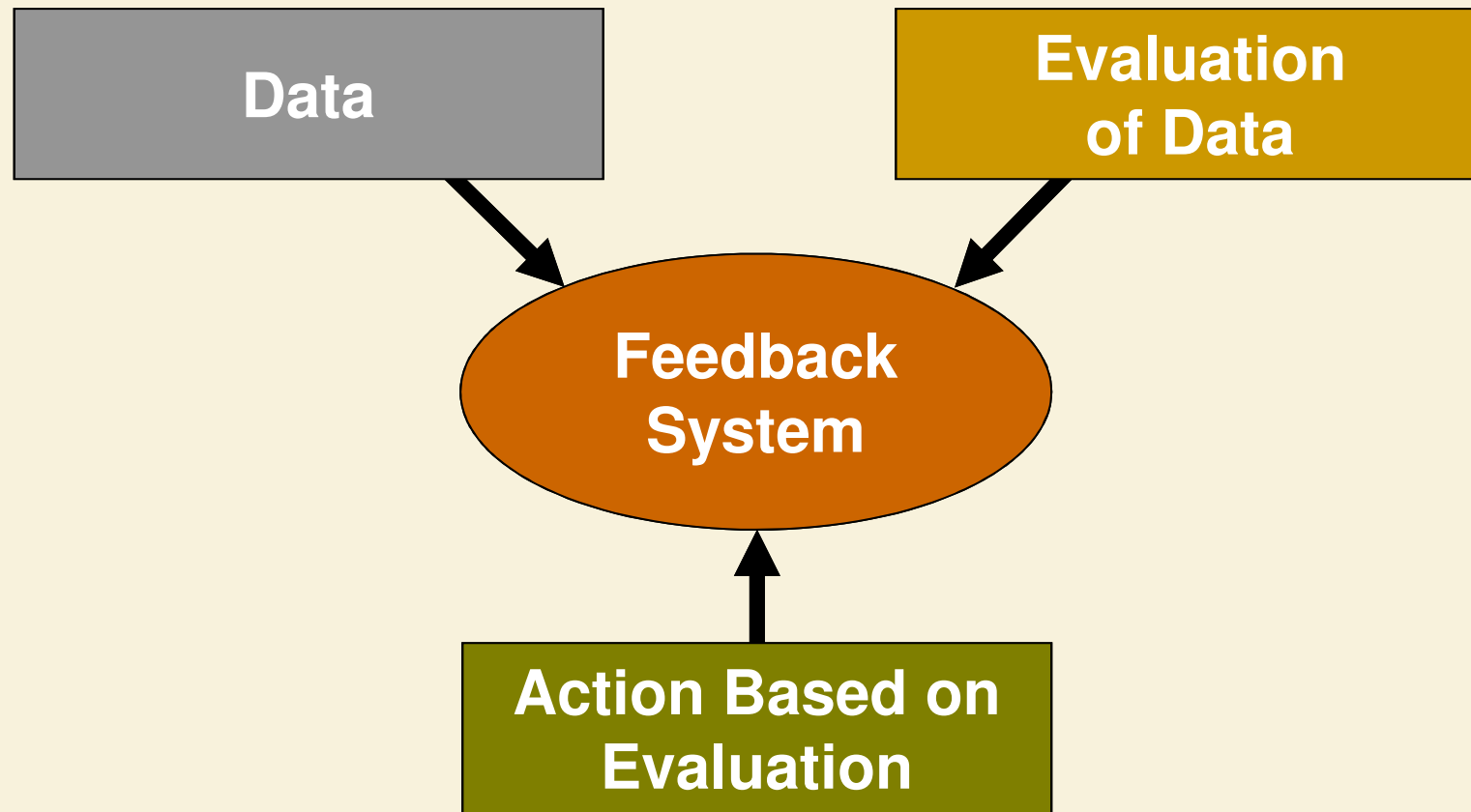
 DO	 DO NOT
<ul style="list-style-type: none"><li>◆ Prepare in advance</li><li>◆ Focus on performance and development</li><li>◆ Be specific about reasons for ratings</li><li>◆ Decide on specific steps to be taken for improvement</li><li>◆ Consider the supervisor's role in the subordinate's performance</li><li>◆ Reinforce desired behaviors</li><li>◆ Focus on future performance</li></ul>	<ul style="list-style-type: none"><li>◆ Do all the talking</li><li>◆ Lecture the employee</li><li>◆ Mix performance appraisal and salary or promotion issues</li><li>◆ Concentrate only on the negative</li><li>◆ Be overly critical or "harp on" a failing</li><li>◆ Feel it is necessary that both parties agree in all areas</li><li>◆ Compare the employee with others</li></ul>

Figure 11–13

# Feedback as a System



# Training of Managers and Employees (cont'd)

- Effective Performance Management Systems (PMS) are:
  - Consistent with the strategic mission of the organization
  - Beneficial as development tool
  - Useful as an administrative tool
  - Legal and job-related
  - Viewed as generally fair by employees
  - Effective in documenting employee performance