Performance Management and Appraisal

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Learning Outcomes

After studying this chapter, you should be able to do the following:

8.1 Discuss the difference between performance management and performance appraisals. PAGE 194
8.2 Explain the purposes of performance appraisals. PAGE 198
8.3 Discuss the options for what to evaluate in a performance appraisal. PAGE 198
8.4 List the commonly used performance measurement methods and forms. PAGE 201
8.5 Discuss the available options for determining the rater/evaluator. PAGE 205
8.6 Name some of the common problems encountered with performance appraisals and provide a method used to avoid each. PAGE 208
8.7 Briefly discuss the differences between evaluative performance reviews and developmental performance reviews. PAGE 212

SHRM HR Content

See Online: SHRM 2018 Curriculum Guidebook for the complete list

C. Employee and Labor Relations
   7. Cognitive biases

I. Job Analysis and Job Design
   7. Performance management (performance criteria and appraisal)

L. Organizational Development
   1. Coaching
   5. Improving organizational effectiveness
   13. Ongoing performance and productivity initiatives

M. Performance Management
   1. Approaches to measuring performance
      1-a. Approaches to measuring performance—Performance measure criteria
      1-b. Approaches to measuring performance—Performance standards/goals
      1-c. Approaches to measuring performance—Rater errors in performance measurement
      1-d. Approaches to measuring performance—Reliability (intrarater reliability)
   2-e. Approaches to measuring performance—Validity
   2-a. Identifying and measuring employee performance—Forced distribution
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      3-d. Performance appraisals—Managing performance
      3-f. Performance appraisals—Process of performance management
      3-g. Performance appraisals—Sources of information (e.g., managers, peers, clients)

Practitioner’s Perspective

Cindy remarks that although performance evaluation can be uncomfortable for both managers and employees, failure to accurately and honestly evaluate performance is never a good choice. She recalls the time that a supervisor, Annette, came to see her.

“I want to fire Christine,” Annette said angrily. “She entered the wrong invoice numbers again, and now I have to stay and correct her mistakes—again!”

“Is this common?” Cindy asked. “Have you expressed your concerns or initiated a performance improvement plan?”

(Continued)
“She does it all the time, but I usually don’t catch it until after she is off for the day,” Annette replied. “By morning, it doesn’t seem worth my time to go over it with her.”

“How about her performance evaluation?” she asked next. “Have you brought Christine’s poor performance to her attention at her annual evaluation?”

“Well, no, I always give all my employees a satisfactory rating—it’s easier that way,” answered Annette.

Without ever bringing Christine’s unacceptable performance to her attention and thus giving her a chance to change, firing or otherwise severely disciplining Christine at this point would be questionable. How can this problem be avoided? In Chapter 8, you will learn how to create and utilize a performance evaluation process that works.

Performance Management Systems

L0 8.1 Discuss the difference between performance management and performance appraisals.

“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.”

Committing management time and effort to increase performance not only meets this goal but also decreases turnover rates. Therefore, an important responsibility of the human resource management (HRM) department is to oversee the performance management and appraisal processes. It is critical to evaluate how well our newly trained employees perform their jobs. Therefore, performance appraisal is an important part of the jobs of managers and HRM staff. We need to figure out how to manage employees’ performance over time to ensure they remain productive and hopefully become even more capable as they progress in their careers. So, the primary purpose of performance appraisal should be to help employees to continuously improve their performance.

In this section we will discuss the difference between performance management and performance appraisal, and present the performance appraisal process. But first, let’s review a popular debate—the push to modify or discontinue annual performance ratings.

Is It Time to Delete the Annual Appraisal Process?

It is worth noting that many people do not like performance appraisal systems and do not think these systems have the ability to improve employee performance. One study even noted that 95% of managers are dissatisfied with their performance management system and 90% of HR managers believe the system does not yield accurate performance information. Routinely, there are calls to do away with performance appraisal processes. Netflix is one company that has completely stopped doing formal performance appraisals, even though the CEO noted that “excellent colleagues trump everything else.” (Netflix still does informal 360-degree appraisals. We will introduce you to these shortly.)

In addition to Netflix, a list of Fortune 500 companies like Deloitte, Adobe Systems, GE, PwC, SAP, Accenture, IBM, and Gap have trashed their annual appraisal approaches. Why? Many companies don’t believe the old-school annual reviews, by themselves, work for employers or employees.

Looking at the articles written about dumping appraisals, the natural question would be “Why are we studying this if it is going away?” The quickest answer is that it isn’t quite gone yet and probably won’t be for some time—if ever. Based on a number of different surveys, around 10% to 15% of companies have decided to stop using annual reviews. The numbers were about 6% of Fortune 500 companies in 2015 and about 12% to 15% in 2017, which leaves around 85% of those companies and many smaller firms still using annual evaluations.

Why hasn’t the rest of the business world let go of this relic of the industrial age if it doesn’t work? Again, the quick answer is that there is valuable information gained from the process and the latest online, app-based, and/or social options have not gotten to the point yet where they can provide all of the same valuable information. “The documentation that traditional appraisals produce is a business necessity. The data collected . . . allows the organization to make important decisions in a whole host of business areas.” So, if we don’t have that information, decisions become more difficult and dangerous. In addition, at least some research shows that deleting the performance appraisal does not automatically make the organization better and may make
Performance Management Versus Performance Appraisal

The most common part of the performance management process, and the one with which we are most familiar, is the performance appraisal, or evaluation. (In this chapter, we will use the terms performance evaluation, performance appraisal, and just appraisal interchangeably.) However, the performance appraisal process is not the only part of performance management. Performance management is the process of identifying, measuring, managing, and developing the performance of the human resources in an organization. So it is a systematic analysis and measurement of worker performance (and communication of that assessment to the individual) that we use to improve performance over time. Through performance management, people need to be evaluated for current performance and potential promotions.20 (SHRM L:5)

Performance appraisal, on the other hand, is the ongoing process of evaluating employee performance. Performance appraisal should not simply be a once- or twice-a-year formal interview. It should be an ongoing process. Employees need regular feedback on their performance,21 so give routine and candid assessments.22 Assessment apps that provide ongoing feedback have only been around for a few years, so it is too early to know if they will help or hurt corporate culture.23 Although we will spend most of the chapter discussing performance appraisals, there are several other significant pieces to performance management that we already covered in past chapters and will cover in future chapters. (SHRM L:7 and L:13)

We discussed strategic planning, which provides inputs into what we want to evaluate in our performance management system, in Chapter 2, and 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. Additionally, we will discuss motivating employees, coaching and counseling, employee relations, compensation, and other pieces in Chapters 9 through 14. Now that we understand the difference between performance management and performance appraisal, let’s look at the performance appraisal process. (SHRM L:1, M:3-f, and M:1-b)

The Performance Appraisal Process

Exhibit 8.1 illustrates the performance appraisal 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.

Step 1: Job analysis. If we don’t know what a job consists of, how can we possibly evaluate an employee’s performance in that job? We learned how to do a job analysis in Chapter 4.

Step 2: Develop standards and measurement methods. We can’t assess performance without standards and measuring to see if standards are met.24 We will discuss performance appraisal methods in the next part of this section, and in the 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. 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.25 so use coaching.26 Coaching involves giving praise for a job well done to maintain and improve performance or taking corrective action when standards are not met.27

Step 4: Prepare for and conduct the formal performance appraisal. The formal performance appraisal review with the boss usually occurs once or sometimes twice a year, using measurement forms. We will discuss them later in this chapter along with the steps of preparing for and conducting the performance appraisal.
EXHIBIT 8.1 ● The Performance Appraisal Process

8.1 ETHICAL DILEMMA: WHAT WOULD YOU DO?

ACADEMIC STANDARDS

The academic credit-hour system was set up many years ago to ensure there would be some standardization across colleges throughout the country and that academics and employers had the same understanding of the workload a college student carried to earn a degree. The credit-hour system was based on the assumption that a student would spend 2 hours of preparation for each hour of in-class time. So a student taking five classes should spend 15 hours per week in classes and about 30 hours preparing for classes, or a total of about 45 hours a week—which is a full-time schedule.

1. How many hours outside of class, on average, do you and other students you know spend preparing for class each week?

2. Are college professors today assigning students 2 hours of preparation for every hour in class? If not, why do you think they have dropped this standard?

3. Are students who are essentially doing part-time work (i.e., attending classes but doing little academic work outside of class) during college being prepared for a career after graduation (with a 40- to 60-hour workweek)?

4. Is it ethical and socially responsible for professors to drop standards and for colleges to award degrees for doing less work than students did 5, 10, or 20 years ago?

5. Are professors who inflate grades being ethical and socially responsible?

Accurate Performance Measures

To effectively assess performance, we need to have clear expectation standards and methods to objectively measure performance. We need both to effectively assess performance and to let employees know where they can improve. This in turn should lead to training employees to develop the skills they need to improve their performance.
Also, to be an accurate measure of performance, our measure must use effective reinforcement, be valid and reliable, acceptable and feasible, specific, and based on the mission and objectives. Let’s discuss each of those requirements here.

**You Get What You Reinforce**

Recall from Chapter 7 that we can shape behavior through reinforcement. People will generally do what they are rewarded for doing (good work) and avoid what they are punished for doing (breaking rules). Real-time specific feedback is highly useful in reinforcing positive behavior and helps people correct problematic behavior.\(^3^2\) The key is to make sure you are measuring the critical success factors that result in high levels of performance for the job.

**Valid and Reliable**

We have to create valid and reliable measurement to be accurate. Recall that we discussed reliability and validity in Chapter 4 and Chapter 6. **Valid** means that a measure accurately measures what you wanted to measure. **Reliable** means the measure is consistent each time we use it. (SHRM M:1-d and M:1-e)

**Acceptable and Feasible**

**Acceptability** means that the use of the measure is satisfactory or appropriate to the people who must use it. To be acceptable, an evaluation tool must also be feasible.\(^3^3\) Is it possible to reasonably apply the evaluation tool in a particular case, or is it too complex or lengthy to work well? As an example, if 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 the form is acceptable or feasible, at least partially due to its length, even if the employees do. Conversely, if the manager fills out a two-page evaluation and feels it is a true measure of performance in an employee’s job, but the employee feels the evaluation leaves out large segments of what is done in the work routine, the employee may not feel the form is acceptable and feasible. If either management or employees feel the form is unacceptable, it most likely will not be used successfully.

**Specific**

The evaluation measure must be specific enough so that everyone involved completely understands what is going well and what needs to be improved.

**Based on the Mission and Objectives**

Finally, 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. For some examples of inaccurate measures of performance, complete Applying the Concept 8.1.

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**8.1 APPLYING THE CONCEPT**

**MEASUREMENT ACCURACY**

Before each of the situation descriptions below, write the letter corresponding to the accuracy criterion for a measure that is NOT met in the situation.

- **a. Valid**
- **b. Reliable**
- **c. Accepted**
- **d. Feasible**
- **e. Specific**
- **f. Based on the mission and objectives**

1. My boss is on my case because I’m not producing as much as I used to. But it’s not my fault that the machine jams more often and then I have to stop working to fix it.

2. My boss said I have to evaluate all 25 of 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.

(Continued)
Why Do We Conduct Performance Appraisals?

**LO 8.2 Explain the purposes of performance appraisals.**

Let’s discuss three major reasons (communicating, decision making, and motivating) why performance evaluations are completed, and why they are so critical to continually improving organizations’ performance.³⁴

**Communication (Informing)**

The first major reason for performance appraisal is to provide an opportunity for formal communication between management and the employees concerning how the supervisor believes each employee is performing. “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 everyone’s contribution measures up.”³⁵ Within this two-way interaction, the process requires that we provide the opportunity for the employee to speak to us concerning factors that inhibit their ability to successfully perform to expectations.

Factors in a job that management may not know about can include lack of training, poorly maintained equipment, lack of necessary resources, conflict within work groups, and many other things that management may not see on a daily basis. We can only resolve problems when we know about them. So you need two-way communication with your employees to find out when issues within the work environment are causing a loss of productivity so they can be fixed.

**Decision Making (Evaluating)**

Accurate information is necessary for management decision making and is absolutely critical to allow the manager to improve organizational productivity.³⁶ We use information from performance appraisals to make evaluative decisions concerning our workforce, including such things as pay raises, promotions, training, and termination. When we have valid and reliable information concerning each individual we supervise, we have the ability to make administrative and performance decisions that can enhance productivity for the firm.

**Motivation (Engaging)**

We need to motivate our employees to improve the way they work, which in turn will improve organizational productivity overall.³⁷ But what is motivation, and are performance appraisals normally motivational? We define motivation here as the willingness to achieve organizational objectives. We need to increase this willingness to achieve the organization’s objectives, which will in turn increase organizational productivity.

**What Do We Assess?**

**LO 8.3 Discuss the options for what to evaluate in a performance appraisal.**

Our next step is to figure out what needs to be evaluated in our performance appraisal. In HRM terms, the performance appraisal should be based on our job analysis.³⁸ However, we can’t
evaluate everything, so we have to choose what we will focus on because what gets measured and evaluated gets done. Our three primary options for what to evaluate are traits, behaviors, and results, so let’s discuss them in this section. (SHRM M:1-a)

Trait Appraisals

Traits are the physical or psychological characteristics of a person. Traits of an individual can be part of the performance appraisal process. There is evidence that traits, including inquisitiveness, conscientiousness, and general cognitive ability, are valuable in jobs that require management and leadership skills. However, we must ensure we focus on traits that have a direct relationship to the essential success functions of the job, that are within the control of the individual, and that are accurate measures.

Give Traits the OUCH Test

When measuring traits, it’s difficult to meet the objective requirement of the OUCH test because it is difficult to create a quantifiable and factual link between characteristics like height or job enthusiasm and job performance. If we utilized these 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 be extremely difficult to meet due to the fact that different racial, ethnic, social, and gender groups tend to have different physical and personality characteristics. Remember, reliability is a measure of consistency. Physical and personality characteristics have less to do with success in the job than certain behaviors do. So it’s difficult to meet the has job relatedness test in most cases. Finally, it would be very difficult to get different supervisors to evaluate subjective traits the same because of their own personality traits.

Should We Measure Traits?

Author Ken Blanchard said there are too many evaluation items that can’t be objectively measured—such as attitude, initiative, and promotability. Therefore, it’s important to ask whether both managers and employees will agree with the measured rating as being accurate. The bottom-line test (we will call it the Blanchard test) is this: Does everyone understand why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development)? We should only assess traits that meet the bottom-line test of having a direct and obvious objective measurable 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 an individual—the things they do. Behavioral appraisals measure what individuals do at work, not their personal traits and characteristics. Behaviors can be directly observed and, as a result, are more likely to be a valid assessment of the individual’s performance than are traits.

Give Behavior the OUCH Test

Let’s take a look at a behavioral evaluation using the OUCH test. In general, directly observing and evaluating an action is significantly more objective than making an attempt to judge a trait like individual 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. To meet the test of has job relatedness, we would need to make sure that we chose behaviors that were necessarily a part of successfully accomplishing a task; the behaviors need to be directly related to the essential functions of the job. So the behavioral evaluation process is generally more valid and reliable.

Should We Measure Behavior?

The most useful and therefore most acceptable feedback to employees is feedback on specific job-related behaviors. As managers, though, we still need to be cognizant of the fact that a behavioral evaluation can be a poor measure of work performance if the behaviors chosen are not directly applicable to being successful in the job, and Blanchard says it happens more often
than you may think. So, as with traits, the Blanchard test asks whether employees understand why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development).  

Results Appraisals

Our final option is to evaluate 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 with an assessment of the goals that were achieved in a particular job over time. Ryan LLC says to reward results, not looking busy, and hours worked. Done correctly, results provide the company with its return on investment—its investment in the people in the organization. So, organizations measure results.

Give Results the OUCH Test

Results are a very objective measure of performance. 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 also 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 traits and behavior options.

Should We Measure Results?

Results-based evaluations, like behavior-based evaluations, are typically very acceptable to both the employee and the manager. We can better defend results appraisals than we can defend the other two options, even in court. It tends to be very easy for the organization to go into a court-room and show that an individual's results were objectively lower than those achieved by others in the same or similar jobs, if necessary. The results-based evaluation would most likely be valid and would usually be reliable, assuming that we were able to take into account factors outside the individual's control that nonetheless affect job performance. So again, the Blanchard test asks: Does everyone understand why they are assessed at a specific level (evaluation) and what it takes to get a higher rating (development)?

8.2 APPLYING THE CONCEPT

ASSESSMENT OPTIONS

Write the letter corresponding to each of the following assessment options for measuring performance before the situation describing it.

a. Traits
b. Behavior
c. Results

6. On the assessment form question number 7, “willingness to take responsibility,” I’m giving you an average rating.

7. You have to stay calm and stop yelling at your coworkers.

8. You only sold 25 units 3 weeks in a row. You know the standard is 35, so I’m giving you a formal warning that if you don’t get up to standard in 2 weeks, you will be fired.

9. When you promote one of the women, make sure she is attractive.

10. I’m pleased with your performance. It is only your second week on the job, and you are already producing the standard 10 units per day. I don’t think it will be long before you exceed the standard and get bonus pay.
How Do We Use Appraisal Methods and Forms?

LO 8.4 List the commonly used performance measurement methods and forms.

The formal performance appraisal usually involves the use of a standard form, selected or developed by the HR department, to measure employee performance. 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. (SHRM M:1, M:2, and M:3)

Exhibit 8.2 lists the commonly used performance appraisal measurement methods and forms and displays them on a continuum based on their use in evaluative and developmental decisions. In this section, we discuss each of the measurement methods and forms, starting with the developmental methods and working toward the evaluative ones.

**EXHIBIT 8.2 ● Performance Appraisal Measurement Methods and Forms**

1. Ranking Method
2. Graphic Rating Scales Form
3. BARS Form
4. Narrative Method or Form
5. MBO Method
6. Critical Incidents Method

Critical Incidents Method

The critical incidents method is a performance appraisal method in which a manager keeps a written record of the positive and negative performance of employees throughout the performance period. There is no standard form used, so it is a method. Every time an employee does something very well, like beating a tough deadline or keeping an angry customer from terminating a business relationship with the firm, a note goes in the employee's file. Notes also go into the file every time the employee's behavior hurts performance. Most of us can't remember events that happened more than a few weeks ago, so we record significant critical incidents over the entire period in order to do a good assessment.

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 to the evaluative decision of firing employees. We will discuss discipline and documentation in Chapter 9.

One error managers tend to make in critical incidents evaluation is focusing on the negative actions of employees. Remember that a good, balanced evaluation includes both positive and negative feedback, so look for good performance, not just poor performance, and praise it when you see it. Robert Graham CEO Michael Buckley does it the old-fashioned way with a file folder for each of his direct reports, but there are software program apps to track performance that should be used during the formal review.

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 employees according to the results. MBO is a three-step process, discussed next.
Step 1: Set Individual Objectives and Plans

The manager sets objectives jointly with each individual employee. The objectives are the heart of the MBO process and should be accurate measures of performance results. To be accurate, objectives should be SMART: specific, measurable, attainable, relevant, and time based. We developed a model based on the work of Max E. Douglas, and we have provided two examples in Model 8.1 that we can use when setting objectives for ourselves or others.

<table>
<thead>
<tr>
<th>MODEL 8.1 ● Setting Objectives Model</th>
</tr>
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<tbody>
<tr>
<td>(1) To + (2) Action Verb + (3) Specific and Measurable Result + (4) Target Date</td>
</tr>
<tr>
<td>To + produce + 20 units + per day</td>
</tr>
<tr>
<td>To increase widget productivity 5% by December 31, 2020</td>
</tr>
</tbody>
</table>

Step 2: Give Feedback and Continually Evaluate Performance

Communication is the key factor in determining MBO’s success or failure, and employees should continually critique their own performance. Thus, the manager and employee must communicate often to review progress.

Step 3: Reward According to Performance

Employees’ performance should be measured against their objectives, again jointly by both manager and employee. Employees who meet their objectives should be rewarded through recognition, praise, pay raises, promotions, and so on. Employees who do not meet their goals, so long as the reason is not out of their control, usually have rewards withheld and are even given punishment when necessary.

Narrative Method or Form

The narrative method or form requires a manager to write a statement about the employee’s performance. A narrative gives the manager the opportunity to give the evaluative assessment in a written form that can go beyond simply checking a box to describe an assessment item. Narratives can be used alone, but they often follow an objective part of the form. Although the narrative is ongoing, it is commonly used during the formal review. A letter of recommendation is often a narrative method.

Graphic Rating Scale Form

The graphic rating scale form is a performance appraisal checklist form 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 level 1 (lowest performance level) to 5 (highest). Self-Assessment and Skill Builder 8.1 use a graphic rating scale form. (SHRM M:2-b)

The graphic rating scale form is probably the most commonly used form during the formal performance appraisal because it can be used for many different types of jobs, making this a kind of one-size-fits-all (or none) form that requires minimal time, effort, cost, and training. 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.
Behaviorally Anchored Rating Scale (BARS) Form

A behaviorally anchored rating scale (BARS) form is a performance appraisal that provides a description of each assessment along a continuum. As with graphic rating scales, the continuum often includes a numerical scale that runs from low to high. However, BARS forms overcome the problem of subjectivity by providing an actual description of the performance (behavior) for each rating along the continuum, rather than one simple word (excellent, good, etc.) that graphic rating scales provide. A description of each level of performance makes the assessment a more objective, accurate measure. You can see an example of both the graphic rating scale and the BARS form in Exhibit 8.3.

EXHIBIT 8.3  ●  Graphic Rating Scale Versus Behaviorally Anchored Rating Scale

**Employee work habits:**

**[GRS]–Daily work habits within his or her team**

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excellent</strong></td>
<td>Above average</td>
<td>Average</td>
<td>Below average</td>
<td>Poor</td>
<td></td>
</tr>
</tbody>
</table>

**[BARS]–Teamwork**

<table>
<thead>
<tr>
<th><strong>Excellent—5</strong></th>
<th><strong>Above Average—4</strong></th>
<th><strong>Average—3</strong></th>
<th><strong>Below Average—2</strong></th>
<th><strong>Poor—1</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actively participates with the team, providing insights and thought-provoking ideas when appropriate</td>
<td>Generally participates in meetings while occasionally providing detailed analysis of situational factors of importance</td>
<td>Participates in meetings but is mostly passive, without providing detailed thought and analysis of the problem</td>
<td>Sometime participates in meetings, but little to no interaction with other team members and no major analysis of problems</td>
<td>Generally passive in meetings with no interaction or nearly none, and no contribution to problem solving</td>
</tr>
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</table>

**Writing skills:**

**[GRS]–Writing skills, including organization, grammar, and spelling.**

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<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
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<tbody>
<tr>
<td><strong>Outstanding</strong></td>
<td>Excellent</td>
<td>Average</td>
<td>Needs work</td>
<td>Unskilled</td>
<td></td>
</tr>
</tbody>
</table>

**[BARS]–Writing skills**

<table>
<thead>
<tr>
<th><strong>Outstanding—5</strong></th>
<th><strong>Excellent—4</strong></th>
<th><strong>Average—3</strong></th>
<th><strong>Needs Work—2</strong></th>
<th><strong>Unskilled—1</strong></th>
</tr>
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<tbody>
<tr>
<td>No significant grammar or syntax errors, with minimal (1–2 per page) or no spelling and word usage mistakes</td>
<td>Minor grammar or syntax errors that do not affect readability with few spelling and word usage errors (average 3–4 per page)</td>
<td>Moderate grammar or syntax errors that affect readability and/or significant spelling and word usage errors (average more than 5 per page)</td>
<td>Significant grammar, syntax, spelling, and/or word usage errors throughout the document that make it difficult to understand the information being presented</td>
<td>Written documents or major portions thereof are unreadable due to grammar, spelling, and other writing mistakes</td>
</tr>
</tbody>
</table>

Why are BARS forms less commonly used than graphic rating scales? It’s partly economics and partly expertise. 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, money, and expertise. Even when a firm has an
HR staff, the question becomes “Is developing BARS forms the most effective use of our time?” Obviously, the answer depends on the types of jobs being evaluated and the resources available to complete the evaluation process.

In education, the trend is to require teachers to develop BARS, called grading rubrics, so that subjective grading of essays and case studies is more objective. Students use the rubric to do the work by meeting the written descriptive of how each part will be graded. When getting it back with a grade, students better understand why they got the grade they did and how to improve in the future. Have you seen and used one?

**Ranking Method**

**Ranking** 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. This method can be contentious, as evidenced by changes at **GE**, which until about 2015 was the king of the “rank and yank” companies that was notorious for terminating the lowest-ranked performers each year. **GE** has been working to reinvent their employee review process, providing routine feedback from managers *and* coworkers during the year, but also doing a brief review with each employee at the end of the period. **Dell** says when they tried forced-ranking, it turned good employees into politicians, bad employees into backstabbers, colleagues into enemies, and destroyed collaboration—so **Dell** dropped it. (SHRM M:2-a, M:2-c, and M:2-d)

Under the ranking method, and in a similar method called paired comparison, the manager compares an employee to one or more similar employees, rather than to an objective standard. Another 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 (a raise, a bonus, or a promotion), those not in the top tend to have rewards withheld, and the ones in the bottom group sometimes get punished. In Skill Builder 8.1, you are asked to rank the performance of some of your peers.

**Which Option Is Best?**

Using a combination of the methods and forms is usually superior to using just one. For developmental objectives, the critical incidents, MBO, and narrative methods work well. Alternately, you can’t decide who gets the promotion or merit raise without an evaluative method. So for administrative decisions, a ranking method based on the evaluative methods, and especially graphic rating scales 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 interpersonal skills in ongoing critical incidents coaching, and it also depends on effective measures of performance that are accurate enough to let everyone know why they are rated at a given level (evaluative) and how they should improve (developmental) for the next assessment.  

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**8.3 APPLYING THE CONCEPT**

**APPRaisal METHODS AND FORMS**

State which of the following assessments is being described in each of the given situations, writing each assessment’s corresponding letter before the situation[s] in which it is described.

<table>
<thead>
<tr>
<th>Situation</th>
<th>Letter</th>
</tr>
</thead>
<tbody>
<tr>
<td>b. MBO method</td>
<td>b.</td>
</tr>
<tr>
<td>c. Narrative method and forms</td>
<td>c.</td>
</tr>
<tr>
<td>d. BARS forms</td>
<td>d.</td>
</tr>
<tr>
<td>e. Graphic rating scale forms</td>
<td>e.</td>
</tr>
<tr>
<td>f. Ranking method</td>
<td>f.</td>
</tr>
</tbody>
</table>
Who Should Assess Performance?

Now that we’ve learned the why, what, and how of the performance appraisal process, we need to discuss the options for choosing a 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. The trend is to provide apps that offer real-time feedback from bosses, peers, and subordinates.59 Let’s take a look at six options for deciding who may evaluate an employee based on their jobs. (SHRM M:3-g)

Supervisor

The most commonly used evaluator is the immediate supervisor because supervisors are supposed to know the level of performance of their employees. However, this is not always the case due to problems with supervisor performance assessments.

Problems With Supervisor Evaluations

Let’s face it, most managers dread performance evaluations because they are time consuming to prepare and nerve-racking to give. Employees often get upset during the interview,60 for at least a couple of reasons.

1. Many supervisors are not good coaches that don’t give honest ongoing feedback to employees regarding their performance. They don’t say anything about being average or how to improve, so employees think they are doing a good job. So when it comes time for the formal evaluation and the supervisor gives an average rating, the employee is surprised and disappointed.

2. Many times today, supervisors have little or no direct contact with their employees because they may be in a different building, city, state, or even country. Virtual teams, Internet-linked offices, telecommuting, and other factors cause supervisors to not be in constant touch with their employees. What if the supervisor doesn’t even know what you’re supposed to be doing in your job? What if there’s a personality conflict?

Avoiding Supervisor Review Problems

A way to overcome the lack of coaching is to train managers to be coaches and to require regular (say monthly) ongoing reviews in place of, or in preparation for, the annual review. Another way to help overcome both of these problems is to have others in addition to (or in place of) the supervisor assess performance. Also, multiple measures can make a performance assessment more accurate—valid and reliable. Using other evaluators and multiple measures can help overcome personal bias and provide information that supervisors don’t always know about.

Peers

In addition to, or in place of, supervisors, the trend is to use more teams, and teams commonly evaluate each member’s performance,61 as is done at Zappos.62 Why? Peers 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—something that may be very difficult for the supervisor to see unless they are intimately involved with the group. Employees at Netflix and Facebook are expected to give each other open, candid verbal feedback.63

Problems With Peer Reviews
Peer evaluations can cause problems because the process can become less objective. Also, the validity of peer evaluations is really unclear.64 Personality conflicts and personal biases can affect how individual employees rate their peers, so they probably should not be used for administrative purposes because they don’t hold up well in court.

Avoiding Peer Review Problems
Because we know that problems can occur within a peer evaluation, the manager can take the issues into account and adjust rating values as necessary. For example, if a personality conflict has occurred between two group members that caused them to lower each other’s grades, those grades can be adjusted based on feedback from other group members. Some research shows that as peers evaluate each other more, their ability to provide relevant and valuable feedback increases, as does their personal confidence. So giving employees practice in peer evaluations can improve the validity and reliability of such evaluations.65 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.

Subordinates
We may also have employees evaluate their boss. Subordinate evaluations can give us good insight into the managerial practices and potential missteps of people who oversee others. As a result, subordinate evaluations may give us valuable information that we would be unable to find out using any other means. Have you filled out a form that assesses professors?

Problems With Subordinate Reviews
There is potential for bias here, especially from subordinates who have been disciplined by their supervisor. So here again, we should probably not use them for administrative purposes because of having to explain how we avoided such bias if we have to go to court. Obviously, the subordinates may try to get back at their supervisor for giving them tasks they did not want to perform or for disciplining them for failure in their jobs. There may also be a personality conflict, or some subordinates may be biased against their supervisor or manager for other reasons—recall perception problems.

On the other end of the scale, the subordinates may inflate the capabilities of their 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 rated themselves.66

Avoiding Subordinate Review Problems
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 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 anonymous or it is unlikely that the subordinates will provide an honest evaluation of their supervisor. Despite potential problems, subordinate evaluations can provide us with valuable information about the supervisor’s capabilities.

Self
Ever done a self-assessment at work? Virtually all of us have informally evaluated how we perceive we are doing on the job, and it can also be part of the formal performance appraisal process.
As you know, every chapter of this book has one or more self-assessments, and in one for this chapter—Self-Assessment and Skill Builder 8.1 at the end of the chapter—you will assess your performance on a group project. If you want to, you can do the skill builder now.

Problems With Self-Assessments

Let’s face it, we tend to be biased in our self-perception because we all want to view ourselves positively. A significant portion of the research evidence seems to show that individuals with lower overall levels of knowledge and skills tend to inflate the self-assessment of their abilities. 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.

Avoiding Self-Assessment Problems

Here again, if we know that self-evaluations tend to be skewed, we can most likely adjust for that. In addition, receiving information from the individual 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. As stated in the Blanchard test, both the manager and employee need to agree on the level of performance and what it takes to get to the next level—it’s called perception congruence.

Customers

We may want to use customers as evaluators when the individual being evaluated has frequent contact with internal or external customers. It does not matter what else we do successfully if our customers are uncomfortable with their interactions with our employees because they can usually take their business elsewhere. And even internal customers can create significant problems within the firm due to conflict between departments or divisions. So we may want to ask internal and external customers to evaluate the individuals with whom they come into contact.

Problems With Customer Assessments

One problem with customer evaluations is that they commonly use simple graphic 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 negatively skewed. However, research shows that in some situations, customer evaluations actually exceed internal evaluations.

Avoiding Customer Assessment Problems

Regardless of problems, customer evaluations provide us with valuable information concerning our employees who have direct customer contact. And we can always adjust the evaluation process knowing that customer evaluations may be biased. Haven’t we all been on the phone and heard something like “This conversation will be recorded and used for training purposes”? This is true, but it’s also usually an evaluation and employees are rewarded or punished based on how they deal with customers.

360-Degree Evaluations

In some cases, the evaluation is expanded to everyone that an employee comes into contact with through 360-degree feedback. The 360-degree evaluation analyzes individuals’ performance from all sides—from their supervisor’s viewpoint, from their subordinates’ viewpoint, from their customers (if applicable), from their peers, and from their own self-evaluation. The 360-degree evaluation would generally give us the most accurate analysis of performance.
Problems With 360-Degree Evaluations

Although considered the best, 360-degree evaluations are not the most popular method because of the time, effort, and money needed to use them and they can be a distraction. There can be abuse, especially in a strained, toxic, or politicized workplace. Also, some employees have little contact with others, making them unnecessary anyway.

Avoiding 360-Degree Evaluation Problems

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

Performance Appraisal Problems

LO 8.6 Name some of the common problems encountered with performance appraisals and provide a method used to avoid each.

During the performance appraisal process, we face some common problems. However, we can take measures to avoid them if we know about 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. (SHRM M:1-c and C:7)

Common Problems Within the Performance Appraisal Process

Let's briefly discuss each of the common problems during the performance appraisal process listed in Exhibit 8.4.

<table>
<thead>
<tr>
<th>Common Problems</th>
<th>How to Avoid Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bias</td>
<td>Develop accurate performance measures</td>
</tr>
<tr>
<td>Stereotyping</td>
<td>Use multiple criteria</td>
</tr>
<tr>
<td>Halo error</td>
<td>Minimize the use of trait-based evaluations</td>
</tr>
<tr>
<td>Distributional errors</td>
<td>Use the OUCH and Blanchard tests</td>
</tr>
<tr>
<td>Similarity</td>
<td>Train your evaluators</td>
</tr>
<tr>
<td>Proximity</td>
<td>Use multiple raters</td>
</tr>
<tr>
<td>Recency</td>
<td></td>
</tr>
<tr>
<td>Contrast</td>
<td></td>
</tr>
</tbody>
</table>
Bias

Bias is simply a personality-based tendency, either toward or against something. Performance appraisal bias is toward or against an individual employee. We all have biases, but supervisors especially cannot afford to allow their biases to enter into their evaluation of subordinates. This is easier said than done. Biases make the performance appraisal process subjective rather than objective, and they certainly provide the opportunity for a lack of consistency in effect on different groups of employees. So we need to be objective and not let our feelings of liking or disliking an individual influence our assessment of that person.

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. Making any assumptions about individual employee characteristics based on their supposed membership in a group, rather than explicitly identifying the performance of the individual, creates the potential for significant error in evaluations. So we need to get to know each employee as an individual and objectively evaluate actual performance.

Halo Error

This occurs when the evaluator forms a generally positive impression of an individual and then artificially extends that general impression to an overall evaluation of the individual. (Alternatively, the evaluator can form a negative initial impression and extend it to form an overall negative evaluation—this is sometimes called the “horns error.”) So we need to remember that employees are often strong in some areas and weaker in others, and we need to objectively evaluate 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 just about everyone as below average. Central tendency error occurs when just about everyone is rated average. Finally, leniency error occurs when just about everyone is rated as above average—like grade inflation. So we need to give a range of evaluations because we really aren’t all equal in our level of performance, and everyone can’t be the worst or the best.

Similarity Error

This error, also called “like me,” occurs when the rater gives better evaluations to subordinates whom they consider more similar to themselves and poorer evaluations to subordinates whom they consider to be different from themselves. We all have a tendency to feel more comfortable with people who we feel are more similar to ourselves, and if we are not careful, we can allow this feeling of comfort with similar individuals to be reflected in the performance appraisal process. So we need to evaluate all 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 (in other words, proximate to) each other on the performance appraisal form, regardless of differences in performance on those measures. For instance, if we mark the first three items as “meets expectations,” we tend to continue marking the same way on down the form. So we need to be objective in evaluating employees’ actual performance on each and every item on the assessment form, and having reverse item scales really helps.

Recency Error

This occurs when the rater uses only the last few weeks of a rating period as evidence when putting together performance ratings. For instance, if a warehouse worker has been a strong
performer for most of the appraisal period, but right before his annual evaluation he accidentally set a fire, he may be rated poorly due to recency error. So we need to evaluate the employee based on their performance during the entire assessment period. Using the critical incident evaluation method really helps avoid recency error.

Contrast Error
Here the rater compares and contrasts performance between two employees, rather than using absolute measures of performance to assess each employee. For example, the rater may contrast a good performer with an outstanding performer; then, as a result of the significant contrast, the good performer seems to be “below average." So we need to evaluate the individual based on their actual performance against an objective standard.

Avoiding Performance Appraisal Problems
As discussed, performance appraisal can fail to provide an accurate assessment of the capabilities and behaviors of individual employees. Thus far, we have only provided simple solutions to help us overcome these problems as individuals. But how can a firm avoid these problems on an organization-wide basis? 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, if the performance appraisal methods and forms are not accurate measures, then the entire process will have problems. Therefore, the organization should have its own HR specialist or hired consultants develop an objective assessment process and measures. Let’s discuss three things HR specialists commonly do to help ensure accurate measures.

Use Multiple Criteria
HR must ensure we focus on more than one or two criteria to evaluate an individual’s performance. We should generally have at least one evaluation criterion for each major function within an individual job so that we have the ability to lower the incidence of halo, recency, and contrast errors, and we may even be able to affect bias and stereotyping because of the fact that many criteria, not just one or two, are being analyzed.

Minimize the Use of Trait-Based Evaluations
As noted, trait-based evaluations tend to be more subjective than behavior and results-based evaluations, and as a result, they should generally not be used unless there is a specific reason why employees must exhibit a particular trait to be successful in a job. By eliminating traits, we lower the incidence of bias, stereotyping, and similarity errors.

Give the Measures the OUCH Test
We already stated this, but it is so important that it bears repeating here. With the OUCH test, the measure has to be objective, uniform in application, consistent in effect, and have job relatedness.

Train Evaluators
Next, we should train our evaluators to avoid the common errors and problems that occur in performance assessment and in how to use the various methods and forms.

Train Evaluators to Overcome the Common Problems of Assessment Through training, the evaluator becomes aware that the common errors occur with some regularity, so they can guard against them. Most employees want to do a good job, and once they know these errors are routinely made, they will make attempts to correct them.
Train Evaluators to Use the Measurement Methods and Forms. Evaluators should also be trained to use the various performance appraisal methods and forms. Because the critical incident method is not commonly used as a formal assessment method, evaluators should be taught to use it to help overcome recency error. Evaluators also need training to effectively use MBO and to write a good narrative. When using a graphic rating scale, the organization should provide some training for the raters so they better understand the differences between the word descriptors along the continuum (excellent, good, etc.). BARS forms and ranking are fairly straightforward, but supervisors need to realize that they too are subject to common problems when selecting each rating.

Use Multiple Raters

At least in some cases, we can have multiple raters 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 overcomes the cost of the process. However, if it does, using multiple evaluators can conquer some significant problems in the appraisal process, including bias and stereotyping. In addition, halo, similarity, and contrast errors become less likely, and distributional errors tend to even out among multiple raters. It is for these reasons that 360-degree evaluations have gained favor in many organizations.

Effective Ongoing Coaching

The success of performance appraisal does not lie in the method or form used; it depends on your interpersonal coaching skills using critical incidents. An important part of your job is to make sure your employees know what the standards are and how they are performing through ongoing coaching. If you give an employee an average rather than a good rating, you should be able to clearly explain why. The employee should understand what exactly needs to be done during the next performance period to get the higher rating. With clear standards and coaching, you can minimize disagreements over performance during the formal performance appraisal debriefing.

8.4 APPLYING THE CONCEPT

AVOIDING APPRAISAL PROBLEMS

Review the list of common problems or errors and then write the letter corresponding to each one before the statement describing or involving it.

- a. Bias
- b. Stereotyping
- c. Halo error
- d. Distributional error
- e. Similarity error
- f. Proximity error
- g. Recency error
- h. Contrast error

_____ 16. I got a lower rating than I deserve because I’m not afraid to speak my mind to the boss, and she doesn’t like it.

_____ 17. I’m sick and tired of hearing how many units Sally produces and that I should be more like her.

_____ 18. I told my boss that I thought I deserve an excellent rating, but she said that she gives everyone a good rating.

_____ 19. I tend to take it easy during the year, but I make sure to really push and do a good job for the month of December, and that’s why I got a good performance review.

_____ 20. I attended all the classes and participated in the class discussions, so the professor gave me an A even though my final average on my test scores was a B.
Debriefing the Appraisal

LO 8.7 Briefly discuss the differences between evaluative performance reviews and developmental performance reviews.

The debriefing process is where we communicate to individuals our analysis of their performance. Most managers dislike debriefing because of the time it takes to prepare for the formal interview, and it’s nerve-racking to deliver them. But it’s an important part of the manager’s job, and if you follow the guidelines throughout this chapter, you can improve your debriefing skills. Recall that there are two major reasons for assessing performance: for evaluative decisions and for development. The evaluative performance appraisal focuses on the past, whereas the developmental performance appraisal focuses on the future. They are related because a developmental performance appraisal is always based on an evaluative performance appraisal. Employees need to be evaluated for current performance and to continuously improve their performance for potential promotions.

We also suggested breaking the formal performance appraisal debriefing into two separate interviews. Why? When a developmental and an evaluative performance appraisal are conducted together (which they commonly are), the appraisal is often less effective as evaluation crushes development, especially when the employee disagrees with the evaluation. Most managers are not good at being a judge and a coach at the same time. Therefore, separate meetings make the two uses clear and can help you be both a judge and a coach.

In this section, we will briefly describe how to conduct both reviews.

The Evaluative Performance Appraisal Interview

When preparing for an evaluative interview, follow the steps outlined in Model 8.2. Our evaluation should be fair (meaning ethically and legally not based on any of the problems discussed). If we have had regular coaching conversations with our employees, they know where they stand, and our preparation is mostly done except for filling out the form. So our relationship with the employee will directly affect the outcome. Employees should also critique their own performance through a self-assessment using the same form as the evaluator prior to the meeting. (SHRM M:3-a)

MODEL 8.2 • The Evaluative Performance Appraisal Interview

Preparation for the Appraisal Interview

1. Make an appointment
2. Have the employee perform a self-assessment
3. Assess the employee’s performance
4. Identify strengths and areas for improvement
5. Predict the employee’s reactions and plan how to handle them

Conducting the Appraisal Interview

1. Open the interview
2. Go over the assessment form
3. Agree on strengths and areas for improvement
4. Conclude the interview

Conducting an Evaluative Interview

During the interview, encourage the employee to talk and also listen to the critique of their performance. Model 8.2 lists the steps for conducting an evaluative performance appraisal interview. In Step 1, we open the meeting with some small talk to put the person at ease. Then in Step 2, we go over our evaluation of the items on the assessment form. In Step 3, we identify the employee's
strengths and weaknesses, discuss them, and agree on them. Finally, in Step 4, we conclude the interview, which may involve making the appointment for the developmental interview.

The Developmental Performance Appraisal Interview

After the employee’s performance evaluation is completed, you should prepare for the developmental interview based on targeting areas for improvement you already discussed in the evaluative interview. Yes, as a manager you are busy, and you may question the need for coaching and the cost of separate formal developmental interviews, but the benefit of spending time developing employees will lead to increased performance and lower turnover in your organization.

Conducting a Developmental Interview

The steps for conducting a developmental performance appraisal interview are listed in Model 8.3. Again, Step 1 starts with small talk to open the interview. In Step 2, it is important to agree on developmental objectives. As part of Step 3, the employee needs to be made aware of exactly what he or she must do to improve and increase the rating on the next review. For employees not performing up to the standard, you need clear performance goals that must be met to avoid being fired. You must also let the employee know that follow-up progress feedback is essential for changing behavior. So Step 4 is to set up a follow-up meeting to review the employee’s progress. When conducting Steps 3 and 4, we don’t want the employee working on too many things at once, so we should keep the number of objectives down to three or fewer related issues. We can always add new objectives later. We end in Step 5 by concluding the interview with some positive encouragement to reach the objectives.

MODEL 8.3 The Developmental Performance Appraisal Interview

Preparation for the Appraisal Interview

1. Make an appointment
2. Have the employee develop objectives and plans for improving performance
3. Develop objectives and plans for improving performance

Conducting the Appraisal Interview

1. Open the interview
2. Agree on objectives
3. Develop plans for meeting the objectives
4. Make a follow-up appointment
5. Conclude the interview

Being Evaluated

On a personal note, you may not agree at all with your boss’s assessment, but your supervisor’s evaluation will affect your pay raises and promotions. But when you get evaluated by your boss, here is some good advice of things not to do. Try not to get angry and raise your voice, because your boss will become angry and mistrustful of you. Don’t deny mistakes and not meeting the boss’s performance expectations, especially when your boss has a critical incidents file, because your boss will doubt your credibility. Don’t make excuses and blame others, because your boss will lose respect for you.

What can you do? Take responsibility for not meeting your boss’s expectations. The best thing to do is calm down and have a separate developmental session with your boss. During the meeting, tell your boss you want to improve and get a higher-level assessment the next time. Get your boss to very clearly state exactly what needs to be improved, develop a plan to improve, and agree that if you meet the expectations you will get a higher assessment the next time. Document your agreement in writing, and both of you sign it.
If you don’t want to follow this advice, or it doesn’t work, you can find another job that may better utilize your skills and provide greater job satisfaction. Here is a warning that some people learned the hard way. If you complain to your boss’s supervisor about your boss (going over your boss’s head), remember that the higher-level manager most likely promoted your boss because he or she meets the supervisor’s expectations, and you will most likely only cause your boss to dislike and distrust you all the more. Some people are vengeful, and your boss can make your life even more miserable at work.

Trends and Issues in HRM

The first item in this trends and issues section asks whether performance appraisals can improve engagement. Then we discuss the implementation of electronic performance monitoring.

Building Engagement Through Performance Management

Recall that performance management is a broad process of analysis and measurement of worker performance and communication of that assessment to the individual over time. But can performance management actually create a more highly engaged workforce? There is evidence that it can when performance management is done as we discussed during the body of the chapter.

Going back to Chapter 1, employee engagement is a combination of job satisfaction, ability, and a willingness to perform for the organization at a high level and over an extended period of time. Job satisfaction alone isn’t enough, and neither is annual or more frequent performance appraisal. You’re probably getting the feeling by now that good people management processes are always a combination of things—there is no simple solution.

So how do we increase engagement by managing performance? It starts with orientation/onboarding where the new employee learns about the company culture. High-quality onboarding processes allow us to socialize the new employee into the work environment. Through the socialization process, the employee learns how to function successfully in their new environment by participating in conversations with others, including their future supervisor, concerning how things are done in the organization.90 These conversations have to endure though. The manager/supervisor needs to provide frequent feedback about how well the job is being done as well as taking the time to listen during these feedback sessions to what issues are confronting the employee.91

The ultimate goal here is to increase employee engagement through continuing performance management, and there is real evidence that this does occur. One research study identified five performance management activities that influence engagement: setting performance goals, providing ongoing feedback and recognition, managing employee development, conducting appraisals, and creating a climate of trust and empowerment.92 If we can do these things, performance management can “have a positive and direct influence on employee engagement,” as well as individual attitudes, behaviors, and, ultimately, organizational outcomes.93

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 continues to increase. In the early 1990s, about one third of employees were being monitored electronically. By 2001, approximately 78% were being monitored electronically,94 and that percentage has likely increased ever since. The reason for this steep increase is that using EPM apparently is an effective means of increasing productivity.95 EPM allows management to know if employees are actually working or doing personal things during paid work hours. The biggest upside to EPM seems to be that it provides information for concrete, results-based performance evaluations. (SHRM M:3-c)
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 potential increases in stress due to constant monitoring of performance. Stress research provides an interesting dichotomy. If the monitoring is done for employee development and involves more communication between the employee and manager, stress is generally reduced. If, however, monitoring is done as a means of giving rewards and administering punishment, stress appears to generally increase. So, should organizations use EPM systems, and if so, how?

There’s no simple answer. Again, EPM has been shown to increase productivity, and organizations need to maximize employee productivity. However, when stress levels become too great, productivity decreases. So there’s an obvious tradeoff between more employee monitoring and controlling stress levels in our workforce. Management must understand this tradeoff to successfully improve productivity in the organization overall.

Finally, as these programs are rolled out, managers must be acutely aware of the potential downside effects of increased stress levels and employees feeling that their privacy is being invaded. These could lead to decreases in productivity and higher rates of turnover. In other words, management must work to overcome the potential problems and costs associated with EPM to gain the benefits.

**Chapter Summary**

8.1 Discuss the difference between performance management and performance appraisals.

Performance management is a continual process that 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 individual. This should also be on an ongoing basis.

8.2 Explain the purposes of 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 to gain 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. Providing motivation for development is the last major purpose. Used correctly, appraisals can motivate by providing opportunities for the employees to improve their performance over time.

8.3 Discuss the options for what to evaluate in a performance appraisal.

Our three primary options for what to evaluate 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, meaning they are not valid measures of performance. We can also use behaviors to evaluate our workers. Measuring behaviors is usually a much better appraisal option because 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. 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.

8.4 List 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 to complete the employee evaluation. MBO uses objectives jointly set by the manager and employee to gauge employee performance during the evaluation period. In the narrative method, the manager writes
either a structured or unstructured paragraph about the employee’s performance. *Graphic rating scales* 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, *ranking* creates a hierarchy of employees, from best to worst.

### 8.5 Discuss the available options for determining the rater/evaluator.

It is logical to choose *supervisors* as evaluators 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 make better evaluators because they may know the job of the individual employee better than the supervisor does and may be 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.

### 8.6 Name some of the common problems encountered with performance appraisals and provide a method used to avoid each.

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

There are several ways to avoid these problems. The first option 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, we should *train the evaluators*, because as soon as they know some of the common errors, those errors will become less pronounced. We can also *use multiple raters* to mitigate any potentially biased evaluations and minimize other errors such as similarity, contrast, and attribution errors.

### 8.7 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. The employee must be given the opportunity to talk as well as listen to the critique of their performance. The *developmental interview*, on the other hand, focuses on areas for improvement over time. You should have employees come up with their own objectives and strategies for improvement, and you should develop your own objectives for them.

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**Key Terms**

- behaviorally anchored rating scale (BARS) form, 203
- behaviors, 199
- bias, 209
- critical incidents method, 201
- graphic rating scale form, 202
- management by objectives (MBO) method, 201
- motivation, 198
- narrative method or form, 202
- performance appraisal, 195
- performance management, 195
- ranking, 204
- results, 200
- stereotyping, 209
- 360-degree evaluation, 207
- traits, 199

**Key Terms Review**

Complete each of the following statements using one of this chapter’s key terms.

1. _____ is the process of identifying, measuring, managing, and developing the performance of the human resources in an organization.
2. _____ is the ongoing process of evaluating employee performance.
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 giving an annual evaluation, what would you do to manage the performance of your employees? Explain why.

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 in which 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 evaluating the director of operations—who would you choose to do that? Explain your answer.

6. How would you minimize the chances 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 debriefing more comfortable and less confrontational for your employees? How do you think this would help?

9. Do you agree that annual performance appraisals should be discontinued in companies? Defend your answer.
Case 8.1 Not Spilling the Beans at Jelly Belly:
Developing a More Accurate Performance Appraisal System

Candy making is a fun business, and so it is no surprise that it is fun to work at the Jelly Belly Candy Company of Fairfield, California. Although this company has cheesecake, buttered popcorn, orange sherbet, and jalapeño on the menu, they are most known for making jelly beans—fifty “official” flavors, with new and sometimes startlingly flavored (and named) versions introduced periodically, such as Chili Mango. The company’s other products include gumballs, gummies, and sour candies in Jelly Belly flavors. Its more than 100 confections also include candy corn, sour candies, jellies, novelty candy, chocolates, chocolate-covered nuts, cinnamon confections, and licorice, along with seasonal offerings. Jelly Belly’s candy is sold in more than 70 countries worldwide. In addition to making candy, the company dabbles in retail. It operates half a dozen retail Jelly Belly candy stores in California, as well as a visitor center/warehouse (with tours) in Pleasant Prairie, Wisconsin.98

Jelly Belly Candy Company is dedicated to producing the highest-quality confections, delivering superior customer service and creating a reliable and enjoyable product line to the consuming public. They seek to be a responsible corporate citizen and to ensure high quality and safety standards. They expect their consumers and business partners to have confidence in the products bearing their name and that their products are manufactured in accordance with a guiding code of conduct. Jelly Belly is committed to conducting business with ethical business standards and asks its vendors, suppliers, and licensees to conduct themselves in the same manner.99

Given this family firm’s commitment to maintaining high operating and ethical standards, there is no “sugar coating” employee performance and job satisfaction. Like almost every smart company, Jelly Belly also recognized that employees are more likely to stay with their employer when they feel connected and recognized for their efforts. Programs for managing and evaluating employee performance are critical to aligning corporate and employee values and priorities. Therefore, when Jelly Belly decided to overhaul and automate its antiquated employee performance and talent management process, it was looking for a serious solution to help its employees across the United States fair, accurate performance appraisals.

Jelly Belly’s search for a new employee performance and talent management system began when two branches of the family business were reunited into a single company. One branch was using an outdated performance management software program. The other was doing its employee performance appraisals manually, using paper forms. The task of updating and consolidating the performance management process fell to Margie Poulos, HR manager of Jelly Belly’s Midwest operations. She and a small team of Jelly Belly HR staff were charged with finding a single automated system that could be used for all of Jelly Belly’s 600 employees in three locations.

The driving factor behind Jelly Belly’s performance management was the belief that thorough, accurate reviews help employees to better understand what is expected of them, so they can set clear, measurable objectives. That translates into higher employee satisfaction, said Jeff Brown, Jelly Belly’s director of human resources. “When employees feel they have gotten a thorough and accurate review, it boosts their morale,” Brown said. It also leads to improved talent management and makes it easier to retain valuable employees, which management experts know is a key factor in corporate growth and market leadership.

Under Jelly Belly’s old system, employees conducting reviews started from scratch once a year with new performance journals. They wanted a new system that would let them log notes throughout the year and regularly update their online appraisals. Employees could then use one consistent employee evaluation form to add comments and to sign their appraisals. A Web-based product would help remote and traveling managers maintain access to the forms and the data they needed to evaluate their staff. “In our old system, a few folks in Chicago would have access to the system. However, we have managers in California with Chicago subordinates. It is important that they share the same forms across the board. And we have folks who are on the road a lot or are working out of home offices, so having them be able to access this is a huge point for us,” Brown explained.

To meet their strategic goals, Poulos and her team drew up a list of the criteria that a new system had to meet. Top on the list was ease of use. “We didn’t want to end up with a system that is so complicated that the managers wouldn’t use it,” Poulos said. A new system also had to save time and had to be flexible, easily incorporating core competencies into different forms.

Once the software was selected, about 50 managers received a crash course in using the software and then used it to complete annual employee evaluations. Jelly Belly’s HR team then customized the software to include competencies that are more relevant and to
respond to comments from managers and staff on the new system. The new automated employee appraisal system completely formalized and organized Jelly Belly's employee evaluation process. "It allows us to standardize competencies across job classifications, add signature and comment sections to make our process more interactive, and increase accessibility for remote managers," Brown said. Organizing and automating the appraisal process results in performance appraisals that are more accurate and fair, Brown noted. "This is important because, after all, an employee appraisal is a legal document," he said.

The new system is helping Jelly Belly track training requirements and development in its staff, Poulos added. "We've always had a separate training manual. Now we can go in to the evaluations and more easily monitor employees' skills development, see what training individuals need and check the due dates for training and renewal. That makes it much easier for us to keep track," Poulos noted.

The new employee performance and talent management system has proven to be a big time-saver for Jelly Belly's HR team. "Since this year was the first time using the new system, it took us a little longer than it will next year. But the process was a whole lot faster," Poulos said. "It has already saved us a lot of time, and we got everybody's appraisals done in one shot." The new system is also helping Jelly Belly to better align employee goals with the company's business objectives.

"The feedback has been really positive, from both managers and employees as well. Some staff said this was the best appraisal they've had," Poulos said, "They felt the evaluations were fair and realistic, and supervisors had the scope to provide more relevant and legitimate comments than they could before. Rather than just clicking on a bunch of canned comments, they were accurately reviewing the employee."

Questions

1. What is performance management, and what is the driving force behind Jelly Belly Candy Company's performance management approach?
2. What is performance appraisal, and what are the key features Jelly Belly Candy Company wanted in their new appraisal system?
3. What is the performance appraisal process, and how does Jelly Belly Candy Company's new appraisal system incorporate those processes?
4. How did the question of performance accuracy affect the development of Jelly Belly Candy Company's automated appraisal system?
5. Why did Jelly Belly Candy Company redesign their performance appraisal system?
6. What does Jelly Belly Candy Company evaluate when they conduct employee appraisals, and why are they using that approach?
7. Who is assessing training performance at Jelly Belly Candy Company?
8. What trends in performance appraisal are affecting Jelly Belly Candy Company's appraisal system?

Self-Assessment and Skill Builder 8.1 Peer and Self-Assessments

This exercise includes the usual self-assessment for each chapter, plus an evaluation of peers and 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 as follows:

1. **HR management skills**—Conceptual and design skills

Assignment Part 1—Self-Assessment

During your college courses, you most likely had to do some form of group assignments, and you've also done group assignments in this course. Select one group you worked with, and based on your performance in that group, do a self-evaluation using the rating scale form that follows.

Evaluator (you) ____________________ (Self-Evaluation)
### Part III • Developing and Managing

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

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

**Assignment Part 2—Peer Review**

1. Part 2 begins by conducting a peer evaluation using the above form for each of the other members in your group, but using this heading for the form:

   **Group Member _____________________________ (Peer Evaluation)**

   Either copy the above form for each group member, do your assessment on any sheet without using the form, or have your instructor provide you with multiple forms that you can complete for each group member.

2. Below, rank each group member (including yourself) based on their performance. The first person you list should be the best performer, and the last person you list should be the least effective performer, based on the performance appraisal above. If members are close or equal in performance, you may assign them the same rank number, but you must list the better one first.

   **Rank** | **Name** | **Grade**
   --------- | -------- | --------
   _______  | _______  | _______  
   _______  | _______  | _______  
   _______  | _______  | _______  
   _______  | _______  | _______  
   _______  | _______  | _______  

3. To the right of each group member (including yourself), place the overall letter grade (A–F) you would assign to that member based on the performance appraisal. You may give more than one member the same grade if those individuals deserve the same grade. You may also use plus and minus grades.

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Skill Builder 8.2 Debriefing the Appraisal

Note: This exercise is designed for groups that have been working together for some time as part of the course requirements. 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 as follows:

1. HR management skills—Conceptual and design skills
2. SHRM 2018 Curriculum Guidebook—M: Performance Management

Assignment

You will be both evaluator and evaluatee. Get together with group members and have each member select a letter, beginning with the letter A. Pair off as follows: A and B, C and D, E and F, etc. If the group consists of an odd number of people, each member will sit out one round. A should conduct the evaluation interview for B, C should conduct the evaluation interview for D, etc., using the form in Skill Builder 8.1. The evaluators should follow up the evaluation interview with the developmental interview to give suggestions on improving B, D, and F’s performance. (Be sure to follow the evaluative and developmental interview steps in Models 8.1 and 8.2.) Make sure you are evaluators and evaluatees; do not be peers having a discussion. When you finish, or when the instructor tells you time is up, reverse roles of evaluators and evaluatees. B, D, and F will become the new evaluators for A, C, and E.

When the instructor tells you to, or when time is up, form new groups of two and decide who will be the evaluators 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?

________________________________________________________________________

________________________________________________________________________