

# Human Resource Management

*Eleventh Edition*

ROBERT L. MATHIS  
JOHN H. JACKSON

## Chapter 11

### Performance Management and Appraisal

**Presented by:**  
**Prof. Dr. Deden Mulyana, SE.,M,Si.**

SECTION 3  
Training and Developing  
Human Resources

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## Learning Objectives

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

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## Nature of Performance Management

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

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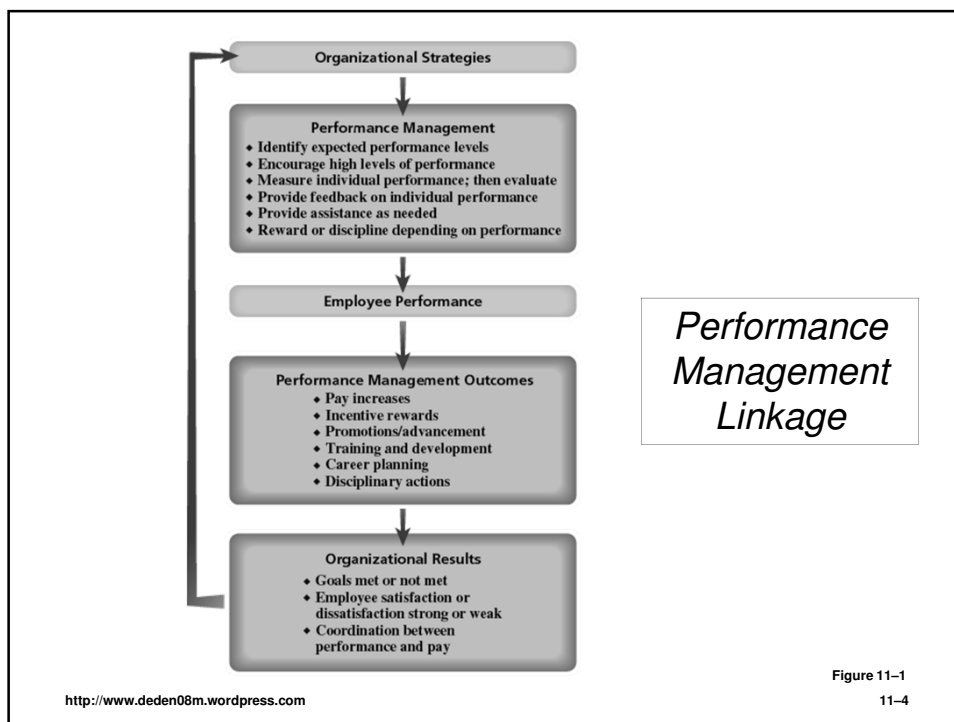


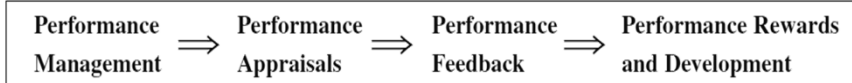
Figure 11-1

11-4

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## Difference Between Performance Management and Performance Appraisals

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• <b>Performance Management</b> <ul style="list-style-type: none"> <li>➤ Processes used to identify, encourage, measure, evaluate, improve, and reward employee performance.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• <b>Performance Appraisal</b> <ul style="list-style-type: none"> <li>➤ The process of evaluating how well employees perform their jobs and then communicating that information to the employees.</li> </ul> </li> </ul> |
|--|---|



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*Components of Effective Performance Management*

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Figure 11-2  
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## Identifying and Measuring Employee Performance

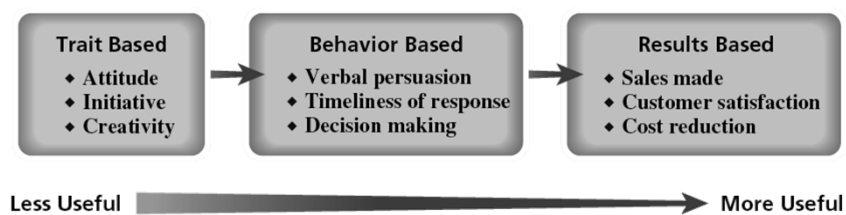
- Performance
  - What an employee does and does not do.
    - ❖ Quantity of output      • Quality of output
    - ❖ Timeliness of output   • Presence at work
    - ❖ Cooperativeness
- Job Criteria
  - Important elements in a given job

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

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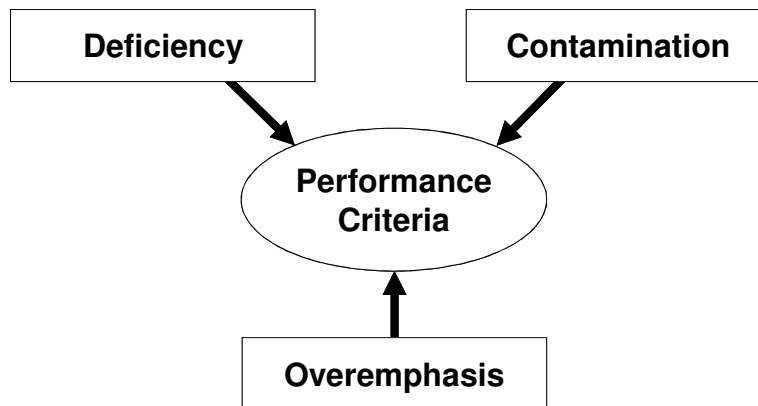
## *Types of Performance Information*



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Figure 11-3  
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## Relevance of Performance Criteria



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## Performance Standards

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

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

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

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

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

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## Performance Appraisals and the Law

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

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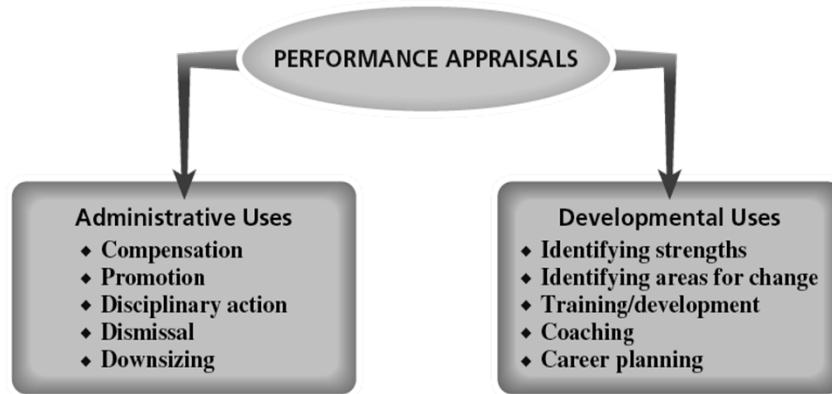
## Uses of Performance Appraisal

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

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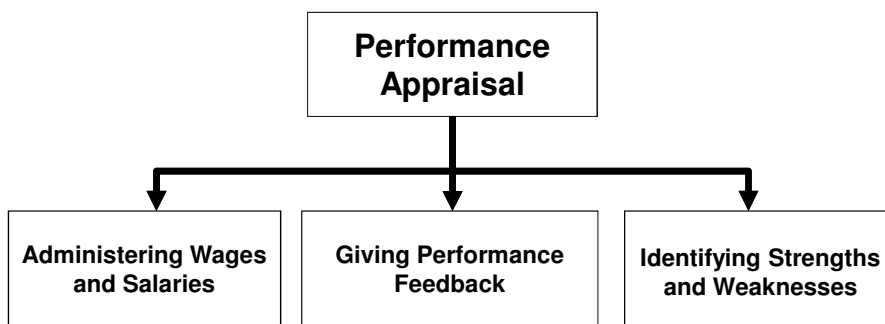
## Conflicting Uses for Performance Appraisal



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Figure 11-4  
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## Developmental Uses of Performance Appraisal



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## Uses of Performance Appraisal (cont'd)

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

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

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

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Figure 11-5

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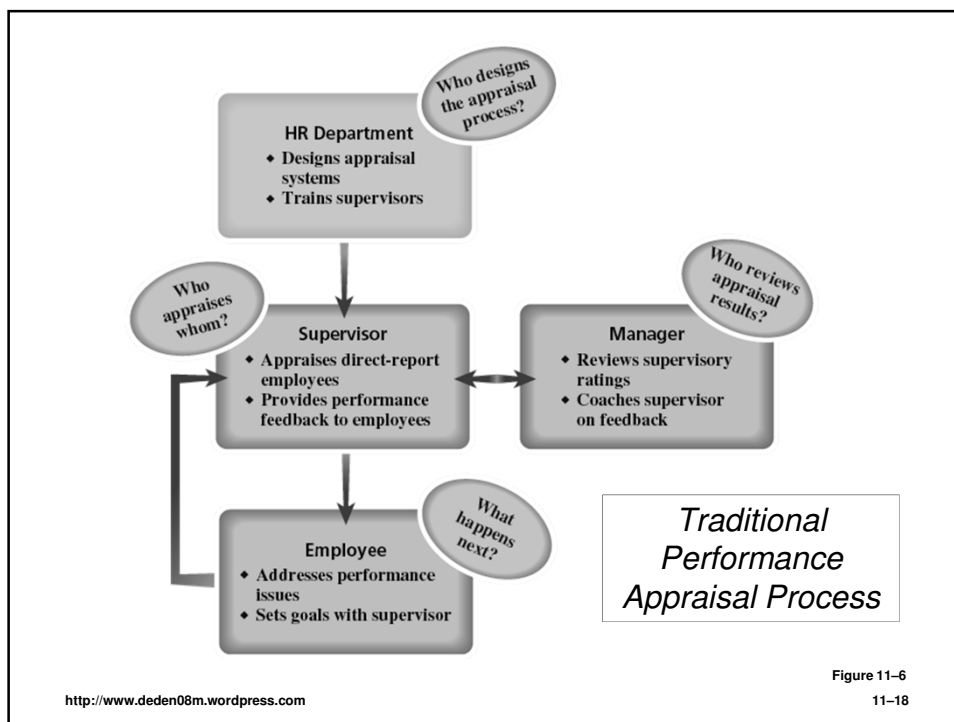


## Who Conducts Appraisals

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

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Figure 11-6

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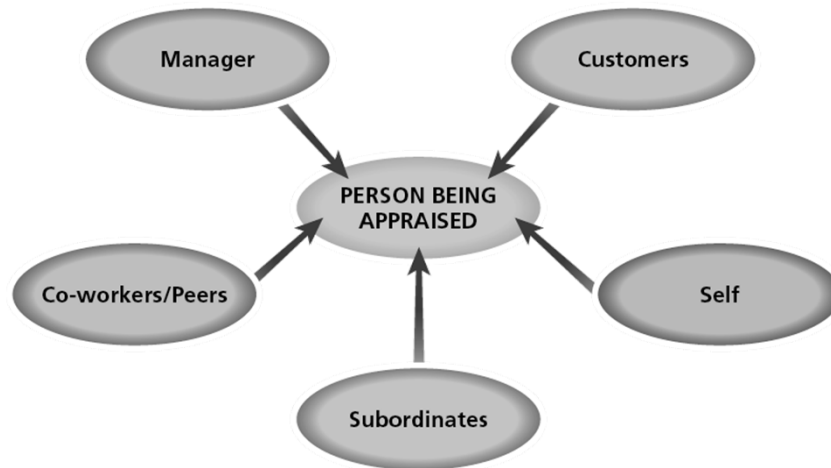
## Employee Rating of Managers

- **Advantages**
  - Helps in identifying competent managers
  - Serves to make managers more responsive to employees
  - Can contribute to the career development of managers
- **Disadvantages**
  - Negative reactions by managers to employee ratings
  - Subordinates' fear of reprisals may inhibit them from giving realistic (negative) ratings
  - Ratings are useful only for self-improvement purposes

## Team/Peer Rating

- **Advantages**
  - Helps improve the performance of lower-rated individuals
  - Peers have opportunity to observe other peers.
  - Peer appraisals focus on individual contributions to teamwork and team performance.
- **Disadvantages**
  - Can negatively affect working relationships.
  - Can create difficulties for managers in determining individual performance.
  - Organizational use of individual performance appraisals can hinder the development of teamwork

## Multisource Appraisal



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Figure 11-7  
11-21

## Category Scaling Methods

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

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Date sent: 4/19/05  
 Name: Joe Hernandez  
 Department: Receiving  
 Employment status (check one): Full-time  Part-time   
 Rating period: From: 5/12/04 To: 5/12/05  
 Reason for appraisal (check one): Regular interval  Introductory  Counseling only  Discharge

Return by: 5/01/05  
 Job title: Receiving Clerk  
 Supervisor: Marian Williams  
 Date of hire: 5/12/00

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

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

I ————— M ————— E

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

I ————— M ————— E

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

I ————— M ————— E

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

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

*Sample  
Performance  
Appraisal  
Form*

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Figure 11-8  
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### Terms Defining Standards at One Company

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

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Figure 11-9  
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## Behavioral/Objective Methods

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

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

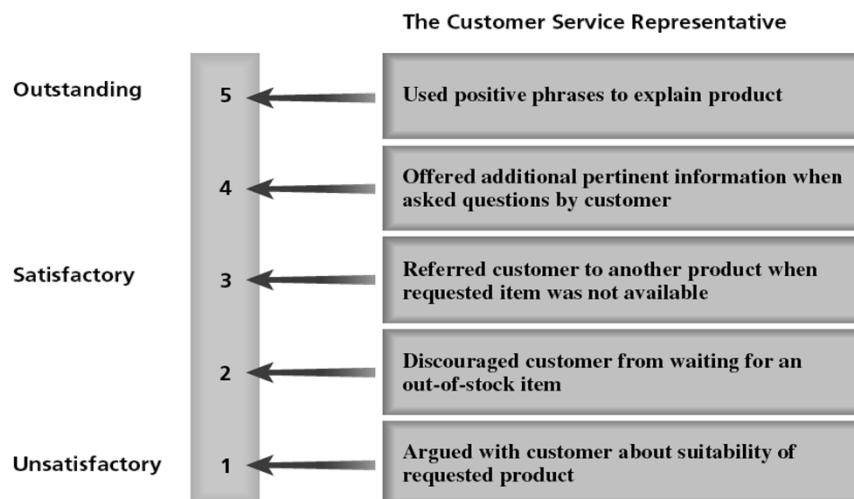


Figure 11-10

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## Category Rating Methods (cont'd)

- Checklists
  - A performance appraisal tool that uses a list of statements or work behaviors that are checked by raters.
    - ❖ Can be quantified by applying weights to individual checklist items.
  - Drawbacks
    - ❖ Interpretation of item meanings by raters
    - ❖ Weighting creates problems in appraisal interpretation
    - ❖ Assignment of weights to items by persons other than the raters

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## Comparative Methods

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

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## Comparative Methods (cont'd)

- **Forced Distribution**
  - Performance appraisal method in which ratings of employees are distributed along a bell-shaped curve.
  - Drawbacks
    - ❖ Assumes a normal distribution of performance.
    - ❖ Resistance by managers to placing individuals in the lowest or highest groups.
    - ❖ Providing explanation for placement in a higher or lower grouping can be difficult.
    - ❖ Is not readily applicable to small groups of employees.

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## Forced Distribution on a Bell-Shaped Curve

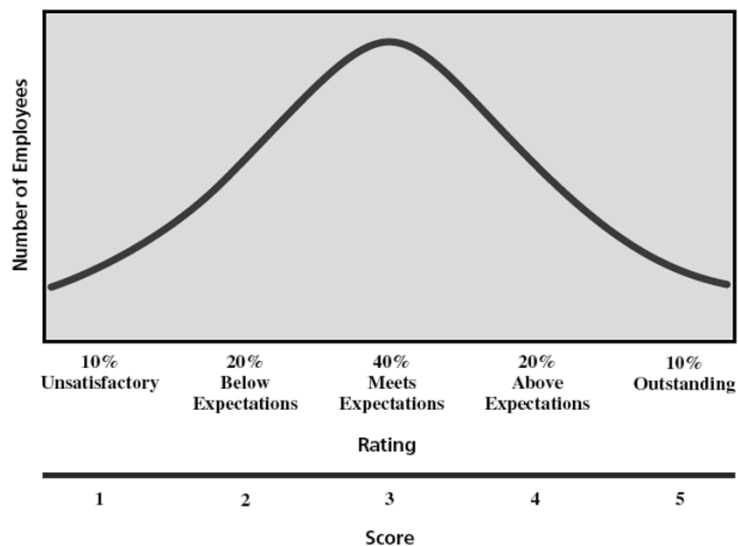


Figure 11-11

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## Narrative Methods

- Critical Incident
  - Manager keeps a written record of highly favorable and unfavorable employee actions.
  - Drawbacks
    - ❖ Variations in how managers define a “critical incident”
    - ❖ Time involved in documenting employee actions
    - ❖ Most employee actions are not observed and may become different if observed
    - ❖ Employee concerns about manager’s “black books”

## Narrative Methods (cont'd)

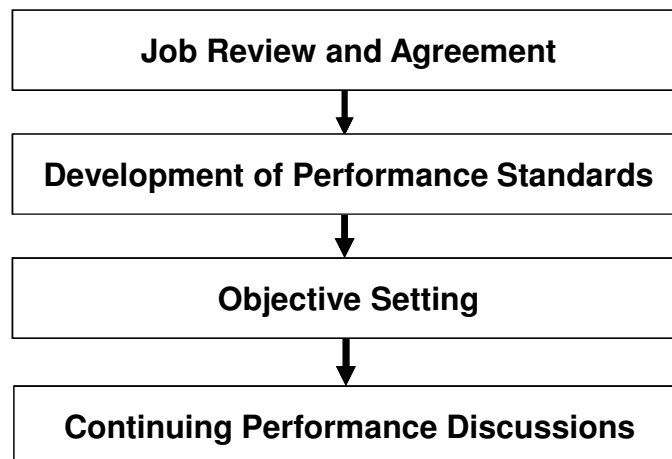
- Essay
  - Manager writes a short essay describing an employee’s performance.
  - Drawback
    - ❖ Depends on the managers’ writing skills and their ability to express themselves.



## Management by Objectives (MBO)

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

## The MBO Process



## Training of Managers and Employees

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

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## Common Rater Errors

RATER ERROR	PRACTICAL IMPACT
Varying Standards	Similar performances are rated differently.
Recency and Primacy Effects	Timing of information affects rating.
Central Tendency, Leniency, and Strictness Errors	Everyone is rated the same.
Rater Bias	Rater values or prejudices affect ratings.
Halo and Horns Effects	Generalization is made from only one trait.
Contrast Error	Comparison is made to other people, not to performance standards.
Similar to Me / Different from Me Error	Rater compares employees to self.
Sampling Error	Available information is insufficient or inaccurate.

Figure 11-12

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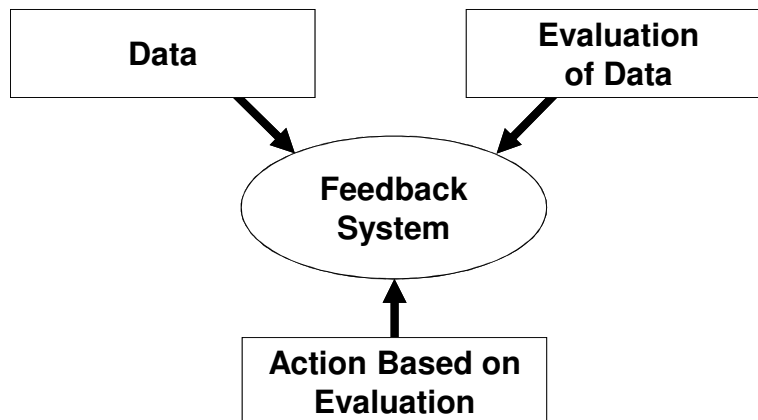
## Appraisal Interview Hints

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

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Figure 11-13  
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## Feedback as a System



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## Training of Managers and Employees (cont'd)

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