



CHAPTER 18

APPRAISING AND REWARDING PERFORMANCE

Learning Objectives

1. Define performance.
2. Explain the determinants of performance.
3. Define performance appraisal
4. Describe the major performance appraisal methods.
5. Explain the contents of a job description.
6. Discuss common errors made in performance appraisals.
7. Suggest ways to make performance appraisal systems more legally acceptable.
8. Define compensation.
9. Outline desirable preconditions for implementing a merit pay program.

Chapter Overview

The excellent performance required of most workers today is dependent on how well employee skills and job requirements match. The process of studying and analyzing this fit is part of the performance appraisal process. Each company must define what it perceives to be excellent performance. Even though there are universally accepted definitions, it is still up to each company to set its own standards.

There are numerous methods for evaluating performance. Each method has its own unique characteristics, advantages, and disadvantages. When studying performance, the human relations function must also participate in the job analysis and job description processes. One of the keys to enhancing performance is to make sure that employees clearly understand the work for which they have been hired and how they should perform that work.

In the latter stages of performance appraisal, management and the employee must sit down to review the performance of the employee. The process can be beneficial or confrontational. Two goals of the management should be to make the performance appraisal process a rewarding learning experience and correct from a legal standpoint.

After the performance appraisal has been completed, a review of compensation may be undertaken. The various compensation methods are discussed and evaluated. If the job has been correctly designed, matched to the skills of the employee, and carried out with efficiency and skill, compensation becomes the reward not only for a job well done but also is the completion of a very important human relations management process.



Lecture Outline

- I. Understanding Performance
 - A. **Performance**—the degree of accomplishment of the tasks that make up an employee’s job
 - B. Determinants of performance:
 - 1. **Effort**—results from being motivated; the amount of energy used by an employee in performing a job.
 - 2. **Abilities**—personal characteristics used in performing the job.
 - 3. **Role perception**—the directions in which employees believe they should channel their efforts on their jobs.
 - 4. Results produced
 - C. To attain an acceptable level of performance, a minimum level of proficiency must exist in each of the performance components.
- II.
 - A. **Performance appraisal** is a process that involves determining and communicating to employees how they are performing their jobs and establishing a plan for improvement.
 - 1. Should be tied to an organization’s reward system.
 - 2. Related to merit pay, promotions, layoffs, and firings.
 - 3. Helps determine individual and organizational training and development needs.
 - 4. Encourages performance improvement.
 - 5. Must be supported by documentation, fairness, accuracy, and direct observation.
 - B. Formal performance appraisals should be conducted as often as necessary; they should be supplemented by informal performance appraisals in between.

Key Terms #1, 2, 3, 4, 5; Learning Objectives #1, 2, 3; Review Questions #1, 2, 3; Management Illustration 18.1

- III. Performance Appraisal Methods
 - A. Goal Setting or Management by Objectives (MBO)—employees tend to support goals if they agree the goals are acceptable and if they expect to be personally successful in their efforts.
 - 1. Establish clear and precisely defined objectives for the work delegated to an employee.
 - 2. Develop an action plan indicating how the objectives are to be achieved.
 - 3. Allow the employee to implement the plan of action.
 - 4. Appraise performance based on objective attainment.
 - 5. Take corrective action when necessary.
 - 6. Establish new objectives for the future.



- B. **Production standards approach**—most frequently used for employees who are physically involved in producing a product; is basically a form of setting output objectives.
- C. **Essay appraisal method**—requires a manager to describe an employee’s performance in a written narrative form.
- D. **Critical-incident appraisal**—requires that the manager keep a written record of incidents, as they occur, involving job behaviors that illustrate both satisfactory and unsatisfactory performance of the employee being rated.
- E. **Graphic rating scale**—requires the manager to assess an employee on factors such as quantity of work, dependability, job knowledge, attendance, accuracy, and cooperativeness.
- F. **Checklist**—requires the manager to answer yes or no to a series of questions concerning the employee’s behavior.
- G. **Behaviorally anchored rating scales (BARS)**—assesses behaviors required to successfully perform a job; focuses less on outcomes and more on behaviors demonstrated on the job. The term job dimension is frequently used to mean broad categories of duties and responsibilities that make up a job.
- H. **Forced-choice rating**—requires the manager to rank a set of statements describing how an employee carries out the duties and responsibilities of the job; attempts to eliminate bias.
- I. **Ranking methods**—compares the performance of two or more employees.
 - 1. Alternation—results in the ranking of employees from most to least valuable.
 - 2. Paired comparison—identifies the relative best and lowest performers.
 - 3. Forced distribution—places a percentage of employees at various performance levels.
- J. **360 degree Feedback**—Method of performance appraisal that uses input from an employee’s manager, peers, customers, suppliers or colleagues.

Key Terms #6, 7, 8, 9, 10, 11, 12, 13; Learning Objective #4; Review Question #4; Figures 18.1, 18.2, 18.3, 18.4, 18.5, 18.6, 18.7; Management Illustration 18.2

IV. Selecting a Performance Appraisal Method

- A. Job analysis involves determining job content and reporting the results of the analysis.
- B. A job description is a formal written document, usually one to three pages long, that should include details like the date it was written, job status (full- or part-time), job title, supervision received and exercised, job summary, detailed list of job responsibilities, principal contacts, competency or position requirements, required education or experience and career mobility.

Learning Objectives #5; Figure 18.8



- V. Potential Errors in Performance Appraisals
- A. **Leniency**—the grouping of ratings at the positive end instead of spreading them throughout the scale.
 - B. **Central tendency**—the tendency of voters to rate most employees as doing average or above-average work.
 - C. **Recency** occurs when performance appraisals are based on work performed most recently.
 - D. **Halo effect**—occurs when managers allow a single prominent characteristic of an employee to influence their judgment over all other traits.
 - E. Personal preferences, prejudices, and biases can also cause errors.
 - F. First impressions can also influence later judgments causing errors.

Key Terms #14, 15, 16, 17; Learning Objective #6; Review Question #5

- VI. Conducting Effective Performance Appraisals
- A. Improve the skills of managers.
 - B. Managers should receive training in:
 - 1. Performance appraisal methods used by the company
 - 2. The importance of the manager's role in the total appraisal process
 - 3. The use of performance appraisal information
 - 4. The communication skills necessary to provide feedback to the employee
 - C. Dos of the performance appraisal process
 - D. Don'ts of the performance appraisal process
- VII. Providing Feedback through the Appraisal Interview
- A. Interviews can be a negative process unless approached in a correct manner by the manager.
 - B. Factors that influence success or failure:
 - 1. Encourage employees to participate in the process.
 - 2. Use positive motivational techniques.
 - 3. Set performance improvement objectives that are mutually acceptable.
 - 4. Discuss and solve problems that might be hampering the employee's performance.
 - 5. Try to avoid heavy criticism.
 - 6. Employees should voice their opinions.
 - 7. Thought and preparation aids the process.
 - 8. Tie results to organizational rewards.



C. Problems can be overcome by simply accentuating the positive as the basis for the interview, feedback, and correction processes.

Review Question #6; Management Illustration 18.3

VIII. Developing Performance Improvement Plans

- A. A performance improvement plan should be based on the recognition of the fact that an employee's development is a continuous cycle of setting performance goals, providing training necessary to achieve the goals, assessing performance as to the accomplishment of the goals, and then setting new, higher goals.
- B. Should consist of the following components:
 - 1. Where are we now?
 - 2. Where do we want to be?
 - 3. How does the employee get from where he or she is now to where he or she wants to be?

IX. Performance Appraisal and the Law

- A. Title VII of the Civil Rights Act permits the use of bona fide performance appraisal systems.
- B. Suggestions for making performance appraisals legally acceptable:
 - 1. Derive the content of the appraisal system from job analyses.
 - 2. Emphasize work behaviors rather than personal traits.
 - 3. Ensure that the results of the appraisal process are communicated to the employees.
 - 4. Ensure that employees are allowed to give feedback.
 - 5. Train managers in how to conduct proper evaluations.
 - 6. Ensure that appraisals are written, documented, and retained.
 - 7. Ensure that personnel decisions are consistent with the performance appraisals.

Learning Objective #7; Review Question #7

X. Rewarding Performance—tie employee performance to the organization's reward system.

- A. Organizational rewards system
 - 1. **Organizational rewards**—all types of rewards, both intrinsic and extrinsic, received as a result of employment by the organization.
 - 2. **Intrinsic rewards**—internal to the individual and normally derived from involvement in work activities.
 - 3. **Extrinsic rewards**—directly controlled and distributed by the organization; more tangible than intrinsic rewards.



4. **Compensation**—composed of the extrinsic rewards offered by the organization; consists of the base wage/salary, any incentives or bonuses, and any benefits employees receive.
- B. Relating rewards to performance—employees will be motivated when they believe good performance will lead to rewards; however, some rewards are not related to performance. A variable that could be used to reward individuals and to reinforce performance is through the merit pay.
 1. Management must be trusted.
 2. Performance constraints must be removed.
 3. Managers must be trained.
 4. Good measurement systems must be in place.
 5. The company must have the ability to pay.
 6. Clear distinctions must exist between the cost of living, seniority, and merit pay.
 7. The total pay policy must be well communicated.
 8. Reward schedules should be flexible.

Key Terms #18, 19, 20, 21; Learning Objectives #8, 9; Review Questions #8, 9; Figure 18.9

Barriers to Student Understanding

1. The first barrier to understanding comes from the misunderstanding of exactly what performance is. Most students will have only experienced performance and performance evaluation from the standpoint of the worker. To explain the process from the standpoint of management, relate performance to the accomplishment of objectives or tasks. Discussing the differences in perception (management versus labors) is useful.
2. The second barrier occurs because of not understanding the various appraisal methods mentioned in the text. The instructor should explore each method and carefully examine the good and bad points. Remember to also relate each method to possible legal difficulties in implementation. Ask students which method would they rather be evaluated under and why.
3. Lastly, discuss the possible errors that can occur from the appraisal process. What errors have the students experienced? As managers, how can they overcome these possible errors? What preventive steps could be taken?

Key Terms

1. Performance
2. Effort
3. Abilities



4. Role Perception
5. Performance Appraisal
6. Production Standards Approach
7. Essay Appraisal Method
8. Critical-Incident Appraisal
9. Graphic Rating Scale
10. Checklist
11. Behaviorally Anchored Rating Scale (BARS)
12. Forced-Choice Rating
13. 360 Degree Feedback
14. Leniency
15. Central Tendency
16. Recency
17. Halo Effect
18. Organizational Rewards
19. Intrinsic Rewards
20. Extrinsic Rewards
21. Compensation

Suggested Answers to Analyzing Management Skills

- Do you feel that a person's pay should be based on his or her performance? Why or why not?

From a management perspective, a pay increase should be based on employee performance. Pay Equity Theory states wage increases should be based on the employee's contribution of their job. Finally, Value Added Theory is based on the employee's value that he/she adds to his/her job performance.

Suggested Answers to Applying Management Skills

- Recall a time when you were rewarded for an activity based on how well you completed the task. Did the reward motivate you to do a better job?



Student responses will vary. Encourage the students to broadly think about rewards. Remind students that rewards may be either intrinsic or extrinsic.

Answers to Review Questions

1. Define performance appraisal.

Performance appraisal is a process that involves determining and communicating to an employee how he or she is performing the job and establishing a plan of improvement.

2. What is performance? What factors influence an employee's level of performance?

Performance refers to the degree of accomplishment of the tasks that make up an employee's job. Job performance is the net effect of an employee's efforts as modified by his/her abilities and role perceptions. Effort refers to the amount of energy used by an employee in performing a job. Abilities are personal characteristics used in performing a job. Role perception refers to the direction in which employees believe they should channel their efforts on their jobs.

3. Identify at least three uses of performance appraisal information.

Performance appraisal is used for making decisions relating to merit pay increases, promotions, layoffs, and firings. Performance appraisals also help determine individual and organizational training needs and encourage performance improvement.

4. Describe the following methods used in performance appraisals: (a) evaluation by objectives, (b) production standards, (c) essay, (d) critical incident, (e) graphic rating scale, (f) checklist, (g) behaviorally anchored rating scale, (h) forced-choice rating, and (i) ranking methods. (j) multirater assessment, or 360-degree feedback.

a. Evaluation by objectives involves using the objectives set in the management by objectives (MBO) process as a basis of performance appraisal. MBO consists of establishing clear and precisely defined statements of objectives for the work that is to be done by an employee, developing a action plan indicating how these objectives are to be achieved, allowing the employee to implement this action plan, evaluating objective achievement, taking corrective action when necessary, and establishing new objectives for the future.

b. The production standards approach involves setting a standard or expected level of output and then comparing each employee's performance to the standard.

c. The essay appraisal requires the manager to describe an employee's performance in written narrative form.



- d. The **critical-incident** appraisal method requires the manager to keep a written record of incidents, as they occur, involving job behaviors that illustrate both the satisfactory and unsatisfactory performance of the employee being rated.
 - e. The **graphic rating scale** requires the manager to assess an individual on factors such as quantity of work, dependability, job knowledge, attendance, accuracy of work, and cooperativeness.
 - f. The **checklist** method requires the manager to answer yes or no to a series of questions concerning the employee's behavior.
 - g. The **behaviorally anchored rating scale (BARS)** method is designed to assess behaviors required to successfully perform a job.
 - h. The **forced-choice rating** method requires the manager to rank a set of statements describing how the employee carries out the duties and responsibilities of the job.
 - i. **Ranking methods** (alternation, paired comparison, and forced distribution) require that the manager compare the performance of an employee to the performance of other employees.
 - j. **360 degree feedback** uses input from an employee's managers, peers, customers, suppliers, or colleagues.
5. Define the following types of performance appraisal errors: (a) leniency, (b) central tendency, (c) recency, and (d) halo effect.
- a. **Leniency** is the grouping of ratings at the positive end of the performance scale instead of spreading them throughout the scale.
 - b. **Central tendency** occurs when performance appraisal statistics indicate that most employees are evaluated similarly as doing average or above-average work.
 - c. **Recency** occurs when performance evaluations are based on work performed most recently.
 - d. The **halo effect** occurs when managers allow a single prominent characteristic of an employee to influence their judgment on each separate item in the performance appraisal.
6. Outline some factors that influence the success or failure of performance appraisal interviews.
- a. The more employees participate in the appraisal process, the more satisfied they are with the appraisal interview and with the manager, and the more likely are performance improvement objectives to be accepted and met.
 - b. The more a manager uses positive motivational techniques (e.g., recognizing and praising good performance), the more satisfied the employee is likely to be with the appraisal interview and with the manager.



- c. The mutual setting by the manager and the employee of specific performance improvement objectives results in more improvement in performance than does a general discussion or criticism.
 - d. Discussing and solving problems that may be hampering the employee's current job performance improve the employee's performance.
 - e. Areas of job performance needing improvement that are most heavily criticized are less likely to be improved than similar areas of job performance that are less heavily criticized.
 - f. The more employees are allowed to voice their opinions during the interview, the more satisfied they feel with the interview.
 - g. The amount of thought and preparation employees devote before the interview increase the benefits of the interview.
 - h. The more the employee perceives that performance appraisal results are tied to organizational rewards, the more beneficial is the interview.
7. Describe some suggestions for making performance appraisal systems more legally acceptable.
- Derive the content of the appraisal system from job analyses. Emphasize work behaviors rather than personal traits. Ensure that the results of the appraisal are communicated to employees. Ensure that employees are allowed to give feedback during the appraisal interview. Train managers in how to conduct proper evaluations. Ensure that appraisals are written, documented, and retained. And ensure that personnel decisions are consistent with the performance appraisals.
8. Identify three basic components of compensation and give examples of each.
- a. **Base wage or salary**—hourly, weekly, or monthly pay that employees receive for their work.
 - b. **Incentives**—rewards offered in addition to base wages, usually related to performance.
 - c. **Benefits**—awards employees receive due to their employment with an organization. Paid vacations, health insurance, and retirement plans are examples.
9. Outline some preconditions for implementing a merit pay program.
- Desirable preconditions are trust in management; the absence of performance constraints; trained managers; good measurement systems; the ability to pay; a clear distinction between cost of living, seniority, and merit pay; a well-communicated total pay policy; and a flexible reward schedule.



Suggested Answers to Skill-Building Questions

1. What are your thoughts on discussing salary raises and promotions during the performance appraisal interview?

Highly performing employees may expect raises, promotions, or other incentives, regardless of whether the organization is in a financial position to offer them. Poorly performing employees may resent not receiving incentives that others receive, especially if they perceive the system as unfair.

2. Which method of performance appraisal do you think is fairest? Why? (You may have to cite an example to explain your reason.) Under which method would you like to work? Why?

Student responses will vary. Encourage students to clearly explain the rationale for their choices.

3. It has been said that incentive plans work for only a relatively short time. Do you agree or disagree? Why?

Consistently motivating employees using any long-term technique is difficult. However, if properly designed and implemented, and perceived as fair, incentive plans can be long-term motivators.

4. Why do you think management frequently uses across-the-board pay increases?

Across-the-board pay increases are easier to implement, don't generate legal liabilities, and generally produce less dissatisfaction. However, high-performing employees may feel slighted.

Skill Building Exercise 18.1

Developing a Performance Appraisal System

The purpose of this exercise is to allow students to evaluate the strengths and weaknesses of an appraisal system used by a large public utility. The students are asked to recommend some specific improvements in order to help develop a better system. The appraisal system currently used is a graphic rating scale (GRS) developed 10 years earlier.

1. Strengths

- Simple to develop and understand.
- It is fast and easy to fill out.
- Allows the superior to pinpoint areas in which a subordinate may need additional training or is doing quite well.

2. Weaknesses



- Choice of rating category: Categories may have little or no relationship to job performance.
- All factors are of equal importance: Each factor is assumed to be of equal importance to all jobs. For some positions, for example, “getting along with others” may be more important than for other positions.
- Factors are additive: Another limitation of the GRS is the idea that the factors being rated are “additive,” that a “strength” in one area offsets a “weakness” in another area.
- The halo effect: Often the appraiser assigns the same rating to all factors regardless of an employee’s actual performance. One characteristic of the employee overly influences the rater’s appraisal of that employee’s performance.
- Appraiser bias: All raters are unlikely to interpret written descriptions in the same manner due to differences in background, experience, and personality..
- Central tendency: Many raters tend to avoid the highest rating (5) and the lowest (1) and mark most employees in the middle.
- Leniency or strictness: Many supervisors tend to rate all subordinates either consistently high or consistently low, a particular problem with GRS.

3. Recommendations

The GRS utilized at this company should be supplemented with open-ended, essay type questions. Therefore, the appraiser’s response to these questions could be used to develop a more accurate performance picture than by simply “going by the numbers”.

In addition, the following recommendations are made in order to enhance the GRS appraisal system.

- The process should be formalized, standardized, and as objective as possible.
- The appraisal system should be job related.
- Each job should be evaluated, and performance standards should be set for each individual job category.
- Appraisers should be adequately trained.
- The appraiser and the employee should have frequent contact.
- The weight of each factor should be developed and assigned before the appraisal process begins.
- Employees should be informed as to their level of performance as often as possible.

Skill Building Exercise 18.2

Who Are “Normal” Employees?

- It is not applicable for small groups of employees.
- Inaccuracy is likely.
- An employee’s performance should not be based relative to another employee’s performance.



- Results will be difficult to communicate.
- It gives the employee and the manager little direction for improvement based on concrete measures.

Advantages could include:

- Simple to develop and understand.
- It is fast and easy to fill out.
- Allows the superior to pinpoint areas in which a subordinate may need additional training or is doing quite well.

Skill Building Exercise 18.3

1. Student answers will vary. The graphic rating scale method is subject to some serious weaknesses. One potential weakness is that managers (students in this case) are unlikely to interpret written descriptions in the same manner because of differences in background, experience, and personality. Another potential problem relates to the choice of rating categories. It is possible to choose categories that have little relationship to job performance or omit categories that have a significant influence on job performance.
2. Sample size is sufficiently large (34/60) to come to a valid conclusion.
3. Student answers will vary.

Suggested Answers to Case Incident Questions

Case 18.1 Determining Pay Raises

1. Indicate the size of the raise you would give each of these employees.
2. What criteria did you use in determining the size of the raise?
3. What do you think would be the feelings of the other people in the group if they should find out what raises you recommend?
4. Do you think the employees would eventually find out what raises others received? Would it matter?

Answers for all of these questions will vary. A few things to keep in mind are to avoid using any personal information for the evaluation and to use the same base measures for each employee's evaluation.



Case 18.2 Conducting a Performance Appraisal

This incident illustrates the process of feedback through the appraisal interview.

1. Do you think a raise was justified in Paul's situation? Explain.

Evidently Paul had been promised a raise upon completion of his latest project. In order to maintain the respect of subordinates, it is important that Leonard keep the promise—unless, of course, Paul's performance was inadequate and Paul had been counseled all along that his performance was a problem. However, Paul's performance was very slightly better than average when weighted by the performance criteria, so he should definitely get the raise.

2. What could have been done differently in the performance appraisal session?

After explaining the performance problems in the areas of safety and meeting demands from top management, Leonard could have asked Paul for feedback as to why his performance was below average in those areas. Paul and Leonard could then establish an action plan for improvement in both areas. The action plan might include a statement of the expected performance improvement and specific changes that must be made with specific dates of completion. Leonard should be sure to explain to Paul that future raises will be influenced by his compliance with *all* objectives—not just the ones he chooses to support.

3. What can be done now to change the situation?

There is no rule that says performance appraisals must take place at specific times of the year. It is critical that managers review performance with subordinates on an on-going basis—particularly when there is a problem that might affect the performance of the department as a whole. Leonard should call Paul into his office and explain to him again that his performance in two areas is not satisfactory. They should develop an action plan for improvement. Paul should be made to understand that future raises will be tied to his performance in all areas.

Case 18.3 The College Admissions Office

1. What would you do at this point if you were the director of admissions?

The situation demands a complete examination of the effective understanding of Bob's responsibilities at work. The director could probably assess the areas of improvement with respect to Bob's efficiency at work after thoroughly discussing with him the observations made. The problem areas can be discussed and the director should talk to him about how, together, they can work out a performance improvement plan. The director could also suggest professional help for Bob to overcome his misery.



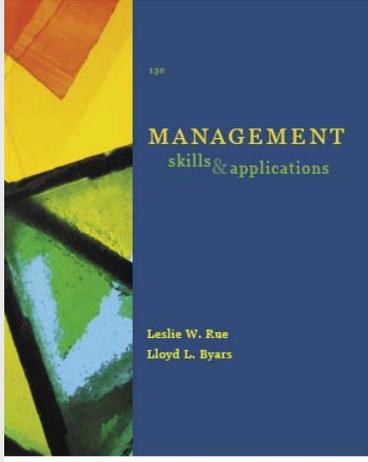
2. Describe how you might effectively use a performance appraisal in this situation.

Highlight the areas of improvement and point out constructively, the errors made by him, so as to make Bob aware of his responsibilities towards the college and its students. With respect to a pay hike, it would be too early in the day to justify one.

Suggested Student Projects

1. Go to a company of your choice and interview the manager or human relations' department head on how s/he conducts performance appraisals. Ask questions about his/her methods, the results s/he obtains, his/her confidence in the method, and how s/he interprets the law with respect to appraisals. After the interview, critique the appraisal method that you researched. What are your findings?
2. Examine the nine performance appraisal methods presented in the chapter, and determine which ones will work best in which situations. By examining material in the library, find additional methods and evaluate their potential usefulness. Give a short discussion as to which of the methods you would like to be evaluated by and why. Next, give a short discussion as to which method you would prefer if you were a manager and were required to evaluate employees and why. If there are differences between the methods, why do you think the differences occurred?

3. Interview five students and ask them about how they feel about performance evaluations (you must pick students who have worked). Describe the problems, fairness, or legal situations that might have occurred. What would be the danger in only listening to one side of the story when it comes to reviewing cases dealing with performance evaluation?



Chapter 18

Appraising and Rewarding Performance

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Learning Objectives

After studying this chapter, you will be able to:

1. Define performance.
2. Explain the determinants of performance.
3. Define performance appraisal.
4. Describe the major performance appraisal methods.

18-2

Serving to Promote the Potential Of People & Organizations



Learning Objectives (cont'd)

After studying this chapter, you will be able to:

6. Explain the contents of a job description.
7. Discuss common errors made in performance appraisals.
8. Suggest ways to make performance appraisal systems more legally acceptable.
9. Define compensation.
10. Outline desirable preconditions for implementing a merit pay program.

18-3

Understanding Performance

- Performance
 - Degree of accomplishment of the tasks that make up an employee's job.
- Determinants of Performance
 - Effort
 - Results from being motivated; refers to the amount of energy an employee uses in performing a job.
 - Abilities
 - Personal characteristics used in performing a job.
 - Role perception
 - Direction in which employees believe they should channel their efforts on jobs.

18-4

Serving to Promote the Potential Of People & Organizations



Performance Appraisal

- Process that involves determining and communicating to employees how they are performing their jobs and establishing a plan for improvement.
 - Can be used to make decisions related to merit pay increases, promotions, layoffs, and firings.
 - Can also provide needed input for determining both individual and organizational training and development needs.
 - Encourages performance improvement.
- To work effectively, performance appraisals must be supported by documentation and a commitment by management to make them fair and effective.

18-5

Management by Objective

- Typical MBO Process includes:
 - Establishing clear and precisely defined statements of objectives for the work an employee is to do.
 - Developing an action plan indicating how these objectives are to be achieved.
 - Allowing the employee to implement this action plan.
 - Appraising performance based on objective achievement.
 - Taking corrective action when necessary.
 - Establishing new objectives for the future.

18-6

Serving to Promote the Potential Of People & Organizations



Sample Objectives

- To answer all customer complaints in writing within three days of receipt of complaint.
- To reduce order-processing time by two days within the next six months.
- To implement the new computerized accounts receivable system by August 1.

Figure 18.1

18-7

Setting Production Standards

Method	Areas of Applicability
Average production or work	When tasks performed by all employees are the same or approximately the same.
Performance of specially selected employees	When tasks performed by all employees are basically the same, and it would be cumbersome and time-consuming to use the group average.
Time study	Jobs involving repetitive tasks.
Work sampling	Noncyclical types of work in which many different tasks are performed and there is no set pattern or cycle.
Expert opinion	When none of the more direct methods (described above) applies.

Figure 18.2

18-8

Serving to Promote the Potential Of People & Organizations



Performance Appraisal Methods

- Production Standards
 - most frequently used for employees who are involved in physically producing a product; is basically a form of objective setting for these employees.
- Essay appraisal method
 - Requires the manager to describe an employee's performance in written narrative form.
- Critical-incident appraisal
 - Requires the manager to keep a written record of incidents (both satisfactory and unsatisfactory job behaviors) as they occur.

18-9

Performance Appraisal Methods (Cont'd)

- Graphic rating scale
 - Requires the manager to assess an employee on factors deemed relevant to performance.
- 360-Degree Feedback
 - Uses input from an employee's managers, peers, customers, suppliers, or colleagues.
- Checklist
 - Requires the manager to answer yes or no to a series of questions concerning the employee's behavior.
- Behaviorally Anchored Rating Scales (BARS)
 - Assesses behaviors required to successfully perform a job.

18-10

Serving to Promote the Potential Of People & Organizations



Graphic Rating Scale

Quantity of work (the amount of work an employee does in a workday)				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Does not meet requirements.	Does just enough to get by.	Volume of work is satisfactory.	Very industrious, does more than is required.	Superior production record.
Dependability (the ability to do required jobs with a minimum of supervision)				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requires close supervision; is unreliable.	Sometimes requires prompting.	Usually completes necessary tasks with reasonable promptness.	Requires little supervision; is reliable.	Requires absolute minimum of supervision.
Job knowledge (information that an employee should have on work duties for satisfactory job performance)				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poorly informed about work duties.	Lacks knowledge of some phases of job.	Moderately informed; can answer most questions about the job.	Understands all phases of job.	Has complete mastery of all phases of job.
Attendance (faithfulness in coming to work daily and conforming to work hours)				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Often absent without good excuse, or frequently reports for work late, or both.	Lax in attendance or reporting for work on time, or both.	Usually present and on time.	Very prompt; regular in attendance.	Always regular and prompt; volunteers for overtime when needed.
Accuracy (the correctness of work duties performed)				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Makes frequent errors.	Careless; often makes errors.	Usually accurate; makes only average number of mistakes.	Requires little supervision; is exact and precise most of the time.	Requires absolute minimum of supervision; is almost always accurate.

Figure 18.3

18-11

Checklist

	Yes	No
1. Does the employee lose his or her temper in public?	___	___
2. Does the employee play favorites?	___	___
3. Does the employee praise people in public when they have done a good job?	___	___
4. Does the employee volunteer to do special jobs?	___	___

Figure 18.4

18-12

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Behaviorally Anchored Rating Scales

- Assesses behaviors required to successfully perform a job.
- Steps include:
 - Manager and job incumbents identify the relevant job dimensions for the job.
 - Manager and job incumbents write behavioral anchors for each job dimension. As many anchors as possible should be written for each dimension.
 - Manager and job incumbents reach a consensus concerning the scale values to be used and the grouping of anchor statements for each scale value.

18-13

Forced-Choice Rating

Instructions: Rank the following statements according to how they describe the manner in which this employee carries out duties and responsibilities. Rank 1 should be given to the most descriptive and rank 4 to the least descriptive. No ties are allowed.

Rank	Description
___	Easy to get acquainted with
___	Places great emphasis on people
___	Refuses to accept criticism
___	Thinks generally in terms of money
___	Makes decisions quickly

Figure 18.6

18-14

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Ranking Methods

- Three commonly used methods:
 - Alternation Ranking
 - Paired Comparison Ranking
 - Forced Distribution

18-15

Forced Distribution Curve

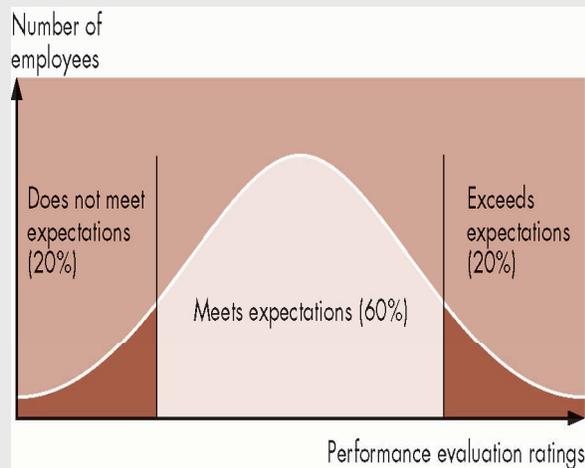


Figure 18.7

18-16

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Job Analysis

Area of Information	Contents
Job title and location within company	
Organizational relationship	A brief explanation of the number of persons supervised (if applicable) and the job title(s) of the position(s) supervised; a statement concerning supervision received.
Relation to other jobs	Describes and outlines the coordination required by the job.
Job summary	Condensed explanation of the content of the job.
Information concerning job requirements	Varies greatly from job to job and from organization to organization; typically includes information on such topics as machines, tools, and materials; mental complexity and attention required; physical demands; and working conditions.

Figure 18.8

18-17

360-Degree Feedback Assessment

- Method of performance appraisal that uses input from an employee's managers, peers, customers, suppliers, or colleagues.
- 360-degree feedback furthers management or leadership development.

18-18

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Job Descriptions

- Essential information includes:
 - Date written.
 - Job status (full-time or part-time).
 - Job title.
 - Supervision received (to whom jobholder reports).
 - Supervision exercised (who reports to this employee).
 - Job summary (a synopsis of the job responsibilities).
 - Detailed list of job responsibilities.
 - Principal contacts (within and outside the organization).
 - Competency or position requirements.
 - Required education or experience.
 - Career mobility (position or positions employee may qualify for next).

18-19

Potential Errors in Performance Appraisals

- Leniency
 - Grouping of ratings at the positive end of the scale instead of spreading them throughout the scale.
- Central tendency
 - Tendency of raters voters to rate most employees as doing average or above-average work.
- Recency
 - Occurs when performance evaluations are based on work performed most recently, generally one or two months before evaluation.
- Halo effect
 - Occurs when managers allow a single prominent characteristic to dominate judgment of all other traits.

18-20

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Factors Associated with Effective Performance Appraisals

- Managers should receive training in:
 - The performance appraisal method (s) of the company.
 - The importance of the manager's role in the total appraisal process.
 - The use of performance appraisal information.
 - The communication skills necessary to provide feedback to the employee.

18-21

Overcoming Performance Appraisal Errors

- Do's include:
- Base performance appraisal on job performance only and not other factors unrelated to the job.
 - Use only those rating scales that are relevant to the job itself and are indicators of job performance and attainment.
 - Sincerely work at the appraisal interview process.
 - Be problem solving oriented.

- Don'ts include:
- Don't criticize. Be proactive.
 - Carefully avoid the halo effect and leniency errors.
 - Don't dominate conversations about performance. Encourage employees to speak and to address issues in the evaluation process themselves.
 - Avoid general prescriptions to fix performance. Always present concrete and realizable objectives.

18-22

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Providing Feedback through Appraisal Interview

- Employees participation.
- Discussing and solving problems.
- Usage of positive motivational techniques.
- Mutual setting of specific performance improvement objectives.
- Preparation and thought employees independently devote before the interview.
- Minimal criticism of areas of job performance needing improvement.
- Voicing of employees opinions.
- Perception of relation between performance appraisal results and organizational rewards.

18-23

Performance Improvement Plans

- Where are we now?
 - This question is answered in the performance appraisal process.
- Where do we want to be?
 - This requires the evaluator and the person being evaluated to mutually agree on the areas that can and should be improved.
- How does the employee get from where he or she is now to where he or she wants to be?
 - This component is critical to the performance improvement plan. Specific steps to be taken must be agreed on.

18-24

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Legal Aspects of Performance Appraisal

- Deriving the content of the appraisal system from job analyses.
- Emphasizing work behaviors rather than personal traits.
- Emphasizing work behaviors rather than personal traits.
- Ensuring that the results of appraisals are communicated to employees.
- Ensuring that the results of appraisals are communicated to employees.
- Training managers in how to conduct proper evaluations.
- Ensuring that appraisals are written, documented, and retained.
- Ensuring that personnel decisions are consistent with the performance appraisals.

18-25

Rewarding Performance

- Organizational rewards
 - All types of rewards, both intrinsic and extrinsic, received as a result of employment by the organization.
 - Intrinsic rewards
 - Rewards internal to the individual and normally derived from involvement in work activities.
 - Extrinsic rewards
 - Rewards which are directly controlled and distributed by the organization.
- Compensation
 - Composed of extrinsic rewards offered by the organization and consists of the base wage or salary, any incentives or bonuses, and any benefits employees receive in exchange for their work.

18-26

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Intrinsic vs. Extrinsic Rewards

Intrinsic Rewards	Extrinsic Rewards
Sense of achievement	Formal recognition
Feelings of accomplishment	Fringe benefits
Informal recognition	Incentive payments
Job satisfaction	Base wages
Personal growth	Promotion
Status	Social relationships

Figure 18.9

18-27

Merit Pay

- Preconditions for implementing a successful merit pay program include:
 - Trust in management.
 - Absence of performance constraints.
 - Trained managers.
 - Good measurement systems.
 - Ability to pay.
 - Clear distinction among cost of living, seniority, and merit pay.
 - Well-communicated total pay policy.
 - Flexible reward schedule.

18-28

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