



UNIT-2 Performance Appraisals

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ The role of goal setting in performance management.

Unit 2

Performance Appraisals

What is Performance Management?

The impact of poor performance on an organization can include the cost to replace employees, lost productivity, legal impact, poor morale, and overall reputation.

Performance management consists of two main elements: goal setting and performance review. The outcome is based on how or what employees did; in other words, their behavior. This is consistent with the behaviorally-based approach to managing behavior, also known as the Shared Management Model.

Performance Appraisals Done Well

What are Performance Appraisals?

The idea of performance appraisals is not new at all, but our approach has to be both interesting and motivating in order to get people to do them, and to do them well. There are managers, supervisors, and front-line employees who grumble as the time for appraisals approaches, and who procrastinate about doing them in order to avoid what many of them perceive as additional work or tedious meetings.

Instead, we advocate that you use the appraisal as a time to share highlights of the evaluation period (usually six or 12 months) and to adjust any goals as needed, while working toward the future. Avoid the trap of doing appraisals at the last minute because you have to, and prepare for them throughout the appraisal period so that you don't have to spend hours at a time writing to prepare for a short meeting. This practice will also help you to remember what happened throughout the appraisal period, so that you do not mistakenly mention things from a previous period, or fall into remembering just what has happened immediately before the appraisal takes place.

Building Trust

Trust is another important component of the performance appraisal: the more trust there is between employees and the organization, trust between employees and their supervisors, the more trust there will be in the appraisal process.

What is trust? Trust is the conviction held by the employee that you genuinely want to help them.

What develops trust between employees and supervisors/managers? In general, trust is highest when these elements are present:

- Good working relationship
- Well-defined roles
- Specific feedback
- Honesty

- A low tolerance for political manipulation

Test Your Knowledge

Change the following statements to something specific.

You are always late.

You never meet your deadlines.

You always exaggerate.

Errors We Make

Three Slippery Areas

There are more ways that we can have a negative impact on evaluations, including our tendency to stereotype. Within organizational behavior, the most typical of these areas are:

Leniency or Stringency

This is a tendency to rate candidates too harshly (so that none of them will ever be able to meet your demanding criteria) or being too easy on them (so that all of them pass with flying colors). Think of how you rate employees who belong to a poorly performing team: do they all rate poorly by association? Also, sometimes we compare employees to ourselves and say things like, “Gee, when I was doing this job I did it a whole lot better than you do.”

Halo/Horn Effect

This tendency has been researched extensively. This is a tendency to rate someone high on all factors (the halo) or low (the horns) because of a global impression you are hanging onto. Likewise, compatibility is the tendency to rate people who are like us higher than their performance indicates. We also tend to rate people who do well in conversation, who are attractive, or well educated, or attended the same school we did, as higher than their performance justifies. Sometimes we also do this when we give a lot of weight to someone’s credentials, even though they may not have done anything for us yet.

Error of Central Tendency

This is our tendency to give average marks to most candidates. Sometimes the rater works on a “no news in good news” basis, and if there have been no complaints filed, they will evaluate accordingly. This also occurs where there are no clearly defined performance standards and we are not certain what would define outstanding performance. Other times, raters are concerned about consequences for giving employees high or low ratings: we sometimes have to explain these ratings to HR or a VP, so we avoid it.

Test Your Knowledge

List examples of stereotypes that are common in your industry.

What might be some solutions for the leniency or stringency stereotype?

What might be some solutions for the halo/horn stereotype?

What might be some solutions for the error of central tendency stereotype?

Types of Performance Reviews

Choosing What Works

There are several types of performance appraisal, and you'll need to work with the one that best fits your organization. Depending on how things are, you might organize the consistent formal appraisal three years in a row, and then have something different, such as a 360 degree review every fourth year. We'll discuss the different review types here.

Formal, Annual, or Semi-Annual Review

Our commitment to our people has to be that we will complete an annual review at minimum. Many companies also do a formal mid-year review, which helps to verify that everyone is on track, allows for an easy process to reflect changing priorities, and gives the supervisor and employee a clear picture of where everything is at. This is a common type of performance review, usually supported by some kind of form where both parties sign off that the information has been shared and understood (even though the employee may not agree with it).

A formal review can also take place after professional development training or a course has been completed, and could include on the job testing.

Probationary Review

When a new employee is hired, there is often a three- or six-month probationary period. The probationary period should be completed with a formal review so that the employee understands how they are doing, what shortcomings or challenges they are exhibiting, and confirms the supervisor's expectations. This review is also a key part of your defensibility strategy, since it allows the supervisor to document that the employee has completed orientation and is producing satisfactory work, or that there are deficiencies present (which will be supported with additional proof).

Informal Review

This is a meeting that takes place in between the formal reviews. Depending on your work you may meet with employees monthly or even weekly during intense periods. An informal review can include a meeting, recognition for something well done, or a quick memo or e-mail with feedback. Even though it is informal, it should always be documented briefly by the supervisor. This kind of ongoing review also means that the employee is not going to be surprised nor put off by the formal performance review process: they already know where they stand.

360 Degree Performance Review

This is a very comprehensive review, and is used in many circumstances. With increasing use of remote or virtual teams, supervisors may not be as familiar with an employee's work as they were when everyone was located close together. Instead of gathering feedback from one manager, the feedback is gained from a group who are more like a committee than a single reviewer.

The 360 degree performance review provides a more comprehensive view of employee performance, and increases the credibility of the appraisal since it involves people who are very aware of the individual being rated. It enhances employee development by soliciting feedback from peers, customers, subordinates, and also importantly includes a self-assessment. One goal of this process is to identify any gaps between a self-appraisal and the perceptions of others. The self-appraisal component is very positive for people who tend to rate themselves very harshly, since it provides them with perceptions that other people hold.

It should be noted that the process is not always successful. A culture of fairness and constructive feedback must be established and supported for the 360 degree performance review process to be effective. If there are a lot of staff who are unhappy in their jobs or there is low morale within the organization, some staff can become clear targets of their peers or subordinates and the process is ruined.

All employees must be assured that results are kept confidential. Responses should be gathered by the human resources department to maintain confidentiality, both to protect the identity of participants and to encourage their honest feedback, and to avoid having the employee see just by whom, and how, they have been individually rated.

To think of the 360 process in a visual form, consider a full circle of people that the individual being rated has business interactions with on a regular basis:



Test Your Knowledge

Winning Performance Appraisals

There are lots of reasons that people do not enjoy the performance appraisal process. If you ask your colleagues they may give you a couple of very popular replies, such as:

- Criteria to measure is often vague or ambiguous
- Criteria are not specifically related to the job
- Feels like a test to write out forms rather than conduct an honest, meaningful performance appraisal

What can you do to ensure the process is professionally and meaningfully conducted?

Further Reading:

- ✓ *Performance Appraisal Phrase Book: The Best Words, Phrases, and Techniques for Performance Reviews Paperback – November 1, 2003 by Corey Sandler*
- ✓ *101 Sample Write-Ups for Documenting Employee Performance Problems: July 1, 2017 by Paul Falcone*