Human Resource Management

إدارة الموارد البشرية

PERFORMANCE MANAGEMENT SYSTEMS

أنظمة تقييم الأداء

Chapter 6

(المحاضرة الثالثة عشر والرابعة عشر)

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# Performance

**Performance:** Degree of accomplishment of the task that makes up an employee's job.

**Job performance:** Is the net effect of an employee's effort as modified by abilities and role (or task) perceptions. Thus it can be viewed as resulting from the interrelationships among effort, abilities, and role (task) perceptions.

# Determinants of Performance

Determinants of performance are:

Effort: Which results from being motivated, refers to the amount of energy (physical and/or mental) an individual uses in performing a task

Abilities: Are personal characteristics used in performing a job

Role (task) perception: Refers to the directions in which individuals believe they should channel their effort on their jobs

# Environmental Factors as Performance Obstacles

Some of the more common potential performance obstacles include:

- The employee's lack of time or conflicting demands upon it
- Inadequate work facilities and equipment
- Restrictive policies that affect the job
- Lack of cooperation from others
- Type of supervision
- Temperature
- Lighting
- Noise
- Machine or equipment pacing
- Shifts
- Luck

# Responsibilities of HR Department

1) Design the performance management system and select the methods and forms to be used for appraising employees

2) Train managers in conducting performance appraisals

3) Maintain a reporting system to ensure that appraisals are conducted on a timely basis

4) Maintain performance appraisal records for individual employees

# Responsibilities of Managers in Performance Appraisals

1) Evaluate the performance of employees
2) Complete the forms used in appraising employees and return them to the human resource department
3) Review appraisals with employees
4) Establish a plan for improvement with employees

# Performance Appraisal: Definition and Uses

Performance appraisal: Process of evaluating and communicating to an employee how he or she is performing the job and establishing a plan for improvement.

Performance appraisals uses:

- making administrative decisions relating to promotions, firings, layoffs, and pay increases.

- Performance appraisal information can also provide needed input for determining both individual and organizational training and development needs.

- Encourage performance improvement.

- Input to the validation of selection procedures.

- Input to human resource planning.

# Performance Appraisal Methods

Whatever method of performance appraisal an organization uses, it must be job related. Therefore, prior to selecting a performance appraisal method, an organization must conduct job analyses and develop job descriptions. After this, one or more of the following performance appraisal methods can be used.

# Performance Appraisal Methods

1) Management by objectives (MBO)
2) Multi-rater assessment (or 360 degree feedback)
3) Graphic rating scale
4) Behaviorally anchored rating scale (BARS)
5) Critical incident appraisal
6) Essay appraisal
7) Checklist
8) Forced choice rating
9) Ranking methods
10) Work standards approach

# Management By Objectives (MBO)

Management by objectives (MBO): Is more commonly used with professional and managerial employees. Other names for MBO are: management by results, performance management, results management, and work planning and review program.

# Management By Objectives (MBO)

The MBO process typically consists of the following steps:

- Establishing clear and precisely defined statements of objectives for the work to be done by an employee

- Developing an action plan indicating how these objectives are to be achieved

- Allowing the employee to implement the action plan

- Measuring objective achievement

- Taking corrective action when necessary

- Establishing new objectives for the future

# Management By Objectives Requirements

The MBO requires:

- Employees participate in the objective setting and developing the action plan process.

- The objectives and action plan must serve as a basis for regular discussions between the manager and the employee concerning the employee's performance. So managers discuss progress with employees and modify objectives when necessary.

*Poor*:     To maximize production.

*Better*:   To increase production by 10 percent within the next three months.

*Poor*:     To reduce absenteeism.

*Better*:   To average no more than three absent days per employee per year.

*Poor*:     To waste less raw material.

*Better*:   To waste no more than 2 percent of raw material.

*Poor*:     To improve the quality of production.

*Better*:   To produce no more than 2 rejects per 100 units of production.

# Some Typical Areas in Which a Supervisor Might Set Objectives

1. **Production or output:**

   **Usually expressed as number of units per time period.**

   *Example*: **Our objective is to average 20 units per hour over the next year.**

2. **Quality:**

   **Usually expressed as number of rejects, number of customer complaints, amount of scrap.**

   *Example*: **Our objective is to produce fewer than 10 rejects per week for the next six months.**

3. **Cost:**

   **Usually expressed as dollars per unit produced or dollars per unit of service offered.**

   *Example*: **Our objective is for the cost of each widget produced to average less than $5 over the next three months.**

4. **Personnel:**

   **Usually expressed in terms of turnover, absenteeism, tardiness.**

   *Example*: **Our objective is to average fewer than three days of absenteeism per employee per year.**

5. **Safety:**

   **Usually expressed in terms of days lost due to injury.**

   *Example*: **Our objective is to reduce the number of days lost due to injury this year by 10%.**

# Multi Rater Assessment (360 Degree Feedback)

With this method, managers, peers, customers, suppliers, or colleagues are asked to complete questionnaires on the employee being assessed. The person assessed also completes a questionnaire. The questionnaires are generally lengthy.

Typical questions are:

Are you clear and articulate?

Are you spreading yourself too thin?

The human resources department provides the results to the employee, who in turn gets to see who his or her opinion differs from those of the group doing the assessment.

# Graphic Rating Scale

Graphic rating scale: Method of performance appraisal that requires the rater to indicate on a scale where the employee rates on factors such as quantity of work, dependability, job knowledge, and cooperativeness.

This method's weaknesses:

- The evaluators are unlikely to interpret written descriptions in the same manner due to differences in background, experience, and personality

- It is possible to choose categories that have little relationship to job performance or to omit categories that have a significant influence on job performance

# Sample Items on a Graphic Rating Scale Evaluation Form

Quality of work–**the amount of work an employee does in a workday.**

|  ( ) | ( ) | ( ) | ( ) | ( ) |
|---|---|---|---|---|
| **Does not meet minimumenough to requirements.** | **Does justVolume of work is satisfactory. get by.** | **Very industrious, does more than** | **Has a superior work production is required.** | **record.** |

Dependability–**the ability to do required jobs well with a minimum of supervision.**

|  ( ) | ( ) | ( ) | ( ) | ( ) |
|---|---|---|---|---|
| **Requires close absolute supervision; is minimum of unreliable. supervision.** | **Sometimes requires prompting.** | **Usually completes necessary tasks with reasonable promptness.** | **Requires little supervision; is reliable.** | **Requires** |

Job knowledge–**information an employee should have on work duties for satisfactory job performance.**

| ( ) | ( ) | ( ) | ( ) | ( ) |
|---|---|---|---|---|
| **Is poorly informed complete about work duties. of all of job.** | **Lacks knowledge of some phases of job.** | **Is moderately informed can answer most questions about the job.** | **Understands all phases of job.** | **Has mastery phases** |

# Sample Items on a Graphic Rating Scale Evaluation Form

Attendance–**faithfulness in coming to work daily and conforming to work hours.**

| ( ) | ( ) | ( ) | ( ) | ( ) |
|---|---|---|---|---|
| **Is often absent regular** | **Is lax in** | **Is usually present** | **Is very prompt,** | **Is always** |
| **without good excuse, prompt;** | **attendance, or** | **and on time.** | **regular in** | **and** |
| **or frequently reports volunteers for** | **reporting for work** | | **attendance.** | |
| **for work late, or both. when** | **on time, or both.** | | | **overtime** |
| | | | | **needed.** |

Accuracy–**the correctness of work duties performed.**

| ( ) | ( ) | ( ) | ( ) | ( ) |
|---|---|---|---|---|
| **Makes frequent errors.** | **Careless, often makes errors.** | **Usually accurate, makes only average** | **Requires little supervision;** | **Is almost accurate** |
| | | **number of mistakes** | | |

# Behaviorally Anchored Rating Scale (BARS)

Behaviorally anchored rating scale (BARS): Method of performance appraisal that determines an employee's level of performance based on whether or not certain specifically described job behaviors are present. This method requires the rater to read the list of anchors on each scale to find the group of anchors that best describe the employee's job behavior during the period being reviewed.

# Behaviorally Anchored Rating Scale (BARS)

BARS are normally developed through a series of meetings between managers and employees.

Three steps are followed:

1) Managers and job incumbents identify the relevant job dimensions for the job

2) Managers and job incumbents write behavioral anchors for each job dimension

3) Managers and job incumbents reach a consensus concerning the scale values to be used

# Example of a Behaviorally Anchored Rating Scale
## Dimension of many managerial jobs of planning, organizing, and scheduling project assignments and duet dates.

| Scale Values | | Anchors |
|---|---|---|
| 7 [ ] | Excellent | Develops a comprehensive project plan, documents it well, obtains required approval, and distributes the plan to all concerned. |
| 6 [ ] | Very good | Plans, communicates, and observes milestones; states week by week where the project stands relative to plans. Maintains up-to-date charts of project accomplishments and backlogs and uses these to optimize any schedule modifications required. |
| | | Experiences occasional minor operational problems but communicates effectively. |
| 5 [ ] | Good | Lays out all the parts of a job and schedules each part; seeks to beat schedule and will allow for slack. |
| | | Satisfies customers' time constraints; time and cost overruns occur infrequently. |
| 4 [ ] | Average | Makes a list of due dates and revises them as the project progresses, usually adding unforeseen events; investigates frequent customer complaints. |
| | | May have a sound plan, but does not keep track of milestones; does not report slippages in schedule or other problems as they occur. |
| 3 [ ] | Below average | Plans are poorly defined, unrealistic time schedules are common. |
| | | Cannot plan more than a day or two ahead, has no concept of a realistic project due date. |
| 2 [ ] | Very poor | Has no plan or schedule of work segments to be performed. |
| | | Does little or no planning for project assignments. |
| 1 [ ] | Unacceptable | Seldom, if ever, completes project, because of lack of planning, and does not seem to care. |
| | | Fails consistently due to lack of planning and does not inquire about how to improve. |

# Behaviorally Anchored Rating Scale (BARS)

BARS advantages:

-It is accepted since it is developed by managers and employees.

-It is developed from the observations and experiences of employees who actually perform the job.

- Can be used to provide specific feedback concerning an employee's job performance.

BARS drawback:

- Takes time and commitment to develop

- Separate forms must be developed for different jobs

# Critical Incident Appraisal

Critical incident appraisal: Method of performance appraisal in which the rater keeps a written record of incidents that illustrate both positive and negative employee behaviors. The rater then uses these incidents as a basis for evaluating the employee's performance.

Drawbacks to this approach:

- The rater is required to write down incidents regularly which can be burdensome and time consuming
- The definition of a critical incident is unclear and may be interpreted differently by different people
- Might lead to enmity between the manager and employees as employees believe the manager is keeping a book on them.

# Essay Appraisal

**Essay appraisal:** Method of performance appraisal in which the rater prepares a written statement describing an individual's strengths, weaknesses, and past performance.

Weaknesses:

- Essays length and content can vary considerably depending on the rater

- The writing skill of the appraiser can also effect the appraisal

- Difficult to compare

# Checklist

Checklist: Method of performance appraisal in which the rater answers with a yes or no a series of questions about the behavior of the employee being rated. Normally the HR department keeps the scoring key for the checklist method and the evaluator is generally not aware of the weights associated with each question.

Drawbacks:

- Raters can see the positive or negative implication of each question, which introduces bias

- It is time consuming to assemble the questions for each job category, a separate listing of questions must be developed for each category, and the checklist questions can have different meanings for different raters.

# Sample Checklist Questions

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

# Forced Choice Rating

Forced choice rating: Method of performance appraisal that requires the rater to rank a set of statements describing how an employee carries out the duties and responsibilities on the job.

The statements are normally weighted and the rater does not know the weights. After the rater ranks the statements, the HR department applies the weights and computes a score.

This method attempts to eliminate evaluator bias by forcing the rater to rank statements that are unrelated.

It irritates raters as they feel they are not trusted.

The results are difficult to communicate to employees.

***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 5 to the least descriptive.**

Rank                              Description

_____          **Is easy to get acquainted with.**

_____          **Places great emphasis on people.**

_____          **Refuses to accept criticism.**

_____          **Thinks generally in terms of money.**

_____          **Makes decisions quickly.**

# Ranking Methods

**Ranking methods:** Methods of performance appraisal in which the performance of an employee is ranked relative to the performance of others.

Three of the more commonly used ranking methods:

1) **Alternation (fluctuation) ranking:** This method lists the names of the employees to be rated on the left side of a sheet of paper. The rater chooses the most valuable employee on the list, crosses that name off the left hand list, and puts it at the top of the column on the right hand side of the paper. The appraiser then selects and crosses off the name of the least valuable employee from the left hand column and moves it to the bottom of the right hand column. The resulting list of names in the right hand column gives a ranking of the employees from most to least valuable.

# Ranking Methods

2) Paired comparison ranking: The rater compares the first employee to the second on a chosen performance criterion, then compares him to the third and so on placing a check mark by the name of the employee who produced the most work in each paired comparison. The process is repeated until each employee has been compared to every other employee on all of the chosen performance criteria. The employee with the most check marks is considered to be the best performer. Likewise, the employee with the fewest check marks is the lowest performer. This method becomes difficult when comparing more than five or six employees.

# Ranking Methods

3) Forced distribution: It requires the rater to compare the performance of employees and place a certain percentage of employees at various performance levels.

It assumes the performance level in a group of employees will be distributed according to a bell shaped curve. The rater is required to rate 60% of employees as meeting expectations, 20% as exceeding expectations, and 20% as not meeting expectations.

# Forced-Distribution Curve
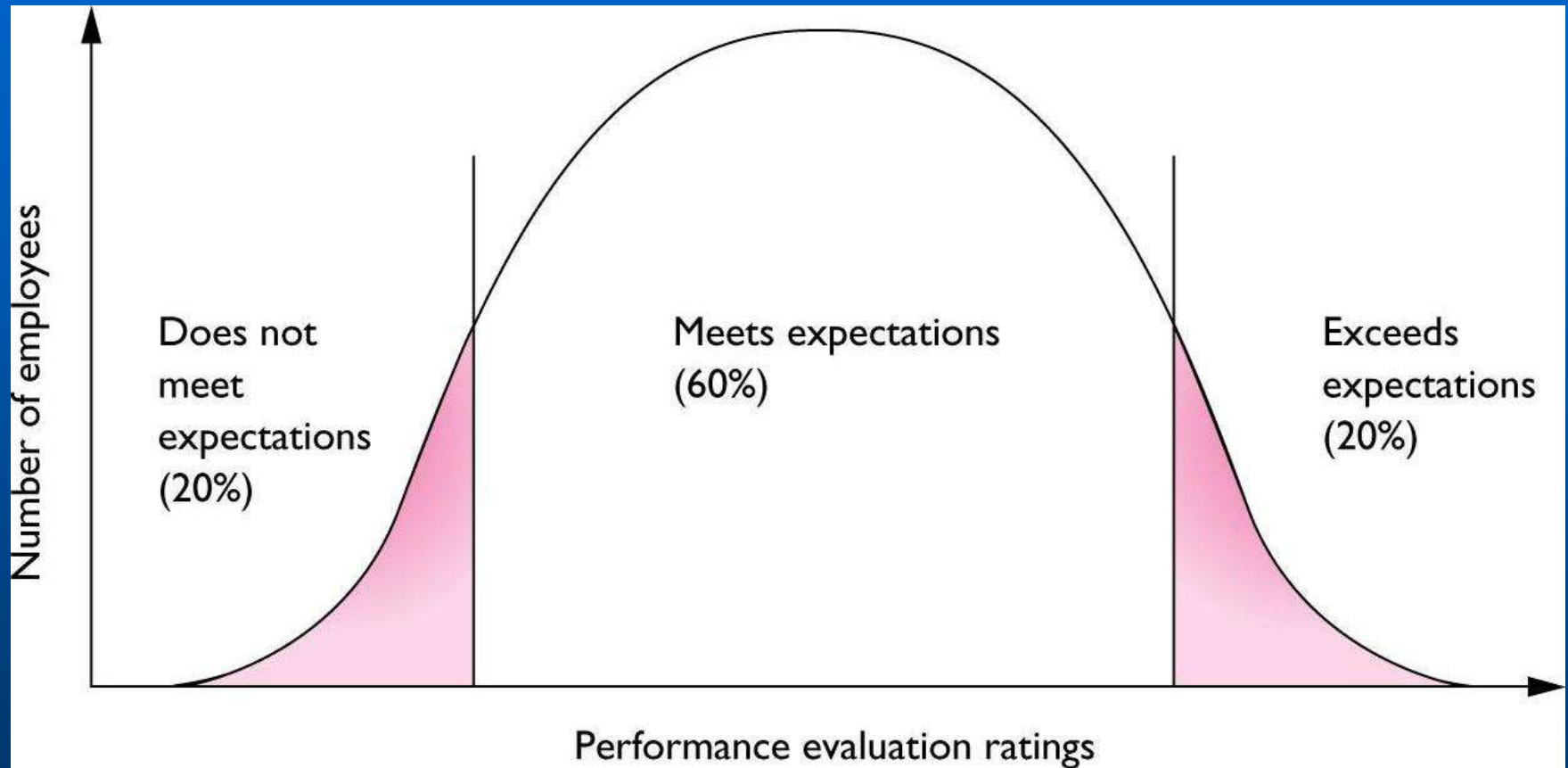
# Work Standards

Work standards: Method of performance appraisal that involves setting a standard or an expected level of output and then comparing each employee's level to the standards. It is most frequently used for production employees and is basically a form of goal setting for these employees.

Generally, work standards should reflect the average output of a typical employee. Next table shows some of the more common works standards.

# Frequently Used Methods for Setting Work Standards

Methods Areas of Applicability

**Average production of work groups** — **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 where many different tasks are performed and there is no set pattern or cycle.**

**Expert opinion** — **When none of the more direct methods (described above) apply.**

# Potential Errors In Performance Appraisals

Leniency: It occurs in performance appraisals when a manager's ratings are grouped at the positive end instead of being spread throughout the performance scale.

Central tendency: Tendency of a manager to rate most employees' performance near the middle of the performance scale.

Recency: Tendency of a manager to evaluate employees on work performed most recently, usually one or two months prior to evaluation.

Halo effect: Occurs when a rater allows a single prominent characteristic of an employee to influence his or her judgment on each separate item in the performance appraisal.

# Overcoming Errors In Performance Appraisals

- Make refinements in the design of appraisal methods

- Improve the skills of raters

- More research is needed before a definitive set of topics for rater training can be established

# Providing Feedback Through The Appraisal Interview

To prepare for the interview, the manger should answer the following questions:

1) What results should the interview achieve?

2) What good contributions is the employee making?

3) Is the employee working up to his or her potential?

4) Is the employee clear about the manager's performance expectations?

5) What training does the employee need to improve?

6) What strengths does the employee have that can be build on or improved?

# Providing Feedback Through The Appraisal Interview

The manager should remember several basic guidelines in conducting the interview:

1) The manager must know the employee's job description
2) The evaluation must be based on the employee's performance and not on his or her personality
3) The manager must be positive and build on the employee's strengths
4) The manager must be candid and specific
5) The manager must listen to the employee as well as presenting her or his own views
6) The manager must obtain employee feedback on how to improve performance

# Providing Feedback Through The Appraisal Interview

Factors influencing the success or failure of appraisal interviews are:

1) The more employees are allowed to participate in the appraisal process, the more satisfied they will be with the appraisal interview and with the manager

2) The more a manager uses positive motivational techniques, the more satisfied the employee is likely to be with the appraisal interview and with the manager

3) When the manager and the employee mutually set specific performance improvement objectives more improvement in performance results than when the manager uses a general discussion or criticism

# Providing Feedback Through The Appraisal Interview

4) Discussing and solving problems that may be hampering the employee's current job performance improve the employee's performance

5) The more thought and preparation that both the manager and the employee devote before the appraisal interview, the greater the benefits of the interview

6) The more the employee perceives that performance appraisal results are tied to organizational rewards, the more beneficial the interview will be

# Developing Performance Improvement Plans

A performance improvement plan consists 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?

# Performance Appraisal & The Law

Suggestion for making performance appraisal systems more legally accepted:

1) Deriving the content of the appraisal system from job analyses and descriptions

2) Emphasizing work behaviors rather than personal traits

3) Ensuring that the results of appraisals are communicated to employees

4) Ensuring that employees are allowed to give feedback during the appraisal interview

5) Training managers on how to conduct proper evaluations

6) Ensuring that appraisals are written, documented, and retained

7) Ensuring that personnel decisions are consistent with the performance appraisals

Questions & Answers

# Reference

Byars, L. L., & Rue, L. W. (2014). **Human Resource Management.** (Eleventh Ed.). McGraw – Hill Irwin.  New York. USA.