TOPIC 5. APPRAISING AND MANAGING HUMAN RESOURCES PERFORMANCE

5.1. Competency management

- Integration of HR planning with business planning: an organization can assess current HR capacity on the basis of a comparison between available competencies and organizational needs, enabling it to implement its strategy and achieve its mission, vision and business goals.
- Targeted HR strategies, plans and programmes to address gaps (e.g., in recruitment & selection, training & career development, etc.) are then designed, developed and implemented.
- Need to systematically observe and assess competencies.
- Importance of developing competency maps to help match (dynamically evolving) supply of and demand for competencies.
- Employee work context and experience of work are elements that crucially influence competency evolution.

5.2. The appraisal process

The identification, measurement, and management of human performance in organizations.
5.2. THE APPRAISAL PROCESS

Identification
The process of determining what areas of work the manager should be examining when measuring performance. Rational, fair and reliable measurement systems should be based on job analysis.

Measurement
The process of making managerial judgements of how 'good' or 'bad' employee performance has been. Good performance measurement should be consistent across the organization.

Management
The key goal of a good appraisal system. Set of activities aimed at taking a future-oriented view of what workers can do to achieve their potential in the organization, beyond criticizing or praising past performance (importance of feedback, coaching, improvement, etc.).

Interdependencies with other HR-related processes
- Data obtained from and added to HRIS
- Job analysis, job description and job evaluation
- Rewards and compensation (e.g., basis for variable pay)
- Employee motivation (e.g., raising commitment to goals)
- Internal recruitment and career management
- Recruitment, selection and socialization (e.g., feedback for making changes in recruitment sources, selection tools and/or socialization methods)
- Training (e.g., basis for detecting skills gaps)
  etc.

Key requirements for an effective appraisal process

Before the process starts:
- Undertake dialogue and negotiation with stakeholders (e.g., managers, employees, trade unions).
- Define and communicate the goals of the (new) appraisal programme or system.
- Define and communicate the criteria to be applied for measuring performance.
- Define and communicate the (positive or negative) potential consequences of the outcomes of the assessment.
- Guarantee a reasonable degree of confidentiality of the assessment results.

While the process is being implemented:
- Show, at all times, that the goal of appraisal is to increase performance according to well-defined and reasonable levels of effort.
- Carry out all tasks and make decisions as objectively and transparently as possible, avoiding bias and prejudice.
- Take advantage of progress meetings/interviews as advice and coaching opportunities, even as a basis for making changes in goals or in any other performance criteria.

After the process has finished:
- Joint discussion of results, where all parties involved should be able to freely express their viewpoints, reflections and conclusions.
- Offer the possibility of appealing and, if appropriate, getting assessments reviewed by different evaluators.
- Using the results as valuable feedback and information for improving many other HR-related processes and activities.

5.3. IDENTIFYING PERFORMANCE DIMENSIONS

Performance dimensions
Aspects or criteria that determine effective job performance.

Types of performance dimensions
- Quantity of work done.
- Quality of work done.
- Interpersonal effectiveness (e.g., leadership or conflict management skills).
- Any kind of specific competencies (e.g., knowledge, skills, behaviours) that are included in the job description.

Competencies
Observable characteristics people bring with them in order to perform the job successfully. They include different types of knowledge, skills, abilities, behaviours, and personal traits, which are associated with job descriptions and are used as predictors of high job performance.
5.3.1. Types of judgements (why assess)

Relative judgements
- Comparing an employee’s performance to the performance of other employees doing the same job.
- Emphasis on developing employee rankings (ordering them individually or classifying them into performance groups).
- Advantages: differentiating the employees; managing ‘up or out’ career systems.
- Disadvantages: no absolute information, and no information on the extent of performance differences; risk of ‘forcing’ the finding of differences; potential source of conflict among workers.

Example of relative judgements: rankings and performance levels across work teams

<table>
<thead>
<tr>
<th>Actual</th>
<th>Ranked Work</th>
<th>Ranked Work</th>
<th>Ranked Work</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>J (1)</td>
<td>P (2)</td>
<td>D (3)</td>
</tr>
<tr>
<td>9</td>
<td>M (3)</td>
<td>K (2)</td>
<td>L (4)</td>
</tr>
<tr>
<td>7</td>
<td>O (4)</td>
<td>I (5)</td>
<td>H (6)</td>
</tr>
<tr>
<td>5</td>
<td>N (6)</td>
<td>F (7)</td>
<td>G (8)</td>
</tr>
<tr>
<td>4</td>
<td>E (5)</td>
<td>D (7)</td>
<td>C (9)</td>
</tr>
<tr>
<td>2</td>
<td>A (10)</td>
<td>A (10)</td>
<td>A (10)</td>
</tr>
<tr>
<td>1 (low)</td>
<td>B (9)</td>
<td>B (9)</td>
<td>B (9)</td>
</tr>
</tbody>
</table>


5.4. MEASURING PERFORMANCE

5.4.1. Types of judgements (why assess)

Absolute judgements
- Assessing an employee’s performance based solely on performance standards.
- Performance dimensions are usually listed on a rating form.
- Advantages: specific and helpful feedback to the employee; avoidance of conflict among workers.
- Disadvantages: all employees of a group can receive the same evaluation if evaluator/supervisor is reluctant to differentiate among workers; evaluators/supervisors can have markedly different evaluating standards.

Sample of absolute judgement rating scale


5.4.2. Dimensions assessed (what to assess)

Trait appraisal
- Making judgements about worker characteristics that tend to be consistent and enduring, focusing on the individual (not on performance).
- Advantages: traits as behaviour predictors or indicators.
- Disadvantages: subject to perceptual biases of the evaluator.

Behavioural appraisal
- Assessing worker’s behaviours.
- Use of different types of behavioural observation scales: use of specific examples of behaviours (e.g., Behaviourally Anchored Rating Scale – BARS).
- Advantages: specificity of performance standards.
- Disadvantages: developing scales may be very time consuming and costly (e.g., by using the critical incident technique).

Examples of trait vs. behavioural (BARS) scales

5.4. MEASURING PERFORMANCE

5.4.2. Dimensions assessed (what to assess)

Outcome appraisal
- Assessing the results achieved by workers.
- Management by Objectives (MBO) is the most popular approach: workers and their supervisors set goals together for the upcoming evaluation period.
- Another approach is naturally occurring outcomes (e.g., pieces produced, waste produced, defects rate).
- Advantages: clear, unambiguous and objective criteria for measuring performance, flexibility to adjust objectives for new evaluation periods.
- Disadvantages: potentially distorted views of worker performance levels (e.g., machine breakdowns, helping out other people, economic crisis); risk of a 'results at any cost' mentality (e.g., quantity over quality, unethical behaviours towards customers or co-workers).

Example of the check-list method

Data on goal achievement:
- Forcing choice method:
- Check-list method:
- Graphic rating scale method:

5.4.3. Specific appraisal tools (how to assess)

- Graphic rating scale method: set of items, according to which the employee is evaluated. A rating is given for each item.
- Check-list method: set of sentences, which describe (or do not describe) employee performance. No ratings are given; evaluator’s judgements are dichotomic (either 'yes' or 'no'). 'Yes' answers should show actual worker’s performance and help predict future performance.
- Forced choice method: selecting one sentence as the best descriptor of worker's performance. One (and only one) sentence must be chosen.
- Critical incident technique: keeping a record (through direct observation) of especially relevant (positive and negative) events related to worker's performance. Also used informally, and/or for making specific HR decisions.
- Data on goal achievement: objective, quantitative data of worker’s performance related to outcomes.

Examples of evaluation dimensions (assessment criteria)

<table>
<thead>
<tr>
<th>Traits</th>
<th>Behaviours</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of work</td>
<td>Fulfils tasks</td>
<td>Sales</td>
</tr>
<tr>
<td>Physical strength</td>
<td>Obey instructions</td>
<td>Production quantity</td>
</tr>
<tr>
<td>Knowledge of company</td>
<td>Reports problems</td>
<td>Production quality</td>
</tr>
<tr>
<td>Sense of responsibility</td>
<td>Takes care of team</td>
<td>Waste</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Keeps records</td>
<td>Accidents</td>
</tr>
<tr>
<td>Honesty</td>
<td>Respects regulations</td>
<td>Equipment breakdowns</td>
</tr>
<tr>
<td>Creativity</td>
<td>Attends regularly</td>
<td>Attended to customers</td>
</tr>
<tr>
<td>Leadership skills</td>
<td>Makes suggestions</td>
<td>Customer complaints</td>
</tr>
</tbody>
</table>

Examples of evaluation dimensions (additional criteria)


Example of the check-list method

Instructions: please mark each of the statements that apply to the employee.

<table>
<thead>
<tr>
<th>Employee name: ____________________        Date: ____________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluator name: ____________________       Department: ____________________</td>
</tr>
</tbody>
</table>

Example of the forced choice method

<table>
<thead>
<tr>
<th>Name: ____________________        Date: ____________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluator name: ____________________       Department: ____________________</td>
</tr>
</tbody>
</table>

Example of the graphic rating scale method

<table>
<thead>
<tr>
<th>Name: ____________________        Date: ____________________</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluator name: ____________________       Department: ____________________</td>
</tr>
</tbody>
</table>

Example of the forced choice method

(Worker evaluated:)

<table>
<thead>
<tr>
<th>Excellent performance</th>
<th>The instructor uses language known to students, and actively encourages student feedback and participation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good performance</td>
<td>The instructor uses language known to students, and sometimes encourages student feedback and participation.</td>
</tr>
<tr>
<td>Acceptable performance</td>
<td>The instructor uses language known to students, but does not encourage student feedback and participation.</td>
</tr>
<tr>
<td>Slightly poor performance</td>
<td>The instructor occasionally uses language unknown to students, and often avoids student feedback and participation.</td>
</tr>
<tr>
<td>Poor performance</td>
<td>The instructor mostly uses language unknown to students, and avoids student feedback and participation.</td>
</tr>
<tr>
<td>Unacceptable performance</td>
<td>The instructor mostly speaks in Spanish, when speaking in English mostly uses language unknown to students, and fully avoids student feedback and participation.</td>
</tr>
</tbody>
</table>
Example of data on goal achievement (worker evaluated: sales representative)

<table>
<thead>
<tr>
<th>Goals set</th>
<th>Goals in time period</th>
<th>Actual achievements</th>
<th>% Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales calls</td>
<td>100</td>
<td>104</td>
<td>104%</td>
</tr>
<tr>
<td>2. New customers made</td>
<td>30</td>
<td>18</td>
<td>60%</td>
</tr>
<tr>
<td>3. Number of customers who buy product A</td>
<td>19,000</td>
<td>9,750</td>
<td>51.3%</td>
</tr>
<tr>
<td>4. Sales of product B</td>
<td>17,000</td>
<td>18,700</td>
<td>110%</td>
</tr>
<tr>
<td>5. Decrease in customer complaint calls (vs. previous period)</td>
<td>From 40 to 30 calls</td>
<td>34 calls</td>
<td>85%</td>
</tr>
</tbody>
</table>

5.4. Appraisal sources (who assesses)

- HR (internal or external) expert.
- Immediate supervisor (sometimes higher-level managers too).
- Peer review: workers at the same level rate one another.
- Self-review: workers rate themselves.
- Subordinate review: workers evaluate their supervisors.
- 360-degree feedback: combination of supervisor, peer, subordinate, and self-review (and sometimes customer appraisal too).

5.4.5. Appraisal targets (who is assessed)

- Individuals, (small) teams, (bigger) departments/units/divisions, and/or the whole organization.

5.5. Managing performance

The appraisal interview

- Is conducted periodically (usually annually).
- May be conducted by the direct supervisor and/or other managers, the HR department, or external consultants.
- Discussions on performance itself, feedback, improvement plans, anxiety and uncertainty reduction, communication enhancement: role of the manager as a coach.
- Discussions on salary: role of the manager as a judge.

Day-to-day performance management

- Explore and direct attention to the causes of performance problems.
- Develop an action plan and empower workers to reach a solution.
- Build a good atmosphere and provide effective and continuous feedback.

Explore the causes of performance problems

- Carefully consider potential actor and/or observer biases.
- Common mistakes in attributing causes of performance problems:
  - From the manager (attributing causes to the worker).
  - From the employee (attributing causes to external factors).
- Types of causes of performance problems:
  - Employee ability (knowledge, skills).
  - Employee effort (motivation, behaviour).
  - Situational factors (system factors): wide array of organizational characteristics that can positively or negatively affect performance.

Examples of situational (system) factors to consider in determining the causes of performance problems

- Poor coordination of work activities among workers.
- Inadequate information or instructions needed to perform a job.
- Low-quality materials.
- Lack of necessary equipment.
- Inability to obtain raw materials, parts, or supplies.
- Inadequate financial resources.
- Poor supervision.
- Uncooperative co-workers and/or poor relations among people.
- Insufficient time to produce the quantity or quality of work required.
- A poor work environment (for example, cold, hot, noisy, frequent interruptions).
- Equipment breakdown.

Examples of causes of performance problems, questions to ask, and possible remedies

<table>
<thead>
<tr>
<th>Cause</th>
<th>Questions to Ask</th>
<th>Possible Remedies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability</td>
<td>Has the worker ever been able to perform adequately?</td>
<td>Train</td>
</tr>
<tr>
<td></td>
<td>Can the worker perform the job adequately, but not the worker?</td>
<td>Persuade</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Replace job</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Terminate</td>
</tr>
<tr>
<td>Effort</td>
<td>Is the worker's performance level declining?</td>
<td>Clarify linkage between performance and reward</td>
</tr>
<tr>
<td></td>
<td>Is performance based on all tasks?</td>
<td>Recognize good performance</td>
</tr>
<tr>
<td>Situation</td>
<td>Is performance erratic?</td>
<td>Streamline work process</td>
</tr>
<tr>
<td></td>
<td>Are performance problems showing up in all workers, even those who have adequate supplies and equipment?</td>
<td>Clarify needs to suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Eliminate conflicting signals or demands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide adequate tools</td>
</tr>
</tbody>
</table>


5.5. MANAGING PERFORMANCE

Develop an action plan and empower workers to reach a solution

- Emphasis on the role of the supervisor-as-coach and of enabler.
- Emphasis on empowering employees and reaching mutually agreed solutions, focusing on issues under the worker’s control.
- Emphasis on actual performance issues and not personal issues.

Build a proper climate, and provide effective and continuous feedback

- Provide ongoing and constructive feedback, show respect for the person and guaranteeing reasonable confidentiality.
- Provide honest, direct and open-minded communication, and build trust.
- The key goal is to improve employee performance.