A major function of human resources management is the appraisal and improvement of employee performance. In establishing a performance appraisal program, managers should give careful attention to its objectives and to the criteria against which employees are to be evaluated. Court decisions have emphasized the importance of having carefully defined and measurable criteria. Newer methods and techniques for appraisal are replacing some of the older methods that are more subject to errors. The methods used should be consistent with the objectives of appraisal in the particular organization. Through interviews, managers can give information from the appraisal to subordinates and make plans for improving performance.

**LEARNING OBJECTIVES**

After studying this chapter, you should be able to

1. Explain the purposes of performance appraisals and the reasons they can sometimes fail. Identify the characteristics of an effective appraisal program.

2. Describe the different sources of appraisal information.

3. Explain the various methods used for performance evaluation.

4. Outline the characteristics of an effective performance appraisal interview.
Performance appraisal programs serve many purposes, but in general those purposes can be clustered into two categories: administrative and developmental. The administrative purposes include decisions about who will be promoted, transferred, or laid off. Appraisals are also conducted in order to make compensation decisions. Developmental decisions include those related to improving and enhancing an individual's capabilities. These include identifying a person's strengths and weaknesses, eliminating external performance obstacles, and establishing training needs.

Some human resource experts and firms believe performance appraisals are ineffective. In other organizations, performance appraisals are seen as a necessary evil. Managers frequently avoid conducting appraisals because they dislike passing judgment on people. Furthermore, if managers are not adequately trained, subjectivity and organizational politics can distort employee reviews. They do not develop good feedback skills and are often not prepared to conduct an appraisal. As a consequence, the appraisal is done begrudgingly once a year and then forgotten. The ultimate success or failure of a performance appraisal program depends on the philosophy underlying it, its connection with the firm’s business goals, and the attitudes and skills of those responsible for its administration.

To determine the contributions of each individual, it is necessary to have a formal appraisal program with clearly stated objectives. Carefully defined performance standards that are reliable, strategically relevant, and free from either criterion deficiency or contamination are essential foundations for evaluation. Appraisal systems must also comply with the law and, like selections tests, be valid and reliable. Appraisals should be treated with the same concerns for validity as are selection tests. For example, ratings must be job related, employees must understand their performance standards in advance, appraisers must be able to observe job performance, appraisers must be trained, feedback must be given, and an appeals procedure must be established. Some companies now hold calibration meetings to ensure their managers are accurately rating employees. Using multiple raters is frequently a good idea because different individuals see different facets of an employee’s performance. The supervisor, for example, has legitimate authority over an employee and is in a good position to discern whether he or she is contributing to the goals of the organization. Peers and team members, on the other hand, often have an unfiltered view of an employee’s work activity, particularly related to issues such as cooperation and dependability. Subordinates often provide good information about whether an employee is facilitating their work, and customers (both internal and external) can convey the extent to which an employee adds value and meets their requirements. Self-appraisal is useful, if for no other reason than it encourages employees to think about their strengths, weaknesses, and future goals. An increasing
Chapter 8 Appraising and Improving Performance

number of organizations are using multiple raters—or 360-degree appraisal—to get a more comprehensive picture of employee performance. Regardless of the source of appraisal information, appraisers should be thoroughly trained in the particular methods they will use in evaluating their subordinates. Participation in developing rating scales, such as behaviorally anchored rating scales (BARS), automatically provides such training.

Several methods can be used for performance appraisal. These include trait approaches (such as graphic rating scales, mixed-standard scales, forced-choice forms, and essays), behavioral methods (such as critical incidents ratings, checklists, BARS, and BOS), and results methods (MBO). The choice of method depends on the purpose of the appraisal. Trait appraisals are simple to develop and complete, but they have problems of subjectivity and are not useful for feedback. Behavioral methods provide more specific information for giving feedback but can be time-consuming and costly to develop. Results appraisals are more objective and can link individual performance to the organization as a whole, but they may encourage a short-term perspective (e.g., annual goals) and may not include subtle yet important aspects of performance.

The degree to which the performance appraisal program benefits an organization and its members is directly related to the quality of the appraisal interviews that are conducted. Interviewing skills are best developed through instruction and supervised practice. Although there are various approaches to the interview, research suggests that employee participation and goal setting lead to higher satisfaction and improved performance. Discussing problems, showing support, minimizing criticism, and rewarding effective performance are also beneficial practices. During the interview, performance deficiencies can be discussed and plans for improvement can be made.

REVIEW QUESTIONS

Multiple Choice

Choose the letter of the word or phrase that best completes each statement.

1. A process typically delivered annually by a supervisor to a subordinate designed to help employees understand their roles, objectives, expectations, and performance success is
   a. job evaluation.
   b. job analysis.
   c. job specification.
   d. performance appraisal.
2. The process of creating a work environment in which people can perform to the best of their ability is
   a. performance appraisal.
   b. management by objectives.
   c. performance management.
   d. benchmarking.

3. One of the objectives of supervisors in observing the day-to-day performance of their employees is to develop a(n)
   a. annual, or semiannual, performance review.
   b. job specification.
   c. critical incident.
   d. error of central tendency.

4. Before any performance appraisal is conducted, the standards by which performance is to be evaluated should be clearly defined and
   a. communicated to the employee.
   b. only then should training commence.
   c. the error of central tendency communicated.
   d. the halo error communicated.

5. The following basic considerations should be included in establishing performance standards, except
   a. strategic relevance.
   b. criterion deficiency.
   c. criterion contamination.
   d. inconsistent performance.

6. When performance standards focus on a single criterion to the exclusion of other important but less quantifiable performance dimensions, the appraisal system is said to suffer from
   a. leniency error.
   b. strictness error.
   c. criterion deficiency.
   d. errors of central tendency.
7. The measure of stability or consistency of a standard, or the extent to which individuals tend to maintain a certain level of performance over time, is called
a. validity.
b. reliability.
c. critical incidence.
d. graphic rating.

8. The measure that permits managers to specify and communicate precise information to employees regarding quality and quantity of output is called
a. reliability.
b. halo error.
c. graphic rating.
d. performance standards.

9. A process whereby managers meet to discuss the performance of individual employees to ensure their employee appraisal are in line with one another is called
a. reliability.
b. halo error.
c. graphic rating.
d. calibration.

10. Having appraisals reviewed by a supervisor's superior reduces the chance of
a. validity.
b. biased evaluations.
c. peer appraisals.
d. performance.

11. The appraisal in which individuals of equal rank who work together are increasingly asked to evaluate each other is called
a. team appraisal.
b. 360-degree feedback.
c. peer appraisal.
d. customer appraisal.
12. A company’s interest in team appraisals is frequently driven by its commitment to
   a. total quality management.
   b. management by objectives.
   c. strictness and leniency errors.
   d. central tendency.

13. The process that is intended to provide employees with as accurate a view of their performance as possible by getting input from others is called
   a. central tendency.
   b. critical incident.
   c. an assessment center.
   d. 360-degree feedback.

14. The opposite of horn error is
   a. halo error.
   b. error of central tendency.
   c. strictness and leniency error.
   d. recency error.

15. Raters who are reluctant to assign either extremely high or extremely low ratings commit the
   a. halo error.
   b. error of central tendency.
   c. strictness and leniency error.
   d. recency error.

16. When the appraisal is based largely on the employee’s current behavior, good or bad, the rater has committed the
   a. error of central tendency.
   b. recency error.
   c. contrast error.
   d. leniency or strictness error.

17. When an employee’s evaluation is biased either upward or downward because of the performance of another employee evaluated previously, the rater is committing a(n)
   a. error of central tendency.
   b. recency error.
   c. contrast error.
   d. leniency or strictness error.
18. Performance appraisal methods can be classified as
   a. measuring traits.
   b. measuring behaviors.
   c. measuring results.
   d. all of the above.

19. A method of performance appraisal that is designed to measure
   the extent to which an employee possesses certain characteristics
   is called the
   a. forced-choice method.
   b. trait method.
   c. critical incident method.
   d. graphic rating-scale method.

20. The performance appraisal method that requires the rater to
   choose from statements, often in pairs, that appear equally
   favorable or equally unfavorable is the
   a. forced-choice method.
   b. essay method.
   c. graphic rating-scale method.
   d. mixed-standard scale method.

21. A performance appraisal in which the appraiser is required to
   compose a statement that best describes the employee being
   appraised is the
   a. critical incident method.
   b. forced-choice method.
   c. mixed-standard scale.
   d. essay method.

22. An unusual event that denotes superior or inferior employee
   performance in some part of the job is
   a. a critical incident.
   b. management by objectives.
   c. a halo error.
   d. an essay method.
23. Rather than looking at the traits of employees or the behaviors they exhibit on the job, many organizations evaluate
   a. employee personalities.
   b. employee attributes.
   c. employee accomplishments.
   d. employee turnover.

24. Which of the following is a behavioral method of performance appraisal?
   a. forced-choice method.
   b. essay method.
   c. critical incident method.
   d. graphic rating-scale method.

25. A system involving a cycle that begins with setting the organization’s common goals and objectives and ultimately returns to that step is called
   a. management by objectives.
   b. the critical incident method.
   c. the forced-choice method.
   d. the essay method.

26. The choice of method for a performance appraisal should be based largely on the
   a. critical incident.
   b. purpose of the appraisal.
   c. employee turnover.
   d. personality of the raters.

27. Which method can be used to appraise individual employees, teams, business units, and the corporation itself?
   a. the balanced scorecard.
   b. the critical incident method.
   c. the forced-choice method.
   d. the essay method.

28. A format that attempts to give feedback to employees on their job performance and on planning for their future development is a(n)
   a. job description.
   b. critical incident.
   c. halo error.
   d. appraisal interview.
29. Norman R. F. Maier analyzes the cause-and-effect relationships in the following types of appraisal interviews, except:
   a. tell-and-sell.
   b. tell-and-listen.
   c. problem solving.
   d. self-assessment.

30. The core purpose of the performance appraisal interview is to:
   a. express appreciation to the employees.
   b. initiate a dialogue that will help an employee improve his or her performance.
   c. Figure out why an employee behaves in a certain way.
   d. tell the employees where all he or she needs to improve.

True/False

Identify the following statements as True or False.

1. From the standpoint of individual development, appraisal does not provide the feedback essential for determining strengths and weaknesses as well as improving performance.

2. If the support of top management is encouraged, the performance appraisal system still should be utilized without employee support.

3. An important principle of performance appraisal is continual feedback, and employee coaching must be a positive daily activity.

4. By addressing employee concerns during the planning stage of the performance appraisal process, the organization will help the appraisal program to succeed in reaching its goals.

5. Organizational politics create fairness or equity in employee performance appraisals.

6. When performance standards are properly established, they do not help translate organizational goals and objectives into job requirements that convey acceptable and unacceptable levels of performance to employees.
7. Performance standards will permit managers to specify and communicate imprecise information to employees regarding quality and quantity of output.

8. Performance standards, when written, should be defined in quantifiable and measurable terms.

9. As the courts have made clear, a central issue in performance appraisal systems is to have carefully defined and measurable performance standards.

10. Employers might face legal challenges to their appraisal systems when appraisals indicate acceptable or above-average performance but employees are passed over for promotion, disciplined for poor performance, or discharged.

11. To comply with the legal requirements of performance appraisals, employers must ensure that managers and supervisors document appraisals and reasons for subsequent human resources management actions.

12. Self-appraisal is detrimental when managers seek to increase an employee’s involvement in the review process.

13. Self-appraisals may be best for administrative decisions rather than developmental purposes.

14. Subordinate appraisals give employees power over their bosses, making managers hesitant to endorse such a system, particularly when it might be used as a basis for compensation decisions.

15. One advantage of peer appraisals is the belief that they furnish less accurate and invalid information than appraisals by superiors.

16. Although 360-degree feedback can be useful for both developmental and administrative purposes, most companies start with an exclusive focus on development.

17. A weakness of many performance appraisal programs is that managers and supervisors are not adequately trained for the
Managers who give higher ratings because they believe an employee is "showing improvement" may unwittingly be committing recency error.

The fact that trait methods are the least popular method of performance appraisal is due in large part to the ease with which they are developed.

The mixed-standard scale of performance appraisal method is a modification of the basic behavior observation scale.

A major limitation of the essay method of performance appraisals is that composing an essay that attempts to cover all of an employee’s essential characteristics is a very time-consuming task.

One of the potential advantages of a trait-oriented performance appraisal system is that traits tend to be subjective.

The appraisal interview gives a manager the opportunity to discuss a subordinate’s performance record and to explore areas of possible improvement and growth.

Managers should assume that only one type of appraisal interview is appropriate for every review session.

The core purpose of a performance appraisal interview is to initiate a dialogue that will help an employee improve her or his performance.
### Matching

Match each term with the proper definition.

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. behavior observation scale (BOS)</td>
<td>1. a process typically delivered annually by a supervisor to a subordinate, designed to help employees understand their roles, objectives, expectations, and performance success</td>
</tr>
<tr>
<td>b. behaviorally anchored rating scale</td>
<td>2. philosophy of management that rates performance on the basis of employee achievement of goals set by the mutual agreement of employee and manager</td>
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<tr>
<td>c. contrast error</td>
<td>3. performance appraisal, based on TQM concepts, that recognizes team accomplishment rather than individual performance</td>
</tr>
<tr>
<td>d. critical incident</td>
<td>4. a behavioral approach to performance appraisal that measures the frequency of observed behavior</td>
</tr>
<tr>
<td>e. customer appraisal</td>
<td>5. a trait approach to performance appraisal that requires the rater to compose a statement describing employee behavior</td>
</tr>
<tr>
<td>f. error of central tendency</td>
<td>6. performance appraisal that, like team appraisal, is based on TQM concepts and seeks evaluation from both external and internal customers</td>
</tr>
<tr>
<td>g. essay method</td>
<td></td>
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<tr>
<td>h. forced-choice method</td>
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<tr>
<td>i. graphic rating-scale method</td>
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<tr>
<td>j. leniency or strictness error</td>
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<td>k. management by objectives (MBO)</td>
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<td>l. manager and/or supervisor appraisal</td>
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<td>m. mixed-standard scale method</td>
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<td>n. peer appraisal</td>
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<td>o. performance appraisal</td>
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<td>p. performance management</td>
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<td>q. recency error</td>
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<td>r. self-appraisal</td>
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<td>s. similar-to-me error</td>
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<td>t. subordinate appraisal</td>
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<td>u. team appraisal</td>
<td></td>
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<tr>
<td>v. calibration</td>
<td></td>
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</tbody>
</table>
7. Performance-rating error in which an employee’s evaluation is biased either upward or downward because of comparison with another employee just previously evaluated.

8. Performance-rating error in which an appraiser inflates the evaluation of an employee because of a mutual personal connection.

9. A trait approach to performance appraisal whereby each employee is rated according to a scale of characteristics.

10. Performance appraisal done by one’s fellow employees that are generally compiled into a single profile to be used in the performance interview conducted by the employee’s manager.

11. Unusual event that denotes superior or inferior employee performance in some part of the job.

12. Performance appraisal of a superior by an employee, which is more appropriate for developmental than for administrative purposes.

13. Performance-rating error in which all employees are rated about average.

14. A trait approach to performance appraisal similar to other scale methods but based on comparison with (better than, equal to, or worse than) a standard.

15. A behavioral approach to performance appraisal that consists of a series of vertical scales, one for each important dimension of job performance.

16. Performance appraisal done by the employee being evaluated, generally on an appraisal form completed by the employee prior to the performance interview.

17. Performance appraisal done by an employee’s manager and often reviewed by a manager one level higher.

18. A trait approach to performance appraisal that requires the rater to choose from statements designed to distinguish between successful and unsuccessful performance.

19. Performance-rating error in which the appraiser tends to give employees either unusually high or unusually low ratings.

20. The process of creating a work environment in which people can perform to the best of their abilities.
21. performance-rating error in which the appraisal is based largely on the employee’s most recent behavior rather than on behavior throughout the appraisal period

22. a process whereby managers meet to discuss the performance of individual employees to ensure their employee appraisal are in line with one another.

Internet Exercises

What is the manager’s primary responsibility toward employees?
http://www.findarticles.com/p/articles/mi_m0KJI/is_2_117/ai_n12414578.

What is the role of a team leader in managing subordinates?
http://www.findarticles.com/p/articles/mi_qa3616/is_200304/ai_n9173768.

How to Prepare for a Performance Appraisal Interview

You should understand the objective of performance appraisal. Employees need feedback to understand how secure they are within the organization. It is important that the employee knows the work activity required to perform her or his job. A performance appraisal interview will accomplish such objectives.

A performance appraisal is conducted to assess the performance of the individual in his or her job operations. There are different performance appraisal methods and different means to accomplish this activity. Traditionally, a supervisor evaluates the performance of the employee. There are also peer-based, self-directed, and customer-based methods of doing performance appraisals.

In the traditional method of interviewing, the supervisor should have a thorough understanding of the employee’s job description. In addition, the performance appraisal should be put in writing and taken into the interview with the supervisor. The appraisal should be used as a basis for merit reviews and should be signed at the end of the interview to indicate that the supervisor has reviewed the performance appraisal with the employee. Finally, there should be an appeal process if the employee disagrees with the appraisal.
### True/False:

1. False
2. False
3. True
4. True
5. False
6. True
7. True
8. True
9. True
10. True
11. True
12. False
13. False
14. True
15. False
16. True
17. True
18. True
19. False
20. False
21. True
22. False
23. True
24. False
25. True

### Matching:

1. o
2. k
3. u
4. a
5. g
6. e
7. c
8. s
9. i
10. n
11. d
12. t
13. f
14. m
15. b
16. r
17. l
18. h
19. j
20. p
21. q
22. v

### False Statements Made True

1. From the standpoint of individual development, appraisal **provides** the feedback essential for determining strengths and weaknesses as well as improving performance.
2. If the support of top management is encouraged, the performance appraisal system **will not be successful** without employee support.
3. Organizational politics **can introduce a bias even in fairly administered** employee performance appraisals.
6. When performance standards are properly established, they help translate organizational goals and objectives into job requirements that convey acceptable and unacceptable levels of performance to employees.

7. Performance standards will permit managers to specify and communicate precise information to employees regarding quality and quantity of output.

12. Self-appraisal is beneficial when managers seek to increase an employee's involvement in the review process.

13. Self-appraisals may be best for developmental purposes rather than administrative decisions.

15. One advantage of peer appraisals is the belief that they furnish more accurate and valid information than appraisals by superiors.

19. The fact that trait methods are the most popular method of performance appraisal is due in large part to the ease with which they are developed.

20. The mixed-standard scale of performance appraisal method is a modification of the basic rating-scale method.

22. One of the potential drawbacks of a trait-oriented performance appraisal system is that traits tend to be subjective.

24. Managers should not assume that only one type of appraisal interview is appropriate for every review session.