



# PERFORMANCE MANAGEMENT

## Chapter 12





# PERFORMANCE MANAGEMENT

The process through which managers ensure that employees' activities and outputs contribute to the organization's goals.



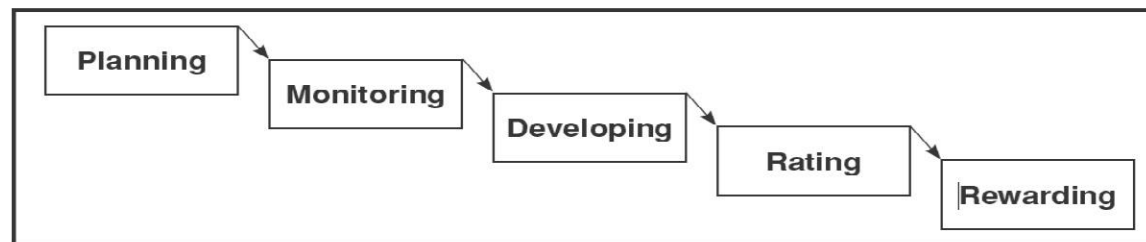
**Planning** means setting performance expectations and goals toward achieving organizational objectives.

**Developing** provides an excellent opportunity to identify training and developmental needs.

**Monitoring** means consistently measuring performance and providing ongoing feedback.

**Rating** summarizes employee performance over a certain period.

**Rewarding** recognizes employees for their performance and acknowledges their contributions to the organization's strategic objectives.



## SCHEMATIC DIAGRAM OF PERFORMANCE PLANNING PROCESS



# PURPOSES OF PERFORMANCE MANAGEMENT SYSTEM (PMS)

- Strategic – a link between the employee's activities to the organization's goal.
- Administrative – organizations use performance management system.
- Developmental – develop people with potential or overcome their shortcomings.





# PERFORMANCE APPRAISAL

- A method by which the job performance of an employee is evaluated generally in terms of quality, quantity, cost and time
- Is the “rating” part of the performance management system
- Periodic interview
- Performance appraisal has twofold purposes: *evaluation and feedback*



# CONTROVERSY SURROUNDING PERFORMANCE APPRAISAL



- Many appraiser feel uncomfortable with the combined role of judge and executioner
- Appraisers often know the appraises well
- Suggesting how a subordinate needs to brush up with on certain work skills and abilities
- Human resource function comes in to ensure that the appraisal process is not a sham and waste of time. It starts with a good plan.





# BASIC REQUISITES OF A GOOD PERFORMANCE APPRAISAL

Clarify purpose of the job, job duties, and responsibilities

Define performance goals with measurable outcomes

Define the priority of each job responsibility and goal

Define performance standards for each goal set





# APPROACHES TO MEASURING PERFORMANCE







# The Comparative Approach

## Ranking

- Requires manager to rank employees in his group from the highest to the lowest or from best to the worst.

## Forced Distribution

- Employee performance is ranked in group, where the majority of employees are in the middle while the fewer number are on the either side of the extremes.

## Paired Comparison

- The process of comparing entities in pairs to judge which pair is preferred or has greater amount of some quantitative property.



# Criticisms of the Comparative Approach

While the system provides an effective tool to differentiate employee performance and strictness in rating, it fails to link it to the strategic goals of the firm.





# The Attribute Approach

## Graphic Rating Scale

- Lists traits evaluated by a five-point scale.
- Manager considers one employee at a time, circling the number that signifies how much of that trait the individual has.

## Mixed-Standard Scale

- Uses several statements describing each trait to produce a final score for that trait.



## Critical-Incident Method

- Requires managers to log specific incidents as specific examples of what is effective and ineffective performance of employees.

## Behaviorally Anchored Rating Scale (BARS)

- Appraisal method that combines the benefits of narratives, critical incidents, and qualified ratings by anchoring a qualified scale with specific narrative examples of good or poor performance.



## Behavioral Observation Scale (BOS)

- A variation of a BARS which uses all behaviors necessary for effective performance to rate performance at a task.
- A BOS also asks the manager to rate the frequency with which the employee has exhibited the behavior during the rating period.

## Organizational Behavior Modification (OBM)

- A technique for increasing adaptive behavior of employees through a formal system of feedback and reinforcement.



# The Results Approach



## Management by Objectives (MBO):

- Create empowered employees who have the clarity of the roles and responsibilities expected of them.
- A process of agreeing upon objectives within an organization so that management and employees agree to the objectives and understand what they are in the organization





# Limitations of the MBO

Overemphasizes the setting of goals over the working of a plan as driver of outcomes.

Underemphasizes the importance of the environment

Companies evaluated their employees by comparing them with "ideal" employee

Did not address the importance of successfully responding to obstacles and constraints as essential to reaching a goal



## Productivity Measurement and Evaluation System (PROMES):

First - people in an organization identify the products, or set of activities or objectives, the organization expects to accomplish

Second - the staff defines indicators of the products

Third - the staff establishes the contingencies between the amount of the indicators and level of evaluation associated with the amount

Fourth - a feedback system is developed that provides employees information performance on each of the indicators





# The Quality Approach

- Anchored on customer satisfaction through an effective quality assurance system.
- Advocates of quality approach believe that the major focus of performance evaluation should be to provide employees with feedback on areas which they can improve.
- The quality approach relies heavily on system oriented focus while the traditional performance appraisal systems focus more on individual employee performance.



# 360-degree Performance Appraisal

- Also known as multi-rater feedback, multisource feedback, or multisource assessment.
- Feedback that comes from all around an employee.
- Refers to the 360 degrees in a circle, with the individual figuratively in the center.
- Performance measurement that combines information from the employee's supervisors, peers, subordinates, self-assessment, and in some cases from external sources such as the customers suppliers, and other interested stakeholders.



# RATER ERRORS IN PERFORMANCE APPRAISAL

Contrast Effects	The rater compares an individual, not against an objective standard, but against other employees.
Halo Effect	Inappropriate generalization from one aspect of person's preference to all aspects of the person's job performance.
Similar to Me	A tendency for people to be judged more favorably who are similar, rather than dissimilar to the rater in attitudes.
Distributional	The rater tends to use only one part of a rating scale. <i>Leniency</i> : the reviewer rates everyone near the top <i>Strictness</i> : the rater favors lower rankings <i>Central tendency</i> : the rater puts everyone near the middle of the scale
Negative & Positive Tendency	Consistency rating people at the low or high end of the scale.
Recency	The tendency to rate people based upon the most recent performance.



# THE PERFORMANCE FEEDBACK PROCESS

Frequent feedback is better than yearly feedback

Establish a comfortable, private setting and rapport

Ask the employee to rate his performance before the session

Encourage the employee to be open and participate in the discussion

Focus on solving problems

Give praise where it is due

Avoid personalities, focus on behavior

Agree on action plans and set a date to review progress



# MANAGING PROBLEMATIC EMPLOYEE

- Efforts must be exerted to save them
- For those who lack ability, managers should provide training opportunities so they could be productive members of the team
- Extreme care must be observed that termination must be in accordance with the law and jurisprudence

Labor case, if possible should be avoided because of the enormous cost that it may entail