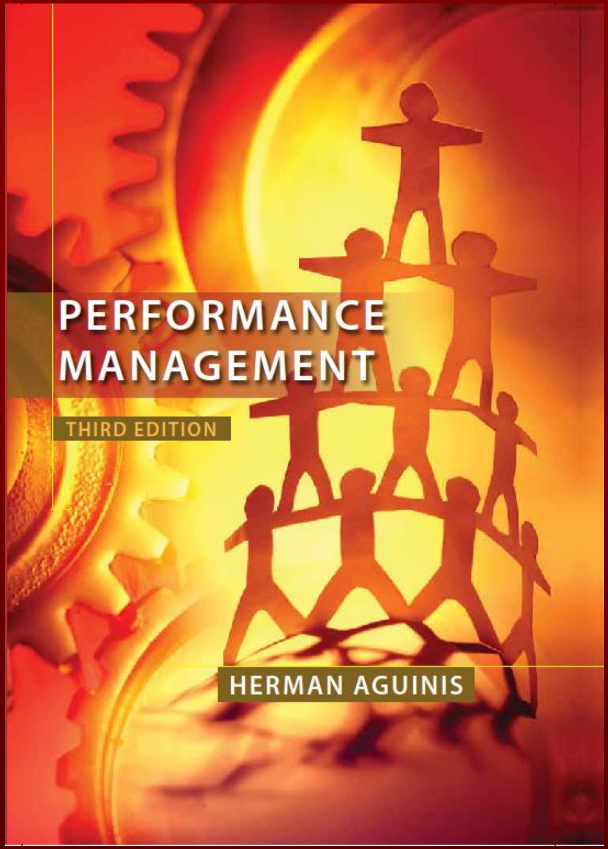


Chapter 1

Performance Management and Reward Systems in Context

Definition of PM

1. Continuous process of …
    - Identifying
    - Measuring
    - Developing
    - Evaluating

    … the performance of individuals and teams
2. Aligning performance with the strategic goals of the organization

Definition of PM (continued)

- Performance management (PM)

  is NOT

  performance <u>appraisal</u> (PA)

Definition of PM (continued)

PM

- Strategic business considerations
- Driven by line manager
- Ongoing feedback
  - So employee can improve performance

PA

- Driven by HR
- Assesses employee
  - Strengths
  - Weaknesses
- Once a year
- Lacks ongoing feedback

Contributions of Performance Management

- For Employees
- For Managers
- For Organization/HR Function

Contributions of Performance Management for Employees

- Clarify definitions of
  - Job
  - Success criteria
- Increase motivation to perform
- Increase self-esteem
- Enhance self-insight and development

Contributions of Performance Management for Managers

- Communicate supervisors’ views of performance more clearly
- Managers gain insight about subordinates
- Better and more timely differentiation between good and poor performers
- Employees become more competent

Contributions of Performance Management for Organization/HR Function

- Clarify organizational goals
- Facilitate organizational change
- Fairer, more appropriate administrative actions
- Better protection from lawsuits

Disadvantages/Dangers of Poorly Implemented PM Systems for Employees

- Lowered self-esteem
- Employee burnout and job dissatisfaction
- Damaged relationships
- Use of false or misleading information

Disadvantages/Dangers of Poorly Implemented PM Systems for Managers

- Increased turnover
- Decreased motivation to perform
- Unjustified demands on managers' resources
- Varying and unfair standards and ratings

Disadvantages/Dangers of Poorly Implemented PM Systems for Organization/HR Function

- Wasted time and money
- Unclear ratings system
- Emerging biases
- Increased risk of litigation

Reward Systems Definition

- Set of mechanisms for distributing…
  - Tangible returns
  - Intangible or relational returns

… as part of an employment relationship

Purposes of PM Systems
Strategic Purpose

- Link individual goals with organization’s goals
- Communicate most crucial business strategic initiatives

Purposes of PM Systems Administrative Purpose

- Provide information for making decisions regarding:
  - Salary adjustments
  - Promotions
  - Retention or termination
  - Recognition of individual performance
  - Layoffs

Purposes of PM Systems Informational Purpose

- Communicate to employees:
  - Expectations
  - What is important
  - How they are doing
  - How to improve

Purposes of PM Systems
Developmental Purpose

- Performance feedback/coaching
- Identification of individual strengths and weaknesses
- Identification of causes of performance deficiencies
- Tailor development of individual career path

Purposes of PM Systems Organizational Maintenance Purpose

- Plan effective workforce
- Assess future training needs
- Evaluate performance at organizational level
- Evaluate effectiveness of HR interventions

Purposes of PM Systems
Documentation Purpose

- Validate selection instruments
- Document administrative decisions
- Help meet legal requirements

An Ideal PM System: 15 Characteristics

1. Strategically congruent
2. Contextually congruent
3. Thorough
4. Practical
5. Meaningful
6. Specific
7. Identifies effective and ineffective performance

An Ideal PM System: 15 Characteristics (continued)

8. Reliable
9. Valid
10. Acceptable and fair
11. Inclusive
12. Open (No Secrets)
13. Correctable
14. Standardized
15. Ethical

An Ideal PM System: 15 Characteristics Strategically Congruent

- Consistent with organization’s strategy
- Aligned with unit and organizational goals

An Ideal PM System: 15 Characteristics Contextually Congruent

- Congruent with the organization's culture as well as the broader cultural context of the region or country
    - Example: A 360-degree feedback is not effective where communication is not fluid and hierarchies are rigid

An Ideal PM System: 15 Characteristics Thorough

- All employees are evaluated
- All major job responsibilities are evaluated
- Evaluations cover performance for entire review period
- Feedback is given on <u>both</u> positive and negative performance

An Ideal PM System: 15 Characteristics Practical

- Available
- Easy to use
- Acceptable to decision makers
- Benefits outweigh costs

An Ideal PM System: 15 Characteristics Meaningful

- Standards are important and relevant
- System measures ONLY what employee can control
- Results have consequences
- Evaluations occur regularly and at appropriate times
- System provides for continuing skill development of evaluators

An Ideal PM System: 15 Characteristics Specific

- Concrete and detailed guidance to employees
  - What’s expected
  - How to meet the expectations

An Ideal PM System: 15 Characteristics Identifies effective and ineffective performance

- Distinguish between effective and ineffective:
  - Behaviors
  - Results
- Provide ability to identify employees with various levels of performance.

An Ideal PM System: 15 Characteristics Reliable

- Consistent
- Free of error
- Inter-rater reliability

An Ideal PM System: 15 Characteristics Valid

- Relevant (i.e., measures what is important)
- Not deficient (i.e., doesn’t measure unimportant facets of job)
- Not contaminated (i.e., only measures what the employee can control)

An Ideal PM System: 15 Characteristics Acceptable and Fair

- Perception of Distributive Justice
  - Work performed → Evaluation received → Reward
- Perception of Procedural Justice
  - Fairness of procedures used to:
    - Determine ratings
    - Link ratings to rewards

An Ideal PM System: 15 Characteristics Inclusive

- Represents concerns of all involved
  - When system is created, employees should help with deciding:
    - What should be measured
    - How it should be measured
  - Employee should provide input on performance prior to evaluation meeting.

An Ideal PM System: 15 Characteristics Open (No Secrets)

- Frequent, ongoing evaluations and feedback
- Two-way communications in appraisal meeting
- Clear standards and ongoing communication
- Communications are factual, open, and honest

An Ideal PM System: 15 Characteristics Correctable

- Recognizes that human judgment is fallible
- Appeals process provided

An Ideal PM System: 15 Characteristics Standardized

- Ongoing training of managers to provide
- Consistent evaluations across:
  - People
  - Time

An Ideal PM System: 15 Characteristics
Ethical

- Supervisor suppresses self-interest
- Supervisor rates only where (s)he has sufficient information about the performance dimension
- Supervisor respects employee privacy

Integration with other Human Resources and Development Activities

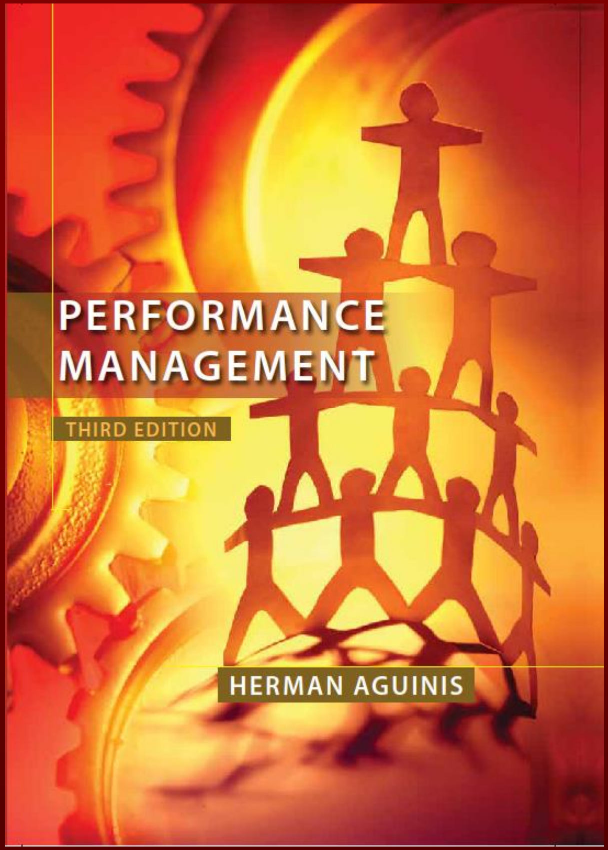
- PM provides information for:
  - Development of training to meet organizational needs
  - Workforce planning
  - Recruitment and hiring decisions
  - Development of compensation systems

PM Around the World

- PM used in United States, Mexico, Turkey, India, Australia, China, and so on
- Common across countries: Need to <u>align</u> individual and organizational goals to <u>enhance</u> the performance of individuals and groups

PM Around the World (continued)

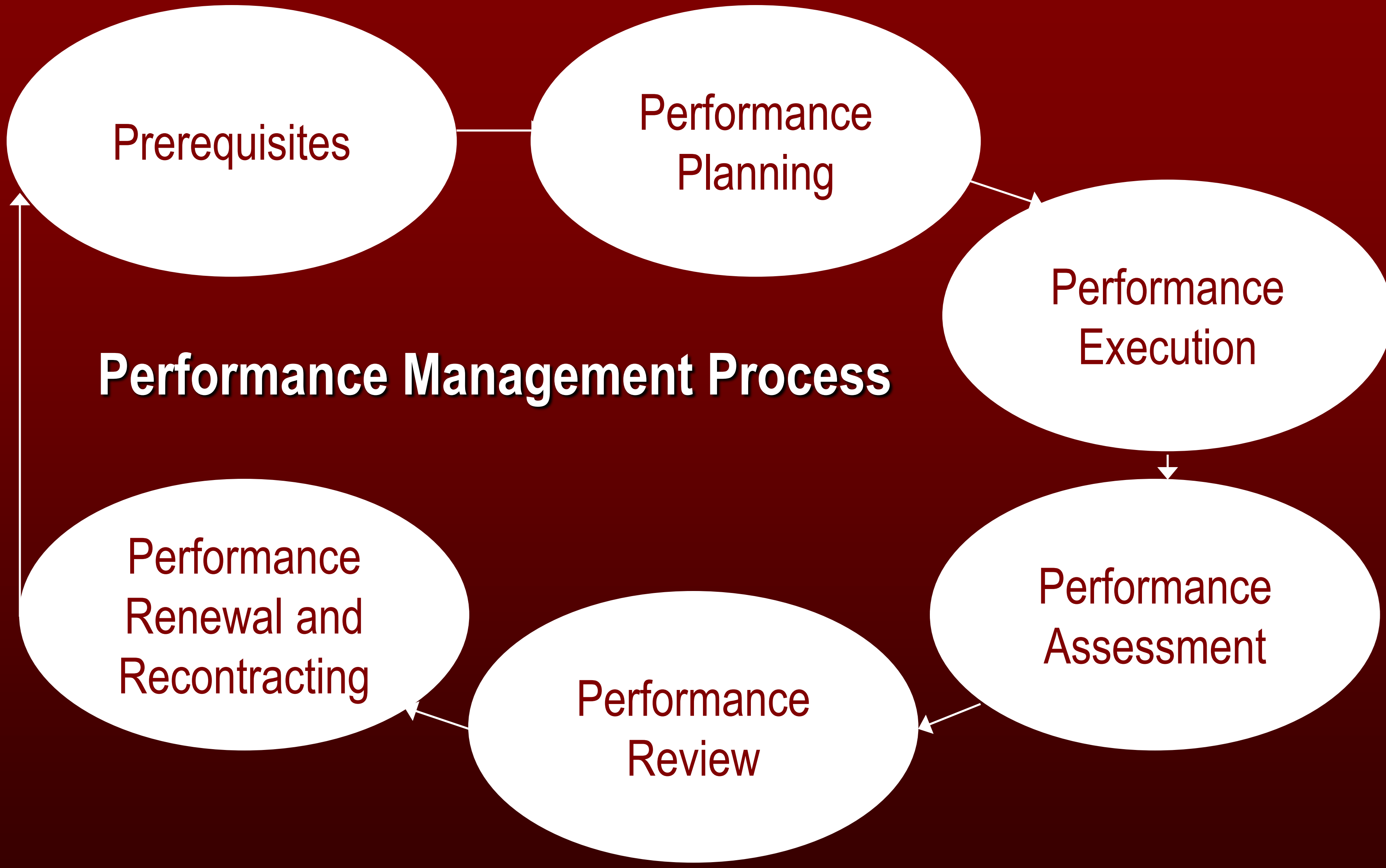
- Yet, different countries emphasize different components of PM
  - EX 1: PMs in Japan tend to emphasize behaviors to the detriment of results
  - EX 2: The current challenge among many organizations in South Korea is how to reconcile a merit-based approach with more traditional cultural values



Chapter 2

Performance Management Process

Performance Management Process



Prerequisites

A. Knowledge of the organization’s mission and strategic goals
B. Knowledge of the job in question

Knowledge of Mission and Strategic Goals

- Strategic planning
  - Purpose or reason for the organization’s existence
  - Where the organization is going
  - Organizational goals
  - Strategies for attaining goals

Knowledge of Mission and Strategic Goals

An important objective of any performance management system is to enhance each employee’s contribution to the goals of the organization. If there is a lack of clarity regarding where the organization wants to go, or if the relationship between the organization’s mission and strategies and the unit’s mission and strategies is not clear, there will be a lack of clarity regarding what each employee needs to do and achieve to help the organization get there.

Mission and Goals

- Cascade effect throughout organization
  - Organization →Unit →Employee

Once the goals for the entire organization have been established, similar goals cascade downward, with departments setting objectives to support the organization’s overall mission and objectives. The cascading continues downward until each employee has a set of goals compatible with those of the organization.

Knowledge of the Job

The second prerequisite before a PM system is implemented is to understand each particular job. This is done through job analysis – the process of determining the key components of a particular job, including:

- Activities
- Tasks
- Products
- Services
- Processes

Knowledge of the Job (Continued)

- Knowledge (K)
- Skills (S)
- Abilities (A)

KSAs

The tasks and KSAs needed for a particular job are typically presented in the form of a job description, which summarizes the job duties, required KSAs, and working conditions for a particular job.

Generic Job Descriptions

Generic job descriptions can be obtained from the Occupational Informational Network (O*Net)

http://online.onetcenter.org/

The descriptions available on O*Net can serve as a foundation for a job description. They can easily be adapted and changed to accommodate specific jobs.

Job Analysis

Job analysis can be conducted using:

- Interviews (job analyst may ask the interviewee to describe what s/he does during a typical day at the job from start to finish)
- Observation
- Questionnaires (available on the Internet – include a common list of tasks or KSAs, and ask individuals to indicate the extent to which each task or KSA is required for a particular job)

Job Analysis Follow-Up

- All incumbents should:
  - Review information
  - Provide feedback
  - Rate tasks and KSAs in terms of
    - Frequency
    - Criticality

Frequency and Criticality

Rating both frequency and criticality is necessary because some tasks may be performed regularly (e.g., making coffee several times a day) but may not be very critical. The job analyst can then multiply the frequency scores by the criticality scores to obtain an overall score for each task. So if coffee making receives a frequency score of 4 (made 4 times a day) and a criticality score of 0 (not critical), the overall score would be 4 x 0 = 0.

Rater Biases

Rating of frequency and criticality of tasks and KSAs is susceptible to:

- Self-serving bias
- Social projection bias
- False consensus bias

Taken together, these biases affect job analysis ratings because they lead people to believe that their own KSAs are those driving success on their jobs. This leads to an exaggerated view of the importance of these KSAs.

Rater Training

Web-based training: Structure

- Takes only about 15 minutes
- Establishes common point of reference via largely 5 steps
  - In the 5 steps, participants basically practice their rating skills
- As a result, reduces exaggeration of the importance of certain task and KSAs

Rater Training (Continued)

Web-based training: 5 steps

1. Defines the rating dimensions
2. Defines the scale anchors
3. Describes behaviors indicative of each rating dimension
4. Allows raters to practice their rating skills, and
5. Provides feedback on the practice

Performance Planning: Results

- ✓Key accountabilities
- ✓Specific objectives
- ✓Performance standards

Key Accountabilities

- Broad areas of a job for which
- the employee is responsible

for producing <u>results</u>

Specific Objectives

- Statements of outcomes
  - Important
  - Measurable

Performance Standards

- "Yardstick" to evaluate how well employees have achieved each objective
- Information on acceptable and unacceptable performance, such as
  - Quality
  - Quantity
  - Cost
  - Time

Performance Planning: Behaviors

- **How** a job is done

Performance Planning: Competencies

- Measurable clusters of KSAs
- Critical in determining how results will be achieved

Performance Planning: Development Plan

- Areas for improvement
- Goals to be achieved in each area of improvement

Performance Execution: Employee's Responsibilities

- Commitment to goal achievement
- Ongoing requests for feedback and coaching
- Communication with supervisor
- Collecting and sharing performance data
- Preparing for performance reviews

Performance Execution: Manager’s Responsibilities

- Observation and documentation
- Updates
- Feedback
- Resources
- Reinforcement

Performance Assessment

- Manager assessment
- Self-assessment
- Other sources (e.g., peers, customers)

Multiple Assessments Are Necessary To…

- Increase employee ownership
- Increase commitment
- Provide information
- Ensure mutual understanding

Performance Review Overview of Appraisal Meeting

- Past
  - Behaviors and results
- Present
  - Compensation to be received
- Future
  - New goals and development plans

Six Steps for Conducting Productive Performance Reviews

1. Identify what the employee has done well and poorly
2. Solicit feedback
3. Discuss the implications of changing behaviors

Six Steps for Conducting Productive Performance Reviews

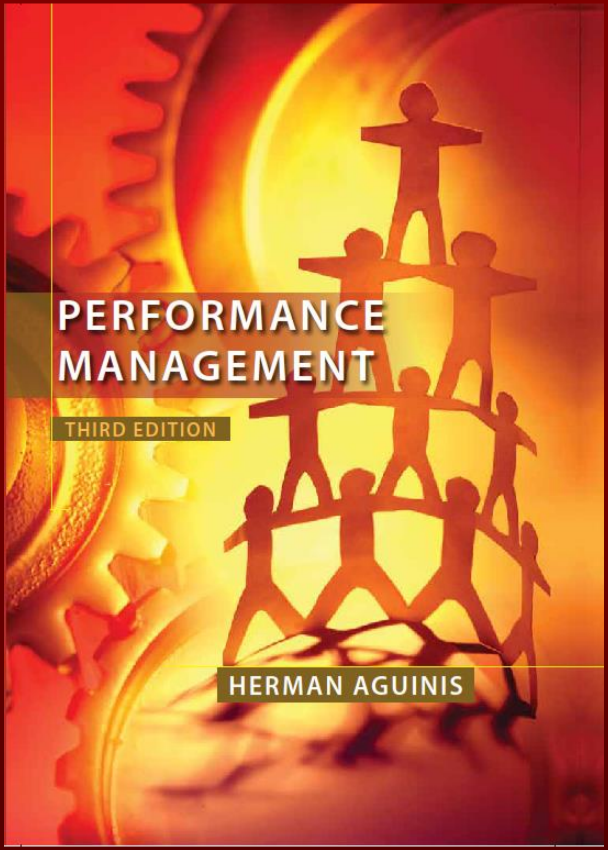
4. Explain how skills used in past achievements can help overcome any performance problems
5. Agree on an action plan
6. Set a follow-up meeting and agree on behaviors, actions, and attitudes to be evaluated

Performance Renewal and Recontracting

- Identical to performance planning EXCEPT:
  - Uses insights and information from previous phases
  - Restarts the performance management cycle

Performance Management Process Summary: Key Points

- ✓ Ongoing process
- ✓ Each component is important
  - ❖ If one is implemented poorly, the whole system suffers
- ✓ Links between components must be clear



Chapter 3

Performance Management and Strategic Planning

Strategic Planning: Definition

A process that involves:

- Describing an organization's destination
- Assessing barriers that stand in the way of that destination
- Selecting approaches for moving forward

Strategic Planning: Goal

The main goal of strategic planning is to allocate resources in a way that provides the organization with a competitive advantage.

Strategic Planning: Purposes

Helps define an organization’s identity.

Helps an organization prepare for the future.

Enhances the ability of an organization to adapt to environmental change.

Provides an organization with focus and allows it to better allocate its resources.

Strategic Planning: Purposes (Continued)

Helps produce an organizational culture of cooperation which can gain an organization a competitive advantage.

Allows an organization to consider new options and opportunities.

Provides employees with information to guide their daily activities.

Strategic Planning : Overview

1. Environmental Analysis (may also be performed after the mission and vision are created)
2. Mission
3. Vision
4. Goals
5. Strategies

Environmental Analysis

Identifies external and internal trends. The former are called opportunities and threats. The latter are called strengths and weaknesses.

To understand broad industry issues.

To make decisions using "big picture" context.

External Trends

- Opportunities:
  - Environmental characteristics that can help the organization succeed.
- Threats:
  - Environmental characteristics that can prevent the organization from being successful.

External Trends
Some Factors to Consider

- Economic
- Political/Legal
- Social
- Technological
- Competitors
- Customers
- Suppliers

(see page 66 of the textbook)

Internal Trends

- Strengths:
  - Internal characteristics that the organization can use to its advantage.
- Weaknesses:
  - Internal characteristics that can hinder the success of the organization.

Internal Trends
Some Factors to Consider

- Organizational structure
- Organizational culture
- Politics
- Processes
- Size

(see page 67 of the textbook)

Gap Analysis

Information regarding opportunities, threats, strengths, and weaknesses is used to conduct a gap analysis. A gap analysis analyzes:

External environment

(opportunities and threats)

vis-à-vis

Internal environment

(strengths and weaknesses)

Gap Analysis (continued)

The pairing of Os, Ts, Ss, and Ws, leads to the following situations:

Opportunity + Strength = Leverage (there is an O in the environment and a S to take advantage of the O).

Opportunity + Weakness = Constraint (an O is present but there is no S to take advantage of it).

Gap Analysis (continued)

Threat + Strength = Vulnerability (a T is present but it can be contained by an S).

Threat + Weakness = Problem (worst case scenario when there is a T and an accompanying W).

Strategic Planning for the Organization

Environmental and Gap Analyses provide information for organizations to decide:

- Who they are
- What they do

Mission

A good mission statement answers the questions:

- ✓ Why does the organization exist?
- ✓ What is the scope of the organization's activities?
- ✓ Who are the customers served?
- ✓ What are the products or services offered?

A Mission Statement contains:

Information on an organization's

- Basic product or service to be offered.
- Primary market(s) or customer groups to be served.
- Unique benefits and advantages of product or services.
- Technology to be used in production.
- Concern for survival through growth and profitability.

A Mission Statement May Contain:

Information about the organization's values and beliefs, including:

- Managerial philosophy.
- Public image sought by the organization.
- Self-concept of business adopted by employees and stockholders.

Vision

- Statement of future aspirations (what the organization would like to become in about 10 years).
- Focuses employee's attention on what is important.
- Provides context for evaluating
  - Opportunities
  - Threats

A Good Vision Statement: Eight Characteristics

1. Brief (one sentence).
2. Verifiable.
3. Bound by a Timeline (specifies a timeline for fulfillment of aspirations).
4. Current (vision statements should be updated periodically).

A Good Vision Statement: Eight Characteristics (Continued)

5. Focused on just a few aspects of an organization.
6. Understandable (clearly written and straightforward).
7. Inspiring (make employee's feel good about their organization's direction).
8. A stretch

Setting Goals

- Formalizes what the organization hopes to achieve.
- Provides motivation for employees.
- Provides tangible targets.
- Provides the basis for making good decisions.
- Provides the basis for performance measurement.

Strategies

- Create strategies (game plans or "how to" procedures) to achieve the organization's goals.

How the HR Function Contributes:

- Communicates knowledge of strategic plan.
- Provides knowledge of the KSAs that are needed for successful strategy implementation.
- Proposes reward systems to motivate employees to implement strategies properly.

Strategic Plans at the Unit Level

Every unit's mission statement, vision statement, goals, and strategies must

clearly <u>align</u> with

and <u>be congruent</u> with

the organization's mission statement, vision statement, goals, and strategies

Alignment of Strategic Plan with Performance

Organization's Strategic Plan
Mission, Vision, Goals, Strategies

Unit's Strategic Plan
Mission, Vision, Goals, Strategies

Critical to involve all levels of management

Job Description
Tasks, KSAs

Critical to involve all employees

Individual and Team Performance
Results, Behaviors, Developmental Plan

Job Descriptions

- Tasks and KSAs are congruent with the organization’s and its units’ strategic plans.
- Activities described support the mission and vision of the organization and its units.

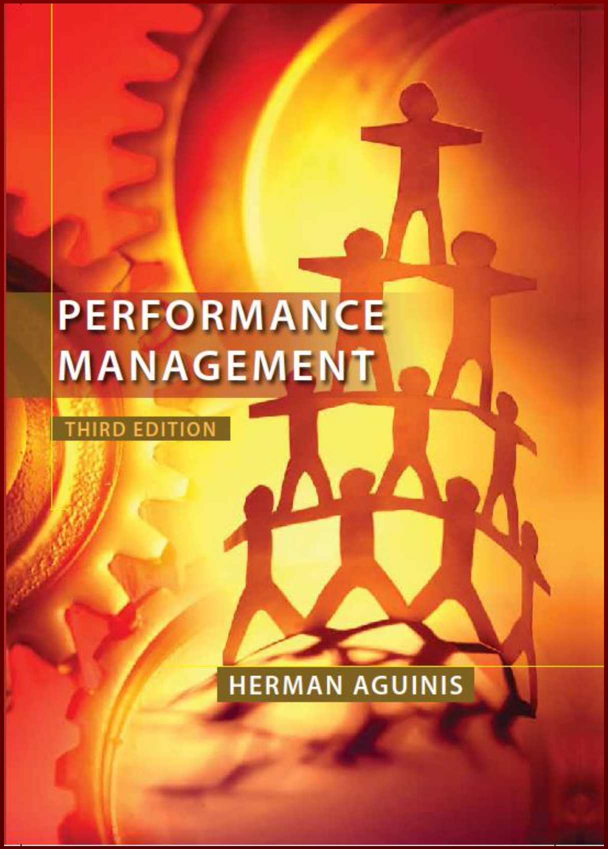
Individual and Team Performance

Organization and unit mission, vision, and goals lead to a:

performance management system which motivates employees and aligns development plans with the organization's priorities.

Building Support Answering "What's in It for Me?"

- To gain top management support:
  - Emphasize that PM can serve as a primary tool to realize an organization's vision.
- To gain support from all levels in the organization:
  - Clearly communicate the nature and consequences of PM.
  - Involve all employees in the process of PM design and implementation.



Chapter 4

Defining Performance and Choosing a Measurement Approach

Defining Performance

Performance is defined as what an employee does (his or her behaviors). It does not include the results or outcomes of an employee's behaviors.

Two Additional Characteristics of the Behaviors Labelled Performance

1. Evaluative – such behaviors can be judged as negative, neutral, or positive for individual and organizational effectiveness. Thus, the value of these behaviors can vary based on their contribution toward the accomplishment of individual, unit, and organizational goals.

2. Multidimensional – There are many different kinds of behaviors that can advance (or hinder) organizational goals.

Behaviors are Not Always Observable or Measurable

Because not all behaviors are observable or measurable, PM systems often include measures of results or consequences that we infer are the direct result of employees' behaviors.

Results or Consequences May Be Used to Infer Behavior

A salesperson whose job consists of visiting clients to offer them products or services is often evaluated on his or her sales volume – a proxy for a behavioral measure – since the salesperson's supervisor may be back in the home office and cannot observe the salesperson's behaviors.

Determinants of Performance

Performance =

Declarative Knowledge

X

Procedural Knowledge

X

Motivation

Declarative Knowledge

Declarative Knowledge is information about:

- Facts and Things (including information regarding a given task's requirements)
- Labels
- Principles
- Goals

Procedural Knowledge

Procedural Knowledge is a combination of:

- Knowing what to do and how to do it.
- Includes cognitive, physical, perceptual, motor, and interpersonal skills.

Motivation

Motivation involves three types of choice behaviors:

- Expenditure of effort (e.g., “I will go to work today.”)
- Level of effort (e.g., “I will put in my best effort at work today.”)
- Persistence of effort (e.g., “I will persist no matter what.”)

Deliberate Practice

Deliberate Practice involves the following steps:

- Approach performance with the goal of getting better and better.
- As you are performing, focus on what is happening and why you are doing things the way you do.
- When your task is finished, seek performance feedback from many expert sources.
- Build mental models of your job, your situation, and your organization.
- Repeat steps 1-4 on an ongoing basis.

Implications for Addressing Performance Problems

In order to address performance problems properly, managers must find information that will allow them to understand whether the source of the problem is declarative knowledge, procedural knowledge, motivation, or some combination of these factors.

Thus, PM systems need not only measure performance but also provide information about the source of any performance deficiencies.

Factors Influencing Determinants of Performance

- Three individual characteristics - procedural knowledge, declarative knowledge, and motivation – determine performance.
- In addition, HR practices (e.g., the amount of training available to employees) and the work environment (e.g., downsizing) can affect performance.

Performance Dimensions: Types of Multidimensional Behaviors

Since performance is multidimensional, we need to consider many different types of behaviors to understand it. Two types of behaviors are particularly important:

- Task performance.
- Contextual performance (also called prosocial behaviors or organizational citizenship behaviors).

Task Performance

Task Performance is defined as activities that:

- transform raw materials into the goods and services that are produced by the organization.
- help with the transformation process by replenishing the supply of raw materials; distributing its finished products; or providing important planning, coordination, supervising, or staff functions that enable the organization to function effectively and efficiently.

Contextual Performance

Contextual Performance is defined as behaviors that contribute to an organization's effectiveness by providing a good environment in which task performance can occur. Contextual Performance includes behaviors such as:

- Persisting with enthusiasm and exerting extra effort as necessary to complete one's own task activities successfully.
- Helping and cooperating with other coworkers.
- Following organizational rules and procedures.

Differences Between Task and Contextual Performance

- Task Performance
  - Varies across jobs
  - Likely to be role prescribed
  - Influenced by

    Abilities and

    Skills
- Contextual Performance
  - Fairly similar across jobs
  - Not likely to be role prescribed
  - Influenced by

    Personality

Why Include Task and Contextual Performance Dimensions in a PM System?

1. Global competition is raising the level of task and contextual performance required of employees for an organization to be competitive.
2. Customer service – Global competition is also raising the need for outstanding customer service.
3. Teamwork – Many organizations have formed employees into teams.

Why Include Task and Contextual Performance Dimensions in a PM System? (continued)

4. Employee perceptions of PM – Employees are more satisfied with the PM system and believe it is fairer if contextual performance is measured in addition to task performance.
5. Supervisor views – Since contextual performance has an impact on ratings of overall performance even when only task performance is measured, it makes sense to include contextual performance more explicitly.

Voice Behavior

- Behavior that emphasizes expression of constructive challenges with the goal of improving employee performance rather than merely criticizing it.
- Challenges the status quo in a positive way.
- Makes innovative suggestions for change.
- Recommends modifications to standard procedures.

Job Performance in Context

A **performer** (individual or team with certain traits) → In a given work **situation** → Engages in certain **behaviors** → That produce various **results**

TRAIT

BEHAVIOR

RESULTS

Job Performance in Context

The previous power point shows that employees do not perform in a vacuum. Instead, they work in an organizational context, engaging in certain behaviors that produce certain results. The same employees may behave differently (and produce different results) if placed in a different situation (e.g., working with a different supervisor or using better machinery).

Approaches to Measuring Performance

Behavior Approach

- Emphasizes how employees do the job. Does not consider employees' traits or the outcomes resulting from their behaviors.

Results Approach

- Emphasizes only the outcomes produced by employees.

Trait Approach

- Emphasizes only the individual traits (e.g., intelligence, conscientiousness) of employees.

Behavior Approach

Appropriate if:

- Employees take a long time to achieve desired outcomes.
- Link between behaviors and results is not obvious.
- Outcomes occur in the distant future.
- Poor results are due to causes beyond the performer’s control.

Not appropriate if:

- The above conditions are not present.

Results Approach

Advantages:

- Takes less time and is less expensive than tracking employees' behavior.
- Data appear objective.

Most appropriate when:

- Workers skilled in necessary behaviors.
- Behaviors and results obviously related.
- Consistent improvement in results over time.
- Many ways to do the job right.

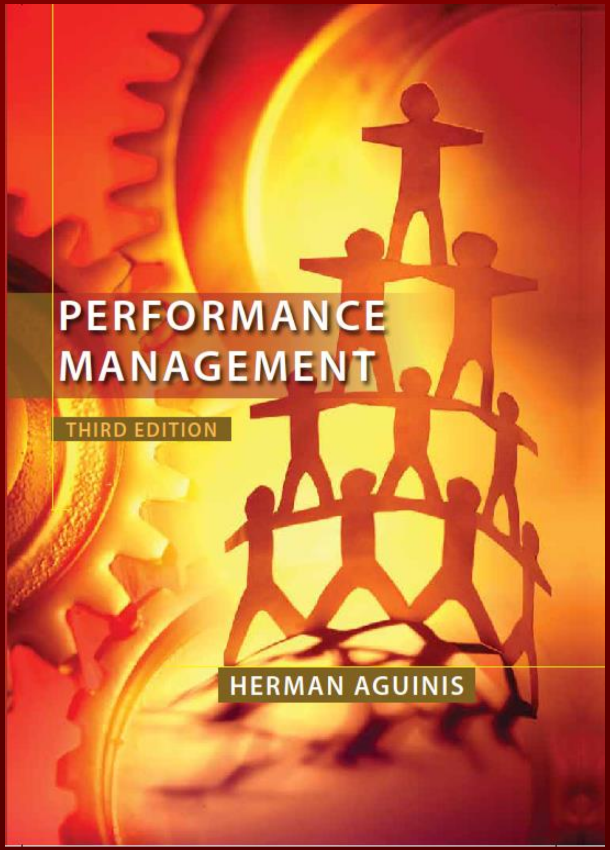
Trait Approach

Most appropriate when:

- Emphasis on individual
  - Evaluate stable traits (i.e., cognitive abilities, personality)
- Positive relationship between abilities, personality traits, and desirable work-related behaviors
- Appropriate if structural changes planned for organization

Disadvantages

- Improvement of traits is not under individual's control
- Trait may not lead to desired behaviors or results



Chapter 5

Measuring Results and Behaviors

Measuring Results: Overview

If a results approach is adopted, the following questions must be answered:

- What are the different areas in which an employee is expected to focus his or her efforts (key accountabilities)?
- Within each area, what are the expected objectives?
- What yardsticks (performance standards) are used to evaluate how well an employee achieves each objective?

Accountabilities

- Accountabilities are broad areas of a job for which an employee is responsible for producing results.

The first step in determining account-abilities is to collect information about the job from its job description, which provides information on the tasks performed. The individual tasks can be group into clusters of related tasks, called accountabilities.

Determining Accountabilities

- After the accountabilities have been identified, determine their relative degree of importance by answering the following questions:
  - What percentage of an employee's time is spent performing each accountability?
  - If the accountability were performed inadequately, would there be a significant impact on the work unit's mission?
  - Could inadequate performance of the accountability contribute to a serious consequence (e.g., loss of money)?

Objectives

- Objectives are statements of important and measurable outcomes that, when accomplished, will help ensure success for an employee's accountability.
- The purpose of establishing objectives is to identify a limited number of highly important results that, when achieved, will have a dramatic impact on the overall success of the organization.

Ten Characteristics of Good Objectives

1. Specific and Clear
2. Challenging
3. Agreed Upon (between the manager and the employee). Employees should participate in setting objectives.
4. Significant (important to the organization).
5. Prioritized

Ten Characteristics of Good Objectives (Continued)

6. Bound by Time (establish deadlines and mileposts)
7. Achievable – Employees should have sufficient skills and training to achieve them.
8. Fully Communicated – All organizational members who are affected by the objectives must be aware of them.
9. Flexible – can be changed if the organization’s environment changes.
10. Limited in Number

Performance Standards

- Performance standards are yardsticks used by raters to evaluate how well employees have achieved their objectives.
- Example of a standard: *Reduce overtime from 150 hours/month to 50 hours/month by Dec. 1, 2016, at a cost not to exceed $12,000.*

Determining Performance Standards

- Standards refer to various aspects of performance objectives, such as:
- Quality
  - How well an objective has been achieved.
- Quantity
  - How much, how many, how often, and at what cost?
- Time
  - Due dates, schedule, cycle times, and how quickly?

Standards Must Include

- The desired result
- A due date
- Some type of indicator:
  - Quality and/or
  - Quantity

Six Characteristics of Good Performance Standards

1. Related to the Position – Based on the job's key elements and tasks.
2. Concrete, Specific, and Measurable
3. Practical to Measure
4. Meaningful – Good standards are about what is important and relevant to the purpose of the job.
5. Realistic and Achievable
6. Reviewed Regularly

Measuring Behaviors: Overview

- Identify competencies
- Identify indicators
- Choose measurement system

Identify Competencies

- A behavior approach to measuring performance includes assessment of competencies.
- Competencies are measurable clusters of knowledge, skills, and abilities (KSAs) that are critical in determining how results will be achieved.

Types of Competencies

There are two types of competencies:

- Differentiating - Allow raters to distinguish between average and superior performers.
- Threshold – All employees must display these to do a job to a minimally adequate standard.

Identify Indicators

To understand the extent to which an employee possess a competency, we measure indicators. Each indicator is an observable behavior that gives raters information regarding the competency in question.

In other words, raters don't measure competencies directly, but they measure indicators that tell them whether a competency is present or not.

Components Required for Describing Competencies

- Definition of each competency.
- Description of specific behaviors that can be observed when an employee demonstrates a competency effectively.
- Description of specific behaviors that are likely to occur when an employee doesn’t demonstrate a competency effectively.
- Suggestions for developing each competency.

Evaluating Competencies

Two types of systems are used to evaluate competencies:

- Comparative systems – These systems base the measurement on comparing employees with one another.
- Absolute systems – These systems base the measurement on comparing employees with a prespecified performance standard.

Comparative Systems

- Simple rank order - employees are simply ranked from best performer to worst performer.
- Alternation rank order – the rater initially lists all employees; then selects the best performer, then the worst performer; then selects the second best and the second worst; and so on.
- Paired comparisons – the rater systematically compares the performance of each employee against the performance of all other employees. The rater must choose the better

Comparative Systems (continued)

of each pair, and each employee's rank is determined by counting the number of times s/he was rated as better.

- Relative percentile – raters consider all employees at the same time and estimate the relative performance of each by using a 100-point scale, The 50-point mark on this scale (50^{th} percentile) is the location of the average employee.

Comparative Systems (continued)

- Forced distribution – employees are apportioned according to an approximately normal distribution. For example, 20% of employees must be classified as exceeding expectations, 70% must be classified as meeting expectations, and 10% must be classified as not meeting expectations.

Simple Rank Order

- Advantages:
  - Simple and easy to do
  - Results are clear
- Disadvantages:
  - Judges performance based on one dimension only
  - May be difficult to rank similar performance levels

Alternation Rank Order

- Advantages:
  - Simple and easy to do
  - Results are clear
  - Uses two anchors (best and worst)
- Disadvantages:
  - Judges performance based on one dimension only
  - May be difficult to rank similar performance levels
  - Does not specify the threshold for acceptable performance

Paired Comparisons

- Advantages:
  - Thorough
  - Final rankings are more accurate
- Disadvantages:
  - Very time consuming
  - May encounter problem of comparing “apples and oranges”

Relative Percentile

- Advantages:
  - Simple and easy to use
  - Evaluates specific competencies or overall performance
- Disadvantages:
  - May be difficult to consider all ratees at the same time
  - Time consuming if using several scales for different competencies

Forced Distribution

- Advantages:
  - Categorizes employees into specific performance groups
  - Facilitates reward assessment
  - Competition may be good for organizational performance
- Disadvantages:
  - Assumes performance scores are normally distributed
  - May discourage contextual performance and teamwork

Advantages of Comparative Systems

- Easy to explain
- Straightforward – easy to see which employees are where in the distributions
- Identifies top as well as underperformers
- Better control for biases and errors than found in absolute systems. Such biases and errors include leniency (giving high scores to most employees), severity (giving low scores to most employees), and central tendency (not giving any above-expectations or below-expectations ratings).

Disadvantages of Comparative Systems

- Rankings may not be specific enough for:
  - Useful feedback
  - Protection from legal challenges
- No information is provided on the relative distance between employees
- There are specific issues with the forced distribution method

Absolute Systems

- Essays
- Behavior checklists – the supervisor checks statements that describe the employee being rated (e.g., "the employee arrives at work on time"), followed by several response categories such as "always," "very often," "fairly often," "occasionally," and "never."
- Critical incidents – reports situations in which employees exhibited behaviors that were especially effective or ineffective in accomplishing their job.
- Graphic rating scales – most widely used tool.

Essays

- Advantages:
  - Simplest absolute method
  - Individualized for each employee
  - Can be done anytime
  - Potential for detailed feedback
- Disadvantages:
  - Unstructured and may lack detail
  - Depends on supervisor’s writing skill
  - Comparisons between employees are virtually impossible
  - Lack of quantitative information; difficult to use in personnel decisions

Behavior Checklists

- Advantages:
  - Easy to use and understand
  - Provide quantitative information
  - Widely used
  - More objective than other systems
- Disadvantages:
  - May feel impersonal and disconnected
  - Scale points used are often arbitrary
  - Difficult for the employee to get detailed and useful feedback

Critical Incidents

- Advantages:
  - Focus on the employee's actual job behavior
  - Provides specific examples of behavior
  - Employees identify with rating
- Disadvantages:
  - Collecting critical incidents can be very time consuming
  - Quantification is difficult

Graphic Rating Scales

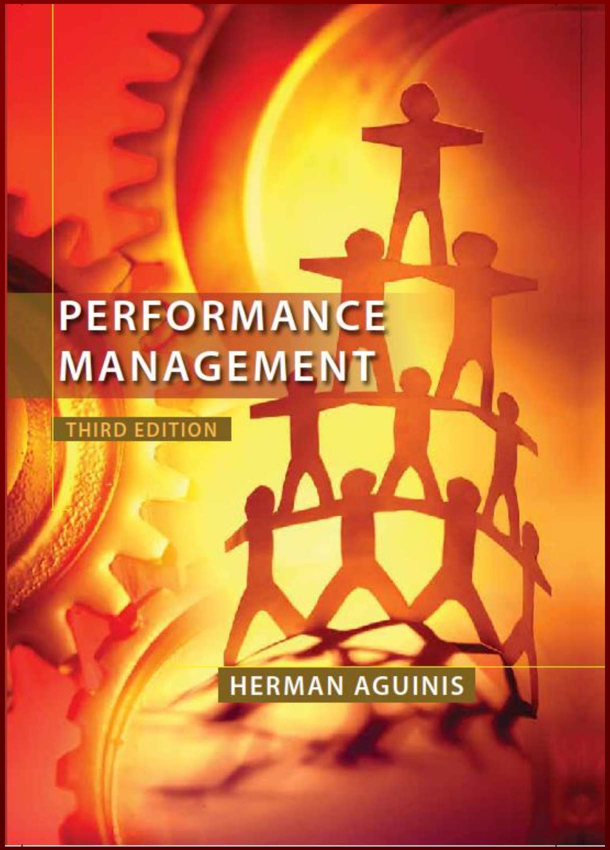
- Advantages:
  - Meanings, interpretations, and dimensions being rated are clear
  - Useful and accurate
  - Most popular tool
- Disadvantages:
  - Time consuming and resource-laden to develop
  - Lacks individualized feedback and recommendations

Graphic Rating Scales: BARS Improvement

- Behaviorally Anchored Rating Scales (BARS)
- Uses critical incidents as anchors
- Involves multiple groups of employees in development
  - Identify important job elements
  - Describe critical incidents at various levels of performance
  - Check for inter-rater reliability

Advantages and Disadvantages of Absolute Systems

- Advantages:
  - Can be used in large and small organizations
  - Evaluations are more widely accepted by employees
- Disadvantages:
  - Higher risk of leniency, severity, and central tendency biases
  - Generally, more time consuming than comparative systems



Chapter 6

Gathering Performance Information

Appraisal Forms: Nine Major Components

- Basic Employee Information (e.g., job title, division, department, employee number, salary classification).
- Signatures – The final section of most forms includes a section for the employee's, rater's, and rater's supervisor's signatures to show they have read and discussed the content of the form.

Appraisal Forms: Nine Major Components (Continued)

- Accountabilities, Objectives, and Standards – If a results approach is used, this section of the form would include the name and description of each accountability, objectives agreed upon by the manager and employee, and the extent to which each objective has been achieved.
- Competencies and Indicators – If a behavior approach is used, this section of the form includes a definition of the various competencies to be assessed and their behavioral indicators.

Appraisal Forms: Nine Major Components (Continued)

- Major Achievements and Contributions
- Stakeholder Input – Some forms include a section for stakeholders (such as customers with whom the employee interacts) to make comments.
- Employee Comments – This section includes reactions and comments provided by the employee.

Appraisal Forms: Nine Major Components (Continued)

- Developmental Achievements – This section of the form includes information about the extent to which the developmental goals set for the review period have been achieved.
- Developmental – This section of the form is future oriented and includes information about specific goals and timetables in terms of employee development.

Appraisal Forms: Eight Desirable Features

1. Simplicity – easy to understand and administer; concise.
2. Relevancy –information related directly to the tasks and responsibilities of the job.
3. Descriptiveness – raters should provide evidence of performance regardless of the employee’s performance level.
4. Adaptability – forms should allow managers in different departments to adapt them to their particular needs and situations.

Appraisal Forms:
Eight Desirable Features (Continued)

5. Comprehensiveness – forms should include all the major areas of performance for a particular job for the entire review period.
6. Definitional Clarity – desirable competencies and results are clearly defined so all raters evaluate the same attributes.
7. Communication – the meaning of each component of the form must be communicated to all people participating in the evaluation process.
8. Time Orientation – address past and future.

Determining Overall Rating

After the form has been completed, an overall performance score may be computed. This is necessary for making administrative decisions such as the allocation of rewards. Two main procedures may be used to obtain an overall performance score:

- Judgmental - considers every aspect of performance and then arrives at defensible summary.
- Mechanical – considers the score assigned to each section of the appraisal form and then adds these scores to obtain an overall score.

"Comments" Sections of Appraisal Forms

Comments sections appear on most appraisal forms. However, comments are typically not used effectively because:

- It is difficult to systematically categorize and analyze such comments.
- The quality, length, and content of comments may not directly address the KSAs of the employee being rated.

Appraisal Period

How long should the appraisal period be?

Organizations with a PM system typically conduct an annual review. However, other organizations choose to conduct semiannual or quarterly reviews.

Annual reviews may not provide sufficient opportunity for the supervisor and employee to discuss performance issues in a formal setting.

When Review Is Completed

On or Around each Employee’s Anniversary date

- Supervisor doesn’t have to fill out appraisal forms for all employees at the same time.
- Rewards cannot be tied to the organization’s fiscal year.

Toward the End of the Organization’s Fiscal year

- Rewards can be tied to the organization’s fiscal year.
- Goals tied to corporate goals.
- Having to complete all the appraisals at the same time may be a burden to the supervisor.

Six Types of Formal Meetings Between the Supervisor and the Subordinate (Can Be Combined)

1. System Inauguration – discussion of how the system works and identification of responsibilities of the employee and supervisor
2. Self-Appraisal – involves the employee's assessment of him or herself.
3. Classical Performance Review – includes the perspectives of the employee and supervisor
4. Merit/Salary Review
5. Development Plan
6. Objective Setting – both behavioral and results

Who Should Provide Performance Information?

- Supervisors
- Peers
- Subordinates
- Self
- Customers

Supervisors

Advantages:

- Best position to evaluate performance in relation to the organization’s strategic goals
- Make decisions about rewards associated with an employee’s performance
- Able to differentiate among performance dimensions (e.g., adaptability)
- Viewed as the exclusive source in autocratic organization cultures

Disadvantages:

- Supervisor may not be able to directly observe performance
- Evaluations may be biased

Peers

Advantages:

- Peers are able to assess the employee’s teamwork

Disadvantages:

- Possible friendship bias
- May be less discriminating – Peers are less discriminating among performance dimensions than are supervisors (e.g., if an employee is rated high on one dimension, s/he is also likely to be rated high on all the other dimensions.
- Context effects

Subordinates

Advantages:

- Accurate when used for developmental purposes
- Good position to assess leadership competencies (e.g., delegation, organization, and communication)

Disadvantages:

- Inflated when used for administrative purposes – When evaluations are used for administrative purposes (e.g., whether the manager should be promoted), subordinates are likely to inflate their ratings because they may fear retaliation if they provide low ratings. Thus, confidentiality is very important when using subordinate ratings.

Self

Advantages:

- Increased acceptance of decisions by employees when they participate in the PM process. Also, their defensiveness during the appraisal interview is likely to decrease.
- The employee is in a good position to keep track of his or her activities during the review period, whereas the supervisor may have to keep track of several employees' performance.

Disadvantages:

- May be more lenient and biased than are ratings provided by other sources.

Self (Continued)

Suggestions to improve quality of self-appraisals:

- Instead of asking employees to rate themselves using a scale ranging from “poor” to “excellent,” provide a relative scale that allows them to compare their performance to their peers (e.g., “below average,” “average,”).
- Allow employees to practice their self-appraisals so they may improve with practice.
- Ensure confidentiality.
- Emphasize the future (e.g., the employee’s plan for development).

External and Internal Customers

Advantages:

- Employees become more focused on meeting customer expectations.

Disadvantages:

- Collecting information from customers can be a costly and time consuming process

Disagreement Across Sources

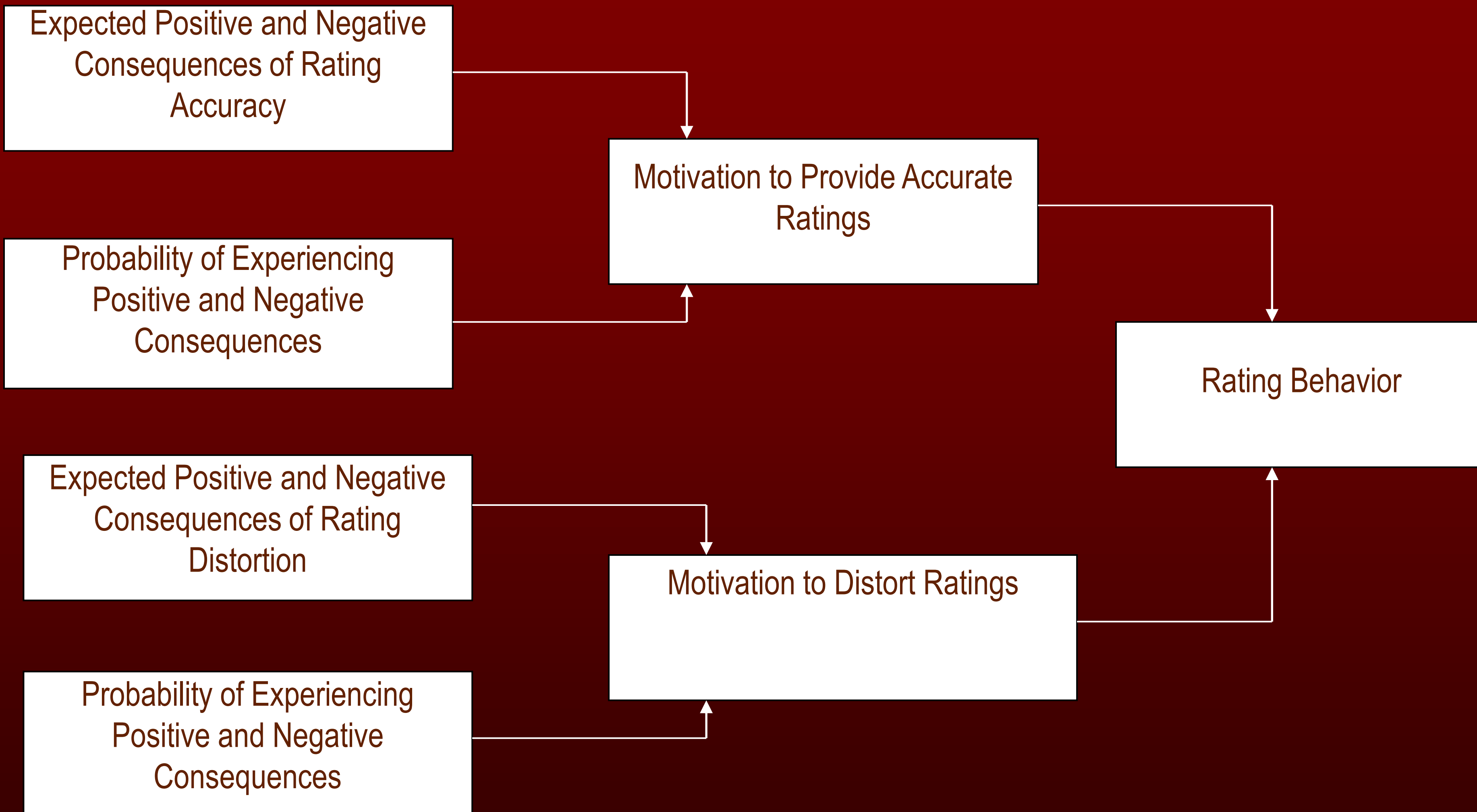
- When the same dimension is evaluated across sources we should expect disagreements.
- Employees should receive information on how their performance was rated by each source.
- Ensure employees take active role in selecting which sources will rate which dimensions.
- If there are disagreements, it may be necessary to assign differential weights to the scores provided by different sources in computing the overall performance score.

Types of Rating Errors

- Intentional errors:
  - Rating inflation
  - Rating deflation
- Unintentional errors:
  - Due to complexity of task

When rating errors occur, incorrect decisions may be made, employees may feel they are treated unfairly, and the organization is more prone to litigation.

A Model of Rater Motivation



Motivations for Rating Inflation

- Supervisor may want to produce the highest possible reward for his employees
- Increase employees' motivation
- Avoid creating written record which may lead to negative consequences for the employee
- Avoid confrontation with employees
- Promote undesired employees out of unit
- Make the manager look good to his or her supervisor

Motivations for Rating Deflation

- Shock employees
- Teach a lesson
- Send a message to employee
- Build a written record of poor performance

Reducing Intentional Rating Distortion

Recommendations:

- Have raters justify their ratings
- Have raters justify their ratings in a face-to-face meeting

Preventing Rating Distortion Through Rater Training Programs

Rater Training Programs Should Cover:

- Information
- Motivation
- Identifying, observing, recording and evaluating performance
- How to interact with employees when they receive performance information

Information—How the System Works

- Reasons for implementing the performance management system
- Information on the appraisal form and system mechanics

Motivation—What’s in It for Me?

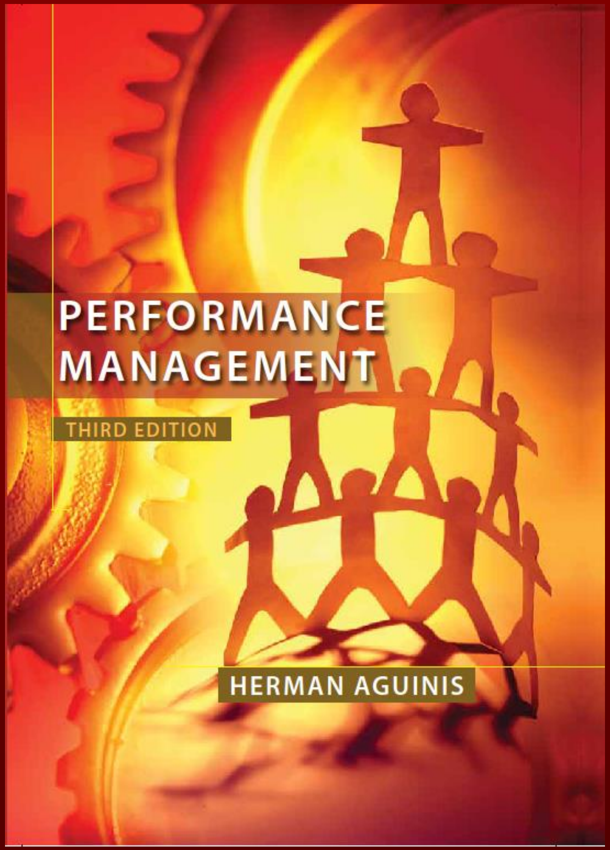
- Benefits of providing accurate ratings
- Tools for providing accurate ratings

Identifying, Observing, Recording, and Evaluating Performance

- How to identify and rank job activities
- How to observe, record, and measure performance
- How to minimize rating errors

How to Interact with Employees When They Receive Performance Information

- How to conduct an appraisal interview
- How to train, counsel, and coach



Chapter 7

Implementing a Performance Management System

Preparation

- Need to gain organization-wide buy-in through:
  - Communication plan regarding performance management system, including an explanation of the appeals process.
  - Training programs for raters.
  - Pilot testing program to identify and fix any initial problems.
- Ongoing monitoring and evaluation of the PM process to identify additional problems and show benefits.

Communication Plan Answers:

- What is Performance Management (PM)?
- How does PM fit into our strategy? The answer provides information about the relationship between PM an strategic planning.
- What's in it for me? The answer describes the benefits of implementing PM for all those involved.
- How does it work?
- What are our roles and responsibilities?
- How does PM relate to other initiatives? The answer provides information about the relationship between PM and training, promotion, and succession planning.

Cognitive Biases That Affect Communications Effectiveness

There are three types of biases that effect the effectiveness of a communication plan:

- Selective exposure – the tendency to expose our minds only to ideas with which we already agree. Those who do not see value in PM may ignore the communications.
- Selective perception – the tendency to perceive information as meaning what we would like it to mean rather than as intended by the communication.
- Selective retention – the tendency to remember only those pieces of information with which we already agree.

To Minimize Effects of Cognitive Biases:

- Involve employees in designing the PM system.
- Understand employees' needs and show how they are met through PM.
- Create a positive attitude toward the new PM system before any negative attitudes are created. Make communications realistic - do not set up false expectations. Discuss some of the arguments that might be used against the system and provide evidence to counter them.

To Minimize Effects of Cognitive Biases (Continued)

- Provide facts and consequences – Clearly explain the facts and consequences about the PM system. Do not let employees draw their own conclusions.
- Put it in writing
- Use multiple channels of communication
- Use credible sources to communicate the PM system – Communication should be delivered by people who are trusted and admired within the organization.

To Minimize Effects of Cognitive Biases (Continued):

- Say it, and then say it again – Repeat the information frequently since people only absorb a small amount of information at a time.

Appeals Process

The inclusion of an appeals process is important in gaining employee acceptance of the PM system because it allows employees to understand that if there is a disagreement regarding performance ratings or any resulting decisions, then such disagreements can be resolved in an amicable and non-retaliatory way. In addition, including an appeals process increases perceptions of the PM system as being fair.

Appeals Process
(continued)

- When an appeals process exists employees can question two types of issues:
  - Judgmental- involve the validity of the performance evaluation (e.g., an employee may believe that the ratings do not reflect his actual performance).
  - Administrative – involve whether policies and procedures were followed (e.g., an employee may believe that her supervisor did not meet with her as frequently as he had with her coworkers to provide feedback).

Recommended Appeals Process

- Level 1
  - HR serves as a mediator between the employee and supervisor. It reviews facts and judges whether policies and procedures have been implemented correctly.
  - HR either suggests corrective action to the supervisor or informs the employee that the decision or procedures were correct.
  - HR may attempt to negotiate a settlement.
- Level 2
  - Arbitrator (panel of peers and managers) or
  - High-level manager makes the final decision.

Rater Training Programs

- Content Areas Should Include:
  - Information about the PM system and the appraisal form.
  - How to identify, observe, record, and evaluate performance; How to identify and rank job activities.
  - How to conduct an appraisal interview and interact with employees when they receive performance information.
  - How to minimize rating errors.
- Some of the Training Programs that may be Implemented:
  - Rater Error Training.
  - Frame of Reference Training.
  - Behavioral Observation.
  - Self-Leadership Training.

Choices of Training Programs

- Rater Error Training (RET)
- Frame of Reference Training (FOR)
- Behavioral Observation Training (BO)
- Self-Leadership Training (SL)

Rater Error Training (RET)

- Goals of RET
  - Make raters aware of types of rating errors they are likely to make
  - Help raters minimize errors
  - Increase rating accuracy

Intentional Rating Errors

- Leniency (inflation)
- Severity (deflation)
- Central tendency

Unintentional Rating Errors

- Similar to Me
- Halo (positive and negative)
- Primacy - evaluation influenced mainly by information collected during the initial phases of the review period.
- First Impression
- Contrast – occur when raters compare ratees to one another instead of to predetermined standards.
- Stereotype
- Negativity – raters place more weight on negative than on positive information.
- Recency
- Spillover – previous reviews influence current ratings.
- Attribution – rater attributes poor performance to an employee's personality or abilities instead of to features of the situation (e.g., malfunctioning equipment).

Possible Solutions for Types of Rating Errors

- Intentional (Leniency, Severity, Central Tendency):
  - Focus on the rater’s motivation. Demonstrate to raters that the benefits of providing accurate ratings outweigh the benefits of intentionally distorting ratings.
- Unintentional (Similar to me, Contrast, Halo, etc.):
  - As a first step, alert raters to different errors and their causes. Then, provide FOR training.

Frame of Reference (FOR) Training*

FOR training includes a discussion of the job description for the employee being rated. Raters are then familiarized with the performance dimensions to be rated by reviewing the definition of each dimension and discussing examples of good, average, and poor performance. Raters are then asked to use the appraisal form to be used in the actual PM system to rate fictitious employees, usually shown in written or videotaped vignettes. Raters are then asked to write a justification for their ratings. Finally, the trainer informs the raters of the correct ratings for each dimension and the reasons for them.

*Most appropriate when PM system focuses on behaviors.

Behavioral Observation Training (BO)

Raters are shown how to use observational aids such as notes or diaries. These aids help raters record a pre-established number of behaviors on each performance dimension. Using these aids helps raters increase the sample of incidents observed and recorded during the review period. Memory aids are beneficial because ratings based on memory alone are likely to be distorted due to factors like friendship bias and the duration of the rater/ratee relationship.

Self-Leadership Training (SL)

The goal of SL is to improve each rater’s confidence in his or her ability to use a PM system. SL identifies how raters visualize their role in the PM system and whether they believe they have the ability to observe and record performance accurately. Then, SL determines whether raters’ beliefs are detrimental to the PM system’s success. Finally, SL identifies or develops more constructive beliefs for the raters and substitutes these for the raters’ dysfunctional beliefs.

Pilot Testing

- Pilot testing is done before the PM system is implemented.
  - Pilot testing provides the ability to:
    - Discover potential problems
    - Fix them

Pilot Testing—Benefits

- Gain information from potential participants
- Learn about difficulties/obstacles
- Collect recommendations on how to improve the PM system
- Understand personal reactions
- Get early buy-in from some participants
- Get higher rate of acceptance

Implementing a Pilot Test

- Roll out test version with a sample group (staff and jobs generalizable to the entire organization)
- Fully implement the planned system
  - All participants keep records of issues encountered
  - Do not record appraisal scores
  - Collect input from all participants

Ongoing Monitoring and Evaluation

- When system is implemented, decide:
  - How to evaluate system effectiveness
  - How to measure implementation
  - How to measure results
- Evaluation data to collect:
  - Reactions to the system
  - Assessments of operational and technical requirements
  - Effectiveness of performance ratings

Indicators to Consider

- Number of individuals evaluated
- Distribution of performance ratings
- Quality of information
- Quality of follow-up actions
- Quality of performance discussion meetings
- System satisfaction
- Cost-benefit ratio or return on investment (ROI)
- Unit-level and organization-level performance

Online Implementation

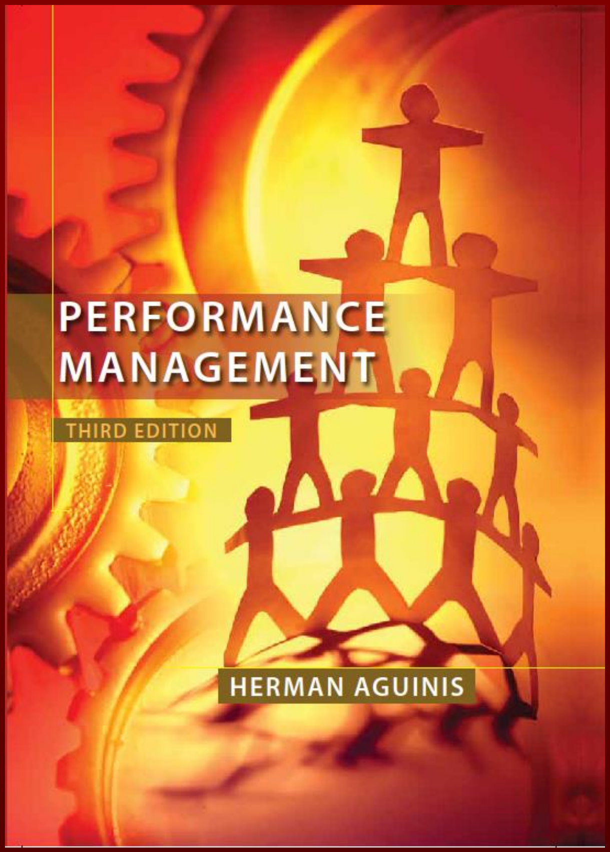
- Online tools to facilitate implementation
  - E-mails
  - Electronic newsletters
  - Web sites
  - Appeal filing
  - Training programs
  - Pop-up reminders

Online Implementation—Advantages

- Automation
- Speed up processes
- Lower cost
- Gather and disseminate information faster and more effectively
- System can be linked to other HR functions
- Easier to monitor unit-level and organizational-level trends over time

Online Implementation—Limitations

- PM systems that are not implemented following best practices will not necessarily improve from the use of online components.
- In fact, online implementation may create a more complicated system that is a big waste of time and resources for all involved.



Chapter 8

Performance Management and Employee Development

Stakeholders in the Employee Development Process

- Employees who are improving their own performance.
  - Help plan their own development.
- Managers who help guide the process of employee development and support it so it can successfully occur.

Personal Developmental Plans

- Personal development plans specify actions necessary to improve performance.
- Such plans highlight an employee’s strengths and the areas in need of development. They provide an action plan to improve areas of weakness and further develop areas of strength.

Personal Developmental Plans Answer

- How can I continuously learn and grow in the next year?
- How can I do better in the future?
- How can I avoid performance problems faced in the past?

Personal Developmental Plans: Overview

- Developmental Plan Objectives
- Content of Developmental Plan
- Developmental Activities

Overall Developmental Plan Objectives

- Encourage…
  - Continuous learning
  - Performance improvement
  - Personal growth

Specific Developmental Plan Objectives

- Improve performance in current job – This is important because surveys have shown many employees are not performing up to standards.
- Sustain performance in current job – Suggestions are provided about how to continue to meet standards for each performance dimension included in the appraisal form.
- Prepare employee for advancement - Suggestions are provided about which new competencies and behaviors should be learned to help with career advancement.
- Enrich employee’s work experience

Content of Developmental Plans

Plans should include:

- What new skills or knowledge will be acquired.
- A timeline , including a completion date.
- How the new skills or knowledge will be acquired and the resources and strategies that will be used.

Content of Developmental Plans
(Continued)

- Standards and measures used to assess achievement of objectives (e.g., in the case of an online course the employee must receive a grade of B or higher).
- The content must be based on the needs of the organization and employee – The supervisor and employee must agree on what development or new skills will help enrich the employee's work experience and help accomplish the organization's goals.

Content of Developmental Plans
(Continued)

The content must be chosen by the employee and his or her supervisor, taking into account:

- Employee’s learning preferences.
- Developmental objective in question (e.g., improve or sustain performance in current job, or prepare the employee for advancement).
- Organization’s available resources.

On the Job Developmental Activities

There are several ways through which employees can reach the objectives stated in their development plans, including:

- On-the-job training
- Mentoring – It is best to let the mentor and protégé choose each other. Mentor teaches employee what it takes to succeed in the organization.
- Job rotation – Employee is temporarily assigned to different jobs to learn necessary skills.

Developmental Activities
In Addition to "On the Job"

- Courses - In-house courses or tuition reimbursement.
- Self-guided reading –Employees can read books or study other resources on their own.
- Getting a degree – Employees often must commit to continuing to work for their employer for a prescribed amount of time or reimburse the organization for their tuition.
- Attending a conference
- Membership in a professional organization. Such organizations distribute publications to their members and hold meetings which allow members to learn best practices, etc.

Direct Supervisor's Role in the Employee's Development Plan

- The supervisor should work with the employee to set developmental objectives.
- The supervisor needs to explain what steps the employee must take to achieve these objectives (e.g., a desired performance level.
- The supervisor must refer the employee to appropriate developmental activities that will help the employee achieve his or her objectives.

Direct Supervisor's Role in the Employee's Development Plan

(Continued)

- The supervisor helps assure the objectives are specific and achievable.
- The supervisor must check on the employee's progress toward achieving the developmental objectives.
- The supervisor must provide reinforcement (e.g., bonuses and additional benefits) so the employee will be motivated to achieve the developmental objectives.

Feedforward Interview

The Feedforward Interview (FFI) is a tool supervisors can use to explain what steps an employee must take to achieve his or her developmental objectives.

The goal of the FFI is to understand the types of behaviors and skills employees have that allow them to perform well and to think about ways to use these behaviors and skills in other contexts to make further improvements in the future.

Steps of a Feedforward Interview

The FFI includes a meeting between the supervisor and employee and involves the following steps:

1. Elicit a success story – The story must be a specific description about an actual event or experience at work.
2. Uncover the underlying success factors – Identify some of the employee’s personal strengths, capabilities, and things s/he did, as well as the conditions that made the success story possible.
3. Extrapolate the past into the future – Ask employee how s/he can replicate the success factors identified above to lead to future successes.

360-Degree Feedback System

A tool to help employees improve performance by gathering information on their performance from different groups: superiors, peers, customers, and subordinates. These groups provide information anonymously.

Employees also rate themselves on the various performance dimensions and compare their self-perceptions with the information provided by others. A gap analysis is conducted to examine the areas for which there are large discrepancies between the self- and others' perceptions. This information is used to create a development plan.

360-Degree Feedback System
(Continued)

- The 360-degree feedback system is most helpful when it is used for development and not for administrative purposes. This is because people are more likely to be honest if they know the information will be used to help the employee improve and not punish or reward him or her.
- Using the internet to collect data can minimize the amount of paperwork and time involved in collecting such data.

A 360-Degree System Works Best in Organizations that Have:

- cultures which support open and honest feedback.
- a participatory, as opposed to an authoritarian, leadership style in which giving feedback is the norm and is regarded as valuable.

Is the 360-Degree Feedback System Always Beneficial?

- Most effective for individuals who:
  - are high in self-efficacy (e.g., believe they can perform any task).
  - perceive there is a need to change their behavior.
  - believe change is feasible.
  - set appropriate goals to improve their performance and take concrete actions that lead to performance improvement.
- Less effective for individuals who:
  - are low in self-efficacy.

Overview of 360-Degree Feedback Systems

- Advantages of 360-Degree Feedback Systems
- Risks of 360-Degree Feedback Systems
- Characteristics of a Good 360-Degree Feedback System

Advantages of 360-Degree Feedback Systems

- Decreased possibility of biases
- Increased awareness of expectations – Employees become very aware of others' expectations about their performance.
- Increased commitment to improve
- Improved self-perceptions of performance – It is difficult to have distorted views of one's own performance in the presence of significant evidence that these perceptions are incorrect.
- Improved performance
- Reduction of "undiscussables" – Many supervisors may feel uncomfortable about providing negative feedback, but a 360-degree system – with many raters – makes providing such feedback easier.
- Increased employee control of their own careers

Risks of 360-Degree Feedback Systems

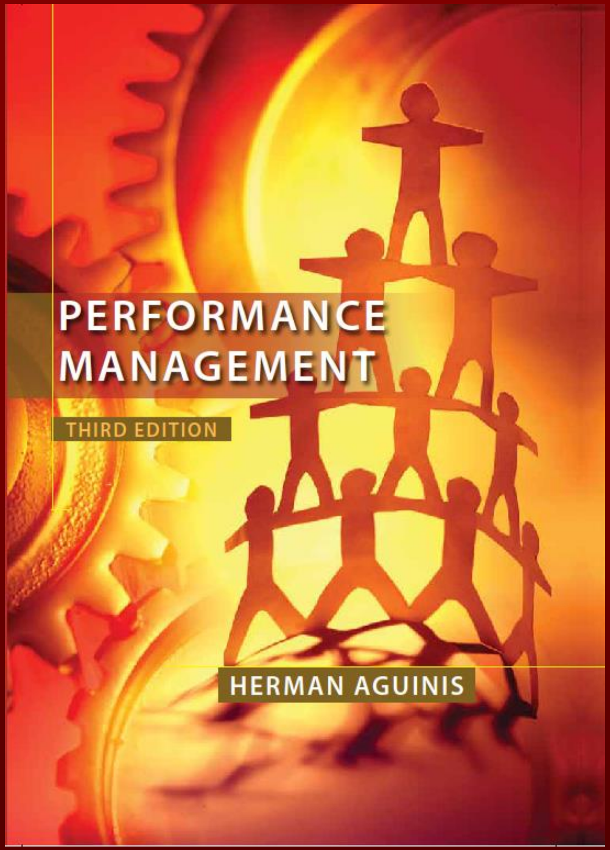
- Unconstructive negative feedback hurts
- Are individuals comfortable with the system? (User acceptance is crucial)
- If few raters, anonymity is compromised
- Raters may become overloaded.
- Stock values may drop

Characteristics of a Good 360-Degree Feedback System

- Anonymity
- Observation of employee performance
- Avoidance of survey fatigue
- Raters are trained

Characteristics of a Good 360-Degree Feedback System (continued)

- Used for developmental purposes only (at least initially)
- Emphasis on behaviors
- Raters go beyond ratings
- Feedback interpretation
- Follow-up



Chapter 9

Performance Management Skills

Coaching: Definition

- Coaching involves establishing a helping and trusting relationship between the manager and each of his/her subordinates in which s/he directs, motivates, and rewards employee behavior.
- Coaching is a day-to-day function that involves observing performance, complimenting good work, and helping to correct and improve any performance that does not meet standards.
- Coaching is concerned with long-term performance and involves ensuring that the developmental plan is being achieved.

Guiding Principles for Successful Coaching

- A good coaching relationship is essential – The relationship must be trusting and collaborative and the manager must coach with empathy and compassion.
- To achieve this relationship the coach must listen in order to understand the employee and must look for positive aspects of the employee because this is likely to lead to a better understanding and acceptance of the employee.
- The coach must understand that coaching is done *with* the employee, not *to* the employee.

Guiding Principles for Successful Coaching

- The employee is the source and director of change – The coach must understand that the employee is the source of change and self-growth. Accordingly, the coach needs to facilitate the employee's setting the agenda, goals, and direction.
- The employee is a whole and unique individual with job-related and job-unrelated identities – With this knowledge the coach can help the employee connect his life and work experiences in meaning ways.
- The coach is the facilitator of the employee's growth – The coach must facilitate but not take control of the process.

Major Coaching Functions

- Giving advice to help employees improve their performance.
- Providing guidance so employees can develop their skills and knowledge appropriately.
- Providing employees with support and being there only when the manager is needed.
- Giving employees confidence that will enable them to enhance their performance continuously and to increase their sense of responsibility for managing their own performance.
- Helping employees gain greater competence by guiding them toward acquiring more knowledge and skills.

Key Coaching Behaviors

- Work with employees to establish developmental plans and objectives.
- Communicate clearly and effectively with employees about their performance, including behaviors and results.
- Motivate employees by rewarding their positive performance.
- Document instances of good and poor performance.
- Give feedback.
- Diagnose performance problems – Managers must gather information to determine whether performance deficiencies are due to lack of KSAs, motivation, or situational factors beyond the employee's control.
- Provide resources and financial support to develop employees.

Coaching Styles

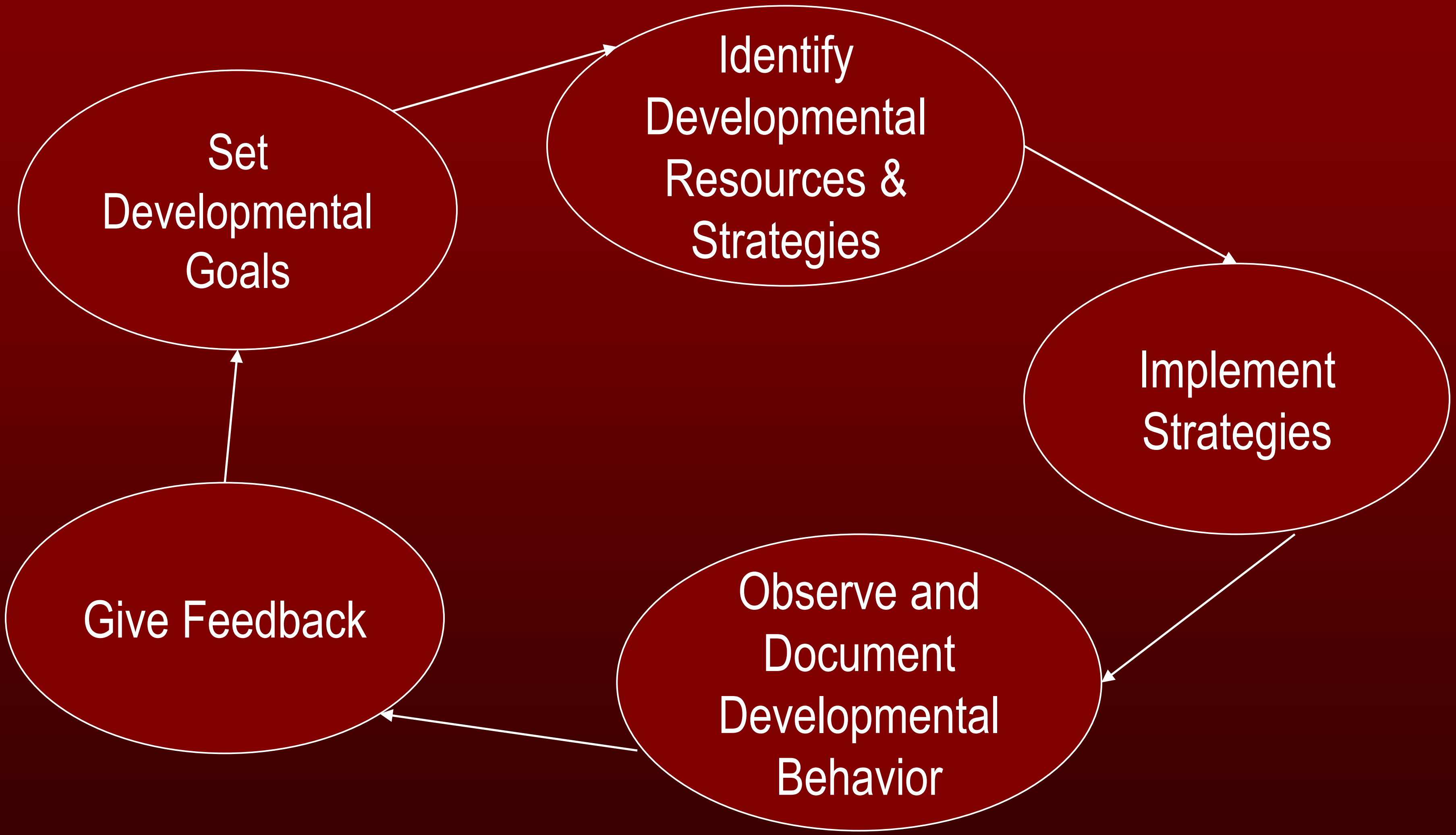
- Driver – Coach tells the employee being coached what to do.
- Persuader – Coach tries to sell what s/he wants the employee to do.
- Amiable – Coach wants the employee to be happy and is not very assertive.
- Analyzer – Coach asks the employee to follow the rules and procedures when providing a recommendation.

Which Coaching Style is Best?

No one style of coaching is best. Rather, being adaptive and using various styles is the best approach. In other words, good coaches:

- sometimes provide direction.
- sometimes persuade.
- sometimes show empathy.
- sometimes closely follow the rules and procedures when providing a recommendation to employees.

Coaching Process



Coaching Process

- Set developmental goals – These goals must be reasonable, attainable, derived from an analysis of an employee’s needs to improve, and take into account both short- and long-term career objectives.
- Identify resources and strategies (e.g., OJT, attending courses, mentoring) that will help the employee achieve the developmental goals.
- Implement strategies that will allow the employee to achieve the developmental goals.

Coaching Process (continued)

- Observe and document developmental behavior – Collect and evaluate data to assess the extent to which each of the developmental goals has been achieved.
- Give feedback – The coach provides feedback to the employee, and, based on the extent to which each of the goals has been achieved, the developmental goals are revised, and the entire process begins again.

Observing and Documenting Developmental Behavior

Constraints managers may experience:

- Time – Managers may be too busy to observe and document an employee’s behaviors.
- Situation – Managers may be unable to observe employees as they engage in developmental activities (e.g., an employee enrolled in an online course).
- Activity – When the developmental activity is highly unstructured (e.g., an employee reading a book) the manager may have to wait until the activity is completed to access whether it has been beneficial.

Addressing the Constraints of Observing and Documenting Developmental Behavior

- A good communication plan should explain the benefits of implementing a developmental plan effectively. This helps managers accept the plan.
- Managers should be trained so that they minimize rater errors, observe behavior properly, understand what it means to complete developmental activities successfully, and are comfortable and confident in managing employees’ developmental activities.

Reasons to Document Developmental Behavior

- Minimizes cognitive load – Documentation helps prevent memory related errors.
- Creates trust – Documentation creates a record of behaviors which, in turn, promotes trust.
- Plan for the future – Documenting developmental activities and their outcomes enables discussion about specific facts and thus permits better planning of developmental activities for the future.
- Provides legal protection against litigation based on discrimination.

What Managers Can Do to Document Performance and Developmental Activities

- Be specific – Document events and outcomes. Avoid making general statements.
- Use adjectives and adverbs sparingly – The use of adjectives (e.g., good, poor) and adverbs (e.g., sometimes) may lead to ambiguous interpretations.
- Balance positives with negatives – Document instances of both good and poor performance.
- Focus on job-related information
- Be comprehensive
- Standardize procedures – Use the same method to document for all employees.
- Describe observable behavior – Phrase your notes in behavioral terms and avoid statements that are subjective judgments.

Giving Feedback

Feedback includes information about both positive and negative aspects of job performance and lets employees know how well they are doing in meeting the established standards.

Feedback has several purposes:

1. Helps build confidence – Praising good performance builds employee confidence.
2. Develops competence – Feedback about how to improve performance develops employee competence and improves future performance.
3. Enhances involvement – Receiving feedback and discussing performance allows employees to better understand their roles in their unit.

Possible Costs of Not Providing Feedback

- Employees would be deprived of a chance to improve their performance.
- Organization would experience chronic poor performance because employees would not recognize their performance problems and would continue to perform at substandard levels.
- Employees might develop inaccurate perceptions of how their performance is regarded by others.

How to Enhance Feedback

- Timeliness – Give feedback close to the time of the performance event.
- Frequency – Give feedback on an ongoing basis.
- Specificity – Give feedback about specific work behaviors and results.
- Verifiability –Feedback should include information that is verifiable.
- Be consistent (over time and across employees)
- Privacy – Feedback should be given privately to each employee.
- Consequences – Feedback should explain the consequences of the employee's behavior for the organization, customers, other employees, etc.

How to Enhance Feedback (Continued)

- Description first, evaluation second – Feedback should first focus on describing behaviors and results rather than on evaluating them.
- Performance continuum – Feedback should include information on how to display good performance behaviors more often and poor performance behaviors less often.
- Pattern Identification – ID a pattern of poor performance rather than isolated incidents.
- Demonstrate confidence in employee
- Advice and idea generation – Feedback should include advice given by the supervisor and ideas from the employee about how to improve performance

Guidelines for Giving Praise

- Praise should be sincere and only given when it is deserved.
- Praise should be given about specific behaviors or results so employees know what they should repeat in the future.
- In giving praise, managers should take their time and act pleased rather than rushing through the information and looking embarrassed.
- Avoid giving praise by referring to the absence of the negative (e.g., “not bad”). Rather, praise should emphasize the positive.

Giving Negative Feedback

Managers may avoid giving negative feedback because:

- negative reactions and consequences may occur.
- they themselves may have received negative feedback and felt hurt or upset. Managers may not want to put their subordinates in such a situation.
- they are reluctant to play the role of an all-knowing, judgmental "God".
- it is hard for them to gather irrefutable and conclusive evidence about a performance problem.

Negative Feedback Is Most Useful When It

- identifies warning signs and performance problems that are still manageable.
- clarifies unwanted behaviors and consequences.
- focuses on behaviors that can be changed.
- comes from a credible source.
- is supported by hard data.

Feedback Sessions Should Always Answer the Following Questions

- How is your job going?
- Do you have what you need to do your job (e.g., proper equipment)?
- Are you adequately trained?
- Do you have the skills and tools you need to do your job?

Feedback Sessions Should Always Answer the Following Questions (continued)

- What can be done to improve your job and the products produced or the services provided by your unit?
- How can you better serve your internal and external customers?

Disciplinary Process and Termination

- Formal disciplinary process involves
  - Verbal warning
  - Written warning

... which may lead to termination

Disciplinary Process and Termination

- Optional step prior to formal disciplinary process:
  - Decision-making leave

A decision-making leave is a “day of contemplation” that is paid and allows the employee to stay home and decide whether working in this organization is what he or she really wants to do.

Disciplinary Process and Termination

- Five pitfalls to be avoided in the termination of an employee

Disciplinary Process and Termination

- Pitfall #1: Acceptance of poor performance

- Suggestion: Do not ignore the problem, address it immediately

Disciplinary Process and Termination

- Pitfall #2: Failure to get the message through

- Suggestion: Be specific about the performance problem and the consequences of not addressing it effectively

Disciplinary Process and Termination

- Pitfall #3: Performance standards are "unrealistic" or "unfair"

- Suggestion: Remind employees of the fairness of the performance standard and provide documentation of the poor performance

Disciplinary Process and Termination

- Pitfall #4: Negative affective reactions
- Suggestion: Do not let emotional reactions derail you from your missions of describing the nature of the problem, what needs to be done, and the consequences of not doing so

Disciplinary Process and Termination

- Pitfall #5: Failure to consult Human Resources

- Suggestion: Consult with Human Resources regarding legal requirement prior to termination

Disciplinary Process and Termination

- Suggestions for the termination meeting:
  - Be respectful
  - Get right to the point
  - Wish the employee well
  - Send the employee to HR
  - Have the employee leave immediately
  - Have the termination meeting at the end of the day

Supervisory Roles in Managing Performance

- Judge
  - Evaluate performance
  - Allocate rewards
- Coach
  - Help employee solve performance problems
  - Identify performance weaknesses
  - Design developmental plans

Performance Review Formal Meetings

Possible types of formal meetings:

1. System Inauguration
2. Self-Appraisal
3. Classical Performance Review
4. Merit/Salary Review
5. Developmental Plan
6. Objective Setting

Steps to Take Before Meeting

- Give at least two weeks notice
- Block sufficient time
- Arrange to meet in a private location without interruptions

Merged Performance Review Meeting Components

1. Explanation of meeting purpose
2. Employee self-appraisal
3. Supervisor and employee share rating and rationale
4. Developmental discussion
5. Employee summary
6. Rewards discussion
7. Follow-up meeting arrangement
8. Approval and appeals process discussion
9. Final recap

Possible Defensive Behaviors of Employees

- Fight response
  - Blaming others
  - Staring at supervisor
  - Raising voice
  - Other aggressive responses
- Flight response
  - Looking/turning away
  - Speaking softly
  - Continually changing the subject
  - Quickly agreeing without basis
  - Other passive responses

To Prevent/Reduce Defensive Behaviors

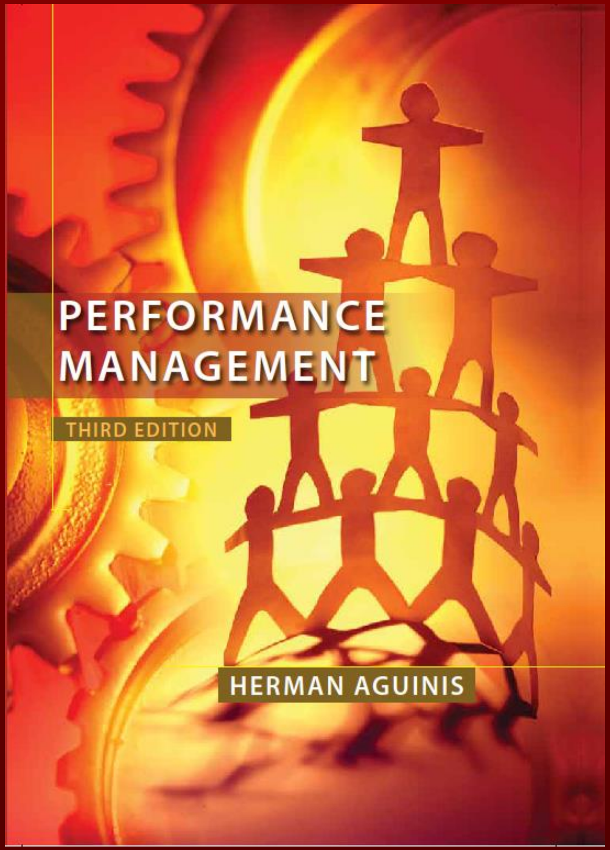
- Establish and maintain rapport
- Be empathetic
- Observe verbal and nonverbal cues
- Minimize threats
- Encourage participation

When Defensiveness Is Unavoidable

- Recognize it
- Allow its expression
  - Accept employee’s feelings
  - Ask for additional information and clarification (if appropriate)

If situation becomes intolerable:

- Reschedule the meeting for a later time



Chapter 10

Reward Systems and Legal Issues

Traditional Pay Plans

In traditional pay plans the type of position and seniority – not performance - are determinants of salary and salary increases. Typically, there is a pay range that determines minimum, midpoint, and maximum rates for each job (e.g., Assistant Professor pay range: $60,000-$90,000).

Contingent Pay (CP) Plans

Contingent Pay (CP) plans, also called Pay for Performance, mean that employees are rewarded based on how well they perform on the job. Thus, employees receive pay increases based wholly or in part on their job performance. These increases can either be added to an employee’s base salary or be a one-time bonus. When increases are not added to an employee’s base salary they are called variable pay.

Reasons for Introducing CP Plans

- Performance management systems are more effective when results are directly tied to the reward system.
- CP Plans force organizations to clearly define effective performance and determine what factors are likely to lead to effective performance.
- When a CP Plan is implemented, organizations must make clear what specific behaviors or results will be rewarded and how employees can achieve these behaviors or results. Thus, supervisors and employees are better able to understand what really matters.

Reasons for Introducing CP Plans

- CP plans enhance employee motivation to accomplish goals that match organizational needs.
- CP plans help to recruit and retain top performers.
- CP plans project a good corporate image.

CP Plans and Employee Motivation

CP Plans can help to improve the motivation of employees when each of the following conditions are present:

- Employees see a clear link between their efforts and resulting performance. (*Expectancy*)
- Employees see a clear link between their performance level and rewards received. (*Instrumentality*)
- Employees value the rewards available. (*Valence*)

Motivation = Expectancy x Instrumentality x Valence

Possible Problems Associated with CP Plans

CP Plans may not succeed because:

- a poor PM system is in place.
- the PM system rewards behaviors and results that do not help the organization succeed.
- rewards are not considered significant
- managers are not accountable for how they handle the PM system and, therefore, are likely to inflate ratings so employees receive what managers think are appropriate rewards.
- sole emphasis on rewards can lead to ignoring the fact that employee motivation can be achieved not only by providing rewards but by creating a more challenging, interesting work environment (intrinsic rewards)
- Disproportionately large rewards for executives

Issues to Consider When Selecting a CP Plan

- Culture of the organization.
- Strategic direction of the organization.

Culture of the Organization and Appropriate Type of CP Plan

- Traditional cultures - characterized by top-down decision making, vertical communication, and clearly defined jobs.

An effective choice for these cultures would be a plan that rewards specific and observable measures of performance, where that performance is clearly defined and directly linked to pay (e.g., Piece rate, Sales commissions, Group incentives).

Culture of the Organization and Appropriate Type of CP Plan (continued)

- Involvement cultures – characterized by shared decision making, lateral communication, and loosely defined roles.

An effective choice for these cultures would be:

- Profit sharing – Employees are paid based on the performance of a group (e.g., a team or unit) and whether the group has exceeded a specific financial goal.
- Skill-based pay – Employees are paid based on whether they acquire new knowledge or skills that benefit the organization.

Strategic Direction of the Organization

In addition to organizational culture, an organization's strategic objectives are an important consideration in selecting a CP plan. For example,

- If employee development is a strategic objective, rewards should emphasize new skills acquired (Skill-based pay).
- If customer service is a strategic objective, rewards should emphasize competencies related to customer service (Competency-based pay).

Putting Pay in Context

When we think about rewards, we should think in broader terms than just pay. A reward is something that increases the frequency of an employee action. In other words, when an employee is given a reward, we expect to increase the chance that specific behaviors and results will be repeated or that the employee will engage in new behaviors and produce better results.

Rewards Include

- Pay
- Recognition for a job well done
  - Public
  - Private
- Status
- Time
- Sabbaticals
- Trust and Respect
- Challenge
- Responsibility
- Freedom
- Relationships

How to Make Rewards Work

- Define and measure performance first and then allocate rewards.
- Only use rewards that are available. For example, if the organization does not have adequate financial resources available, it makes no sense to discuss pay raises as an important component of a CP plan. Instead the focus should be on nonfinancial rewards.
- Make sure all employees are eligible for the various rewards offered by the organization (e.g., merit, profit sharing, stock options, reimbursement for attending conferences).
- Rewards should be both financial and nonfinancial.

How to Make Rewards Work (Continued)

- Make rewards visible to those who receive them and to others, together with information about what needs to happen for an employee to receive the reward in the future. This applies to both financial and nonfinancial rewards.
- Make rewards contingent so that they are tied to performance directly and exclusively.
- Make rewards timely – Rewards should be given soon after the occurrence of the result or behavior being rewarded.
- Make rewards reversible – Use variable pay increases that are not added to the employee’s base salary.

Pay Structures

Regardless of whether organizations implement a reward system based on performance, they face the question of what salaries to assign *new* employees. An organization's pay structure classifies jobs into categories based on their relative worth. Job evaluation is a process of data collection through which an organization can understand the worth of various jobs and, as a result, create a pay structure.

Job Evaluation

Job evaluation includes a consideration of the KSAs that are required for each job, how valuable the job is for the organization, and how much pay other organizations allocate to these jobs.

Several job evaluation methods are available, but the most popular are ranking, classification, and point.

Ranking

Ranking is the fastest and simplest job evaluation method to implement. It consists of two steps:

- First, create a job description for each job. A job description, which results from a job analysis, summarizes the job duties; needed KSAs; and working conditions for each job.
- Second, compare job descriptions to each other in terms of how valuable each job is for the organization. As a result of these comparisons, jobs are ranked from most to least valuable. The most valuable job will be given the highest pay, followed by the second most valuable job, and so forth.

Advantages of Using Ranking Method

- Requires little time.
- Minimal effort is needed to administer it.

Disadvantages of Using the Ranking Method

- The criteria for ranking may not be understood clearly. That is, evaluators may not share the same views regarding which criteria should be used to rank the various positions in terms of relative worth to the organization.
- The distance between each rank may not be equal. These unequal distances may not be reflected in the resulting differences in pay between the jobs.

Classification

The classification method consists of two steps:

- A series of classes (grades) or job families is created. Each job class has a unique label and includes a sufficiently detailed description of the work performed so that it will be easy to classify all individuals jobs within one class.
- Each individual job is placed within a job class. The end result is a set of classes, each including several jobs. Jobs falling into different classes are considered differently and are compensated differently.

Advantages of Using the Classification Method

- Jobs can be quickly slotted into the structure.
- Classification levels are readily accepted by employees because they seem to be valid.

Disadvantages of Using the Classification Method

- Requires extensive time and effort to administer.
- Differences between classification levels may not be equal.

Point Method

The point method consists of three steps:

- Identify compensable factors (job characteristics – e.g., skills required, experience required, responsibility) that add value to the organization and for which the organization is willing to pay.
- Scale the factors (e.g. on a scale of 1 through 5 where 1 = very little is needed for this position and 5 = a great deal is needed for this position).
- Assign a weight to each factor so that the sum of the weights for all factors = 100%.

Using the point method, each job is assigned a specific number of points that then can be translated into specific monetary amounts.

Advantages of Using Point Method

- It involves a comprehensive measurement of the relative worth of each job in the organization.
- Ranking jobs is easy to do once the total points for each job are known.

Disadvantages of Using the Point Method

- Requires extensive time and effort to administer.

Broad-Banding

- Many organizations have chosen to collapse job classes into fewer categories, usually about five. Each of these broader pay categories is called a band.
- Broad banding is the most commonly used pay structure

Advantages of Broad-Banding

- Provides flexibility in rewarding employees.
- Reflects changes in organizational structure.
- Provides a better base for rewarding growth in competence.
- Gives more responsibility for pay decisions to managers.
- Provides a better basis for rewarding career progression.

Legal Issues: Overview

- Performance Management and the Law
- Some Legal Principles Affecting PM
- Laws Affecting PM

Performance Management and the Law

- A basic principle that guides the design of a fair PM system is the application of standardized procedures for all employees. In other words, when rules and procedures are known by everyone, and they are applied in the same way to everyone, the system is likely to be regarded as a fair one and is legally sound.

Legal Concepts Affecting PM: Overview

The following six important concepts often come into play in the case of litigation related to the implementation of a P.M. system:

- Employment-at-will
- Negligence
- Defamation
- Misrepresentation
- Adverse Impact
- Illegal Discrimination

Employment-at-Will

- The employment relationship can be ended at any time by the employer or the employee.
- Exceptions:
  - There may be an implied contract derived from conversations with others in the organization or from information found in the company's documentation indicating that employees would be terminated for just cause only.
  - Decisions about terminating an employee should consider a potential violation of public policy

Negligence

If an organization’s documents describe its PM system and the PM system is *not* implemented as described, an employee who receives what he or she believes is an unfair performance evaluation may challenge the evaluation, based on negligence on the part of the organization.

Defamation

Defamation is the disclosure of untrue, unfavorable performance information that damages an employee's reputation. An employee can argue that the organization defamed her if the employer states false and libelous information during the course of the performance evaluation. Defamation can also occur if the organization negligently or intentionally communicates these statements to a third party such as a potential future employer.

Misrepresentation

Misrepresentation is about disclosing untrue favorable performance information that causes risk or harm to others. When a past employer provides a glowing recommendation for a former employee who was actually terminated because of poor performance, that employer is guilty of misrepresentation.

Adverse Impact or Unintentional Discrimination

- Adverse impact is also called unintentional discrimination. It occurs when the PM system has an unintentional impact on a protected class (e.g., when women consistently receive lower performance ratings than men).
- If members of a protected class consistently receive lower performance ratings, then the employer must be able to demonstrate that the performance dimension measured is an important part of the job (e.g., strength is an important requirement to be a firefighter).

Illegal Discrimination or Disparate Treatment

- Illegal discrimination means that raters assign scores differentially to various employees based on factors that are *not* related to performance, such as race, nationality, color, or ethnic origin. As a consequence of such ratings, some employees receive more training, feedback, or rewards than others.
- Illegal discrimination is also called disparate treatment because employees can claim they were intentionally and illegally treated differently due to their sex, race, ethnicity, age, disability status, etc.

Employee Claim of Illegal Discrimination

- Direct evidence of discrimination, or
- Evidence regarding the following:
  - Membership in protected class
  - Adverse employment decision
  - Performance level deserved reward/different treatment
  - How others were treated (not in protected class)

Employer Response to Claim of Illegal Discrimination

- Legitimate and nondiscriminatory reason for action
- Related to performance

Note: Good performance management system and subsequent performance-related decision, used consistently with all employees, provide defense

Difference Between Legal and Illegal Discrimination

- LEGAL discrimination discriminates among employees based on their level of performance.
- ILLEGAL discrimination is based on variables that should not usually be related to performance.

Laws Affecting PM

During past few decades, several countries have passed laws prohibiting discrimination based on:

- Race or Ethnicity
- Sex
- Religion
- National Origin
- Age
- Disability status
- Sexual orientation

Laws in the United States of America

- Equal Pay Act of 1963
- Civil Rights Act of 1964
- Age Discrimination in Employment Act of 1967 (as amended in 1986)
- Americans with Disabilities Act of 1990

Characteristics of Legally Sound PM Systems

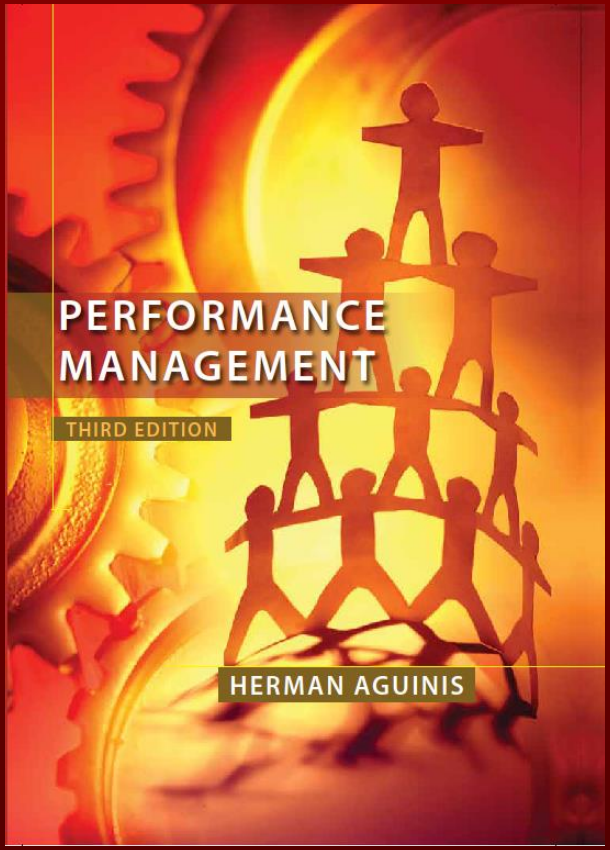
- Organization:
  - The system is formally explained and communicated to all employees.
  - The system includes a formal appeals process.
  - Procedures are standardized and uniform for all employees within a job group.
  - The system includes procedures to detect potentially discriminatory effects or biases and abuses in the system.

Characteristics of Legally Sound PM Systems

- Management
  - Supervisors are provided with formal training and information on how to manage the performance of their employees.
  - Performance information is gathered from multiple, diverse, and unbiased raters.
  - The system includes thorough and consistent documentation including specific examples of performance based on first-hand knowledge.

Characteristics of Legally Sound PM Systems

- Employees
  - Performance dimensions and standards are:
    - Clearly defined and explained to the employee,
    - Job-related, and
    - Within the control of the employee.
  - Employees are given
    - Timely information on performance deficiencies and
    - Opportunities to correct them.
  - Employees are given a voice in the review process and treated with courtesy and civility throughout the process.



Chapter 11

Managing Team Performance

Definition of a Team

- A team is when two or more people interact dynamically and independently and share a common and valued goal, objective, or mission.
- Teams do not have to be permanent and do not have to be in the same geographical location. In fact, team members do not need to have ever met in person to be members of the same team.

Why are Teams Popular

- Teams are one way businesses deal with increased pressure, including global competition – using teams is one way to improve products, services, and productivity.
- As many businesses have downsized and restructured, using teams has provided their flatter organizations with greater flexibility.
- As products and services have become more complex, many people are required to contribute their diverse talents.
- Teams are able to respond more quickly and effectively to rapidly changing business environments.

Performance Management and Teams

An organization that includes any type of teams should manage the performance of both individual employees and teams. Specifically, PM systems should target:

- individual performance.
- an individual's contribution to the performance of his or her team(s).
- the performance of teams as a whole.

General Principles of PM Relating to Teams

- Design and implement the best possible system – a system that has strategic congruence and is thorough, practical, meaningful, reliable, acceptable, ethical, etc.
- Consider the possible dangers of a poorly implemented system, including the use of false or misleading information, wasting time and money, damaging relationships, etc.

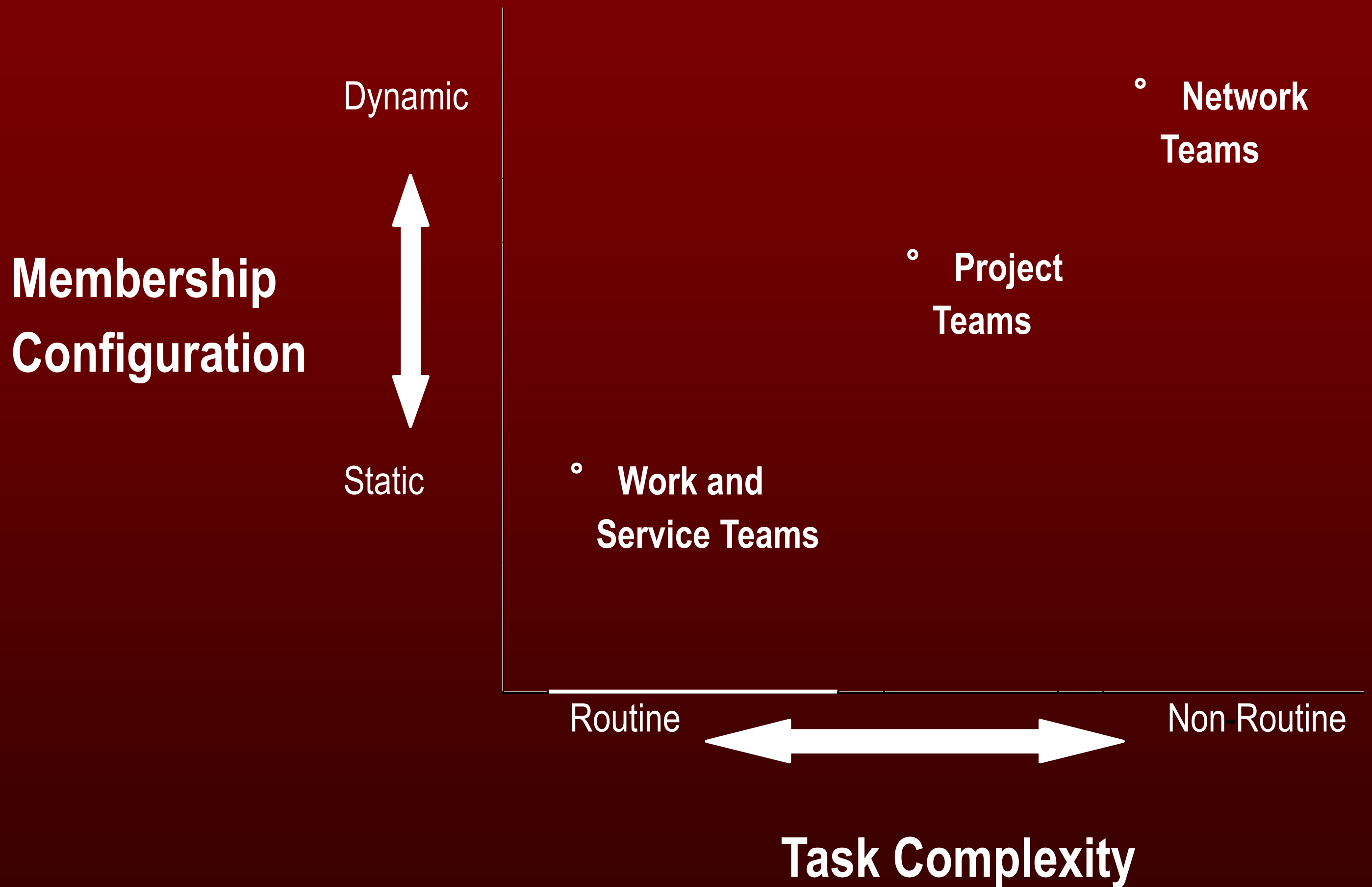
Necessary Conditions for Team PM to Result in Improved Team Performance

- Don’t limit team processes with other tasks or organizational requirements.
- Provide good team design and organizational support (e.g., reward systems, training systems).
- Give feedback only on processes that the team members can control.

Types of Teams

Teams can be classified based on the complexity of the task (from routine, well define tasks - where the outcomes are easily assessed after the tasks have been completed to non-routine tasks) and membership configuration (how long the team is expected to work together and the stability of its membership).

Types of Teams Based on Membership Configuration and Task Complexity



Types of Teams

- Work or Service Teams
- Project Teams
- Network Teams

Work or Service Teams

These intact teams are engaged in routine tasks, and include people who have worked together for some time, know each other well, and share a similar set of skills (e.g., a group of people working on the assembly line in a car manufacturing plant).

Project Teams

These teams are assembled for a specific purpose and are expected to disband as soon as their specific tasks have been completed. The tasks are outside the core production or service of the organization and are, therefore, not as routine as those of work or service teams.
Project teams include members from different functional areas who may not know each others' specialties and are, therefore, highly dependent on one another's high level of specific knowledge and sophisticated skill sets.

Network Teams

- Members are not constrained by time or space and are not limited by organizational boundaries. Usually, team members are geographically dispersed and stay in-touch by email, videoconferencing, and telephone. Their work is extremely non-routine.
- Network teams usually include temporary or full-time workers, customers, vendors, and consultants.

PM Approaches by Type of Team

Team PM must consider the type of team in question before performance measures are put in place. Different performance measurement methods are particularly appropriate depending on the type of team being evaluated.

Type of Team	Type of PM Approach
Work and Service Team	Peer ratings
Project team	Ongoing measurements
Network Team	Development of competencies

Purposes of Team PM

- The purpose of a team PM system is the same as the purpose of an individual PM system – strategic, administrative, informational, developmental, organizational maintenance, and documentational.
- In the case of a team PM system, an additional purpose is to make all team members accountable so they are motivated to have a stake in team performance.

Challenges of Team PM

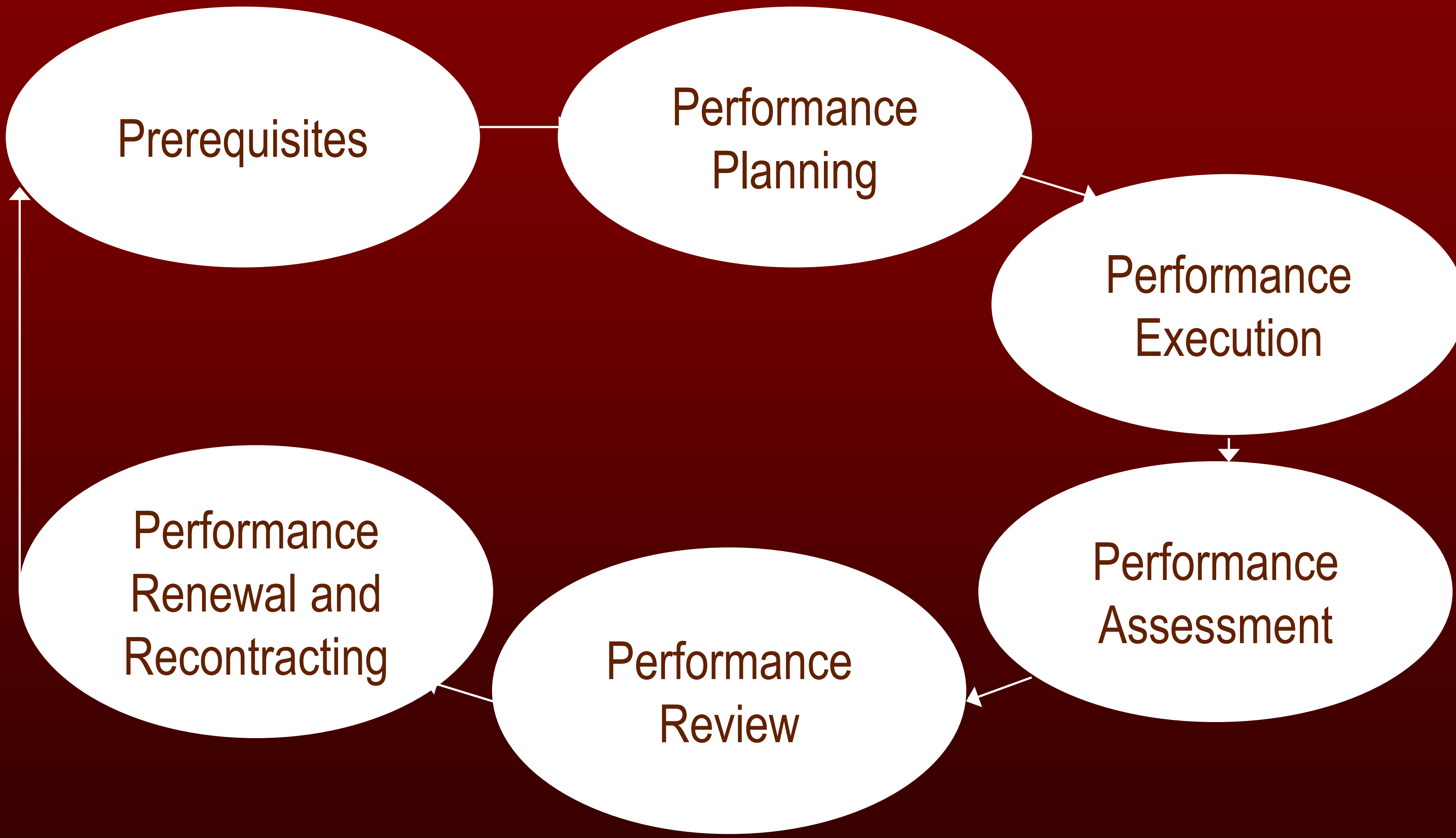
Organizations that choose to include a team component in their PM system must answer the following questions:

- How do we assess relative individual contribution? How do we know the extent to which particular individuals have contributed to team results?
- How do we balance individual and team performance? How do we achieve a good balance between measuring and rewarding individual performance in relation to team performance?
- How do we identify individual and team measures of performance and, based on these measures, how do we allocate rewards to individuals versus teams?

Basic Principles for Designing a PM System that Includes Team Performance

1. Make sure your team is really a team.
2. Make the investment (in time and effort) to measure team performance that yields useful data.
3. Define measurement goals clearly.
4. Use a multi-method approach to measurement.
5. Focus on process as well as outcomes.
6. Measure long-term changes.

Performance Management Process (Overview/Review)



Prerequisites

- Knowledge of mission
  - Organization
  - Team
- Knowledge of job to be performed by the team, including KSAs

Prerequisites

KSAs needed for most teams:

- Task
- Contextual
  - *Communication*
  - *Decision-making*
  - *Collaboration*
  - *Team leadership*
  - *Self-control*

Performance Planning

- Results expected of the team
- Behaviors expected of team members
- Developmental objectives to be achieved by team and its members

Performance Planning (continued)

- Facilitate adaptive learning
  - Encourage new behaviors
- Facilitate generative learning
  - Provide best practices recommendations
- Facilitate transformative learning
  - Deep learning by, for example, bringing in members of other teams into the team to work temporarily
    - → Innovation and change

Performance Execution

Team responsibilities

1. Commit to goal achievement
2. Seek feedback from
   - One another
   - Supervisor
3. Communicate openly and regularly
4. Conduct regular and realistic peer appraisals

Performance Execution (continued)

Supervisor responsibilities

1. Observe and document
    - Team performance
    - Relative contribution of team members
2. Update team on any changes in goals of the organization
3. Provide resources and reinforcement

Performance Assessment

Types of Assessments

- Self-appraisals
- Peer evaluations
- Supervisor evaluation
- Outsider appraisals (if appropriate)

Performance Assessment (continued)

Kinds of Performance to be Assessed

- Individual task performance
- Individual contextual performance
- Team performance

Dimensions of Team Performance to Assess

- Effectiveness
- Efficiency
- Learning and growth
- Team member satisfaction

Performance Review

- Two meetings with supervisor or review board
  - Team meeting
  - Individual meeting
- Emphasis on past, present, and future

Team Meeting

- Discuss overall team
  - Performance
  - Results
- Information comes from:
  - Team members
  - Other teams/outsiders
  - Supervisor’s evaluation

Individual Meeting

- Discuss how individual behavior contributed to team performance
- Information comes from:
  - Self-appraisal
  - Peer ratings
  - Supervisor’s evaluation

Performance Renewal and Recontracting

- Make adjustments to performance plan
- Include plan for individual performance as it affects team functioning

Making Team-Based Rewards Effective

- All employees should be eligible
- Rewards should be:
  - Visible
  - Contingent
  - Reversible
- Avoid factors which cause reward systems to fail
- Consider variable pay systems (in addition to individual bonuses)