

6

Performance Analytics

*The goal is to turn data into information,
and information into insight*

—Carly Fiorina

Learning Objectives

By the end of this chapter, you will be able to do the following:

1. Argue about the ubiquity and inescapability of judgments about performance in organizations even if they are not made explicit or called “performance ratings.”
2. Design appraisal forms that include all major features to make them a useful component of the performance management system (e.g., accountabilities, objectives, and standards; competencies and behavioral indicators; developmental needs, plans, and goals; multiple performance touchpoints, employee comments).
3. Design appraisal forms that are simple, relevant, descriptive, adaptable, comprehensive, include clear definitions, are communicated well, and have a clear time orientation.
4. Use different methods to combine performance data to arrive at an overall score for each person being rated.
5. Choose an appropriate appraisal period and an appropriate number of formal performance meetings.
6. Collect performance information involving all of the relevant performance touchpoints, such as supervisors, peers, direct reports, self, and customers, as well as employee performance monitoring systems that are involved in collecting Big Data.
7. Appraise the reasons for disagreements in the data collected from different performance touchpoints.
8. Propose ways to motivate raters to provide performance information that minimizes intentional distortion of ratings.

As discussed in Chapter 2, the performance management process includes several stages: prerequisites, performance planning, performance execution, performance assessment, and performance review. An important component of the performance assessment stage is *performance analytics*. This involves the systematic collection and compilation of performance data, usually in the form of performance ratings, which are collected from all the relevant performance touchpoints, such as supervisors, peers, direct reports, self, and customers, as well as employee performance monitoring systems that are involved in collecting Big Data.

Chapters 4 and 5 provided a description of the various approaches and techniques that can be used to define and measure performance and this chapter addresses performance analytics, including the use of specific tools (i.e., appraisal forms, employee performance monitoring) to gather data. For example, this chapter describes how to choose the performance touchpoint from which to collect data (i.e., supervisors, self, direct reports, peers, or customers), and the use of electronic performance monitoring. The chapter concludes with a discussion of reasons why those who provide performance data may intentionally distort information and what can be done to improve the accuracy of performance data.

Before we begin, let us address once again the hotly debated issue of performance ratings. Although many companies such as Adobe, Microsoft, Eli Lilly, and The Gap have announced that they are abandoning performance ratings, let us clarify that *they actually engage in various forms of performance analytics and continue to collect and compile performance data*. But instead of using the term “performance ratings,” they use terms such as “judgments,” “achievement metrics,” and “expectations.” In other words, managers and employees continue to gather and compile data about performance, and those data are used to make administrative decisions about employees and evaluations of employees’ on-the-job behaviors and results.

For example, consider the frequently talked about case of Juniper as an example of a company that has supposedly “abandoned” performance ratings. Juniper is based in California and develops and markets networking products such as routers, switches, and network security software. Juniper uses the label “J Players” to refer to the performance of employees who meet expectations against four performance elements. Also, the performance of employees is calibrated based on relative contribution.¹ Similarly, other companies use different labels in their performance analytics efforts, such as “don’t have it,” “have it,” or “knock it out of the park.” Moreover, companies continue to ask managers about their recommendations regarding who should receive a pay increase or bonus, and of what size, based on employee performance—regardless of whether they call this a “rating” or not. For an additional example that has received quite a bit of popular business press and media coverage, see Box 6-1 describing the performance management system at The Gap.

The inescapable reality in organizations is that evaluations about performance are made all the time—explicitly or implicitly—because, simply put, an organization cannot be successful in accomplishing its goals if the performance of its employees is not measured in some way. Performance analytics is also critical for managing individual and team performance. Absent performance analytics, how can an organization understand if its employees are making progress? How can an organization make decisions about promotions and compensation? How can an organization that wants to create a “personal growth and development culture” offer meaningful development and coaching opportunities absent knowledge about who is doing what—and how?² And, even if they do not say it openly, managers and peers form impressions and evaluate the performance of

Box 6-1

Company Spotlight: Performance Management “Without Ratings” at the Gap? Not Really . . .

The Gap, Inc., is one of the companies frequently talked about as being the leader in implementing a performance management system “without ratings.”³ Gap, Inc. is an American clothing store that includes renowned brands such as Gap, Banana Republic, Old Navy, Athleta, Intermix, and Weddington Way. In 2014, the company decided to revamp their performance management system by “eliminating performance ratings.” Their new system is called GPS, which stands for grow, perform, and succeed (not coincidentally Gap’s New York Stock Exchange stock symbol is also GPS). GPS includes many of the features of best-in-kind performance management systems described throughout this text. For example, performance management does not take place once a year, and instead, is a year-long process that involves monthly “touch base” sessions between supervisors and direct reports. Also, each employee has a limited, yet meaningful, number of goals and this includes not only what has been achieved, but also how—which involves behaviors and competencies. Also, employee goals are updated throughout the year and are closely linked to company goals. For example, the touch base sessions involve answering the question of whether an employee’s performance is “demonstrating the values of the company.” How about performance ratings? Rob Ollander-Krane, Senior Director, Organization Performance Effectiveness,

said that “With the removal of ratings, employees are no longer awarded a grade at the end of the year.” So, how do managers make decisions about compensation and development needs? Can these decisions be made fairly and accurately without performance ratings? Is it really true that the system is “ratingless”? Well, not really. As noted by Ollander-Krane, managers “are not giving an A, B, or C, but *they still need to rank their employees* [emphasis added] . . . They still need to say here’s my number one employee, here’s my number two, here’s my number three—and to allocate their merit and bonus pot accordingly.” How about documentation? Ollander-Krane said that “We’ve had a new CEO and CHRO since we introduced GPS, and they have questioned whether we need to have a bit more of a written record of employee performance.” The lesson? It is simply not possible to implement a performance management system that does not include measures of performance—regardless of whether those measures are called ratings, rankings, grades, scores, achievement metrics, or anything else. As the saying goes, if it looks like a duck, swims like a duck, and quacks like a duck, then it probably is a duck. This applies quite well to metrics used by many companies that have seemingly abandoned “performance ratings.” Ratings are still very much part of their process, in one way or another.

people around them on a daily basis—even if these evaluations are not written down or said out loud. So, the fact is that judgments and evaluations of performance are part of organizational life. This chapter is about adopting a systematic, transparent, and effective approach to performance analytics.

6-1 USEFUL COMPONENTS OF APPRAISAL FORMS

Information on performance is collected formally by using forms, which are most often administered online. The availability of apps, and off-the-shelf software to collect performance data has produced a veritable revolution. Specifically, performance data are collected in real-time using Web and mobile apps, and the information can easily be shared, also in real-time. In this way, other team members, supervisors, direct reports, and also, the HR function have access to the same data.

The availability of performance data gathered electronically also facilitates subsequent analyses. For example, this makes comparisons of the relative average

performance levels of various units within the organization more straightforward. Finally, using online forms is also beneficial because as changes take place in the organization (e.g., a new strategic direction) or job in question (e.g., new tasks), forms need to be revised and updated, and this can be done fast and efficiently.

Good appraisal forms usually include a combination of the following components⁴:

- *Basic employee information.* This section of the form includes basic employee information such as job title, division, department and other work group information, employee ID number, and pay grade or salary classification. In addition, forms usually include the dates of the evaluation period, the number of months and years the rater has supervised or worked with the employee, an employee's starting date with the company and starting date in the current job, the reason for appraisal, current salary and position in range, and the date of the next scheduled formal evaluation.
- *Accountabilities, objectives, and standards.* If the organization adopts a results approach, this section of the form would include the name and description of each accountability, objectives agreed upon by manager and employee, and the extent to which the objectives have been achieved. In many instances, the objectives are weighted in terms of importance, which facilitates the calculation of an overall performance score. Finally, this section can also include a subsection describing conditions under which performance was achieved, which may help explain why the employee achieved a particular level (high or low) of performance. For example, a supervisor may have the opportunity to describe specific circumstances surrounding performance during the review period, including a tough economy, the introduction of a new line of products, and so forth.
- *Competencies and behavioral indicators.* If the organization adopts a behavior approach, this section of the form includes a definition of the various competencies to be assessed, together with their behavioral indicators.
- *Major achievements and contributions.* Some forms include a section in which a rater is asked to list the two or three major accomplishments of the individual being rated during the review period. These could refer to results, behaviors, or both.
- *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. For example, this can include a summary of activities, such as workshops attended and online courses taken, as well as results, such as a description of new skills learned. Evidence of having learned new skills can be documented, for example, by obtaining a professional certification or designations (e.g., human resource management certifications, information systems certifications). Although some organizations include developmental achievements in the appraisal form, others choose to include them in a separate form. Sun Microsystems is an example of an organization that separates these forms. Some organizations do not include development content as part of the appraisal form because it is often difficult for employees to focus constructively on development if they have received a less-than-ideal performance review.
- *Developmental needs, plans, and goals.* This section of the form is future-oriented and includes information about specific goals and

timetables in terms of employee development. As noted earlier, some organizations choose to create a separate development form and do not include this information as part of the performance appraisal form.

- *Multiple performance touchpoints.* Some forms include sections to be completed by different raters involved in different types of performance touchpoints, such as customers with whom the employee interacts. Those involved in performance touchpoints are people who have *firsthand knowledge of and are affected by the employee's performance*. In most cases, input is collected by using forms separate from the main appraisal because not all sources of performance information are in the position to rate the same performance dimensions. For example, an employee may be rated on the competency "teamwork" by peers and on the competency "reliability" by customers. A more detailed discussion of the use of information derived from different performance touchpoints is offered later in this chapter.
- *Employee comments.* This section includes reactions and comments provided by the employee being rated. In addition to allowing formal employee input, which improves the perceived fairness of the system, the inclusion of this section helps with legal issues because it documents that the employee has had an opportunity to participate in the evaluation process.
- *Signatures.* The final section of most forms includes a section in which the employee being rated, the rater, and the rater's supervisor provide their signatures to show they have seen and discussed the content of the form. The HR function may also provide approval of the content of the form.

Table 6-1 summarizes the major components of appraisal forms. Let us consider some examples to see which of these components is present in each. The goal of including these illustrations is that you examine them critically. So, these forms purposely do not include all of the major components. Let us discuss them in detail to understand the extent to which they deviate from including all necessary components.

First, consider the form included in Figure 6-1. This is a fairly generic form that can be used for almost any position in a company. Let us evaluate this form in relation to the components listed in Table 6-1. First, the form asks for the employee's basic information. Second, while the form asks the manager to list the expected versus the actual accountabilities, it does not include objectives or standards. Third, the form includes five competencies including teamwork and leadership, but it does not include a definition of those competencies nor does it

Basic employee information
Accountabilities, objectives, and standards
Competencies and behavioral indicators
Major achievements and contributions
Developmental achievements (could be included in a separate form)
Developmental needs, plans, and goals (could be included in a separate form)
Performance touchpoints
Employee comments
Signatures

TABLE 6-1
Major Components of
Comprehensive Appraisal
Forms

FIGURE 6-1
Basic Performance Review Form

PERFORMANCE REVIEW FORM

Employee Name:

Title:

Manager:

Date of Appraisal Meeting:

Employee Performance Reviews improve employee performance and development by encouraging communication, establishing performance expectations, identifying developmental needs, and setting goals to improve performance. Performance reviews also provide an ongoing record of employee performance, which is helpful for both the supervisor and employee.

Use the form below to list examples of outstanding performance or achievements as well as areas of performance that need improvement. Please provide open comments on your employee’s performance. Complete each section and list examples of performance where applicable.

☐

Job description/key responsibilities/required tasks:

☐

Note expected accomplishments vs. actual accomplishments:

☐

List the areas where the employee developed in ways enabling him or her to take on additional responsibilities or be eligible for high-profile assignments:

FIGURE 6-1 (Continued)

☐ Areas of development for upcoming quarter (i.e., communication skills, teamwork, project management skills, budgeting experience, etc.):

☐ Goals for upcoming quarter (Please list S.M.A.R.T. goals):

Please circle the number below that best describes the employee’s performance in the following areas:

Areas of concentration	Did not meet expectations	Achieved most expectations	Achieved expectations	Achieved expectations and exceeded on a few	Significantly exceeded expectations
Teamwork	1	2	3	4	5
Leadership	1	2	3	4	5
Business acumen	1	2	3	4	5
Customer service	1	2	3	4	5
Project management	1	2	3	4	5

Average Performance Score	
---------------------------	--

Employee Use Only:

Please provide comments and examples of behaviors to describe your performance in the past quarter.

Manager Signature: _____

Date : / /

Employee Signature: _____

Date: / /

list the indicators to look for to determine whether the employee has mastered the relevant competencies. The form does include space to list major developmental achievements, developmental needs, and employee comments. The form does not include information regarding different performance touchpoints and it seems that the supervisor is the only source of performance data. The following table summarizes which of the components are present:

Major Components of Appraisal Forms: Critical Evaluation of Basic Performance Review Form in Figure 6-1	
X	Basic employee information
	Accountabilities, objectives, and standards
	Competencies and indicators
X	Major achievements and contributions
X	Developmental achievements
X	Developmental needs, plans, and goals
	Multiple performance touchpoints
X	Employee comments
X	Signatures

As a second example, consider the form included in Figure 6-2, which is used to evaluate the performance of managers at a university hospital. This form has a section for basic employee information. Also, there is a section on objectives (i.e., “goals”), but no specific section for accountabilities and standards—although these could be included in the text boxes. The form includes several behavioral indicators for each competency, but there is no section for developmental achievements. Also, the form includes open-ended sections for developmental needs, plans, and goals. Similar to Figure 6-1, it seems that the form is directed at supervisors only, rather than multiple performance touchpoints. Finally, the form includes a box for the ratee to discuss thoughts on the evaluation. In short, the following components are present:

Major Components of Appraisal Forms: Critical Evaluation of Manager/Supervisor Appraisal Form in Figure 6-2	
X	Basic employee information
	Accountabilities, objectives, and standards
X	Competencies and indicators
	Major achievements and contributions
	Developmental achievements
X	Developmental needs, plans, and goals
	Multiple performance touchpoints
X	Employee comments
X	Signatures

FIGURE 6-2

Performance Appraisal form used for Managers and Supervisors (Lacking Some Components of an Ideal Form)

MANAGER/SUPERVISOR PERFORMANCE APPRAISAL FORM			
Employee Name:		Hospital ID:	
Position Title:			
Department:			
Appraisal Type: Probationary ☐ Annual ☐ Reappraisal ☐		Evaluation Period: From To Month/Year Month/Year	
INSTRUCTIONS: 1. At the beginning of each annual evaluation period list the performance goals for the coming year on page three. Also place a check mark to the left of any competency statement on page two requiring particular attention by the Manager/Supervisor. Give a copy to the Manager/Supervisor. 2. At the end of the evaluation period, make a determination of the extent to which the Manager/Supervisor met the Competency standards for each category. Enter a numeric score for each category, using the Ratings Guidelines below. 3. For each standard indicate in the right margin, a plus (+) where performance deserves recognition, or a minus (-) where performance needs attention. 4. Complete the Performance Goals section by following the instructions on page 3. 5. Review the entire evaluation. Using the Rating Guidelines, place the corresponding number that best describes your assessment of overall performance in the Overall Rating section on page 4. 6. Identify any increase in salary on page 4. Give the Manager/Supervisor the opportunity to record his/her comments.			
RATING GUIDELINES: ⑤ This staff member has made significant contributions to advance the position of the department and/or Hospital toward excellence and prominence. Only a small percentage of staff members who exhibit uniform excellence and initiative will receive this rating. ④ This staff member has been instrumental to the department's success and has performed in an exemplary manner. ③ This staff member is proficient. Performance is what is expected of a fully qualified and experienced person. ② This staff member occasionally fails to exhibit proficiency in the job. Improvement is necessary to meet the expectations for acceptable performance. ① This staff member has serious deficiencies in key areas. Performance fails to meet expectations and is not acceptable.			

(Continued)

FIGURE 6-2 (Continued)

MANAGER/SUPERVISOR COMPETENCIES		RATING	
ADMINISTRATIVE COMPETENCIES		+	-
☐	Creates effective work plans; identifies the appropriate resources and processes; sets priorities; delegates authority and meets deadlines.	☐	☐
☐	Incorporates control systems that monitor workflow and ensure task completion.	☐	☐
☐	Ensures department compliance with regulatory standards such as Joint Commission, OSHA, DOH, EEOC, etc., so that no serious citations exist.	☐	☐
☐	Understands and adheres to University Hospital's compliance standards as they appear in University Hospital's Corporate Compliance Policy, Code of Conduct, and Conflict of Interest Policy; sponsors and implements initiatives to achieve the Hospital's compliance goals.	☐	☐
☐	Enforces for all subordinates and personally complies with all Hospital disease prevention and control, including tuberculosis and hepatitis B.	☐	☐
☐	Ensures that budget dollars are used responsibly; introduces innovative ways to reduce costs.	☐	☐
☐	Identifies customer needs and takes action to meet those needs; continually searches for ways to increase customer satisfaction.	☐	☐
☐	Emphasizes the need to deliver quality services; defines standards for quality and evaluates processes against those standards in an effort to improve departmental performance.	☐	☐
CATEGORY SCORE:			
LEADERSHIP/STAFF MANAGEMENT:		RATING	
		+	-
☐	Demonstrates knowledge of the Hospital's mission and values and their relationship to the department's work.	☐	☐
☐	Demonstrates the ability to take charge; gains support and commitment; initiates actions and makes logical decisions.	☐	☐
☐	Fosters team spirit through cooperation and trust; leads by example	☐	☐
☐	Initiates new and unique ideas; assumes risk and accepts responsibility for results.	☐	☐
☐	Acts professionally and responsibly within and outside of the Hospital; contributes to a positive image.	☐	☐
☐	Hires competent staff; creates and develops work teams through coaching, training, and education.	☐	☐
☐	Provides staff with continual feedback; conducts all performance appraisals on time; recognizes and celebrates exceptional performance and takes corrective action to improve poor performance.	☐	☐
☐	Recognizes the existence of, and the need for, diversity in the workplace; supports the employment, education, and development of minorities and protected classes; ensures that decisions are based on the principles of equal employment opportunity.	☐	☐
CATEGORY SCORE:			
WORK METHODS AND QUALITIES:		RATING	
		+	-
☐	Expresses self well in verbal and written communication; keeps all appropriate individuals informed regarding progress or problems.	☐	☐
☐	Accepts the perspectives of others and maintains a positive attitude.	☐	☐
☐	Analyzes own departmental needs and improves capabilities to meet the changing requirements of the job; ensures or enhances professional position.	☐	☐
☐	Demonstrates flexibility; adjusts to shifting priorities; stays focused during stressful or difficult situations.	☐	☐
☐	Works effectively as a member of a team; contributes to the achievement of joint objectives.	☐	☐
CATEGORY SCORE:			
EVALUATOR'S COMMENTS:			

FIGURE 6-2 (Continued)

PERFORMANCE GOALS

INSTRUCTIONS:

List goals by order of importance.

Review goals periodically and make changes to this section if goals or priorities change during the year.

At the end of the evaluation period, rate each goal individually using the Rating Guidelines listed on page one of the form.

Consider your individual rating for each goal relative to its priority. Assign a numeric category score for overall goal achievement.

PRIORITY RATING	GOAL DESCRIPTION	RESULTS and COMMENTS	RATING
1			
2			
3			
4			
5			
6			

CATEGORY SCORE FOR PERFORMANCE GOALS:

(Continued)

FIGURE 6-2 (Continued)

EVALUATOR: Discuss your assessment of the Manager's/Supervisor's developmental needs, suggest ways the Manager/Supervisor can meet those needs, and how you plan to help.

MANAGER/SUPERVISOR: Discuss your thoughts on this evaluation and identify the specific ways the Hospital can help you optimize your performance.

OVERALL RATING:

I have reviewed my job description as of this date and it is consistent with my present position responsibilities.

Staff Member's Signature: _____

Date: / /
mm dd yy

Note: Staff member's signature indicates review and discussion.

Evaluator's Name: _____

Next Level Manager's Name: _____

Signature: _____

Signature: _____

Date: / /
mm dd yy

Date: / /
mm dd yy

Source: <http://www.uhnj.org/hrweb/forms/managersupervisorform.pdf>

This analysis shows that although the forms included in Figures 6-1 and 6-2 seem, at first glance, to be quite complete and thorough, they are not. Thus, before implementing appraisal forms, make sure that all their necessary components are present. From your own perspective, do you agree with these conclusions about which of the major components is present in each of these forms? What is missing and should be added? What would the revised and improved versions of these forms look like?

6-2 DESIRABLE FEATURES OF APPRAISAL FORMS

We should be aware that there is no such thing as a universally correct appraisal form that can be used for all purposes and in all situations. In some cases, a form may emphasize competencies, rather than results. This would be the case if the system adopted a behavior approach as opposed to a results approach to measure performance. In others, the form may emphasize developmental issues and minimize, or even completely ignore, both behaviors and results. In such cases, the form would be used for developmental purposes only and not for administrative purposes.⁵ In yet other cases, there may be a very short form used for weekly check-ins and a separate and more comprehensive form used for a quarterly, semi-annual, or even annual review. One size does not fit all, and different components are appropriate, based on the purposes of the appraisal.

In spite of the large variability in terms of format, components, and length, there are certain desirable features that make appraisal forms particularly effective for all types of jobs and hierarchical positions in the organization:

- *Simplicity.* Forms must be easy to understand, easy to administer, quick to complete, clear, and concise. If forms are too long, convoluted, and complicated, it is likely that the performance assessment process will not be effective or may not even happen at all.
- *Relevancy.* Good forms include information related directly to the tasks and responsibilities of the job; otherwise, they will be regarded as an administrative burden and not as a tool for performance improvement. This information is derived directly from the work analysis described in Chapter 2.
- *Descriptiveness.* Good forms require that the raters provide evidence of performance regardless of the performance level. The form should be sufficiently descriptive that an outside party (e.g., supervisor's supervisor or HR department) has a clear understanding of the performance information conveyed.
- *Adaptability.* Good forms allow managers in different functions and departments to adapt them to their particular needs and situations. Also, this feature allows for changes over time to reflect changes in the nature of work and an organization's strategic direction. This feature encourages widespread use of the form.

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TABLE 6-2
Desirable Features of All Appraisal Forms

Simplicity
Relevancy
Descriptiveness
Adaptability
Comprehensiveness
Definitional clarity
Communication
Time orientation

- *Comprehensiveness.* Good forms include all the major areas of performance for a particular position for the entire review period.
- *Definitional clarity.* Desirable competencies (and behavioral indicators) and results are clearly defined for all raters so that everyone evaluates the same attributes. This feature enhances the consistency of ratings across raters and levels of the organization.
- *Communication.* The meaning of each of the components of the form must be clearly and successfully communicated to all people participating in the evaluation process. This enhances acceptance of the system and motivation to participate in it, both as rater and ratee.
- *Time orientation.* Good forms help clarify expectations about performance. They address not only the past, but also the future.⁶

Table 6-2 includes a summary of the features that are desirable in all forms, regardless of specific content and format. Let us consider the two illustrative forms discussed earlier to see how they fare in relation to these desirable features.

First, consider the form shown in Figure 6-1. It is simple because it is easy to understand and clear. The fact that it includes an essay format implies that it would take a little more time to complete, but the number of essays is kept to a minimum. The form is also relevant, but only if the supervisor enters the correct job description and actual accountabilities. This form can be extremely descriptive owing to its narrative nature. The form encourages the manager to give examples of relevant behavior. Next, the first portion of the form is also adaptable, perhaps too adaptable; it would be hard to compare performance across employees because the manager can adapt and change the content of the form to each employee. This form is comprehensive, but again only if the manager lists all of the expected accountabilities. This form does not have definitional clarity. Because the competencies listed are not clearly defined, ratings are likely to be inconsistent across raters. Next, this form can be communicated across the organization. Manager acceptance may be hard to gain, however, because of the amount of detail required by the essay answers. Finally, the form is time-oriented. It asks for past and future performance expectations and goals. In short, the following table summarizes which of the desirable features are present in this form:

Desirable Features of Appraisal Forms: Critical Evaluation of Basic Performance Review Form in Figure 6-1	
X	Simplicity
X	Relevancy
X	Descriptiveness
X	Adaptability
X	Comprehensiveness
	Definitional clarity
X	Communication
X	Time orientation

Next, let us evaluate the form shown in Figure 6-2 in relation to the desirable features listed in Table 6-2. First, it is not that simple in that it includes many different types of behavioral indicators. Yet, it seems quite relevant and descriptive. It is particularly relevant for the job of manager/supervisor, specifically regarding behavioral indicators for each competency. This form is easier to administer than the form shown in Figure 6-1 because it does not include an essay format. Although there is a comprehensive list of competencies and behavioral indicators, the actual expectations of the individual employees are not clear, and there is a lack of definitional clarity regarding goals. The form seems adaptable. For example, it would be quite easy to add or delete behavioral indicators and it would also be easy to change the set of indicators across units and departments. Next, the form could be communicated throughout the organization. Finally, the form mentions time in the section on developmental goals and needs. The table below summarizes this analysis:

Desirable Features of Appraisal Forms: Evaluation of Manager/Supervisor Performance Appraisal Form in Figure 6-2	
	Simplicity
X	Relevancy
X	Descriptiveness
X	Adaptability
X	Comprehensiveness
	Definitional clarity
	Communication
X	Time orientation

From your own perspective, do you agree with the above conclusions about which desirable features are present in each of these forms? What is missing and should be added? What would the revised and improved versions of these forms look like?

Many organizations use forms very similar to those presented in Figures 6-1 and 6-2. A careful analysis of these forms against the desired features indicates that the forms could be improved. An important point to consider regarding these and other forms is that an exclusive emphasis on the appraisal form should be avoided; it is just one component of the performance management system.

6-3 DETERMINING OVERALL RATING

After performance data have been gathered for each employee, there is usually a need to compute an overall performance score. This is particularly necessary for making administrative decisions such as the allocation of rewards. Computing overall performance scores is also useful in determining whether employees, and groups of employees, are improving their performance over time. This is a critical aspect and advantage of approaching performance management with a *performance analytics mindset*: We use performance data collected on an ongoing basis to create useful and meaningful insights that help individuals grow and develop, and data serve the purpose of improving individual and team performance in terms of both behaviors and results.

Two main strategies are used to obtain an overall performance score for each employee: judgmental and mechanical. The judgmental procedure consists of considering every aspect of performance, and then, arriving at a defensible summary. This holistic procedure relies on the ability of the rater to arrive at a fair and accurate overall score. The mechanical procedure consists of first considering the scores assigned to each section of the appraisal form, and then, combining them up to obtain an overall score. When adding scores from each section, weights are typically used based on the relative importance of each performance dimension measured.

Consider the performance evaluation form shown in Figure 6-3, which is used to evaluate the performance of sales associates at a supermarket chain.⁷ This form includes the hypothetical ratings obtained by a sales associate on just two competencies and just two key results (the complete form probably includes more than four performance dimensions). You can see that in the Competencies section, each competency is weighted according to its value to the organization. Specifically, Follow-Through/Dependability is given a weight of 0.7 whereas Decision Making/Creative Problem-Solving is given a weight of 0.3. For the competency Follow-Through/Dependability, Patricia Carmello obtained a score of 4 for the first half of the review period and a score of 3 for the second half of the review period; consequently, the scores for this competency are $4 \times 0.7 = 2.8$ for the first half and $3 \times 0.7 = 2.1$ for the second half of the review period. Adding up the scores obtained for the first and second halves in each competency leads to a total of 3.7 points for the first half and 2.7 for the second half of the review period.

The form also indicates that the key results have different weights. Specifically, KR #1 has a weight of 0.6 whereas KR #2 has a weight of 0.4. Consider KR #1. The objective for the first half was to achieve a sales figure of US\$78,000. The actual sales figure achieved by Patricia was US\$77,000, representing a 98.71% achievement, which is a score of 2. Multiplying this score times the weight of 0.6 yields 1.2 points for the first half of the review period. Similarly, for the second

FIGURE 6-3

Performance Appraisal Form Used by Grocery Retailer

PERFORMANCE EVALUATION FORM								
For use by Store Director; Co-Director; Meat, Seafood, Produce, Deli/Bakery, Floral and Grocery Managers								
Name	Patricia Carmello	Review Period	2018					
Position	Sales Associate	Store	#25					
Evaluator	ames Garcia	Date	12/15/18					
Competencies: Please rate the Associate on the following competencies. Determine the point total and multiply by the weight factor to achieve the point total for the competencies.								
Follow-Through/Dependability			Points:	1st 4	2nd 3	Wgt 0.7	Pts 2.8	Pts 2.1
4	3	2	1					
Work is completed correctly and on time without supervision. Anticipates needs. Extremely organized.	Work is usually completed correctly and on a timely basis with some supervision. Very organized.	Work is completed as assigned and results can usually be relied upon with normal supervision. Organized.	Work can seldom be relied upon. Often fails to complete tasks correctly. Unorganized.					
Comments:								
Decision Making/Creative Problem Solving			Points:	1st 3	2nd 2	Wgt 0.3	Pts 0.9	Pts 0.6
4	3	2	1					
Anticipates, recognizes, and confronts problems with extraordinary skill. Perseveres until solution is reached. Extremely innovative and takes risks.	Defines and addresses problems well. Typically reaches useful solutions and decisions are sound. Innovative, with above-average risk taking.	Acknowledges and attempts to solve most problems when presented. Usually comes to conclusions on solving basic issues. Little innovation and sometimes takes risks.	Has difficulty recognizing problems and making decisions. Always needs guidance. No innovation and never takes risks.					
Comments:								
Total Score for Competencies Section							3.7	2.7

(Continued)

FIGURE 6-3 (Continued)

Key Results: Rate each area to the performance demonstrated in the achievement of budgeted numbers.

KR #1: Achieved Budgeted Sales (U.S. dollars)				
	Budgeted	Actual	% of achievement (1, 2, 3, 4)	
1st half objective	\$78,000	\$77,000	2	Wgt 0.6 Pts 1.2 1.8
2nd half objective	\$80,000	\$83,000	3	
4 = 108%+ 3 = 107–103% 2 = 102–98% 1 = Below 97%				
Comments:				

KR #2: Margin Balance (gain/loss in U.S. dollars)				
	Budgeted	Actual	% of achievement (1, 2, 3, 4)	
1st half objective	\$30,000	\$29,000	1	Wgt 0.4 Pts 0.4 1.6
2nd half objective	\$31,000	\$34,000	4	
4 = 108%+ 3 = 107–103% 2 = 102–98% 1 = Below 97%				
Comments:				

TOTAL SCORE FOR KEY RESULTS:							1.6	3.4
	Comp. Score 1st half	Comp. Score 2nd half	KR Score 1st half	KR Score 2nd half				Subtotal
Circle Rating:	3.7	2.7	1.6	3.4				11.4/4 = 2.85
Excellent	Above Average	Average	Unsatisfactory					
3.6–4.0	2.6–3.5	1.6 – 2.5	1 – 1.5					

Associate	Date
Store Director	Date

half, the goal was US\$80,000 and Patricia surpassed it by achieving a figure of US\$83,000, which represents a score of 3 (i.e., 103.75% achievement); therefore, the score for the second half is $3 \times 0.6 = 1.8$. Finally, the form shows that the total score for the first half for all key results combined is 1.6, whereas the score for the second half is 3.4. These scores were computed by simply adding the scores obtained in each half.

In the end, the form shows the scores obtained for the competencies and the key results in each of the two halves of the review period. To obtain the overall

performance score, we simply take an average of these four numbers: $(3.7 + 2.7 + 1.6 + 3.4)/4 = 2.85$. This puts Patricia in the 2.6–3.5 range, which represents a qualification of “above average.”

Now, suppose that we do not follow a mechanical procedure to compute the overall performance score, and instead, we use a judgmental method. That is, suppose raters have no information on weights. How would James Garcia, Patricia’s supervisor, compute the overall performance score? One possibility is that he might give equal weights to all competencies and would therefore consider that Follow-Through/Dependability is as important as Decision Making/Creative Problem-Solving. This would lead to different scores compared to using weights of 0.7 and 0.3. Or, as an alternative, the supervisor may have his own ideas about what performance dimensions should be given more weight and decide to ignore how the work is done (i.e., behaviors), and instead, assign an overall score based primarily on the key results (i.e., sales and margin balance).

The use of weights allows the supervisor to come to an objective and clear overall performance score for each employee. As this example illustrates, the use of clearly specified weights allows the supervisor to obtain a verifiable score for each employee. Thus, the supervisor and the employees can be sure that the overall performance rating is reflective of the employee’s performance in each category.

Which strategy is best, judgmental or mechanical? In most cases, the mechanical method is superior to the judgmental method.⁸ A supervisor is more likely to introduce her own biases in computing the overall performance score when no clear rules exist regarding the relative importance of the various performance dimensions and there is no direction on how to combine the various performance dimensions in calculating the overall score.⁹ As far as the computation of overall scores goes, the mechanical method is superior to the judgmental method.

Finally, you will notice that the form included in Figure 6-3 has sections labeled comments. These open-ended sections are common in most appraisal forms. However, this information is typically not used effectively.¹⁰ Likely, there are two chief reasons why this is the case. First, it is not easy to systematically categorize and analyze such comments. Second, the quality, length, and content of these comments may be more a function of the culture of the organization and the writing skills of the person filling out the form than actual KSAs of the employee being rated. Regarding the first challenge, a recent analytics innovation is the increasing sophistication of computer-aided text analysis (CATA) software that allows for an analysis of text (as opposed to numbers) and more and better use of such information. For example, the software package DICTION 5.0 allows for the analysis of text by first creating categories of terms or phrases, and then, counting the relative frequency of each.¹¹ So, an organization may wish to classify the comments in terms of, for example, task and contextual performance. Then, a “dictionary” of terms and phrases related to each of these performance dimensions is created and the software automatically counts the number of times that such types of behaviors are mentioned in the comments. The second challenge is more difficult to overcome because if raters are not given any training or general instructions on what to write, comments may range from none at all to very

detailed descriptions of what employees have done (i.e., past orientation) and very detailed descriptions of what employees should do (i.e., future orientation). Thus, to overcome this second challenge, it is important to first establish the goals of the information that raters are asked to include in these open-ended sections, and then offer raters training on how to do that in a systematic and standardized fashion across rates. If these two challenges are overcome, then the information included in the open-ended sections can be used to supplement the quantitative information offered on the forms.

6-4 APPRAISAL PERIOD AND NUMBER OF FORMAL MEETINGS

Let us be clear that this section addresses the issues of the appraisal period and *formal* sit-down reviews. If we want to create a culture of performance and encourage everyone to improve performance on an ongoing basis, conversations about performance should be part of everyone's routine. This is why so many companies currently implement check-in systems in which employees can talk about what they are doing and how and the results they are generating with several performance touchpoints such as peers and supervisors. Again, Web-based and mobile apps now make this easier. In fact, there are dozens of vendors that offer these products. All you need to do is Google "performance appraisal apps" and you will find them right away.

Regarding the evaluation period, the first question we should answer is: How long should the appraisal period be? In other words, what period of time should be included in the appraisal form? Most organizations typically conduct a formal annual review. However, others choose to conduct semiannual or even quarterly formal reviews. Conducting only an annual review is usually not sufficient for most employees to discuss performance issues in a formal setting. In particular, Millennials value more frequent feedback about how they are doing.¹²

The recommendation then is to conduct formal sit-down reviews semiannually or quarterly. For example, Colorado-based Hamilton Standard Commercial Aircraft uses a semiannual review system.¹³ Twice a year, the company performs a modified 360-degree appraisal, meaning that performance information is collected from performance touchpoints from all around (hence, the "360-degree" label). This type of system allows individuals to receive feedback and adjust goals or objectives, if necessary, in preparation for the more in-depth annual review. An example of a company implementing formal quarterly reviews is Synegy, Inc., a Philadelphia-based compensation software and services company.¹⁴ Each quarter, employees receive a summary of comments and specific examples from coworkers about how they are performing. Synegy states that the goal of the system is to encourage open communication. Employees are trained to write effective comments to their coworkers that will facilitate growth by pointing out positive and negative areas of performance. In areas that need improvement, coworkers are encouraged to suggest ways that employees could improve their performance.

When is the best time to complete formal sit-down reviews? Most organizations adopt one of two possibilities. First, the appraisal form could be completed on or around the annual anniversary date. In the case of semiannual reviews, the first review would be six months before the annual anniversary date and the second review would be on or around the annual anniversary date. The biggest

advantage of this choice is that the supervisor does not have to fill out everyone's forms at the same time. The disadvantage of this choice is that because results are not tied to a common cycle for all employees, resulting rewards cannot be tied to the fiscal year.

The second choice is to complete the appraisal forms toward the end of the fiscal year. In the case of a system including semiannual reviews, one review would be completed halfway through the fiscal year and the other one toward the end of the fiscal year. Adopting this approach leads to the completion of the appraisal form for all employees at about the same time, which facilitates cross-employee comparisons as well as the distribution of rewards. An additional advantage of following the fiscal year cycle is that individual goal setting can be more easily tied to corporate goal setting because most companies align their goal cycle with their fiscal year. This helps employees synchronize their work and objectives with those of their unit and organization. But what about the additional work imposed on the supervisors who need to evaluate all employees at once during a short period of time? This can be a major problem if the performance management system is not implemented using the best practices described in this book, and instead, performance appraisal is a once-a-year event. If there is ongoing communication between the supervisor and the employee about performance issues throughout the year, completing appraisal forms should not uncover any major surprises and filling out the appraisal form should not create a major time burden for the supervisors.

Performance management systems can include six formal meetings between the direct reports and the supervisor¹⁵:

- System inauguration
- Self-appraisal
- Classical performance review
- Merit/salary review
- Development plan
- Objective setting

Recall that informal performance discussions take place throughout the year and involve ongoing check-ins. In addition, however, there should be regularly scheduled formal meetings for the specific purpose of discussing the various aspects of performance and the performance management system. The fact that the supervisor allocates time to this activity sends a message that performance management is important.

The first meeting, system inauguration, includes a discussion of how the system works and the identification of the requirements and responsibilities resting primarily on the employee and on the supervisor. This discussion includes the role of self-appraisal and the dates when the employee and supervisor will meet formally to discuss performance issues. This meeting is particularly important for new employees, who should be introduced to the performance management system as soon as they become members of the organization.

The second meeting, the self-appraisal, involves the employee's assessment of herself. This meeting is informational in nature, and at this point, the supervisor does not pass judgment on how the employee regards her own performance. This meeting provides an opportunity for the employee to describe how she sees her own performance during the review period. It is helpful if the employee is

given the same form to be filled out later by the supervisor so that she can provide self-ratings using the same dimensions that will be used by the supervisor.

The third meeting, the classical performance review meeting, during which employee performance is discussed, includes both the perspective of the supervisor and the employee. Most performance management systems include this type of meeting only. No other formal meetings to discuss performance are usually scheduled. This meeting is mainly past-oriented and typically does not focus on what performance should look like in the future.

The fourth meeting, the merit/salary review, discusses what, if any, compensation changes will result as a consequence of the period's performance. It is useful to separate the discussion of rewards from the discussion of performance so that the employee can focus on performance first, and then on rewards. If these meetings are not separated, employees may not be very attentive during the discussion of performance and are likely to feel it is merely the price they must pay to move on to the part of the meeting that really matters: the discussion about rewards. Although these meetings are separate, supervisors should explain clearly the link between the employee's performance, discussed in detail in a previous meeting, and the rewards given. Rewards are not likely to carry their true weight if they are not linked directly to performance.

The fifth meeting, the development plan, discusses the employee's developmental needs and what steps will be taken so that performance will be improved during the following period. This meeting also includes information about what types of resources will be provided to the employee to facilitate the development of any required new skills.

The sixth and final meeting, objective setting, includes setting goals, both behavioral and results-oriented, regarding the following review period. At this point, the employee has received very clear feedback about her performance during the past review period, knows what rewards will be allocated (if any), understands developmental needs and goals, and knows about resources available to help in the process of acquiring any required skills.

Although these six meetings are possible, not all six take place separately. For example, the self-appraisal, classical performance review, merit/salary review, development plan, and objective setting meetings may all take place during one umbrella meeting. Nonetheless, it is best to separate the various types of information discussed so that the employee and the supervisor will focus on each of the components separately.

Take the case of Johnsonville Foods, one of the largest sausage-making producers in the United States, making such products as brats, Italian sausage, breakfast sausage in fully cooked and fresh varieties, chicken sausage, meatballs, and summer sausage. Johnsonville Foods has a performance management system that includes the following meetings: self-appraisal, classical performance review, merit/salary review, development plan, and objective setting.¹⁶ Team members (i.e., employees) and coaches (i.e., supervisors) write six-month contracts stating their goals for the following six months and how they plan to meet those goals (objective setting). This contract also asks the employee to state developmental goals for the upcoming six months (development plan). These goals may include reading a book on leadership or learning a new computer software program. In addition, each month, the employee writes up a contract with his goals for the month. That contract is posted on the company electronic bulletin board and sent to three internal customers, who evaluate that employee's performance over the

Box 6-2

Company Spotlight: Performance Review Meetings at McCoy Federal Credit Union

McCoy Federal is a nonprofit organization that provides financial services to those who join on a membership basis. It is the result of a merger with Central Florida Healthcare Federal Credit Union and one of the largest credit unions in Central Florida, with over 63,000 members, assets over US\$565 million, and 14 locations. The credit union utilizes a Web-based system that allows tailoring each position's performance evaluation to specific duties performed. The performance management system also involves quarterly meetings and goal setting, which allow both supervisor and employee to track progress. The frequent performance reviews, including self-appraisals, were instituted in order

to ensure that all employees receive regular performance feedback from supervisors, who might otherwise spend more time focusing on those whose performance is considered substandard. This allows employees and supervisors to focus regularly on progress toward goals. The information systems facilitate the process by allowing both supervisor and employee to keep track of progress in almost real-time. In summary, McCoy Federal utilizes a performance management system that includes frequent performance review meetings, combined with an emphasis on setting goals and tracking progress to ensure all employees and supervisors are focused on performance management.¹⁷

month. The next month, employees and their coaches discuss how the goals were met (classical performance review) and how much bonus the employee should receive (merit/salary review), and they set new goals for the upcoming month (objective setting). If the employee does not expect to meet his goals, a meeting is scheduled halfway through the month to discuss options.

In short, Johnsonville Foods includes all the formal meetings that can take place in a performance management system; however, it does not involve six separate meetings. Instead, the company holds only two formally scheduled meetings, but the system allows for the addition of more meetings if the need arises. Box 6-2 includes an example of how performance reviews are implemented in an organization in the nonprofit sector: McCoy Federal Credit Union.

6-5 PERFORMANCE TOUCHPOINTS: SOURCES OF PERFORMANCE DATA

So far, we referred to the supervisor as a primary source of performance information. This is the case in many organizations because the supervisor usually observes employees directly and has good knowledge about performance standards. However, there are multiple performance touchpoints, which are all the relevant sources that have firsthand knowledge of the employee's performance. Let us consider the use of the direct supervisor as a source of performance information, followed by the use of other sources, including peers, direct reports, self, and customers.¹⁸ Then, we will discuss the issue of electronic performance monitoring, which is used by many organizations to collect Big Data about their employees.

6-5-1 Supervisors

An advantage of using supervisors as a source of performance information is that they are usually in the best position to evaluate performance in relation to

strategic organizational goals. Also, supervisors are often those making decisions about rewards associated with performance evaluation. Moreover, in some cultural contexts, supervisors are seen as the exclusive source due to the pervasiveness of hierarchical organizational structures. For example, a survey of 74 HR directors in Jordan revealed that in every one of these organizations, the supervisor had almost exclusive input in terms of providing performance information; 95% of respondents reported that peers had no input; 82% reported that employees had no input; and 90% reported that customers had no input either.¹⁹ Accordingly, supervisors are often the most important source of performance information because they are knowledgeable about strategic issues, understand performance, and are usually in charge of managing employee performance.

Although supervisors are usually the most important—and sometimes, only—source of performance information, other sources should be considered as well. For example, we have already seen that self-appraisals are an important component in the performance review process. In addition to self-appraisals and supervisor appraisals, performance information can be collected from peers, customers, and direct reports (assuming there are any). Alternative sources are usually considered because for some jobs, such as teaching, law enforcement, or sales, supervisors may not be performance touchpoints because they do not observe direct reports' performance on a regular basis. Also, performance evaluations given by the supervisor may be biased because the supervisor may evaluate performance based on whether the ratee is contributing to goals valued by the supervisor as opposed to goals valued by the organization as a whole. For example, a supervisor may provide high performance ratings to employees who help the supervisor advance his career aspirations within the company, as opposed to those who engage in behaviors conducive to helping achieve organizational strategic goals.

6-5-2 Peers

Many organizations use performance evaluations provided by peers. Take, for example, the system implemented at a large international financial services bank.²⁰ Through acquisitions, the bank has been growing rapidly and has as its strategic goal the consolidation of its offices. Change management is extremely important to the successful implementation of this consolidation. The company is therefore revising how it assesses the competency "teamwork" at the senior and middle management levels, with the belief that successful teamwork is crucial to change management initiatives. Specifically, one-third of the score for this competency is determined by ratings provided by peers. As an additional example, the Australian National University Medical School recently introduced a system in which students rate their peers in terms of personal and professional performance. Students begin to provide anonymous ratings online at the end of their first year in medical school. The system allows students to share their assessment of their peers and provides faculty with early-warning signs to assist students who may not be performing up to personal or professional standards.²¹

Although the use of peers as a source of performance data is often described as a "breakthrough" or "new" feature in many performance management systems, they have been around for quite some time. For example, in the 1940s and 1950s, they were called "buddy ratings" and were used to select military leaders.²²

Peer evaluations suffer from three problems, however. First, such evaluations may not be readily accepted when employees believe there is *friendship bias* at work.²³ In other words, if an employee believes that ratings provided by his peers will be lower than those provided for another employee because the other employee has more friends than he does, then performance evaluations will not be taken seriously. In this situation, it is not likely that the employee will use the feedback received to improve his performance. A second problem with peer evaluations is that peers are less discriminating among performance dimensions compared to supervisors. In other words, if one is rated high on one dimension, one is also likely to be rated high on all the other dimensions, even though the performance dimensions rated may not be related to one another and may require very different knowledge, skills, and abilities. This is what is called the *halo effect*. Finally, peer evaluations are likely to be affected by what is called *context effects*.²⁴ For example, consider the situation in which peers evaluate communication behaviors. The salience of such behaviors will be affected by context: these behaviors are much more salient when there is a conflict as compared to routine daily work. The resulting peer evaluations can thus be quite different, based on whether the peer providing the rating is thinking about one specific situation versus another one, or communication behaviors across situations in general. This issue should remind you of the description of maximum versus typical performance described in Chapter 4.

Given these weaknesses of peer evaluations, it would not be wise to use them as the sole source of performance information. Peer evaluations can be part of the system, but information should also be obtained from additional sources involved in performance touchpoints.

6-5-3 Direct Reports

Direct reports are a good source of information regarding the performance of their managers. For example, direct reports are in a good position to evaluate leadership competencies, including delegation, organization, and communication. In addition, direct reports may be asked to rate their manager's ability to (1) remove barriers that employees face, (2) shield employees from politics, and (3) raise employees' competence. Be aware that direct reports may hesitate to provide upward feedback if put on the spot; however, if managers take the time to involve employees in the process by soliciting their input, employees are more likely to give honest feedback.²⁵

Many organizations take upward feedback very seriously because it provides tangible benefits—especially long-term benefits—as demonstrated by results of a study in a Korean public institution with about 2,500 employees that performs research, development, tests and evaluation.²⁶ Managers received upward feedback once a year during a period of seven years. Then, the data were analyzed, based on whether managers were classified as low, medium, or high-performers. Results showed that those in the low-performing group benefited the most.

For an example of a company that you may know well because of the pervasiveness of its products, take the case of computer giant Dell. Dell employs

over 100,000 individuals worldwide. More than 30 years ago, Michael Dell founded Dell, based on the simple concept of selling computer systems directly to customers. At Dell, all employees rate their supervisors, including Michael Dell himself, who is currently chairman and CEO, every six months, using “Tell Dell” surveys. Michael Dell said, “If you are a manager and you’re not addressing [employee] issues, you’re not going to get compensation. And if you consistently score in the bottom rungs of the surveys, we’re going to look at you and say ‘Maybe this isn’t the right job for you.’”²⁷

The intended purpose of the evaluation provided by direct reports has an impact on the accuracy of the information provided. Overall, performance information provided by direct reports is more accurate when the resulting ratings are to be used for developmental purposes, rather than administrative purposes. When evaluation data are intended for administrative purposes (i.e., whether the manager should be promoted), direct reports are likely to inflate their ratings.²⁸ Most likely, this is because direct reports may fear retaliation if they provide low performance scores. Confidentiality is key if direct reports are to be used as a useful and valid source of performance information.

6-5-4 Self

As discussed earlier, self-appraisals are an important component of any performance management system. They have become particularly prominent, given the increasingly popular view regarding the need to shift from performance appraisal to performance management. If the only focus is appraisal, collecting data from supervisors may suffice. However, if we want to implement a state-of-the-science performance management system that serves as a tool for continuously identifying, measuring, and developing the performance of individuals and teams, it is crucial to include self-evaluations as well.

When employees are given the opportunity to participate in the performance management process, their acceptance of the resulting decision is likely to increase and their defensiveness during the appraisal interview is likely to decrease. An additional advantage associated with self-appraisals is that the employee is in a good position to keep track of activities during the review period, whereas a supervisor may have to keep track of the performance of several employees. On the contrary, self-appraisals should not be used as the sole source of information in making administrative decisions because they are more lenient and biased than ratings provided by other sources, such as a direct supervisor.²⁹ This may explain why only 16% of HR managers report that their organizations include self-appraisals as part of their performance management systems.³⁰ Fortunately, self-ratings tend to be less lenient when they are used for developmental as opposed to administrative purposes. In addition, the following suggestions are likely to improve the quality of self-appraisals:

- *Use comparative as opposed to absolute measurement systems.* For example, instead of asking individuals to rate themselves using a scale ranging from “poor” to “excellent,” provide a relative scale that allows them to compare their performance with that of others (e.g., “below average,” “average,” “above average”). Other options in terms of comparative systems were discussed in Chapter 5.

- *Allow employees to practice their self-rating skills.* Provide multiple opportunities for self-appraisal because the skill of self-evaluation may well be one that improves with practice.
- *Assure confidentiality.* Provide reassurance that performance information collected from oneself will not be disseminated and shared with anyone other than the direct supervisor and other relevant parties (e.g., members of the same work group).
- *Emphasize the future.* The development plan section of the form should receive substantial attention. The employee should indicate his plans for future development and accomplishments.

6-5-5 Customers

Customers provide yet another source of performance information because they participate in performance touchpoints in many types of industries, occupations, and jobs.³¹ Although collecting information from customers can be a costly and time-consuming process, performance information provided by customers is particularly useful for jobs that require a high degree of interaction with the public. Moreover, performance information can also be collected from *internal* customers. For example, line managers may provide performance data regarding their HR representative.

Although the clients served may not have full knowledge of the organization's strategic direction, they can nevertheless provide useful performance data. For example, consider how this is done at Federal Express (FedEx), which has revised its performance management system to include measures of customer service.³² FedEx employees 400,000 employees; has a total income of US\$1.82 billion; and on average, it ships more than 13 million packages every business day. In 2017, it was ranked as one of Fortune's "100 Best Places to Work For." The company uses a six-item customer-satisfaction survey which is evaluated by a representative sample of the employee's customers at the end of the year. As a result of adding customer input and customer-developed goals to the performance review process, employees are more focused on meeting customer expectations.

FedEx already uses external customer input in evaluating performance, but organizations in other industries have some catching up to do. For example, a study examining appraisal forms used to evaluate the performance of account executives in the largest advertising agencies in the United States found that much more emphasis is placed on internal than on external customers.³³ Specifically, external client feedback was measured in only 12% of the agencies studied. About 27% of agencies do not evaluate the contributions that account executives make to client relationships and to growing the client's business. In a yet more recent study involving individuals in charge of the HR function, only 8% reported that clients and customers provide performance evaluations of employees.³⁴ In short, many companies might benefit from assessing the performance of employees—including managers—from the perspective not only of internal, but also external customers.

6-5-6 Employee Performance Monitoring and Big Data

In Chapter 1, we discussed the concept of electronic performance monitoring (EPM) briefly. In the past, EPM included surveillance camera systems and computer and

phone monitoring systems. At present, EPM includes wearable technologies and smartphones, including Fitbits and mobile GPS tracking applications. Indeed, in the contemporary workplace, every email, instant message, phone call, and mouse click leaves a digital footprint, all of which can be used as data to be included in the performance management system.

EPM sparked a lot of enthusiasm about the availability of Big Data, a generic label used to describe large datasets. Essentially, Big Data is a fancy label for “a lot of data.” The availability of Big Data related to the behavior of people in organizations has led to the emergence of “people analytics,” “HR analytics,” “talent analytics,” and “workforce analytics.”³⁵ Essentially, these are different labels used to describe how to collect and analyze Big Data.

But the key issue in terms of collecting, compiling, and analyzing performance data is not Big Data, but *Smart Data*. An analytics mindset means that we collect, compile, and analyze data with the goal of gaining insights that can be used to enhance individual, team, and organizational performance, as well as individual well-being. Having a lot of data does not mean we have good data. We should not be enamored by the presence of Big Data, and instead, should think about the criteria that make data useful and accurate. For example, is the information related to the position in question; are the issues measured specific, concrete, meaningful, and under the control of the employee? From the perspective of employees, is EPM considered useful, or a nuisance and an invasion of privacy? The motto “garbage in–garbage out” is particularly relevant in the domain of Big Data and performance analytics.³⁶

When implemented well, EPM can lead to very useful data. For example, it can be used to collect information on the various dimensions of performance we discussed in previous chapters, including task performance (e.g., productivity) and counterproductive performance such as cyberloafing (i.e., spending time on the Internet engaging in non-work behaviors such as online shopping or gaming). As an illustration, consider tracking software such as WorkIQ and Desk Time, which allows companies to condense real-time employee behavior data into weekly or quarterly reports that are emailed directly to the employee, outlining how she used her computer time throughout the week. Also, mobile tracking systems can yield useful time-oriented data to help employees engage in safer behaviors. This is precisely what semi-truck company Ryder implemented recently: A driver-facing camera and a satellite-based monitoring system to record both positive and negative personal driver behaviors, such as speeding, safe turning, abrupt braking, and authorized and unauthorized stops.³⁷

But EPM certainly has challenges, as was learned the hard way by Intermex, a money transfer company based in the United States. For example, EPM can result in feelings of invasion of privacy, perceptions of unfairness, decreased job satisfaction and organizational commitment, and even increased counterproductive performance—just the opposite of what EPM is trying to achieve.³⁸ You can learn more about some unintended consequences of EPM by reading Box 6-3.

Clearly, EPM and Big Data are becoming more and more prominent in organizational life as we continue to see technological advancements. So, given that EPM is likely to be part of most firms, consider the following four evidence-based suggestions to improve the chances that EPM will lead to positive results³⁹:

Box 6-3

Company Spotlight: Employee Performance Monitoring at Intermex

Intermex is licensed in 49 states in the United States to send money to 17 countries in Latin America. Intermex offers customers the ability to send money online or in any of over 4,400 locations. The company's management required employees to download a mobile resource management application called Xora that provided useful on-the-go web services for employees that often engage in client-related communication and travel. The goal was for the app to gather useful information about employee whereabouts and transportation metrics during work hours. But Xora also collected location information via GPS 24 hours a day, 7 days a week in order to function efficiently. Myrna Arias, an Intermex employee, objected to the constant surveillance and requested that the application only be activated during

work hours. Her manager insisted that Xora be active at all times for client call purposes, but also bragged to Arias about the exceptional accuracy of the application, claiming that he could see how fast she was driving at any given time, including outside of working hours. Perturbed by the manager's indiscreet use of the application and her now perceived loss of privacy, she decided to deactivate the application for her own privacy concerns. Despite being an excellent employee, Arias was scolded for her actions and was soon fired for noncompliance, leading to a lengthy lawsuit with damages of more than US\$500,000 for lost wages. The lesson? It is critical to consider employee reactions before implementing employee performance monitoring systems.⁴⁰

1. *Be transparent.* Employees need to know that they are being monitored. In fact, employee reactions will be affected by their perceptions of justice and the most negative reactions to EPM come from employees who do not know whether they are being monitored, why they are being monitored, or how they are being monitored.
2. *Be aware of all potential employee reactions.* Even when perceived as fair, EPM is nevertheless likely to be perceived as invasive. Also, employees respond differently to two types of EPM because they target different aspects of the employee. First, *passive monitoring* typically concerns artifacts of employee behavior, such as emails and number of phone calls. Second, *active monitoring* involves evaluating real-time location (i.e., GPS, surveillance cameras), computer (i.e., time spent on computer), or Internet use (i.e., website tracking). Consider making sure you do the following to minimize negative reactions: (1) if there is a choice, use the least invasive technique possible, (2) make sure employees understand the reasoning behind the decision and have an opportunity to voice their opinions and concerns, and (3) make sure employees understand the details of the monitoring system (e.g., what information is collected and stored and how is it used).
3. *Use EPM for learning and development.* Employees are more likely to accept EPM when it is used for learning and development purposes. For example, in the case of Ryder, it would be important to use the resulting data in subsequent training programs teaching drivers how to improve their safe-driving skills.
4. *Restrict EPM to job-related behaviors and behaviors.* As in the case described in Box 6-3, EPM can blur the boundaries between work and personal life. Make sure that data collected are job-related.

6-5-7 Disagreement Across Sources of Performance Data: Is This Really a Problem?

If performance information is collected from more than one source, it is likely that there will be some overlap in the dimensions measured.⁴¹ For example, a manager's peers and direct supervisor may rate him on the same competency "communication." In addition to the overlapping dimensions across sources, each source is likely to evaluate performance dimensions that are unique to each source. For example, direct reports may evaluate "delegation," but this competency may not be included on the form used by the direct supervisor. Once the competencies and results that need to be measured are identified for a particular position, a decision needs to be made regarding which source of information will be used to assess each dimension. Regardless of the final decision, it is important that employees take an active role in deciding which sources will rate which dimensions. Active participation in the process is likely to enhance acceptance of results and perceptions that the system is fair.

When the same dimension is evaluated across sources, we should not necessarily expect ratings to be similar.⁴² Different sources disagreeing about an employee's performance is not necessarily a problem. For example, self-ratings of salespeople do not necessarily agree with the ratings given by their direct supervisor, which may indicate misunderstandings regarding the nature of performance.⁴³ Also, those rating the same employee may be drawn from different organizational levels, and they probably observe different facets of the employee's performance, even if they are evaluating the same general competency (e.g., "communication" or "sales behavior"). In fact, the behavioral indicators for the same competency may vary across sources. For example, an employee may be able to communicate very well with his superior, but not very well with his direct reports. The important issue to take into account is that for each source, the behaviors and results to be rated must be defined clearly so that biases are minimized. In terms of feedback, however, there is no need to come up with one overall conclusion regarding the employee's performance. On the contrary, it is important that the employee receive information on how her performance was rated by each of the sources used. This is the crux of what are called 360-degree feedback systems, which are discussed in more detail in Chapter 8. When feedback is broken down by source, the employee can place particular attention and effort on the different performance touchpoints.

If disagreements are found, a decision must be made regarding the relative importance of the rating provided by each source. For example, is it equally important to please external and internal customers? Is communication an equally important competency regarding direct reports and peers? Answering these questions can lead to assigning differential weights to the scores provided by the different sources in computing the overall performance score used for administrative purposes.

6-6 UNDERSTANDING INTENTIONAL RATING DISTORTION: A MODEL OF RATER MOTIVATION

Regardless of who rates performance, performance ratings may be intentionally distorted or inaccurate. When this happens, incorrect decisions may be made; employees are likely to feel they are treated unfairly; and the organization is more

prone to litigation. In other words, when performance ratings are distorted, the performance management system not only fails to result in desired outcomes, but also, may lead to very negative consequences for employees and the organization. To prevent these negative outcomes, we need to understand why raters are likely to provide distorted ratings. We address intentional distortion here and unintentional distortion in Chapter 7.

Intentional rating behaviors are influenced by (1) the motivation to provide accurate ratings and (2) the motivation to distort ratings.⁴⁴ The motivation to provide accurate ratings is determined by whether the rater expects positive and negative consequences of accurate ratings and by whether the probability of receiving these rewards and punishments will be high if accurate ratings are provided. Similarly, the motivation to distort ratings is determined by whether the rater expects any positive and negative consequences of rating distortion and by the probability of experiencing such consequences if ratings are indeed distorted. Consider a supervisor and his motivation to provide accurate ratings. What will the supervisor gain if ratings are accurate? What will he lose? Will his own performance be rated higher and will he receive any rewards if this happens? Or will the relationship with her direct reports suffer? The answers to these questions provide information about whether this supervisor is likely to be motivated to provide accurate ratings. Similarly, are there any positive and negative consequences associated with rating distortion? What is the probability that this will indeed happen? The answers to these questions will determine the supervisor's motivation to distort ratings.

There are motivational barriers that prevent raters from providing accurate performance information. Raters may be motivated to distort performance information and provide inflated or deflated ratings.⁴⁵ Rating inflation is usually called *leniency error* (i.e., when raters assign high lenient ratings to most or all employees) and deflation is usually called *severity error* (i.e., raters assign low ratings to most or all employees).⁴⁶ In fact, supervisors may not even be trying to measure performance accurately, and instead, may attempt to use performance ratings for other goals that are unrelated, and often run completely counter, to what a good performance management system is trying to accomplish.⁴⁷ For example, a supervisor may be motivated to provide inflated ratings to:

- *Maximize the merit raise and rewards.* A supervisor may want to produce the highest possible reward for her employees and she knows this will happen if she provides the highest possible performance ratings.
- *Encourage employees.* A supervisor may believe that employees' motivation will be increased if they receive high performance ratings.
- *Avoid creating a written record.* A supervisor may not want to leave a "paper trail" regarding an employee's poor performance because such documentation may eventually lead to negative consequences for the employee in question. This situation is possible if the supervisor and employee have developed a friendship.
- *Avoid confrontation with employees.* A supervisor may feel uncomfortable providing negative feedback, and to avoid a possible confrontation with the employee, he may decide to take what may seem like a less painful path and give inflated performance ratings.
- *Promote undesired employees out of unit.* A supervisor may believe that if an employee receives very high ratings, he may be promoted out of the

unit. The supervisor may regard this as an effective way to get rid of undesirable or disliked employees.

- *Make the manager look good to his own supervisor.* A supervisor may believe that if everyone receives very high performance ratings, she will be considered an effective unit leader. Moreover, when the performance ratings for the manager himself depend on the performance of her direct reports, managers are likely to inflate their direct reports' ratings.⁴⁸

We can understand each of the reasons for a supervisor's choosing to inflate ratings using a *model of rater motivation*. For example, looking good in the eyes of one's own supervisor can be regarded as a positive consequence of providing inflated ratings. Avoiding a possible confrontation with an employee can also be regarded as a positive consequence of providing inflated ratings. Thus, given these anticipated positive consequences of rating inflation, the supervisor may choose to provide distorted ratings.

Supervisors may also be motivated to provide ratings that are artificially deflated. Some reasons for this are to:

- *Shock an employee.* A supervisor may believe that giving an employee a "shock treatment" and providing deflated performance ratings will jolt the employee, demonstrating that there is a problem.
- *Teach a rebellious employee a lesson.* A supervisor may wish to punish an employee or force an employee to cooperate with the supervisor and believes that the best way to do this is to give deflated performance ratings.
- *Send a message to the employee that he should consider leaving.* A supervisor lacking communication skills may wish to convey the idea that an employee should leave the unit or organization. Providing deflated performance ratings may be seen as a way to communicate this message.
- *Build a strongly documented, written record of poor performance.* A supervisor may wish to get rid of a particular employee and decides that the best way to do this is to create a paper trail of substandard performance.

We can also understand the psychological mechanisms underlying the decision to provide deflated ratings. For example, if shocking employees and building strongly documented records about employees are considered to be positive consequences of rating deflation, it is likely that the supervisor will choose to provide distorted ratings.

Fundamentally, this discussion should allow us to see that the process of evaluating performance can be filled with emotional overtones and hidden political and personal agendas that are driven by the goals and motivation of the person providing the rating.⁴⁹ If raters are not motivated to provide accurate ratings, they are likely to use the performance management system to achieve political and other goals, such as rewarding allies and punishing enemies or competitors, instead of using it as a tool to improve employee, and ultimately, organizational performance.⁵⁰ Thus, it is important to understand the influence of context on the accuracy of performance ratings and also be aware that performance measurement does not take place in a vacuum, but as mentioned throughout this text, in an organizational context with written and unwritten norms.⁵¹

Rating Inflation	Rating Deflation
Maximize the merit raise and rewards	Shock employees
Encourage employees	Teach a rebellious employee a lesson
Avoid creating a written record	Send a message that employee should
Avoid a confrontation with employees	consider leaving
Promote undesired employees out of unit	Build a record of poor performance
Make manager look good to his or her supervisor	

TABLE 6-3
Reasons for Rating Distortion

Table 6-3 summarizes the reasons discussed earlier for why raters are likely to inflate or deflate ratings. What can be done to prevent conscious distortion of ratings? Considering a model of rater motivation, we need to provide *incentives* so that raters will be convinced that they have more to gain by providing accurate ratings than they do by providing inaccurate ratings.⁵² For example, if a supervisor is able to see the advantages of a well-implemented performance management system, as opposed to one dominated by office politics, she will be motivated to help the system succeed. Also, if a supervisor believes there is accountability in the system, and ratings that are overly lenient are likely to be easily discovered, resulting in an embarrassing situation for the supervisor, leniency is also likely to be minimized. Lenient ratings may be minimized when supervisors understand they will have to justify their ratings to their own supervisors.⁵³ In terms of increasing accountability, specific recommendations include the following⁵⁴:

1. *Have raters justify their ratings.* Ratings are more accurate when raters are told they will have to justify their ratings to someone with authority, such as their own supervisors. However, rating accuracy does not necessarily improve if raters need to justify their ratings to others with less authority, such as their own direct report.
2. *Have the raters justify their ratings in a face-to-face meeting.* Ratings are also more accurate when the rating justifications are offered in a face-to-face meeting, compared to justifications offered in writing only.

In a nutshell, a supervisor asks herself, “What’s in it for me if I provide accurate ratings versus inflated or deflated ratings?” The performance management system needs to be designed in such a way that the benefits of providing accurate ratings outweigh the benefits of providing inaccurate ratings. This may include assessing the performance of the supervisor in how she is implementing performance management within her unit, and communicating that performance management is a key part of a supervisor’s job. Also, supervisors need to have tools available to make their job of providing accurate ratings and feedback easier. This includes training on, for example, how to conduct the appraisal interview so that supervisors are able to provide both positive and negative feedback and are skilled at conveying both positive, and especially, negative news regarding performance.

In sum, raters are likely to make intentional errors in rating performance. To understand intentional distortion of ratings, it is critical to consider the motivation

of raters and to provide a clear answer to the “What’s in it for me?” question. In other words, raters need to be able to see the benefit of providing accurate ratings compared to providing inaccurate ones.

In addition to conscious and intentional errors in the rating process described in this chapter, raters are likely to make unintended errors. Observing information about performance, storing this information in memory, and then recalling it when it is time to fill out the appraisal form is a complex task. This task becomes more difficult with more complex jobs that include several unrelated performance dimensions. Because of the cognitive complexity of the performance evaluation process, raters are likely to make not only intentional, but also unintentional errors in evaluating performance.⁵⁵ These errors, and training programs aimed at minimizing these unintentional errors, are discussed in detail in Chapter 7.

SUMMARY POINTS

- Judgments and evaluations of performance are ubiquitous and inescapable in organizations, even if they are not made explicit or called “performance ratings,” and instead, labeled “judgments,” “achievement metrics,” or “expectations.” Even if they do not say it openly, supervisors and peers form impressions and evaluate the performance of people around them on a daily basis—although these evaluations are not written down or said out loud. Performance analytics involves the systematic use of techniques for collecting and compiling performance data. Performance analytics is critical to be able to manage individual and team performance. Absent performance analytics, it is difficult to understand whether employees are making progress, to make decisions about promotions and compensation, and to create a “personal growth and development culture” that offers meaningful development and coaching opportunities.
- Appraisal forms are the key data collection tools used to measure performance. Care and attention are required to ensure that the forms include all the necessary components. The most useful forms include the following components (1) basic employee information; (2) accountabilities, objectives, and standards; (3) competencies and behavioral indicators; (4) major achievements and contributions; (5) developmental achievements; (6) developmental needs, plans, and goals; (7) performance touchpoints; (8) employee comments; and (9) signatures. Note, however, that one size does not fit all, and different components are appropriate, based on the purposes of the appraisal.
- Regardless of the specific components included in the appraisal form, there are several features that make appraisal forms particularly effective. These are (1) simplicity, (2) relevancy, (3) descriptiveness, (4) adaptability, (5) comprehensiveness, (6) definitional clarity, (7) communication, and

- (8) time orientation. Before it is used, each form needs to be evaluated, based on the extent to which it complies with each of these characteristics.
- For administrative purposes, it is usually desirable to compute an employee's overall performance score. Two approaches are available: judgmental and mechanical. The judgmental procedure considers every aspect of performance, and then, arrives at a fair and defensible summary. The mechanical procedure consists of combining the scores assigned to each performance dimension, usually taking into account the relative weight given to each dimension. The mechanical procedure is recommended over the judgmental procedure, which is more prone to biases. Rounding of overall scores can be implemented (upward or downward), based on the information included in the "Comments" section of the appraisal forms. However, for this to happen, there must be a systematic analysis of this text-based information and raters must be provided clear guidelines regarding what to include in these "Comments" sections.
 - It is recommended that the period for the formal review be six months (i.e., semiannual) or three months (i.e., quarterly). This provides fairly frequent opportunities for a formal discussion about performance issues. It is more convenient if the completion of the appraisal form coincides with the fiscal year so that rewards can be allocated shortly after the employee has received her performance review.
 - Performance management systems can include up to six separate formal meetings between the supervisor and the direct report (1) system inauguration, (2) self-appraisal, (3) classical performance review, (4) merit/salary review, (5) development plan, and (6) objective setting. In practice, these meetings are usually condensed into two or so meetings during each review cycle. One point that should be emphasized is that these are *formal* meetings. Informal "check-in" meetings involving a discussion of performance issues should take place on an ongoing basis. To create a culture of performance improvement, conversations about performance should be routine and part of everyone's job.
 - Several sources can be used to obtain performance information and these include all of the relevant performance touchpoints: supervisors, peers, direct reports, self, and customers, as well as performance monitoring systems that produce Big Data. Before selecting a source, one needs to be sure that it has firsthand knowledge of the employee's performance (i.e., that it is indeed a performance touchpoint). Using each of these sources has advantages and disadvantages, none of which is foolproof, and not all may be available in all situations. However, it is important that employees take part in the process of selecting which sources will evaluate which performance dimensions. Active employee participation in the process is likely to enhance acceptance of results and perceptions that the system is fair.
 - Employee performance monitoring (EPM) is now pervasive, given technological advancements. However, to make sure that the resulting Big Data are "Smart Data" (i.e., useful, accurate, and fair), it is important to be

transparent (i.e., employees need to know that they are being monitored), to be aware of all potential employee reactions (i.e., even when perceived as fair, EPM is nevertheless likely to be perceived as invasive so it is important to explain how data are collected and how they will be used), use EPM for learning and development purposes, and restrict EPM to job-related behaviors and behaviors.

- When multiple performance touchpoints are used to collect performance data, there may be disagreements in the resulting ratings, even if these multiple sources are rating the same performance dimension. The people rating the same employee may be drawn from different organizational levels, and they may observe different facets of the employee's performance, even if they are evaluating the same general competency (e.g., "communication"). If an overall score is needed that considers all sources, then a weighting mechanism is needed. For example, a decision needs to be made regarding whether performance information provided by the supervisor has more or less relative importance than that provided by customers. There is no need to summarize the information across the sources for feedback purposes; in fact, it is beneficial for the employee to receive feedback broken down by source so the employee can place particular attention and effort on the interactions involving any source that has detected performance deficiencies.
- In providing performance information, raters may make intentional errors. These errors may involve inflating or deflating performance scores. For example, a supervisor may want to avoid a confrontation with his employees, and so, inflate ratings. A peer may believe that providing accurate ratings may jeopardize the relationship with a colleague, and may, consequently, provide inflated ratings.
- When raters provide performance ratings, they are faced with providing either accurate or inaccurate ratings. They weigh the costs and benefits of choosing one or the other path. If the cost/benefit equation does not favor providing accurate ratings, it is likely that ratings will be distorted. When this happens, incorrect decisions may be made, employees are likely to feel they have been treated unfairly, and the organization is more prone to litigation. In other words, when performance ratings are distorted because raters are not motivated to provide accurate scores, the performance management system not only will fail to achieve desired outcomes, but also may lead to very negative consequences for employees and the organization.
- Intentional distortion in ratings can be minimized by providing raters with information about how rating employees accurately will provide them with direct and tangible benefits. No performance management system is foolproof, and performance ratings are inherently subjective; however, implementing interventions that enhance accountability such as having to justify ratings to superiors in a face-to-face meeting and incentives associated with accurate ratings provides raters with the needed motivation to minimize intentional distortion.

EXERCISE 6-1 CHOOSING A PERFORMANCE APPRAISAL FORM VENDOR

The goal of this exercise is to critically review the performance appraisal forms offered by various vendors. At the end of your exercise, you will present your findings to the rest of the class.

Steps:

1. Conduct a Google search for performance appraisal vendors and identify five that you will use for this exercise.
 - a. Useful websites include, for example, those maintained by the Society for Human Resource Management (SHRM),^a HR-Guide,^b and Capterra^c
2. Evaluate the performance appraisal forms that the vendors provide.
 - a. As a first step, examine if the forms contain the following components: (Hint: Section 6-1 Useful Components of Appraisal Forms provides greater detail about each of these components.)
 - ♦ Basic employee information
 - ♦ Accountabilities, objectives, and standards
 - ♦ Competencies and behavioral indicators
 - ♦ Major achievements and contributions
 - ♦ Developmental achievements
 - ♦ Developmental needs, plans, and goals
 - ♦ Performance touchpoints
 - ♦ Employee comments
 - ♦ Signatures
 - b. Second, assign a score from 0 (lowest) to 10 (highest) to each form on each of the features listed below, and note the reasons for the score you assign. Total the score for each form. (Hint: Section 6-2 Desirable Features of Appraisal Forms provides greater detail about each of these features.)
 - ♦ Simplicity
 - ♦ Relevancy
 - ♦ Descriptiveness
 - ♦ Adaptability
 - ♦ Comprehensiveness
 - ♦ Definitional clarity
 - ♦ Communication
 - ♦ Time orientation

^a Society for Human Resource Management. (2017). *Performance management*. Available at: <http://vendor-directory.shrm.org/category/talent-management/performance-management>

^b HR-Guide.com. (2017). Performance appraisal systems/vendors. Available at: http://www.hr-guide.com/Performance/Appraisal_Systems_Vendors.htm

^c Capterra. (2017). Top performance appraisal software products. Available at: <http://www.capterra.com/performance-appraisal-software/>

- c. Next, review how the form computes the overall performance score. (Hint: Section 6-3 Determining Overall Rating clarifies and provides examples of these strategies.)
 - ♦ Does it use a judgmental or mechanical strategy?
 - ♦ Does it include space for “Comments” or “Feedback?”
3. Examine the vendor’s website to determine what other performance management software/applications/solutions they offer. These may include, for example:
 - a. Skills-matrices and competency worksheets
 - b. App-based software that allows for real-time performance measurement entry
 - c. Observation checklists
 - d. Employee evaluation dashboards
 - e. Rater training programs
4. Based on your critical assessment, identify the top two appraisal forms and the top two performance appraisal vendors (Note: The top two forms may or may not come from the top two vendors).
 - a. For the forms, remember to take into account all three aspects listed in Step 2 (i.e., components, total score for features, and overall score computing method)
 - b. For the vendors, consider issues such as customizability, ease-of-use and implementation, and cost.
5. Prepare a brief report, including a 10-minute presentation describing the best vendors and forms you found.
 - a. Make sure to highlight why you chose the particular forms/vendors.
 - b. Note at least two improvements that could be made to each of the top-two forms.

EXERCISE 6-2 EMPLOYEE PERFORMANCE MONITORING AT TUMGO: GOOD OR BAD IDEA?

Tumgo, a leading energy drink maker, was facing a challenge in managing its sales force and distributing its drinks to customers and retailers spread throughout the nation. As the company’s sales force continued to grow, it needed a better way to manage its distribution network and the growing number of remote employees. Faced with this challenge, Tumgo’s Vice President of Sales decided to implement TumStreetsmart (Tum), an employee performance monitoring system (EPM) that uses mobile phones’ GPS to track employees’ locations.

Tum allows dispatchers to see the exact location of remote employees on a map, and uses mobile forms to gather data from the field, such as how

fast employees are driving at any given point of time to assist and automate dispatch decisions.^{a,b} By doing so, Tum enables companies to improve dispatch decisions, reduce fuel consumption and overtime, and increase the productivity and efficiency of the fleet. The system also allows the employer to know exactly when employees sign in using mobile apps, rather than paper time sheets, and their location (e.g., whether someone signs in from home).^c Finally, information from the system is integrated with payroll software, simplifying the payment process and saving administrative time, thus allowing for more accurate billing. Overall, the system increases efficiency by saving time, saving fuel, providing faster customer service. In order to function as efficiently as possible, Tum needs to collect information via its GPS technology 24 hours a day, 7 days a week.

By implementing Tum, Tumgo will be able to track how many miles per hour are covered by its sales force, how many stops they made each day, and how long they spent at each stop. This will also enable the company to improve customer service by making sure every store is visited regularly. To implement Tum, Tumgo required all employees to download the application onto their mobile devices, and to ensure the efficiency of the software, keep the application activated 24 hours a day.

Steps:

One group of students will argue in favor of the employee performance management system (Tum), while the other group will argue against the system. As you develop arguments against or for Tum, consider the following issues:

- Usefulness in achieving the company's goals (Is the data being collected useful and accurate? Is the information being collected related to the position in question?)
- Effectiveness in delivering goals (Will the EPM provide data on issues that are specific, meaningful, and under the control of the employees?)
- Employee reactions to the system (e.g., perceptions of fairness, job satisfaction/morale, commitment, stress and employee well-being)
- Effect of system on employee performance (effects on counterproductive workplace behaviors, such as absenteeism or tardiness, productivity changes)
- Acceptability of the system
- Legal and ethical issues
- Privacy concerns
- Implementation of the system

^a This case is based loosely on Rockstar Energy: Xora. (n.d.). Retrieved January 3, 2018, from <http://www.stg.xora.com/blog/success-stories/rockstar-energy/>

^b Tomczak, D. L., Lanzo, L. A., & Aguinis, H. (2018). Evidence-based recommendations for employee performance monitoring. *Business Horizons*, 61, 251–259.

^c Zetlin, M. (2009, May). Keeping tabs on mobile workers. *Inc.* Retrieved January 3, 2018, from <https://www.inc.com/telecom/articles/200905/tracking.html>

CASE STUDY 6-1

Judgmental and Mechanical Methods of Assigning Overall Performance Score at *The Daily Planet*

The form here shows performance ratings obtained by David Kuhn, a hypothetical reporter at a major newspaper in the United States. First, use the judgmental method to come up with his overall performance score. What is Kuhn’s overall^a performance score?

Second, the form below actually omitted weight information for the various competencies. The weights are the following:

Now, compute Kuhn’s overall performance score using the weights in the table. Is there a difference between the score computed using a subjective, rather than the mechanical method? If yes, what are the implications of these differences for the employee being rated, for the supervisor, and for the organization?

Competency	Weight
Productivity	.15
Quality of work	.50
Dependability and adherence to company values and policies	.25
Contribution to effectiveness of others/unit	.10

Name: David Kuhn	Job Title: Reporter				
Dept.: International	Supervisor: John DuBoss				
Performance Period:	from Jan 19	to Dec 19			
Job Description: Researches and writes news, features, analyses, human interest stories. Develops and cultivates news sources and contacts. Completes assignments by deadlines, ensuring accuracy by verifying sources. Attends newsworthy events and interviews key sources. Respects confidentiality as appropriate.					
	Unacceptable	Does not fully meet standards	Fully meets standards	Significantly exceeds standards	Outstanding
Productivity—Production is high relative to time and resources consumed; develops expected number of stories and covers beat adequately to ensure stories are detected as they break; stories are developed within time frame that enables deadlines to be met; and appropriate reviews are performed as they are refined.	1	②	3	4	5

^aAdapted from R. J. Greene, 2003, "Contributing to Organizational Success Through Effective Performance Appraisal," Alexandria, VA, Society for Human Resource Management.

Quality of work—Work meets quality standards and established editorial standards; stories are written in clear and appropriate manner, are consistent with editorial policy, and are fair and balanced; research is thorough and encompasses all relevant sources, which are verified to ensure accuracy; works with editors to revise and improve content; develops and maintains network of contacts who can provide early notification of breaking stories.	1	2	3	④	5
Dependability and adherence to company values and policies—Consistently meets deadlines; conforms to attendance policies; adapts to work demands; conforms to established values and policies; adheres to ethical standards of the paper and the profession; respects confidentiality as appropriate; behaves in manner that enhances the image of the paper.	1	2	3	4	⑤
Contribution to effectiveness of others/unit—Works with others within and outside the unit in a manner that improves their effectiveness; shares information and resources; develops effective working relationships; builds consensus; constructively manages conflict; contributes to the effectiveness of own unit/group and the paper.	1	②	3	4	5

CASE STUDY 6-2

Minimizing Distortions in Performance Data at Expert Engineering, Inc.

Under various engineer titles, veteran engineer Demetri worked for Expert Engineering, Inc. for almost 15 years. He has recently been promoted to the position of Principal at the engineering firm. The firm's performance evaluation history is both unique and long. All principals are involved in evaluating engineers because the founders of the firm believed in multiple source evaluation and feedback to prevent favoritism and promote a merit-based culture. At the same time, the firm has a long history of using quality performance appraisal forms and review meetings to better ensure accurate performance evaluations. Several months ago, however, the firm initiated a big hiring initiative of a dozen new engineers, nine of whom turn out to be graduates from Purdue University, which is

the same university from which Demetri graduated. Indeed, Demetri was active in moving forward the hiring initiative. There is tension and discontent among the other principals, who fear that a time of unchecked favoritism, biased performance ratings, and unfair promotion decisions is on the rise.

1. Provide a detailed discussion of the intentional rating distortion factors that may come into play in this situation.
2. Evaluate the kinds of interventions you could implement to minimize intentional rating distortion, and its reasons, that you have described. What do you recommend and why?

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