

MGT 200: Organizational Behavior and Theory

Introduction to Performance Appraisal

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Overview

- Key aspects of performance management
- Performance appraisal
 - Why
 - How
 - Who
 - What



Performance management

- Processes that are important to managing performance, including:
 - Performance appraisal (or evaluation) processes
 - Feedback processes
- Goal: increase motivation, and, in turn, performance.



Components of performance appraisal

Choosing how to approach the performance appraisal.

Choosing who appraises performance.

Choosing what factors to evaluate

Performance Appraisal System



Performance appraisal processes

- Why have them?
 - Administrative functions: monetary, layoffs, assignments, accountability
 - Employee development: counseling, coaching.

WWI

The U.S. military created merit-rating system to flag and dismiss poor performers.

WWII

The Army devised forced ranking to identify enlisted soldiers with the potential to become officers.

1940s

About 60% of U.S. companies were using appraisals to document workers' performance and allocate rewards.

1950s

Social psychologist Douglas McGregor argued for engaging employees in assessments and goal setting.

1960s

Led by General Electric, companies began splitting appraisals into separate discussions about accountability and growth, to give development its due.

1970s

Inflation rates shot up, and organizations felt pressure to award merit pay more objectively, so accountability again became the priority in the appraisal process.

Cappelli & Tavis 2016

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Where are we now?

2000

Organizations got flatter, which dramatically increased the number of direct reports each manager had, making it harder to invest time in developing them.

2011

Kelly Services was the first big professional services firm to drop appraisals, and other major firms followed suit, emphasizing frequent, informal feedback.

Adobe ended annual performance reviews, in keeping with the famous "Agile Manifesto" and the notion that annual targets were irrelevant to the way its business operated.

2016

Deloitte, PwC, and others that tried going numberless are reinstating performance ratings but using more than one number and keeping the new emphasis on developmental feedback.

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Why this shift? The cons

- Focuses on the past rather than future
- When only once a year, not frequent enough for change
- Time consuming to conduct
- Ratings more revealing of the rater than ratee
- Need for agility (shorter projects)
- Centrality of teamwork



Why the push back? The pros

- Process is
 - Predictable
 - Viewed as fair way to link to compensation
 - Transparent- people want to know where they stand
 - Helpful in developing people. Without ratings, it's hard to measure growth
- Helps identify poor performers
- May help avoid legal troubles
- Even if you did away with performance appraisals some sort of rating system would exist



Performance appraisal steps

1. Be prepared
 - Self-appraisal (SA)
 - 360 feedback
2. PA meeting
 - Review purpose
 - Have ee start with their SA
3. Identify the good and bad performance
4. Find causes of perf gaps
5. Plan to close perf gaps
 - Goals, timeline, action steps, description of coaching required
6. Reevaluate the perf goals
7. Get it on record
8. Follow up



Performance appraisals under crisis

- Reflect on your purpose
- Think about what you are evaluating
- Summon compassion
- Consider doing away with ratings
- Gather different kinds of data
- Set the right tone
- Tread lightly with poor performers and be effusive with your stars



Take-aways

- Dilemma in performance appraisal: focus on administrative functions or employee development (or some hybrid)?
- Performance appraisals in context
 - Traditional approach
 - Under Crisis