

Universitat de València  
 Degree in Business Management and Administration  
 Academic year 2021-22

# STRATEGIC HUMAN RESOURCE MANAGEMENT

## TOPIC 5 APPRAISING AND MANAGING HR PERFORMANCE

Group: OR  
 Lecturer: Dr Victor Oltra

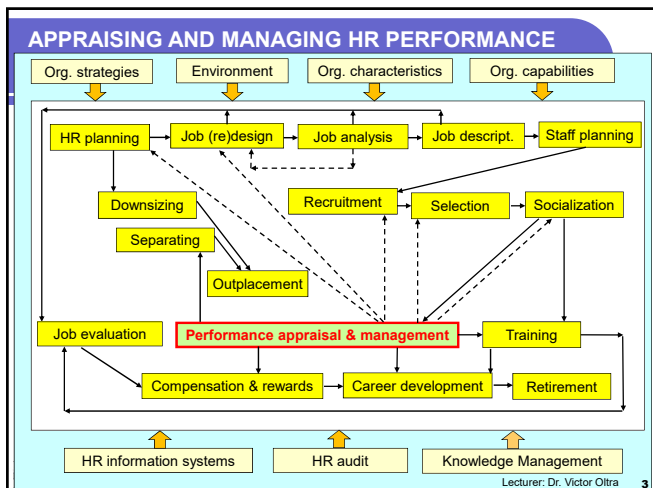
Updated 10 February 2022

## TOPIC 5. APPRAISING AND MANAGING HUMAN RESOURCES PERFORMANCE

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- 5.5. Managing performance

References:  
 Gómez-Mejía, L. Balkin, D. & Cardy, R. (2007/2012/2015). *Managing Human Resources* (5th/7th/8th International/Global Edition), Chapter 7: 'Appraising and managing performance'.  
 Herrera Gómez, J. (2001/2009). *Dirección de recursos humanos. Un enfoque de administración de empresas*. ACDE/Ramón Llull. Chapter 4, section 3: 'Los sistemas de evaluación del rendimiento'.

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## 5.1. COMPETENCY MANAGEMENT

### Employee competencies

- Restricted definition: set of **knowledge, skills and attitudes** that an employee has and/or shows in the workplace.
- Broad definition: in addition to knowledge, skills and attitudes, competencies would also include underlying values, beliefs, traits, behaviours, motivations, procedures, etc., which affect or may potentially affect work performance.
- **Synergistic relationships among all components** of competencies are needed so as to positively influence employee performance.
- For instance, an **employee may be able** (e.g. due to having the necessary skills) **but not competent** in undertaking a task (e.g., because of not showing the right attitudes).

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## 5.1. COMPETENCY MANAGEMENT

### Competency management

- Integration of **HR planning** with business planning: an organization can assess current HR capacity on the basis of a comparison between available competencies and organizational needs, enabling it to implement its strategy and achieve its mission, vision and business goals.
- Targeted **HR strategies**, plans and programmes to address gaps (e.g., in recruitment & selection, training & career development, etc.) are then designed, developed and implemented.
- Need to systematically **observe and assess competencies**.
- Importance of developing **competency maps** to help match (dynamically evolving) supply of and demand for competencies.
- Employee **work context** and **experience of work** are elements that crucially influence competency evolution.

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## 5.2. THE APPRAISAL PROCESS

### The appraisal process

The **identification, measurement, and management** of human performance in organizations.

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## 5.2. THE APPRAISAL PROCESS

### Identification

The process of **determining what areas of work the manager should be examining** when measuring performance. Rational, fair and reliable measurement systems should be based on job analysis.

### Measurement

The process of **making managerial judgements of how 'good' or 'bad' employee performance** has been. Good performance measurement should be consistent across the organization.

### Management

The key goal of a good appraisal system. Set of activities aimed at **taking a future-oriented view of what workers can do to achieve their potential in the organization**, beyond criticizing or praising past performance (importance of feedback, coaching, improvement, etc.).

## 5.2. THE APPRAISAL PROCESS

### Interdependencies with other HR-related processes

- Data obtained from and added to HRIS
- Job analysis, job description and job evaluation
- Rewards and compensation (e.g., basis for variable pay)
- Employee motivation (e.g., raising commitment to goals)
- Internal recruitment and career management
- Recruitment, selection and socialization (e.g., feedback for making changes in recruitment sources, selection tools and/or socialization methods)
- Training (e.g., basis for detecting skills gaps)
- etc.

## 5.2. THE APPRAISAL PROCESS

### Key requirements for an effective appraisal process

#### Before the process starts:

- **Undertake dialogue and negotiation** with stakeholders (e.g., managers, employees, trade unions).
- Define and communicate the **goals** of the (new) appraisal programme or system.
- Define and communicate the **criteria** to be applied for measuring performance.
- Define and communicate the (positive or negative) potential **consequences** of the outcomes of the assessment.
- Guarantee a reasonable degree of **confidentiality** of the assessment results.

## 5.2. THE APPRAISAL PROCESS

### Key requirements for an effective appraisal process

#### While the process is being implemented:

- Show, at all times, that the goal of appraisal is to **increase performance** according to well-defined and reasonable levels of effort.
- Carry out all tasks and make decisions **as objectively and transparently as possible**, avoiding bias and prejudice.
- Take advantage of progress meetings/interviews as **advice and coaching opportunities**, even as a basis for making **changes in goals** or in any other performance criteria.

## 5.2. THE APPRAISAL PROCESS

### Key requirements for an effective appraisal process

#### After the process has finished:

- **Joint discussion of results**, where all parties involved should be able to freely express their viewpoints, reflections and conclusions.
- Offer the **possibility of appealing** and, if appropriate, getting assessments reviewed by different evaluators.
- Using the results as valuable feedback and information for **improving many other HR-related processes** and activities.

## 5.3. IDENTIFYING PERFORMANCE DIMENSIONS

### Performance dimensions

Aspects or criteria that determine effective job performance.

#### Types of performance dimensions

- Quantity of work done.
- Quality of work done.
- Interpersonal effectiveness (e.g., leadership or conflict management skills).
- Any kind of specific **competencies** (e.g., knowledge, skills, behaviours) that are included in the job description.

#### Competencies

Observable **characteristics people bring with them in order to perform the job successfully**. They include different types of knowledge, skills, abilities, behaviours, and personal traits, which are associated with job descriptions and are used as predictors of high job performance.



## 5.4. MEASURING PERFORMANCE

### 5.4.2. Dimensions assessed (what to assess)

**Outcome appraisal**

- Assessing the **results achieved** by workers.
- Management by Objectives (MBO)** is the most popular approach: workers and their supervisors set goals together for the upcoming evaluation period.
- Another approach is **naturally occurring outcomes** (e.g., pieces produced, waste produced, defects rate).
- Advantages:** clear, unambiguous and **objective criteria** for measuring performance; **flexibility** to adjust objectives for new evaluation periods.
- Disadvantages:** potentially **distorted views** of worker performance levels (e.g., machine breakdowns, helping out other people, economic crisis); risk of a **'results at any cost' mentality** (e.g., quantity over quality, unethical behaviours towards customers or co-workers).

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## 5.4. MEASURING PERFORMANCE

### Examples of evaluation dimensions (assessment criteria)

Traits	Behaviours	Outcomes
Knowledge of work	Fulfils tasks	Sales
Physical strength	Obeys instructions	Production quantity
Knowledge of company	Reports problems	Production quality
Sense of responsibility	Takes care of team	Waste
Loyalty	Keeps records	Accidents
Honesty	Respects regulations	Equipment breakdowns
Creativity	Attends regularly	Attended to customers
Leadership skills	Makes suggestions	Customer complaints

Source: Adapted from Milkovich, G.T. & Boudreau, J.W. (1997). *Human Resource Management*, McGraw-Hill.

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## 5.4. MEASURING PERFORMANCE

### 5.4.3. Specific appraisal tools (how to assess)

- Graphic rating scale method:** set of items, according to which the employee is evaluated. A rating is given for each item.
- Check-list method:** set of sentences, which describe (or do not describe) employee performance. No ratings are given; evaluator's judgements are dichotomic (either 'yes' or 'no'). 'Yes' answers should show actual worker's performance and help predict future performance.
- Forced choice method:** selecting one sentence as the best descriptor of worker's performance. One (and only one) sentence must be chosen.
- Critical incident technique:** keeping a record (through direct observation) of especially relevant (positive and negative) events related to worker's performance. Also used informally, and/or for making specific HR decisions.
- Data on goal achievement:** objective, quantitative data of worker's performance related to outcomes.

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## 5.4. MEASURING PERFORMANCE

### Example of the graphic rating scale method

Name: _____	Dept.: _____	Date: _____			
<i>Employee assessment items</i>	Very bad	Bad	Average	Good	Excellent
Quality of work					
Knowledge of work					
Personal qualities (leadership, integrity, etc.)					
Co-operation					
Responsibility (precise, reliable, etc.)					
Initiative					

Source: Adapted from Milkovich, G.T. & Boudreau, J.W. (1994). *Human Resource Management*, McGraw-Hill.

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## 5.4. MEASURING PERFORMANCE

### Example of the check-list method

**Instructions:** please mark each of the statements that apply to the employee behaviour/performance.

Employee name: \_\_\_\_\_ Department: \_\_\_\_\_  
 Evaluator name: \_\_\_\_\_ Date: \_\_\_\_\_

Values		Mark here
6.5	1. Shows high commitment to the tasks assigned	_____
4.0	2. Keeps his/her workplace orderly and clean	_____
3.9	3. Usually assists co-workers who may need help	_____
...	...	...
2.5	30. Carefully plans his/her actions before initiating them	_____
100		TOTAL SCORE _____

Source: Adapted from Werther, W. & Davis, K. (1989). *Human resources and personnel management*. McGraw-Hill.

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## 5.4. MEASURING PERFORMANCE

### Example of the forced choice method

(worker evaluated: English language instructor for Spanish students)

Excellent performance	6	The instructor uses language known to students, and actively encourages student feedback and participation.
Good performance	5	The instructor uses language known to students, and sometimes encourages student feedback and participation.
Acceptable performance	4	The instructor uses language known to students, but does not encourage student feedback and participation.
Slightly poor performance	3	The instructor occasionally uses language unknown to students, and often avoids student feedback and participation.
Poor performance	2	The instructor mostly uses language unknown to students, and often avoids student feedback and participation.
Unacceptable performance	1	The instructor mostly speaks in Spanish, when speaking in English mostly uses language unknown to students, and fully avoids student feedback and participation.

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## 5.4. MEASURING PERFORMANCE

Example of data on goal achievement (worker evaluated: sales representative)

Goals set	Goals in time period	Actual achievements	% Achieved
1. Sales calls	100	104	104
2. New customers made	20	18	90
3. Number of customers who buy product A	30	30	100
4. Sales of product B	10,000	9,750	97.5
5. Sales of product C	17,000	18,700	110
6. Decrease in customer complaint calls (vs. previous period)	From 40 to 30 calls	34 calls	60%

## 5.4. MEASURING PERFORMANCE

### 5.4.4. Appraisal sources (who assesses)

- HR (internal or external) expert.
- Immediate **supervisor** (sometimes higher-level managers too).
- **Peer review**: workers at the same level rate one another.
- **Self-review**: workers rate themselves.
- **Subordinate review**: workers evaluate their supervisors.
- **Customer appraisal**: customers evaluate workers' performance.
- **360-degree feedback**: combination of supervisor, peer, subordinate, and self-review (and sometimes customer appraisal too).

### 5.4.5. Appraisal targets (who is assessed)

- Individuals, (small) teams, (bigger) departments/units/divisions, and/or the whole organization.

Name: \_\_\_\_\_

This survey asks your opinion about specific aspects of the products and services you received. Your individual responses will remain confidential and will be compiled with those of other customers to improve customer service. Please use the following scale to indicate the extent to which you agree with the statement. Circle one response for each item.

1 = Strongly Disagree  
 2 = Disagree  
 3 = Neutral  
 4 = Agree  
 5 = Strongly Agree  
 ? = Unsure

If you feel unable to adequately rate a specific item, please leave it blank.

**QUALITY**

I had to wait an unreasonable amount of time for my requests.....1 2 3 4 5 ?

The products I have received have met my expectations.....1 2 3 4 5 ?

My requests were met on or before the agreed upon deadline.....1 2 3 4 5 ?

The products I have received have generally been error free.....1 2 3 4 5 ?

**SERVICE/ATTITUDE**

When serving me, this person:  
 Was helpful.....1 2 3 4 5 ?  
 Was cooperative in meeting my requests.....1 2 3 4 5 ?  
 Communicated with me to understand my expectations for products.....1 2 3 4 5 ?  
 Was uncooperative when I asked for revisions/additional information.....1 2 3 4 5 ?  
 Told me when my requests would be filled.....1 2 3 4 5 ?  
 When necessary, sufficiently explained to me why my expectations could not be met.....1 2 3 4 5 ?  
 Kept me informed about the status of my request.....1 2 3 4 5 ?

**CUSTOMER SATISFACTION**

How would you rate your overall level of satisfaction with the service you have received?  
 1 = Very Dissatisfied  
 2 = Dissatisfied  
 3 = Neutral  
 4 = Satisfied  
 5 = Very Satisfied

What specifically could be done to make you more satisfied with the service?  
 \_\_\_\_\_  
 \_\_\_\_\_

How would you rate your overall level of satisfaction with the products you have received?  
 1 = Very Dissatisfied  
 2 = Dissatisfied  
 3 = Neutral  
 4 = Satisfied  
 5 = Very Satisfied

What specifically could be done to make you more satisfied with the products?  
 \_\_\_\_\_  
 \_\_\_\_\_

**Customer Appraisal Form**  
 Source: Cardy, R. L. and Dobbins, G. H. (1994). *Performance appraisal: Alternative perspectives*. Cincinnati, OH: South-Western.

Source: Gómez-Mejía, Balkin & Cardy (2007), p. 218

## 5.5. MANAGING PERFORMANCE

### The appraisal interview

- Is conducted periodically (usually annually).
- May be conducted by the direct supervisor and/or other managers, the HR department, or external consultants.
- Discussions on **performance** itself, feedback, improvement plans, anxiety and uncertainty reduction, communication enhancement: role of the **manager as a coach**.
- Discussions on **salary**: role of the **manager as a judge**.

### Day-to-day performance management

- Explore and direct attention to the **causes** of performance problems.
- Develop an **action plan** and **empower** workers to reach a solution.
- Build a good **atmosphere** and provide effective and continuous feedback.

## 5.5. MANAGING PERFORMANCE

### Explore the causes of performance problems

- Carefully consider potential actor and/or observer **biases**.
- Common **mistakes** in attributing causes of performance problems:
  - From the **manager** (attributing causes to the worker).
  - From the **employee** (attributing causes to external factors).
- **Types of causes** of performance problems:
  - Employee **ability** (knowledge, skills).
  - Employee **effort** (motivation, behaviour).
  - **Situational factors** (system factors): wide array of organizational characteristics that can positively or negatively affect performance.

## 5.5. MANAGING PERFORMANCE

### Examples of situational (system) factors to consider in determining the causes of performance problems

- Poor coordination of work activities among workers.
- Inadequate information or instructions needed to perform a job.
- Low-quality materials.
- Lack of necessary equipment.
- Inability to obtain raw materials, parts, or supplies.
- Inadequate financial resources.
- Poor supervision.
- Uncooperative co-workers and/or poor relations among people.
- Inadequate training.
- Insufficient time to produce the quantity or quality of work required.
- A poor work environment (for example, cold, hot, noisy, frequent interruptions).
- Equipment breakdown.

Source: Gómez-Mejía, Balkin & Cardy (2007), p. 227.

## 5.5. MANAGING PERFORMANCE

### Examples of causes of performance problems, questions to ask, and possible remedies

Cause	Questions to Ask	Possible Remedies
Ability	Has the worker ever been able to perform adequately? Can others perform the job adequately, but not this worker?	Train Transfer Redesign job Terminate
Effort	Is the worker's performance level declining? Is performance lower on all tasks?	Clarify linkage between performance and rewards Recognize good performance
Situation	Is performance erratic? Are performance problems showing up in all workers, even those who have adequate supplies and equipment?	Streamline work process Clarify needs to suppliers Change suppliers Eliminate conflicting signals or demands Provide adequate tools

Source: Gómez-Mejía, Bakin & Cardy (2007), p. 228; adapted from Schermerhorn, J.R., Gardner, E.I. & Martin, T.N. (1990). 'Management dialogues: Turning on the marginal performer. *Organizational Dynamics*, Vol. 18, pp. 47-59; and Rummiker, G.A. (1972). 'Human performance problems and their solutions'. *Human Resource Management*, Vol. 19, pp. 2-10.

## 5.5. MANAGING PERFORMANCE

### Develop an action plan and empower workers to reach a solution

- Emphasis on the role of the **supervisor-as-coach** and of enabler.
- Emphasis on **empowering** employees and reaching mutually **agreed solutions**, focusing on issues under the worker's control.
- Emphasis on **actual performance** issues and not personal issues.

### Build a proper climate, and provide effective and continuous feedback

- Provide ongoing and constructive **feedback**, show **respect** for the person and guaranteeing reasonable **confidentiality**.
- Provide honest, direct and **open-minded communication**, and build **trust**.
- The key goal is to **improve employee performance**.