Performance Evaluation

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Performance Evaluation

Providing Employee Training and Feedback

Determining Salary Increases

Making Promotion Decisions

Making Termination Decisions

Conducting Personnel Research

- Why do we need to evaluate performance in organizations?

- What criteria can be (are) used to evaluate performance?

Why do we need to evaluate performance?

- **Rewards**: Performance evaluations are often used as a basis for rewarding employees with pay raises, bonuses, promotions, or other incentives.

- **Feedback**: provide feedback to employees about their strengths and weaknesses, and help them improve their performance.

- **Development**: Performance evaluations can identify the training and development needs of employees, and help them plan their career paths.

Performance Evaluation Criteria

- When developing performance appraisal criteria, it is necessary that the criteria should be job specific and industry specific

- General performance criteria are not an effective way to evaluate an employee.

Psychological Basis

- Rewards serve or fuel human performance and helps them bring their best

- Therefore, if there were no performance appraisal, there would be no motivation to work.

- On the other hand, if performance evaluation system/method is erroneous or conducted in a manner that is not adequate- it would hurt both individual and organizational performance

Psychological Basis

- Organizational justice suggests that employees take a judgment call based on the amount they give to the company and comparing it with the amount they get back.

- Employees are concerned with the decisions made by their employers both on a large and small scale. They review these decisions in their mind as fair or unfair.

- **<u>Distributive justice perceptions during a performance appraisal session lead to enhanced engagement among employees</u>* (or not)**

*Gupta, V., & Kumar, S. (2012). Impact of performance appraisal justice on employee engagement: a study of Indian professionals. *Employee relations*, *35*(1), 61-78.

What Criteria can be used to evaluate performance?

- Trait-focused
- Competency-focused
- Task-focused   TCTG
- Goal-focused

Trait-Focused

- <mark>Refer to employee's personality attributes- eg., dependability, honesty and courtesy</mark>

- Recall the discussion on value based hiring

- Benefits and drawbacks?

- Any used case we have seen? Eg., in hospitality- how are they rated?

Trait-Focused

- Requires us to invest in hiring, ensuring P-E fit
- Requires us to know why these traits are linked to what organizational performance goals

- ==Difficult to answer== these questions for the employer at times
- ==Depends on (objective) hiring resources available==
- ==Possibility of bias== in assessment – tend to be very subjective
- ==Sharing feedback could be tricky==- could be taken as an offense

Competency-Focused

- Competency based assessment is a methodical approach that evaluates individuals based on their demonstrated skills, behaviors, and knowledge relevant to their roles.

- It recognises that the most accurate way to determine a person's competence at something is to assess them using their knowledge and skills (that result in a set of behaviours) in an on-the-job situation

- Benefits and drawback? Any used case?

Competency-Focused

- Easier to provide feedback
- Easier to locate area for improvement and understand training needs
- Requires an employee to display the prescribed range of KSAs on the job

- Requires avid research on KSAs for the specific job roles
- Requires professional expertise in establishing behavioural attributes (liked to KSAs)

Task-Focused

- Tasks are designed to measure employee's performance which allow candidates to demonstrate/deliver specific standards of performance

- Requires application of skills in a real-life situation (problem solving)

- Benefits and drawbacks? Any used case?

Task-Focused

- Provides clear guidelines on deliverables
- More suited to real-world problem resolution

- May not be able to capture the full range of skills and knowledge required for a particular role
- Wouldn't know "what exactly" needs improvement

Difference between competency and task is : do you display the KSAs required for job success vs how successfully you used these KSAs to solve a problem (task at hand)

Benefits and drawbacks? Any used case?

Goal-Focused

- In this, the appraisal is organized on the basis of goals achieved/to be accomplished by the employee

- We already know about SMART goals?

- Management by Objectives (MBO): a management system that involves managers and employees working together to set goals and create plans to achieve them. The goal of MBO is to align objectives across an organization and increase employee participation and commitment.

Goal-Focused

- Gives clarity on what needs to be achieved

- Gives autonomy for execution

- Can clarify timelines. Can clarify whys (of the goals chosen).

- How we achieve goals is not under check so can reduce cooperation and encourage competition

Different ways of Rating

- Rank Order In this approach, employees are ranked in order by their judged performance for each relevant dimension (Knowledge, Quality, Dependability)
- Paired Comparison This method involves comparing each possible pair of employees and choosing which one of each pair is the better employee
- Forced Distribution (something like relative grading- Bottom 20%, Average 40%, Good 20% and Excellent 10%) With this method, a predetermined percentage of employees are placed in each of the five categories (Terrible, Below Avg, Avg, Good, Excellent)
- Rating Scales
- Behavioral Checklists (scales can measure "extent of expectation met", "yes or no", rating – "poor to excellent", frequency of behaviour "very often to seldom"

Some other ways of Rating

- Quantity vs Quality

- Attendance (Absenteeism, Tardiness, and Tenure)

- Safety : Follows safety rules, no misconduct, not bringing lawsuits for the company (sometimes)

- Critical Incidents

What kind of errors can crop in?

- Measurement Errors
- Human Errors

Errors

Halo errors refer to a type of bias in performance evaluations where the rater's overall impression of an employee influences their ratings on specific performance criteria.

The recency effect is a cognitive bias that occurs in performance evaluations when a rater gives disproportionate weight according to the most recent behaviors or performances of an employee, rather than considering their overall performance over the entire evaluation period.

- Distribution Errors: Leniency errors, errors of central tendency, strictness errors

- Halo errors, recency effect

- Frame-of-reference – not knowing the rational behind performance appraisals. In lay terms- not understanding the "features and specifications" and the link of these with human performance

- Infrequent observation

- Emotional state of the rater