

### management development

Any attempt to improve current or future management performance by imparting knowledge, changing attitudes, or increasing skills.

### Strategy's Role in Management Development

Management development programs should reflect the firm's strategic plans. For example, strategies to enter new businesses or expand overseas imply that the employer will need succession plans to obtain and/or develop managers who have the skills to manage these new businesses. Management development programs then impart the knowledge, attitudes, and skills these managers will need to excel at their jobs.<sup>141</sup>

Some management development programs are company-wide and involve all or most new (or potential) managers. Thus, new MBAs may join GE's management development program and rotate through various assignments and educational experiences. The firm may then slot superior candidates onto a "fast track," a development program that prepares them more quickly for senior-level commands. Other development programs aim to fill specific top positions, such as CEO.

Management development supports the employer's *succession planning process*.<sup>142</sup> *Succession planning*, as explained in Chapter 5 (page 138), involves developing workforce plans for the company's top positions; it is the ongoing process of systematically identifying, assessing, and developing organizational leadership to enhance performance.

### Candidate Assessment and the 9-Box Grid

Some high-potential managers fail in their jobs, while some low-potential managers excel. How then does an employer choose who to send through an expensive development program?

The 9-Box Grid is one tool. It shows *Potential* from low to medium to high on the vertical axis, and *Performance* from low to medium to high across the bottom—a total of nine possible boxes.

The grid can simplify, somewhat, the task of choosing development candidates. At the extremes, for instance, low potentials/low performers would not move on. The high-potential/high-performance stars most assuredly would. Most employers focus their development resources on high-performance/high-potential stars, and secondarily on those rated high-potential/moderate-performance, or high-performance/moderate-potential.<sup>143</sup> Other employers focus development resources on the company's "mission-critical employees"—those central to the firm's success and survival. We'll see how later in this section.

In any case, individual assessment should always precede development. At frozen foods manufacturer Schwan, senior executives first whittle 40 or more development candidates down to about 10. Then their program begins with a 1-day assessment by outside consultants of each manager's leadership strengths and weaknesses. This assessment becomes the basis for each manager's individual development plan. Action-learning (practical) projects then supplement individual and group training activities.<sup>144</sup>

We'll look at some popular development activities next.

### Managerial On-the-Job Training and Rotation

Managerial on-the-job training methods include job rotation, the coaching/under-study approach, and action learning. **Job rotation** means moving managers from department to department to broaden their understanding of the business and to test their abilities. The trainee may be a recent college graduate, or a senior manager being groomed for further promotion. In addition to providing a well-rounded experience, job rotation helps avoid stagnation, through the constant introduction of new points of view in each department. It also helps identify each trainee's strong and weak points. Periodic job changing can also improve interdepartmental cooperation: managers become more understanding of each other's problems; and rotation widens one's acquaintances among management. At LVMH (which owns Louis Vuitton), rotating employees among luxury brands gives employees what two experts call "extraordinarily rich learning opportunities."<sup>145</sup>

The accompanying HR Practices feature illustrates this.

### job rotation

A management training technique that involves moving a trainee from department to department to broaden his or her experience and identify strong and weak points.

## ■ IMPROVING PERFORMANCE: HR PRACTICES AROUND THE GLOBE

### Global Job Rotation

As firms expand globally, job rotation takes on a new meaning. At firms like Shell and BP, rotating managers globally is a primary means through which the firms maintain their flexibility and responsiveness even as they grow to an enormous size.

An advantage of global job rotation (rotating managers from, say, Sweden to New York) is that it builds a network of informal ties that ensures superior cross-border communication and mutual understanding as well as tight interunit coordination and control.

Improved communication and understanding stem from the personal relationships forged as managers work in the firm's various locations. These activities can also enhance organizational control. When employees from the firm's global locations are rotated or brought together at, say, the Harvard Business School or Europe's INSEAD for a management-training program, the aim is more than just teaching basic skills. It is also to build a stronger identification with the company's culture and values. By creating shared experiences and values and a consistent view of the firm and its goals, such activities can facilitate communication. Similarly the sense of shared values (such as "the customer is always right") can facilitate self control, by helping keep managers' behavior in line with the firm's policies and procedures. Finally, cross-border assignments can be magnets for attracting and retaining the best management talent.<sup>146</sup>

### MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete this discussion. Using Web sites such as [www.sony.net](http://www.sony.net) (click "Careers") and [www.mckinsey.com](http://www.mckinsey.com) (insert *how multinationals can attract the talent they need* into their search box), discuss examples of how multinational companies use job rotation and other means to develop their managers.

**COACHING/UNDERSTUDY APPROACH** In this on-the-job method, the trainee works directly with a senior manager or with the person he or she is to replace; the latter is responsible for the trainee's coaching. Normally, the understudy relieves the executive of certain responsibilities, giving the trainee a chance to learn the job.

#### **action learning**

A training technique by which management trainees are allowed to work full-time analyzing and solving problems in other departments.

**ACTION LEARNING** Action learning programs give managers released time to work analyzing and solving problems in departments other than their own. It is one of the fastest-growing leadership development techniques, used by companies ranging from Wells Fargo to Boeing.<sup>147</sup> Basics include carefully selecting teams of 5 to 25 members, assigning them real-world business problems that extend beyond their usual areas of expertise, and structured learning through coaching and feedback. The employer's senior managers usually choose the projects and decide whether to accept the teams' recommendations.<sup>148</sup>

For example, one Pacific Gas & Electric Company (PG&E) program had three phases:

1. A 6- to 8-week *framework* phase, where the team defines and collects data on an issue;
2. The *action forum*—2 to 3 days at PG&E's learning center discussing the issue and developing recommendations; and
3. *Accountability sessions*, where the teams meet with management to review progress.<sup>149</sup>

**STRETCH ASSIGNMENTS** Stretch assignments are assignments that "push employees beyond their comfort zone," placing them in jobs and assignments different from and more demanding than those to which they are accustomed.<sup>150</sup> The critical issue here is to understand the employee's capabilities: The assignment should be challenging but not overwhelming.

## Off-the-Job Management Training and Development Techniques

There are also many off-the-job methods for training and developing managers.

### case study method

A development method in which the manager is presented with a written description of an organizational problem to diagnose and solve.

As most everyone knows, the **case study method** has trainees solve realistic problems after studying written or video case descriptions. The person then analyzes the case, diagnoses the problem, and presents his or her findings and solutions in a discussion with other trainees. *Integrated case scenarios* create long-term, comprehensive case situations. One FBI Academy scenario starts with “a concerned citizen’s telephone call and ends 14 weeks later with a simulated trial. In between is the stuff of a genuine investigation. . . .” The scripts include background stories, detailed personnel histories, and role-playing instructions; their aim is to develop specific skills, such as interviewing witnesses.<sup>151</sup>

Computerized **management games** enable trainees to learn by making realistic decisions in simulated situations. For example, *Interpret* is a team exercise that “explores team communication, the management of information and the planning and implementation of a strategy. It raises management trainees’ communication skills, helps them to better manage the information flow between individuals and the team, and improves planning and problem-solving skills.”<sup>152</sup> In other games each team might have to decide how much to spend on advertising, how much to produce, and how much inventory to maintain.

People learn best by being involved, and games gain such involvement. They also help trainees develop problem-solving skills, and focus attention on planning rather than just putting out fires. They can develop leadership skills and foster cooperation and teamwork.

“Gamification” of training in general also reportedly improves learning, engagement, and morale and is fairly easy to achieve. For instance, use point systems, badges, and leaderboards in the training.<sup>153</sup>

**OUTSIDE SEMINARS** Numerous companies and universities offer Web-based and traditional classroom management development seminars and conferences. The selection of 1- to 3-day training programs offered by the American Management Association illustrates what’s available. For instance, its offerings range from “developing your emotional intelligence” to “assertiveness training,” “assertiveness training for managers,” “assertiveness training for women in business,” “dynamic listening skills for successful communication,” and “fundamentals of cost accounting.”<sup>154</sup> Specialized groups, such as SHRM, provide specialized seminars for their professions’ members.<sup>155</sup>

**UNIVERSITY-RELATED PROGRAMS** Many universities provide executive education in leadership, supervision, and the like. These can range from 1- to 4-day programs to executive development programs lasting 1 to 4 months. The Advanced Management Program of Harvard’s Graduate School of Business Administration is one of many such programs.<sup>156</sup>

Many employers want customized programs. In one, Hasbro sought to improve its executives’ creativity skills. Dartmouth’s Amos Tuck Business School provided a “custom approach to designing a program that would be built from the ground up to suit Hasbro’s specific needs.”<sup>157</sup> Technology giant Philips sought to accelerate innovation and leadership excellence. It entered a 6-year collaboration with the University of Pennsylvania’s Wharton School and the Center for Creative Leadership (CCL). Their customized “Octagon” leader development program emphasized both strategic business skills, and behavioral leadership skills.<sup>158</sup>

### role-playing

A training technique in which trainees act out parts in a realistic management situation.

**ROLE-PLAYING** The aim of **role-playing** is to create a realistic situation and then have the trainees assume the parts (or roles) of specific persons in that situation. Each trainee gets a role, such as:

You are the head of a crew of telephone maintenance workers, each of whom drives a small service truck to and from the various jobs. Every so often you get a new truck to exchange for an old one, and you have the problem of deciding

to which of your crew members you should give the new truck. Often there are hard feelings, so you have a tough time being fair.<sup>159</sup>

When combined with the general instructions and other roles, role-playing can trigger spirited discussions among the trainees. The aim is to develop trainees' skills in areas like leadership and delegating. For example, a supervisor could experiment with both a considerate and an autocratic leadership style, whereas in the real world this isn't so easy. Role-playing may also help someone to be more sensitive to others' feelings.

#### **in-house development center**

A company-based method for exposing prospective managers to realistic exercises to develop improved management skills.

**CORPORATE UNIVERSITIES** Many firms establish **in-house development centers** (often called *corporate universities*). GE's Crotonville, New York, management training center was one of the first; it provides GE management employees with a very extensive range of courses and seminars, such as one 2-week program for selected middle managers where they receive coaching on topics ranging from finance to presentation skills.<sup>160</sup> As with management development in general, the best corporate universities (1) actively align offerings with corporate goals, (2) focus on developing skills that support business needs, (3) evaluate learning and performance, (4) use technology to support learning, and (5) partner with academia.<sup>161</sup>

Increasingly employers offer virtual—rather than brick-and-mortar—corporate university services. For example, Cerner Health offers its employees “Cerner KnowledgeWorks.” This provides three types of knowledge. *Dynamic knowledge* “is real-time content . . . such as e-mails, instant messages, or conference calls.” *Moderated content* “includes best practices, such as case studies or wikis that capture information about situations where we did well and how we did it.” *Codified content* “is more formal documentation of official company practices, and includes installation guides, help files, and formal training or courses.”<sup>162</sup>

#### **executive coach**

An outside consultant who questions the executive's associates in order to identify the executive's strengths and weaknesses, and then counsels the executive so he or she can capitalize on those strengths and overcome the weaknesses.

**EXECUTIVE COACHES** Many firms retain executive coaches to help develop their top managers' effectiveness. An **executive coach** is an outside consultant who questions the executive's boss, peers, subordinates, and (sometimes) family in order to identify the executive's strengths and weaknesses, and to counsel the executive so he or she can capitalize on those strengths and overcome the weaknesses.<sup>163</sup> Executive coaching can cost \$50,000 per executive or more, so a careful evaluation is needed before retaining one. In particular, ask, how valuable is the manager's performance to the company, how willing is he or she to participate, what is the challenge the manager is facing, and what if any are the alternatives to executive coaching? Experts recommend using formal assessments prior to coaching, to uncover strengths and weaknesses and to provide more focused coaching.<sup>164</sup>

The coaching field is unregulated, so managers should do their due diligence. Check references, and consult the International Coach Federation, a trade group.<sup>165</sup>

**THE SHRM LEARNING SYSTEM** The Society for Human Resource Management (SHRM) encourages HR professionals to qualify for certification by taking examinations. The society offers several preparatory training programs.<sup>166</sup> These include self-study, and a college/university option that includes classroom interaction with instructors and other learners.<sup>167</sup>

#### **Leadership Development at Cigna**

As a leadership development example, Cigna offers various leadership development programs by specialty, for example, an Actuarial Executive Development Program, a Financial Development Program, and a HealthService Leadership Program.<sup>168</sup> According to Cigna, its HealthService Leadership Program (HLP) “focuses on building general leadership talent through executive coaching, dynamic rotational roles, and personalized development to create a pipeline for future executive positions at Cigna.” The program entails functional rotations each lasting 12 to 24 months, during which trainees improve their general management and leadership skills. They do this,

for instance, through leadership assessments, mentorships, and experiential learning. The functions the trainees are exposed to include, for example, Marketing, Product, Finance, Service Operations, and Strategy and Business Development.



### TRENDS SHAPING HR: CUSTOMIZED TALENT MANAGEMENT-DIFFERENTIAL DEVELOPMENT ASSIGNMENTS

In today's competitive environment, the usual HR practice of allocating development opportunities and other scarce resources across the board or based solely on performance makes less sense. It often makes more sense to focus more of the employer's resources on the "mission-critical employees" who the employer deems most crucial to the company's future growth.

We'll look closer at how employers do this in the following chapter, but several examples follow:

- High-potential trainees in Johnson & Johnson's "LeAD" leadership development program receive advice and regular assessments from coaches brought in from outside the company.<sup>169</sup>
- Some companies share future strategies on a privileged basis with rising leaders. For example, they invite them to quarterly meetings with high-level executives, and they let them access an online portal where the rising leaders can review the company's strategy and critical metrics.<sup>170</sup> ■

### Characteristics of Effective Leadership Development Programs

What are the characteristics of effective leadership training programs?<sup>171</sup> One major study's findings suggest this: The best programs begin with a *thorough needs analysis* to determine tangible program goals; *mandatory participation* in the program is as effective as voluntary participation; self-administered programs are *less effective* than *trainer-based programs*; *practice-based programs* are more effective than information-based programs; providing *feedback* to trainees boosts the program's effectiveness; *on-site programs* (at the company's facilities) are generally more effective than off-site training programs; *face-to-face* leadership training programs are more effective than virtually based programs; and leadership training is as effective for *senior-level leaders* as for lower-level ones.



#### LEARNING OBJECTIVE 8-6

List and briefly discuss the importance of the steps in leading organizational change.

## Managing Organizational Change Programs

With firms from AT&T and Comcast to Barnes & Noble and Macy's being disrupted by digital competitors, reorganizations are increasingly familiar, but often fail. McKinsey and Company surveyed 1,800 executives to identify why reorganizations fail. Top reasons included *employees resisting the changes, insufficient resources devoted to the effort, individual productivity declining as employees become distracted, leaders resisting the changes, and the organization chart changes but the people are still working the same.*<sup>172</sup>

In addition, *clarity of purpose* is essential. For example, two change experts say that most major change programs (or "transformations") aim to achieve one of five basic purposes or "quests": *customer focus, nimbleness, innovation, sustainability, or boosting global presence.*<sup>173</sup> They found that when transformations fail, it's generally because those running them either neglect to clarify up front the program's purpose/quest, or pursue the wrong quest, or focus on multiple quests.

In any case, companies often have little choice but to change how they do things. For example, Microsoft changed its CEO a few years ago, then reorganized, changed its strategy to include supplying hardware (tablets, etc.), and made other personnel changes. As here, organizational change may impact a company's strategy, culture, structure, technologies, or the attitudes and skills of its employees.

Again, the hardest part is often overcoming employee resistance. Individuals, groups, and even entire organizations tend to resist change. They do this because

they're accustomed to the usual way of doing things or because of perceived threats to their influence, for instance.<sup>174</sup>

### Lewin's Change Process

Psychologist Kurt Lewin formulated a model to summarize the basic process for implementing a change with minimal resistance. To Lewin, all behavior in organizations was a product of two kinds of forces: those striving to maintain the status quo and those pushing for change. Implementing change thus means reducing the forces for the status quo or building up the forces for change. Lewin's process consists of three steps:

1. ***Unfreezing*** means reducing the forces that are striving to maintain the status quo, usually by presenting a provocative problem or event to get people to recognize the need for change and to search for new solutions.
2. ***Moving*** means developing new behaviors, values, and attitudes. The manager may accomplish this through organizational structure changes, through conventional training and development activities, and sometimes through the other organizational development techniques (such as team building) we'll discuss later.
3. ***Refreezing*** means building in the reinforcement to make sure the organization doesn't slide back into its former ways of doing things—for instance, change the incentive system.

In practice, to deal with employee intransigence, some experts suggest that the manager use a process such as the following to implement the change.<sup>175</sup> To bring about a desired organizational change at work:

1. ***Establish a sense of urgency.*** For example, present employees with a (fictitious) analyst's report describing the firm's imminent demise.
2. ***Mobilize commitment*** through joint diagnoses of problems. Create a task force to diagnose the problems facing the department or the company. This can help to produce a shared understanding of what can and must be improved.
3. ***Create a guiding coalition.*** It's never easy to implement big changes alone. Therefore, create a "guiding coalition" of influential people. They'll act as missionaries and implementers.
4. ***Develop and communicate a shared vision*** of what you see coming from the change. Keep the vision simple (for example, "We will be faster than anyone at satisfying customer needs").<sup>176</sup>

Create a sense of urgency, for example, by presenting employees with a report describing the firm's imminent demise—if corrective actions aren't taken.



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5. **Help employees make the change.** Eliminate impediments. For example, do current policies or procedures make it difficult to act? Do intransigent managers discourage employees from acting?
6. **Aim first for attainable short-term accomplishments.** Use the credibility from these to make additional changes.<sup>177</sup>
7. **Reinforce the new ways of doing things** with changes to the company's systems and procedures. For example, use new appraisal systems and incentives to reinforce the desired new behaviors.
8. **Monitor and assess progress.** In brief, this involves comparing the company's progress with where it should be.

### Using Organizational Development

Beyond this process, there are many other ways to reduce resistance. Among the many suggestions here are that managers impose rewards or sanctions that guide employee behaviors, explain why the change is needed, negotiate with employees, give inspirational speeches, or ask employees to help design the change.<sup>178</sup>

Organizational development (OD) taps into the latter. **Organizational development** is a change process through which employees formulate the change that's required and implement it, often with the assistance of trained consultants. OD has several distinguishing characteristics:

1. It usually involves *action research*, which means collecting data about a group, department, or organization, and feeding the information back to the employees so they can analyze it and develop hypotheses about what the problems might be.
2. It applies behavioral science knowledge to improve the organization's effectiveness.
3. It changes the organization in a particular direction—toward empowerment, improved problem solving, responsiveness, quality of work, and effectiveness.

For example, according to experts French and Bell, one OD method, *team-building meetings*, begins with the consultant interviewing each of the group members and the leader before the meeting.<sup>179</sup> They are asked what their problems are, how they think the group functions, and what obstacles are keeping the group from performing better. The consultant then categorizes the interview data into themes (such as “inadequate communications”) and presents the themes to the group at the start of the meeting. The group ranks the themes in terms of importance, and the most important ones become the agenda for the meeting. The group then explores and discusses the issues, examines the underlying causes of the problems, and begins devising solutions.

*Survey research* is another of many OD options (see Table 8-2). It requires having employees, usually throughout the organization, complete attitude surveys. The

**TABLE 8-2 Categories of OD Interventions**

Human Process	Human Resource Management
T-groups	Goal setting
Process consultation	Performance appraisal
Third-party intervention	Reward systems
Team building	Career planning and development
Organizational confrontation meeting	Managing workforce diversity
Survey research	Employee wellness
Technostructural	Strategic
Formal structural change	Integrated strategic management
Differentiation and integration	Culture change
Cooperative union–management projects	Strategic change
Quality circles	Self-designing organizations
Total quality management	
Work design	

facilitator then uses those data as a basis for problem analysis and action planning. Surveys are a convenient way to unfreeze a company's management and employees. They provide a comparative, graphic illustration of the fact that the organization does have problems to solve.



### LEARNING OBJECTIVE 8-7

**Explain** why a controlled study may be superior for evaluating the training program's effects.

## Evaluating the Training Effort

Two experts contend that after spending \$560 billion on training in one recent year, employers are getting a poor return on their investment, because it “doesn't lead to better organizational performance. . .”<sup>180</sup> Particularly with today's emphasis on measuring results, the manager should therefore evaluate the training program.

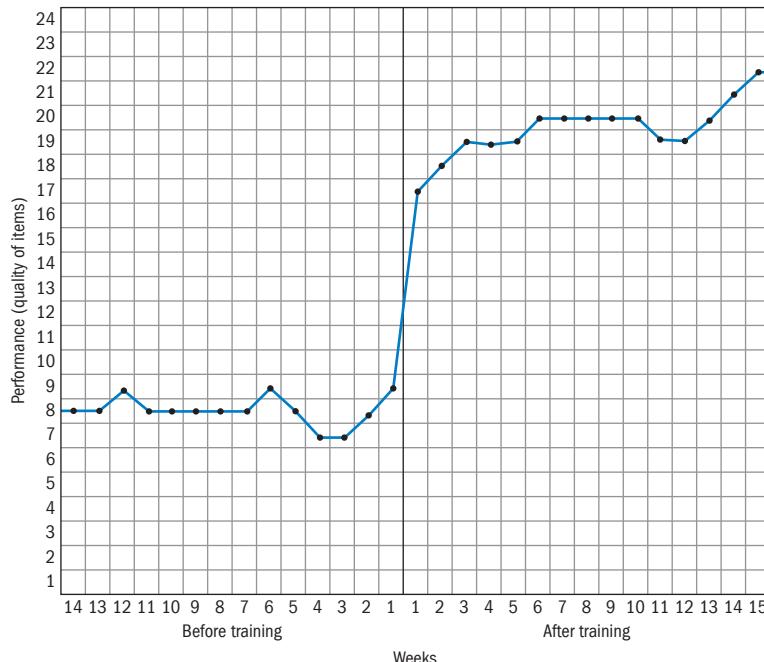
There are several things you can measure: participants' *reactions* to the program, what (if anything) the trainees *learned* from the program, and to what extent their on-the-job *behavior* or *results* changed as a result of the program. In one older survey of about 500 U.S. organizations, 77% evaluated their training programs by eliciting reactions, 36% evaluated learning, and about 10% to 15% assessed the program's behavior and/or results; recent evidence suggests these figures probably haven't changed much.<sup>181</sup>

There are two basic issues to address when evaluating training programs. One is the design of the evaluation study and, in particular, whether to use controlled experimentation. The second is, “What should we measure?”

### Designing the Study

In deciding how to design the evaluation study, the basic concern is this: How can we be sure that the training (rather than, say, a company-wide wage increase) caused the results that we're seeing? The *time series design* is one option. Here, as in Figure 8-3, you take a series of performance measures before and after the training program. This can provide some insight into the program's effectiveness.<sup>182</sup>

**FIGURE 8-3** Using a Time Series Graph to Assess a Training Program's Effects



However, you can't be absolutely sure that the training (rather than, say, the raise) caused any change.

### controlled experimentation

Formal methods for testing the effectiveness of a training program, preferably with before-and-after tests and a control group.

**Controlled experimentation** is therefore the gold standard. A controlled experiment uses a training group and a control group that receives no training. Data (for instance, on quantity of sales or quality of service) are obtained both before and after one group is exposed to training and before and after a corresponding period in the control group. This makes it easier to determine the extent to which any change in the training group's performance resulted from the training, rather than from some organizationwide change like a raise in pay. (The pay raise should have affected employees in both groups.)<sup>183</sup>

### Training Effects to Measure

The widely used Kirkpatrick Model of training evaluation (named for its developer) lists four training effects employers can measure:<sup>184</sup>

1. **Reaction.** Evaluate trainees' reactions to the program. Did they like the program? Did they think it worthwhile?
2. **Learning.** Test whether they learned the principles, skills, and facts they were supposed to learn.
3. **Behavior.** Ask whether the trainees' on-the-job behavior changed because of the training program. For example, are employees in the store's complaint department more courteous toward disgruntled customers?
4. **Results.** Most important, ask, "What results did we achieve, in terms of the training objectives previously set?" For example, did the number of customer complaints diminish? Reactions, learning, and behavior are important. But if the training program doesn't produce measurable performance-related results, then it probably hasn't achieved its goals.<sup>185</sup>

Evaluating each of these is straightforward. Figure 8-4 presents one page from a sample evaluation questionnaire for assessing *reactions*. Or, you might assess trainees' *learning* by testing their new knowledge. For *behavioral change*, perhaps assess the effectiveness of a supervisory performance appraisal training program by asking that person's subordinates, "Did your supervisor provide you with examples of good and bad performance when he or she appraised your performance most recently?" Finally, directly assess a training program's *results* by measuring, say, the percentage of phone caller questions that call center trainees subsequently answered correctly. Similarly, a careful comparison of the training program's costs and benefits can enable the human resource team to compute the program's return on investment. Online calculators are available to facilitate such analyses.<sup>186</sup>

A program at MGM Resorts illustrates training evaluation.<sup>187</sup> In the hospitality industry, how likely guests are to return is a crucial metric, and is measured at MGM by "Net Promoter Scores" (NPS). With MGM's NPS scores not up to par, its training team concluded "guest facing" employees weren't sufficiently engaged. It created an Essentials of Hotel Management Program for front desk and assistant managers. The program emphasized skills like collaboration and communications. At the end of the approximately 1-year program, NPS scores had risen about 2% (which is considered a notable accomplishment).<sup>188</sup>

	<b>INSTRUCTOR HANDOUTS</b>	<i>United States Office of Personnel Management</i>					
<b>TRAINING EVALUATION FORM</b>							
<b>TITLE OF COURSE:</b> "Work and Family Issues — A Module for Supervisors and Managers"		<b>DATE OF TRAINING</b> Started: _____ Ended: _____					
<b>NAME OF INSTRUCTOR:</b>							
NAME: (Optional)		POSITION TITLE/GRADE:					
AGENCY: (Optional)		OFFICE PHONE: (Optional)					
OFFICE ADDRESS: (Optional)							
Rate Your Knowledge and Skill Level (Circle your rating)		Overall, how would you rate this course?					
Before this course Low ----- High 1    2    3    4    5		___ Excellent ___ Very Good ___ Good ___ Fair ___ Poor					
After this course Low ----- High 1    2    3    4    5							
<b>EVALUATION OF COURSE</b> (Check appropriate box)							
ITEMS OF EVALUATION How did the course sharpen your knowledge or skills in:		Excellent	Very Good	Good	Fair	Poor	Not Applicable
1. What work and family programs are		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Who uses work and family programs		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. How to recognize/solve work/family issues		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Helping you take practical steps on the job		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>RATING OF INSTRUCTOR</b>							
1. Presentation, organization, delivery		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. Knowledge and command of the subject		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3. Use of audio-visuals or other training aids		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4. Stimulation of an open exchange of ideas, participation, & group interaction		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>STRONG POINTS OF THE COURSE</b> .							
<b>WEAK POINTS OF THE COURSE</b> .							
<b>ADDITIONAL DATA YOU WOULD LIKE TO HAVE COVERED IN COURSE</b> .							
<b>ADDITIONAL COMMENTS/OR RECOMMENDATIONS</b>							

**FIGURE 8-4 A Training Evaluation Form**

Source: From Instructor Handouts: Training Evaluation Form, United States Office of Personnel Management.

# Chapter Review

## Chapter Section Summaries

- 8-1. Getting your new employee up to speed begins with **orienting and training** him or her. Employee orientation means providing new employees with the information they need to function, and helping them start being emotionally attached to the firm.
- 8-2. There is more to orienting employees than introducing them to their coworkers. Even without a company-wide program like Toyota's, use the onboarding opportunity to begin instilling in the new employee the company values and traditions in which you expect the person to become **engaged**.
- 8-3. We used the acronym **ADDIE** to outline the **training process**: analyze, develop, design, implement, and evaluate. Before training employees, it's necessary to analyze their training needs and design the training program. In training new employees, employers use task analysis—basically, a detailed study of the job—to determine what skills the job requires. For current employees, performance analysis is required, specifically to verify that there is performance efficiency and to determine if training is the solution. Distinguishing between can't-do and won't-do problems is the main issue here. Once you understand the issues, you can design a training program, which means identifying specific training objectives, clarifying a training budget, and then actually designing the program in terms of the actual content.
- 8-4. With this in place, you can turn to **implementing the training program**. Specific training methods include on-the-job training, apprenticeship training, informal learning, job instruction training, lectures, programmed learning, audiovisual-based training, vestibule training, videoconferencing, electronic performance support systems, and computer-based training. Frequently, programs are Internet-based, with employees accessing packaged online programs, backed up by learning management systems, through their company's learning portals. Employers also increasingly use mobile learning, for instance, delivering short courses and explanations to employees' smart phones. Life-long learning can help ensure employees have the basic educational backgrounds they need to succeed on their jobs. Diversity training aims to create better cross-cultural sensitivity with the goal of fostering more harmonious working relationships.
- 8-5. Most training methods are useful for all employees, but some are particularly appropriate for **management development programs**. Like all employees, new managers often get on-the-job training, for instance, via job rotation and coaching. In addition, it's usual to supply various off-the-job training and development opportunities—for instance, using the case study method, management games, outside seminars, university-related programs, corporate universities, executive coaches, and (for human resource managers) the SHRM learning system.
- 8-6. When facing challenges, managers have to execute **organizational change programs**. These may aim at changing the company's strategy, culture, structure, technologies, or the attitudes and skills of the employees. Often, the trickiest part of organizational change is overcoming employees' resistance to it. With that in mind, steps in an effective organizational change program include establishing a sense of urgency, mobilizing commitment, creating a guiding coalition, developing and communicating a shared vision, helping employees make the change, consolidating gains, reinforcing new ways of doing things, and monitoring and assessing progress. Organizational development involves action research, which means collecting data about a group and feeding the information back to the employees so they can analyze it and develop hypotheses about what the problems might be.
- 8-7. Whatever the training program, it's important to **evaluate the training effort**. You can measure reaction, learning, behavior, or results, ideally using a control group that is not exposed to training, in parallel with the group that you're training.

## Discussion Questions

- 8-1. “A well-thought-out orientation program is essential for all new employees, whether they have experience or not.” Explain why you agree or disagree with this statement.
- 8-2. Explain how you would apply our “motivation points” (pages 246–247) in developing a lecture, say, on orientation and training.
- 8-3. What are some typical on-the-job training techniques? What do you think are some of the main drawbacks of relying on informal on-the-job training? What are some advantages to using cloud-based training?
- 8-4. Describe the pros and cons of five management development methods.
- 8-5. Do you think job rotation is a good method to use for developing management trainees? Why or why not?
- 8-6. What is organizational development, and how does it differ from traditional approaches to organizational change?
- 8-7. List and briefly explain each of the steps in the training process.

## Individual and Group Activities

- 8-8. You’re the supervisor of a group of employees whose task is to assemble disk drives that go into computers. You find that quality is not what it should be and that many of your group’s devices have to be brought back and reworked. Your boss says, “You’d better start doing a better job of training your workers.”
- What are some of the staffing factors that could be contributing to this problem?
  - Explain how you would go about assessing whether it is in fact a training problem.
- 8-9. Choose a task with which you are familiar—mowing the lawn, making a salad, or studying for a test—and develop a job instruction sheet for it.
- 8-10. Working individually or in groups, develop a short, programmed learning program on the subject “Guidelines for Giving a More Effective Lecture.”
- 8-11. Find three or four actual examples of employers using social media for training purposes. At what levels of managers are the offerings aimed? What seem to be the most popular types of programs? Why do you think that’s the case?
- 8-12. Working individually or in groups, develop several specific examples to illustrate how a professor teaching human resource management could use at least four of the techniques described in this chapter in teaching his or her HR course.
- 8-13. Working individually or in groups, develop an orientation program for high school graduates entering your university as freshmen.
-  8-14. Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team’s questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.
- 8-15. Perhaps no training task in Afghanistan was more pressing than creating the country’s new army in the early 2000s, which is an ongoing task. These were the people who were to help the coalition bring security to Afghanistan. However, many new soldiers and even officers had no experience. There were language barriers between trainers and trainees. And some trainees found themselves quickly under fire from insurgents when they went as trainees out into the field. Based on what you learned about training from this chapter, list the five most important things you would tell the U.S. officer in charge of training to keep in mind as he designs the training program.

## Experiential Exercise

### Flying the Friendlier Skies

Written and copyrighted by Gary Dessler, PhD.

**Purpose:** The purpose of this exercise is to give you practice in developing a training program for the job of airline reservation clerk for a major airline.

**Required Understanding:** You should be fully acquainted with the material in this chapter and should read the following description of an airline reservation clerk’s duties:

Customers contact our airline reservation clerks to obtain flight schedules, prices, and itineraries. The

reservation clerks look up the requested information on our airline's online flight schedule systems, which are updated continuously. The reservation clerk must deal courteously and expeditiously with the customer, and be able to quickly find alternative flight arrangements in order to provide the customer with the itinerary that fits his or her needs. Alternative flights and prices must be found quickly, so that the customer is not kept waiting, and so that our reservations operations group maintains its efficiency standards. It is often necessary to look under various routings, since there may be a dozen or more alternative routes between the customer's starting point and destination.

You may assume that we just hired 30 new clerks, and that you must create a 3-day training program.

## Application Case

### Reinventing the Wheel at Apex Door Company

Written and copyrighted by Gary Dessler, PhD.

Jim Delaney, president of Apex Door, has a problem. No matter how often he tells his employees how to do their jobs, they invariably "decide to do it their way," as he puts it, and arguments ensue between Jim, the employee, and the employee's supervisor. One example is the door-design department, where the designers are expected to work with the architects to design doors that meet the specifications. While it's not "rocket science," as Jim puts it, the designers invariably make mistakes—such as designing in too much steel, a problem that can cost Apex tens of thousands of wasted dollars, once you consider the number of doors in, say, a 30-story office tower.

The order processing department is another example. Jim has a very specific and detailed way he wants the order written up, but most of the order clerks don't understand how to use the multipage order form. They simply improvise when it comes to a detailed question such as whether to classify the customer as "industrial" or "commercial."

**How to Set Up the Exercise/Instructions:** Divide the class into teams of five or six students.

Airline reservation clerks obviously need numerous skills to perform their jobs. This airline has asked you to quickly design the outline of a training program for its new reservation clerks.

- 8-16. You may want to start by listing the job's main duties and by reviewing any work you may have done for the exercise at the end of Chapter 6.
- 8-17. In any case, please produce the requested outline, making sure to be very specific about what you want to teach the new clerks, and what methods and aids you suggest using to train them.

The current training process is as follows. None of the jobs has a training manual per se, although several have somewhat out-of-date job descriptions. The training for new people is all on the job. Usually, the person leaving the company trains the new person during the 1- or 2-week overlap period, but if there's no overlap, the new person is trained as well as possible by other employees who have filled in occasionally on the job in the past. The training is the same throughout the company—for machinists, secretaries, assemblers, engineers, and accounting clerks, for example.

### Questions

- 8-18. What do you think of Apex's training process? Could it help to explain why employees "do things their way"? If so, how?
- 8-19. What role should job descriptions play in training at Apex?
- 8-20. Explain in detail what you would do to improve the training process at Apex. Make sure to provide specific suggestions, please.

## Continuing Case

### Carter Cleaning Company

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#### The New Training Program

The Carter Cleaning Centers currently have no formal orientation or training policies or procedures, and Jennifer believes this is one reason why the standards to which she and her father would like employees to adhere to are generally not followed.

The Carters would prefer that certain practices and procedures be used in dealing with the customers at the front counters. For example, all customers should be greeted with what Jack refers to as a "big hello." Garments they drop off should immediately be inspected for any damage or unusual stains so these can be brought to the customer's attention, lest the customer later return to pick up the garment and

erroneously blame the store. The garments are then supposed to be placed together in a nylon sack immediately to separate them from other customers' garments. The ticket also has to be carefully written, with the customer's name and telephone number and the date clearly noted on all copies. The counter person is also supposed to take the opportunity to try to sell the customer additional services such as waterproofing, or simply notify the customer that "Now that people are doing their spring cleaning, we're having a special on drapery cleaning all this month." Finally, as the customer leaves, the counter person is supposed to make a courteous comment like "Have a nice day." Each of the other jobs in the stores—pressing, cleaning and spotting, and so forth—similarly contain certain steps, procedures, and, most important, standards the Carters would prefer to see upheld.

The company has had problems, Jennifer feels, because of a lack of adequate employee training and orientation. For example, two new

employees became very upset last month when they discovered that they were not paid at the end of the week, on Friday, but instead were paid (as are all Carter employees) on the following Tuesday. The Carters use the extra two days in part to give them time to obtain everyone's hours and compute their pay. The other reason they do it, according to Jack, is that "frankly, when we stay a few days behind in paying employees it helps to ensure that they at least give us a few days' notice before quitting on us. While we are certainly obligated to pay them anything they earn, we find that psychologically they seem to be less likely to just walk out on us Friday evening and not show up Monday morning if they still haven't gotten their pay from the previous week. This way they at least give us a few days' notice so we can find a replacement."

There are other matters that could be covered during orientation and training, says Jennifer. These include company policy regarding paid holidays, lateness and absences, health benefits (there are none, other than workers' compensation), substance abuse, eating or smoking on the job (both forbidden), and general matters like the maintenance of a clean and safe work area, personal appearance and cleanliness, time sheets, personal telephone calls, and personal e-mail.

Jennifer believes that implementing orientation and training programs would help to ensure that employees know how to do their jobs the right way. And she and her father further believe that it is only when employees understand the right way to do their jobs that there is any hope their jobs will be accomplished the way the Carters want them to be accomplished.

### Questions

- 8-21. Specifically, what should the Carters cover in their new employee orientation program, and how should they convey this information?
- 8-22. In the HR management course Jennifer took, the book suggested using a job instruction sheet to identify tasks performed by an employee. Should the Carter Cleaning Centers use a form like this for the counter person's job? If so, what should the form look like, say, for a counter person?
- 8-23. Which specific training techniques should Jennifer use to train her pressers, her cleaner/spotters, her managers, and her counter people? Why should these training techniques be used?

## Translating Strategy into into HR Policies and Practices Case\*,§

\*The accompanying strategy map for this chapter is in MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

### Improving Performance at the Hotel Paris

#### The New Training Program

The Hotel Paris's competitive strategy is "To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability." HR manager Lisa Cruz must now formulate functional policies and activities that support this competitive strategy, by eliciting the required employee behaviors and competencies.

As she reviewed her company's training processes, Lisa had many reasons to be concerned. For one thing, the Hotel Paris relied almost exclusively on informal on-the-job training. New security guards attended a 1-week program offered by a law enforcement agency, but all other new hires, from assistant manager to housekeeping crew, learned the rudiments of their jobs from their colleagues and their supervisors, on the job. Lisa noted that the drawbacks of this informality were evident when she compared the Hotel Paris's performance on various training metrics with those of other hotels and service firms. For example, in terms of number of hours training per employee per year, number of hours training for new employees, cost per trainee hour, and percent of payroll spent on training, the Hotel Paris was far from the norm when benchmarked against similar firms.

As Lisa and the CFO reviewed measures of the Hotel Paris's current training efforts, it was clear that (when compared to similar companies) some changes were in order. Most other service companies provided at least 40 hours of training per employee per year, while the Hotel Paris offered, on average, no more than 5 or 6. Similar firms offered at least 40 hours of training per new employee, while the Hotel Paris offered, at most, 10. Even the apparently "good" metrics comparisons simply masked poor results. For example, whereas most service firms spend about 8% of their payrolls on training, the Hotel Paris spent less than 1%. The problem, of course, was that the Hotel Paris's training wasn't more efficient, it was simply nonexistent.

Given this and the commonsense links between (1) employee training and (2) employee performance, the CFO gave his go-ahead

for Lisa and her team to design a comprehensive package of training programs for all Hotel Paris employees. They retained a training supplier to design a 1-day training program composed of lectures and audiovisual material for all new employees. This program covered the Hotel Paris's history, its competitive strategy, and its critical employee capabilities and behaviors, including the need to be customer oriented. With a combination of lectures and video examples of correct and incorrect behaviors, the behavior-modeling part of this program aimed to cultivate in new employees the company's essential values, including, "we endeavor to do everything we can to make the guests' stay 100% pleasant."

The team developed separate training programs for each of the hotel's other individual job categories. For example, it retained a special vendor to create computer-based training programs, complete with interactive scenarios, for both the front-desk clerks and telephone operators. As with all the new training programs, they had these translated into the languages of the countries in which the Hotel Paris did business. The team chose to stay with on-the-job training for both the housekeeping and valet/door person job categories, but formalized this training with special handbooks for each job category's supervisory staff. For assistant managers, the team developed a new videoconference-based online training and development program. In this way, the new managers could interact with other assistant managers around the chain, even as they were learning the basics of their new jobs. Lisa and the CFO were not at all surprised to find that within a year of instituting the new training programs, scores on numerous employee capabilities and behavior metrics (including speed of check-in/out, percent of employees scoring at least 90% on Hotel Paris's values quiz, and percent room cleaning infractions) improved markedly. They knew from previous analyses that these improvements would, in turn, drive improvements in customer and organizational outcomes, and strategic performance.

**Questions**

- 8-24. Based on what you read in this chapter, what would you have suggested Lisa and her team do first with respect to training, particularly in terms of the company's strategy? Why?
- 8-25. Have Lisa and the CFO sufficiently investigated whether training is really called for? Why? What would you suggest?

- 8-26. Based on what you read in this Dessler *Human Resource Management* chapter and what you may access via the Web, develop a detailed training program for one of these hotel positions: security guard, housekeeper, or door person.

## MyLab Management

Go to [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) for Auto-graded writing questions as well as the following Assisted-graded writing questions:

- 8-27. John Santos is an undergraduate business student majoring in accounting. He just failed the first accounting course, Accounting 101. He is understandably upset. How would you use performance analysis to identify what, if any, are John's training needs?
- 8-28. Knowing that you are taking an HR management course, a friend asks you this: I just hired a nanny for my child, and I want to make sure she knows what to do; in outline form, what should I cover in the training program I give her?
- 8-29. MyLab Management only—comprehensive writing assignment for this chapter.

### MyLab Management Try It!

How would you apply the concepts and skills you learned in this chapter? If your professor has assigned this activity, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete the simulation.

### PERSONAL INVENTORY ASSESSMENTS



What sort of leadership style do you think you would exhibit in leading an organizational change? Go to [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete the Personal Inventory Assessment related to this chapter.

## Key Terms

employee orientation, 238  
training, 240  
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on-the-job training (OJT), 248

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## Endnotes

1. This case is based on John Donovan and Cathy Benko, "AT&T's Talent Overhaul: Can the Firm Really Retrain

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9

# Performance Management and Appraisal

## LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

- 9-1** **Describe** the performance appraisal process.
- 9-2** **Discuss** the pros and cons of at least eight traditional performance appraisal methods.
- 9-3** **Give examples** of how to deal with potential appraisal error problems.
- 9-4** **List** steps to take in the appraisal interview.
- 9-5** **Explain** key points in how to use the appraisal interview to boost employee engagement.
- 9-6** **Explain** how you would take a performance management approach to appraisal.

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## WHERE ARE WE NOW ...

Chapters 6–8 explained selecting, training, and developing employees. After employees have been on the job for some time, you should appraise their performance. The purpose of this chapter is to show you how to do that. The main topics we cover include the **Basics of Performance Appraisal**, **Tools for Appraising Performance**, **Dealing with Rater Error Appraisal Problems**, **The Appraisal Interview**, **Employee Engagement Guide for Managers**, and **Performance Management**. Career planning is a logical consequence of appraisal: We’ll turn to career planning in Chapter 10.

**LEARNING OBJECTIVE 9-1**

**Describe** the performance appraisal process.

**performance appraisal**

Evaluating an employee's current and/or past performance relative to his or her performance standards.

**performance appraisal process**

A three-step appraisal process involving (1) setting work standards, (2) assessing the employee's actual performance relative to those standards, and (3) providing feedback to the employee with the aim of helping him or her to eliminate performance deficiencies or to continue to perform above par.

## Basics of Performance Appraisal

Few things supervisors do are fraught with more peril than appraising subordinates' performance. Employees tend to be overly optimistic about their ratings. And they know their raises, careers, and peace of mind may hinge on how you rate them. As if that's not enough, few appraisal processes are as fair as employers think they are. Many obvious and not-so-obvious problems (such as the tendency to rate everyone "average") distort the process.<sup>2</sup> However, the perils notwithstanding, performance appraisal plays a big role in managing people.

### The Performance Appraisal Process

**Performance appraisal** means evaluating an employee's current and/or past performance relative to his or her performance standards. You may equate appraisal forms like Figure 9-1 with "performance appraisal," but appraisal involves more than forms. It also requires setting performance standards, and assumes that the employee receives the training, feedback, and incentives required to eliminate performance deficiencies. Stripped to its essentials, performance appraisal always involves the three-step **performance appraisal process**: (1) setting work standards; (2) assessing the employee's actual performance relative to those standards (this often involves some rating form); and (3) providing feedback to the employee with the aim of helping him or her to eliminate performance deficiencies or to continue to perform above par.

Effective appraisals actually begin before the actual appraisal, with the manager defining the employee's job and performance criteria. *Defining the job* means making sure that you and your subordinate agree on his or her duties and job standards and on the appraisal method you will use.

### Why Appraise Performance?

There are five reasons to appraise subordinates' performance.

- First we'll see that although many employers are replacing or complementing annual reviews with frequent, informal discussions between managers and employees,<sup>3</sup> most employers base pay, promotion, and retention decisions in large part on the employee's appraisal.
- Appraisals play a central role in the employer's *performance management* process. Performance management means continuously ensuring that each employee's performance makes sense in terms of the company's overall goals.
- The appraisal lets the manager and subordinate develop plans for correcting deficiencies, and to reinforce strengths.
- Appraisals provide an opportunity to review the employee's career plans in light of his or her strengths and weaknesses. We address career planning in Chapter 10.
- Appraisals enable the supervisor to identify if there is a training need, and the training required.

**FIGURE 9-1 Sample Faculty Evaluation Survey**

Source: Copyright Gary Dessler, PhD.

**Instructions:** Thoughtful evaluations help the faculty member better understand and improve his or her teaching practices. For each of the following eight items, please assign a score, giving your highest score of 7 for Outstanding, a score of 4 for Average, your lowest score of 1 for Needs Improvement, and an NA if the question is not applicable:

**Evaluation Items**

1. The instructor was prepared for his/her lectures.
2. The course was consistent with the course objectives.
3. The instructor was fair in how he/she graded me.
4. The instructor carefully planned and organized this course.
5. The instructor was available during his/her posted office hours.
6. The instructor responded to online inquiries in a timely manner.
7. In terms of knowledge and/or experience, the instructor was competent to teach this course.
8. Overall how would you rate this course?



## Defining the Employee's Goals and Performance Standards

The performance appraisal should compare “what should be” with “what is.” Managers use one or more of three bases—*goals*, *job dimensions* or traits, and behaviors or *competencies*—to establish ahead of time what the person’s performance standards should be.

First, the manager can assess to what extent *the employee is attaining his or her numerical goals*. Such goals should derive from the company’s overall profitability, cost reduction, or efficiency goals. For example, a company-wide goal of reducing costs by 10% should translate into goals for how individual employees and/or teams will cut costs. The HR as a Profit Center discussion shows an example.



### IMPROVING PERFORMANCE: HR AS A PROFIT CENTER

#### Setting Performance Goals at Ball Corporation

Ball Corporation supplies metal packaging to customers such as food processors and paint manufacturers worldwide.<sup>4</sup> The management team at one Ball plant concluded that it could improve plant performance by instituting an improved process for setting goals and for ensuring that the plant employees’ behaviors were in synch with these goals.<sup>5</sup> The new program began by training plant leaders on how to improve performance, and on communicating daily performance goals. They in turn communicated and tracked daily goal attainment by distributing team scorecards to the plant’s work teams. Plant employees received special coaching and training to ensure they had the skills required for achieving the goals. Within 12 months the plant increased production by 84 million cans, reduced customer complaints by 50%, and obtained a return on investment of more than \$3 million.<sup>6</sup> ■

#### MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete this discussion. Explain what performance appraisal process behaviors the Ball program included.

Managers often say that effective goals are “SMART.” They are *specific*, and clearly state the desired results. They are *measurable*, and answer the question, “How much?” They are *attainable*. They are *relevant*, and clearly reflect what the company wants to achieve. And they are *timely*, with deadlines and milestones.<sup>7</sup> Research provides insights into setting motivational goals. The accompanying HR Tools discussion summarizes these.



### IMPROVING PERFORMANCE: HR TOOLS FOR LINE MANAGERS AND SMALL BUSINESSES

#### How to Set Effective Goals

Behavioral science research studies suggest four guidelines for setting performance goals:

1. Assign specific goals. Employees who receive specific goals usually perform better than those who do not. Don’t just say, “do your best.”
2. Assign measurable goals. Put goals in quantitative terms, and include target dates/deadlines. If measurable results will not be available, then “satisfactory completion”—such as “satisfactorily attended workshop”—is ok.
3. Assign challenging but doable goals. Goals should be challenging, but not so difficult that they appear unrealistic.
4. Encourage participation. Managers often face this question: Should I tell my employees what their goals are, or let them participate with me in setting their goals? The evidence suggests that participatively set goals do not consistently result in higher performance than assigned goals, nor do assigned goals

consistently result in higher performance than participative ones. It is only when the participatively set goals are set higher than the assigned ones that the participatively set goals produce higher performance. Because it tends to be easier to set higher standards when your employees participate, participation tends to improve performance.<sup>8</sup> ■

### MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/) to complete this discussion question. "Why is it not a good idea to simply tell employees to 'do their best' when assigning a task?"

A second basis upon which to appraise someone is with a form with *basic job dimensions or traits* such as "communication" or "teamwork." The assumption is that "good teamwork" is a useful standard for "what should be."

A third option is to appraise employees based *on their mastery of the competencies* (the skills, knowledge, and/or personal behaviors) the job requires. For example, we saw in Chapter 4 that BP's exploration division appraises employees' skills using a skills matrix (see Figure 4-11, page 124). This matrix shows the basic skills to be assessed (such as "technical expertise"), and the minimum level of each skill the job requires. Employees with the requisite level of each skill are qualified to fill the position.

### Who Should Do the Appraising?

Appraisal by the immediate supervisor is still the heart of most appraisals. This makes sense. The supervisor is usually in the best position to observe and evaluate the subordinate's performance, and is responsible for that person's performance.

The human resources department is advisory. Generally, they provide the advice on what appraisal tool to use, but leave final decisions on procedures to operating managers. The human resource team should also train supervisors to improve their appraisal skills, monitor the appraisal system's effectiveness, and ensure that it complies with EEO laws.

Relying only on supervisors' appraisals isn't advisable. For example, the supervisor may not appreciate how customers and colleagues see the employee's performance. There is also always some danger of bias. If so, managers have several options.

**PEER APPRAISALS** Peer appraisals—appraisals by one's peers—are popular. The American military requires generals and admirals to be evaluated by their peers (and subordinates).<sup>9</sup> Facebook has employees compile peer reviews every 6 months.<sup>10</sup> Google employees receive annual feedback from their supervisor and their peers.<sup>11</sup> At one software firm, employees recognize each other with "wins" and "project completions" during monthly video meetings.<sup>12</sup>

Typically, an employee due for a peer appraisal chooses an appraisal chairperson. The latter (perhaps with the employee's input) then selects a supervisor and several peers to evaluate the employee's work.

Peer appraisals are useful. Peers see aspects of the person that the boss may never see, so peers' opinions can be useful. Knowing your colleagues will appraise you can also change behavior. In one study, instituting peer appraisals had "an immediate positive impact on [improving] perception of open communication, task motivation, social loafing, group viability, cohesion, and satisfaction."<sup>13</sup>

**Crowd Appraisals** Social media tools allow almost everyone in the company (the "crowd," as in "crowd appraisals") to continuously appraise their peers' work. Rypple (owned by salesforce.com) illustrates one such "social performance management platform."<sup>14</sup> Employees and managers use it to provide feedback and recognition.<sup>15</sup> For example, Washington-based LivingSocial employees use Rypple to comment on each other's work. LivingSocial then uses these comments as input to its formal employee appraisals.<sup>16</sup> Employers often combine such reviews with Globoforce ([www.globoforce.com](http://www.globoforce.com))—type rewards sites, to automate the rewarding and recognizing of colleagues.<sup>17</sup>

**Virtual Games** Many employers conduct peer appraisals by using virtual appraisal games. For example, one company created a virtual game that helps employees evaluate and reward each other. Each employee has an avatar. They use these to give real-time feedback to each other, along with virtual gifts and points.<sup>18</sup>

**RATING COMMITTEES** A rating committee typically consists of the employee's immediate supervisor and three or four other supervisors.<sup>19</sup>

Using multiple raters is advantageous. It helps cancel out problems such as bias on the part of individual raters.<sup>20</sup> It can also help pick up the different facets of an employee's performance observed by different appraisers.<sup>21</sup> It's thus advantageous to obtain ratings from the supervisor, his or her boss, and at least one other manager who is familiar with the employee's work. At a minimum, require that the supervisor's boss sign off on any appraisals the supervisor does.

**SELF-RATINGS** Some employers obtain employees' self-ratings, usually along with supervisors' ratings. The problem, of course, is that employees usually rate themselves higher than do their supervisors or peers.<sup>22</sup> One older study found that, when asked to rate their own job performances, 40% of employees in jobs of all types placed themselves in the top 10%, and virtually all remaining employees rated themselves in the top 50%; some believe incompetent performers aren't capable of objectively assessing themselves.<sup>23</sup> It's probably best to just ask subordinates to list their accomplishments for the period, before the manager does the appraisal.<sup>24</sup>

**APPRAISAL BY SUBORDINATES** Many employers have subordinates rate their managers, usually for developmental rather than for pay purposes. Google, for example, has subordinates assess their managers twice a year with questions such as "my manager shows consideration for me as a person."<sup>25</sup> Not surprisingly, anonymity affects the feedback. Managers who receive feedback from subordinates who identify themselves view the upward feedback process more positively. However, subordinates who identify themselves tend to give inflated ratings.<sup>26</sup>

The evidence suggests that upward feedback does improve managers' performance. One study focused on 252 managers during five annual administrations of an upward

Many employers use rating committees to appraise employees.



feedback program. Managers who were initially rated poor or moderate “showed significant improvements in [their] upward feedback ratings over the five-year period.”<sup>27</sup>

Of course, employees no longer need their employers in order to appraise their boss—sites like Glassdoor and apps like Memo let employees post anonymous comments.<sup>28</sup>

**360-DEGREE FEEDBACK** With 360-degree feedback, the employer collects performance information all around an employee—from supervisors, subordinates, peers, and internal or external customers—generally for developmental rather than pay purposes.<sup>29</sup> The usual process is to have all raters complete online appraisal surveys. Computerized systems then compile this into individualized reports to ratees.

Results are mixed. An older study found that multisource feedback led to “generally small” improvements in subsequent ratings by supervisors, peers, and subordinates.<sup>30</sup> On the other hand, such feedback can wake someone up. One manager, surprised that peers and others called him “Attila the Hun,” ratcheted down his disagreeable behaviors.<sup>31</sup> In any case, make sure the feedback the person receives is productive, unbiased, and development oriented.<sup>32</sup> And, collect multisource feedback by using an online system such as Sumtotal’s 360 Degree Feedback.<sup>33</sup>



#### LEARNING OBJECTIVE 9-2

Discuss the pros and cons of at least eight traditional performance appraisal methods.



#### graphic rating scale

A scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait.

## Traditional Tools for Appraising Performance

We’ll see that many employers use online tools such as Oracle’s TBE Performance Management Cloud Service to automate the performance appraisal/management process. With their digital dashboards, these tools monitor, report, and correct performance deviations in real time. Yet many employers still use traditional performance appraisal tools like those described next, often supplementing them with frequent coaching and/or continuous feedback via mobile platforms.<sup>34</sup>

#### Graphic Rating Scale Method

The **graphic rating scale** is the simplest and most popular method for appraising performance. You’ll find several varieties. As in the one in Figure 9-2, the scale may list several *job dimensions or traits* (such as “communication” or “teamwork”) and a range of performance values (from “below expectations” to “role model” or “unsatisfactory” to “outstanding”) for each trait. The supervisor rates each subordinate by circling or checking the score that best describes the subordinate’s performance for each trait, and totals the ratings.

A *competency- (or skill- or behavior-)* based graphic rating scale is another option.<sup>35</sup> Figure 9-3 (page 285) shows a partial form for a pizza chef. This rating form assesses the person’s competencies and skills. Here the employer wants to appraise a pizza chef’s job-related skills, one of which is: “Be able to maintain adequate inventory of pizza dough.” As another example, Section I of Figure 9-4 (page 286) focuses on behavioral competencies. Here “Effectively leads and motivates nurses” is a required behavioral competency for a nurse supervisor. Some employers use competency-based self-appraisals, which the employee then discusses with his or her supervisor.<sup>36</sup>

Finally, the scale might rate (as in Section II of Figure 9-4) how well the employee did with respect to achieving specific profit, cost, or efficiency *goals*. “Nursing unit experienced zero patient medication errors in period” is one example.

#### Alternation Ranking Method

*Ranking* employees from best to worst on a trait or traits is another option. Since it’s usually easier to distinguish between the worst and best employees, an **alternation ranking method** is most popular. First, list all subordinates to be rated, and then cross out the names of any not known well enough to rank. Then, on a form like that in Figure 9-5 (page 287), indicate the employee who is the highest on the performance dimension being measured and the one who is the lowest. Then choose the next highest and the next lowest, alternating between highest and lowest until all employees have been ranked.

#### alternation ranking method

Ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all are ranked.

**Sample Performance Rating Form**

Employee's Name _____	Level: Entry-level employee
Manager's Name _____	
Key Work Responsibilities	Results/Goals to Be Achieved
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____
4. _____	4. _____

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**Communication**

1	2	3	4	5
<b>Below Expectations</b> Even with guidance, fails to prepare straightforward communications, including forms, paperwork, and records, in a timely and accurate manner; products require considerable corrections.  Even with guidance, fails to adapt style and materials to communicate straightforward information.	<b>Meets Expectations</b> With guidance, prepares straightforward communications, including forms, paperwork, and records, in a timely and accurate manner; products require minimal corrections.  With guidance, adapts style and materials to communicate straightforward information.	<b>Role Model</b> Independently prepares communications, such as forms, paperwork, and records, in a timely, clear, and accurate manner; products require few, if any, corrections.  Independently adapts style and materials to communicate information.		

**Organizational Know-How**

1	2	3	4	5
<b>Below Expectations</b> <performance standards appear here>	<b>Meets Expectations</b> <performance standards appear here>	<b>Role Model</b> <performance standards appear here>		

**Personal Effectiveness**

1	2	3	4	5
<b>Below Expectations</b> <performance standards appear here>	<b>Meets Expectations</b> <performance standards appear here>	<b>Role Model</b> <performance standards appear here>		

**Teamwork**

1	2	3	4	5
<b>Below Expectations</b> <performance standards appear here>	<b>Meets Expectations</b> <performance standards appear here>	<b>Role Model</b> <performance standards appear here>		

**Achieving Business Results**

1	2	3	4	5
<b>Below Expectations</b> <performance standards appear here>	<b>Meets Expectations</b> <performance standards appear here>	<b>Role Model</b> <performance standards appear here>		

**FIGURE 9-2 Sample Graphic Performance Rating Form with Behavioral Examples**

Source: Reproduced with permission of the SHRM Foundation.

**FIGURE 9-3** One Item from an Appraisal Form Assessing Employee Performance on Specific Job-Related Skills

Position: Pizza Chef			
Competency/Skill 1: Be able to maintain adequate inventory of pizza dough		Rating	
Each round pizza dough must be between 12 and 14 ounces each, kneaded at least 2 minutes before being placed in the temperature- and humidity-controlled cooler, and kept there for at least 5 hours prior to use. There should be enough, but no more, for each day's demand.	Needs improvement	Satisfactory	Excellent

#### paired comparison method

Ranking employees by making a chart of all possible pairs of the employees for each trait and indicating which is the better employee of the pair.

#### forced distribution method

Similar to grading on a curve; predetermined percentages of ratees are placed in various performance categories.

#### critical incident method

Keeping a record of uncommonly good or undesirable examples of an employee's work-related behavior and reviewing it with the employee at predetermined times.

### Paired Comparison Method

The **paired comparison method** makes the ranking method more precise. For every trait (quantity of work, quality of work, and so on), you compare every employee with every other employee. With, say, five employees to rate, you use a chart as in Figure 9-6 (page 287) of all possible pairs of employees for each trait. Then choose who the better employee of the pair is. In Figure 9-6, Maria ranked highest (has the most + marks) for quality of work, whereas Art was ranked highest for creativity.

### Forced Distribution Method

The **forced distribution method** is similar to grading on a curve. Here, the manager places predetermined percentages of ratees into performance categories. At Lending Tree, the top 15% ratees are “1’s,” the middle 75% are “2’s,” and the bottom 10% are “3’s” and the “first to go.” GE used top 20%, middle 70%, and bottom 10% for its managers, and most of the bottom 10% lost their jobs.<sup>37</sup> (GE no longer strictly adheres to its 20/70/10 split. Their current system is reportedly more informal and less stressful.)<sup>38</sup>

Forced distribution’s big advantage is in preventing supervisors from simply rating all or most employees “satisfactory” or “high.” But as students know, with this method you’re either in the top 5% or 10% (and get that “A”), or you’re not. Forced distribution systems may also increase the risk of discriminatory adverse impact.<sup>39</sup> One survey found that 77% of employers were at least “somewhat satisfied” with forced ranking, while the remaining 23% were dissatisfied. The biggest complaint: 44% said it damages morale.<sup>40</sup> Forced distribution motivates effort and perhaps performance, but leaves many employees feeling that their appraisals were dysfunctional.<sup>41</sup> Some writers call it “Rank and Yank.”<sup>42</sup> Furthermore, distinguishing between top and bottom performers is usually not even the problem: “The challenge is to differentiate meaningfully between the other 80%.”<sup>43</sup> Therefore, a committee should review any employee’s low ranking.

For many years, Microsoft graded employees against each other in what employees called the “stack.”<sup>44</sup> It now uses frequent qualitative appraisals.

### Critical Incident Method

With the **critical incident method**, the supervisor keeps a log of positive and negative examples (critical incidents) of a subordinate’s work-related behaviors. Every 6 months or so, supervisor and subordinate meet to discuss the latter’s performance, using the incidents as examples. One study involved 112 first-line supervisors. The conclusion of this and similar studies is that compiling critical incidents as they occur anchors the eventual appraisal in reality and thus improves appraisal outcomes.<sup>45</sup>

It’s thus advisable to keep a diary of such incidents.<sup>46</sup> This provides examples the supervisor can use to explain the person’s rating. It makes the supervisor think about the subordinate’s appraisal all during the year (so the rating doesn’t just reflect the employee’s most recent performance). The downside is that such incidents don’t produce relative ratings for pay raise purposes.

**Section I: Competencies:** Does this employee exhibit the core competencies the job requires?

**Exhibits Leadership Competency**

Effectively leads and motivates nurses: Builds a culture that is open and receptive to improved clinical care; sets clear goals for nurses; is supportive of nurses; motivates nurses to achieve their goals.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

**Exhibits Technical Supervisory Competency**

Effectively supervises nurses' technical activities: Exhibits the command of technical nursing knowledge and skills required to supervise nurses effectively, such as, assuring that nurses accurately administer medications, treat patients, intervene effectively to patients' expressions of symptoms, and accurately carry out physicians' instructions.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

**Exhibits Managerial Supervisory Competency**

Effectively manages unit: Develops annual, monthly, weekly, and daily plans within context of hospital's plans; effectively organizes and assigns nurses' work; maintains required nursing staffing levels and trains nurses; effectively monitors and controls nursing unit performance using hospital-approved metrics.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

**Exhibits Communications Competency**

Effectively communicates: Actively listens to and understands what others say; effectively conveys facts and ideas in writing and orally.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

**Exhibits Decision-Making Competency**

Effectively recognizes and solves problems and makes decisions: uses data to analyze alternatives and support conclusions; able to solve problems even of moderate to high complexity.

Generally exceeds expectations	Generally meets expectations	Generally fails to meet expectations
_____	_____	_____

**Section II: Goals:** Did this employee achieve his or her goals for the period you are appraising?

Primary goals employee was to achieve for this period (Note: list specific goals)	Rating 5 Exceeded goal 3 Met goal 1 Did not achieve goal	Explanations and/or examples
Goal 1 Zero patient medication errors	5 4 ③ 2 1	Nursing unit experienced zero patient medication errors.
Goal 2	5 4 3 2 1	
Goal 3	5 4 3 2 1	
Goal 4	5 4 3 2 1	
Goal 5	5 4 3 2 1	

Employee name and signature	Person doing appraisal	Date of appraisal

Source: Copyright Gary Dessler, PhD.

**FIGURE 9-4 Pearson Pennsylvania Hospital Competencies and Goals-Based Appraisal Form for a Nurse-Supervisor**

Source: Copyright Gary Dessler, PhD.

**FIGURE 9-5** Alternation Ranking Method

ALTERNATION RANKING SCALE			
Trait: _____			
For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee's name on line 1. Put the lowest-ranking employee's name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on. Continue until all names are on the scale.			
Highest-ranking employee			
1.	_____	11.	_____
2.	_____	12.	_____
3.	_____	13.	_____
4.	_____	14.	_____
5.	_____	15.	_____
6.	_____	16.	_____
7.	_____	17.	_____
8.	_____	18.	_____
9.	_____	19.	_____
10.	_____	20.	_____
Lowest-ranking employee			

In Table 9-1, one of the assistant plant manager's duties was to supervise procurement and minimize inventory costs. The critical incident log shows that he or she let inventory storage costs rise 15%; this provides an example of what performance to improve.

### Narrative Forms

All or part of the written appraisal may be in narrative form, as in Figure 9-7. Here the person's supervisor assesses the employee's past performance and required areas of improvement. The supervisor's narrative assessment helps the employee understand where his or her performance was good or bad, and how to improve that performance.

**FIGURE 9-6** Paired Comparison Method

Note: + means "better than." – means "worse than." For each chart, add up the number of +'s in each column to get the highest-ranked employee.

FOR THE TRAIT "QUALITY OF WORK"							FOR THE TRAIT "CREATIVITY"						
Employee rated:							Employee rated:						
As Compared to:	A Art	B Maria	C Chuck	D Diane	E José		As Compared to:	A Art	B Maria	C Chuck	D Diane	E José	
A Art		+	+	–	–		A Art		–	–	–	–	
B Maria	–		–	–	–		B Maria	+		–	+	+	
C Chuck	–	+		+	–		C Chuck	+	+		–	+	
D Diane	+	+	–			+	D Diane	+	–	+			
E José	+	+	+	–			E José	+	–	–	+		

Maria ranks highest here      Art ranks highest here

**TABLE 9-1 Examples of Critical Incidents for Assistant Plant Manager**

Continuing Duties	Targets	Critical Incidents
Schedule production for plant	90% utilization of personnel and machinery in plant; orders delivered on time	Instituted new production scheduling system; decreased late orders by 10% last month; increased machine utilization in plant by 20% last month
Supervise procurement of raw materials and inventory control	Minimize inventory costs while keeping adequate supplies on hand	Let inventory storage costs rise 15% last month; overordered parts "A" and "B" by 20%; underordered part "C" by 30%
Supervise machinery maintenance	No shutdowns due to faulty machinery	Instituted new preventative maintenance system for plant; prevented a machine breakdown by discovering faulty part

### behaviorally anchored rating scale (BARS)

An appraisal method that aims at combining the benefits of narrative critical incidents and quantified ratings by anchoring a quantified scale with specific narrative examples of good and poor performance.

### Behaviorally Anchored Rating Scales

A **behaviorally anchored rating scale (BARS)** is an appraisal tool that anchors a numerical rating scale with specific illustrative examples of good or poor performance. Developing a BARS typically involves five steps:

- 1. Write critical incidents.** Ask the job's jobholders and/or supervisors to write specific illustrations (critical incidents) of effective and ineffective performance on the job.

### FIGURE 9-7 Sample Narrative Appraisal Form

Source: Copyright Gary Dessler, PhD.

Supervisory Appraisal of Employee: Narrative Form		
Employee's Name	Department	Present Position
Appraisal Date	Supervisor Name/Title	Performance Period

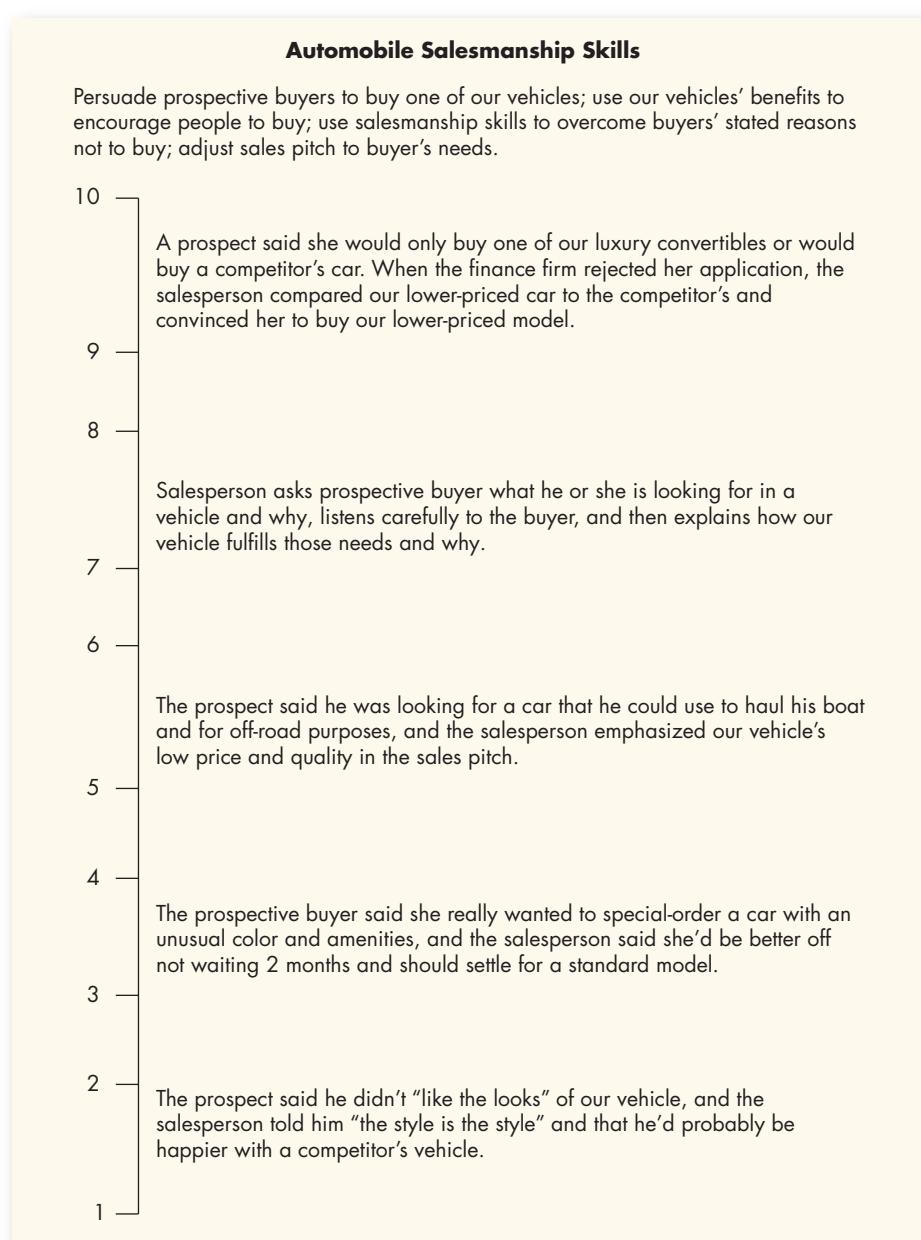
*Supervisor-Appraiser:* First, briefly describe results for each of this employee's goals this year. Then, preferably using specific examples, describe the level of the employee's job knowledge, skills, and abilities. Then, jointly set goals for the coming period and describe required employee training and development in each area. Finally, describe your overall assessment of this employee's work this period.

Appraisal Criteria	Narrative Appraisal	Goals, Training, & Development
Job-Related Goals 1. _____ 2. _____ 3. _____	_____	_____
Employee Job Knowledge	Sam's knowledge of chemical engineering is exceptional; her colleagues use her as a resource when they have questions.	Help prepare her for more responsibility by enrolling in a chemical engineering masters degree program.
Employee Job Skills		
Employee Job Abilities		
Overall Assessment		

- 2. Develop performance dimensions.** Have these people cluster the incidents into five or ten performance dimensions, such as “salesmanship skills.”
- 3. Reallocate incidents.** To verify these groupings, have another team who also knows the job reallocate the original critical incidents to the cluster they think it fits best. Retain a critical incident if most of this second team assigns it to the same cluster as did the first.
- 4. Scale the incidents.** This second group then rates the behavior described by the incident as to how effectively or ineffectively it represents performance on the dimension.
- 5. Develop a final instrument.** Choose about six or seven of the incidents as the performance dimension’s behavioral anchors.<sup>47</sup> Figure 9-8 illustrates a BARS, for a car salesperson.

Three researchers developed a BARS for grocery checkout clerks.<sup>48</sup> They collected many checkout clerk critical incidents, and then grouped these into eight performance dimensions: Knowledge and Judgment; Conscientiousness; Skill in Human Relations;

**FIGURE 9-8** Behaviorally Anchored Rating Scale



Skill in Operation of Register; Skill in Bagging; Organizational Ability of Checkstand Work; Skill in Monetary Transactions; and Observational Ability.

They then developed behaviorally anchored rating scales *for each of these eight dimensions*. Each contained a vertical scale (ranging from 1 to 9) for rating performance from “extremely poor” to “extremely good.” Then they inserted specific critical incidents (such as “by knowing the price of items, this checker would be expected to look for mismarked and unmarked items”) to anchor or illustrate each level of performance.

The BARS method has several advantages. Most notably, the critical incidents along the scale illustrate what to look for in terms of superior, average, and poor performance. They also make it easier to explain the ratings to appraisees. And, the clustering of similar critical incidents into several performance dimensions (such as “salesmanship skills”) helps make the performance dimensions more independent of one another. (For example, a rater should be less likely to rate an employee high on all dimensions simply because he or she was rated high in “salesmanship skills.”)<sup>49</sup>

### Management by Objectives

The term *management by objectives (MBO)* usually refers to a multistep company-wide goal-setting and appraisal program. MBO requires the manager to set specific measurable, organizationally relevant goals with each employee, and then periodically discuss the latter’s progress toward these goals. The steps are

1. **Set the organization’s goals.** Establish a company-wide plan for next year and set goals.
2. **Set departmental goals.** Department heads and their superiors jointly set goals for their departments.
3. **Discuss departmental goals.** Department heads discuss the department’s goals with their subordinates and ask them to develop their own individual goals. They should ask, “How could each employee help the department attain its goals?”
4. **Define expected results (set individual goals).** Department heads and their subordinates set short-term performance targets for each employee.
5. **Conduct performance reviews.** After a period, department heads compare each employee’s actual and expected results.
6. **Provide feedback.** Department heads hold periodic performance review meetings with subordinates. Here they discuss the subordinates’ performance and make any plans for rectifying or continuing the person’s performance.

Formal MBO programs require numerous time-consuming meetings, and their use has diminished.<sup>50</sup> However, some companies successfully use streamlined versions. For example, Google’s CEO sets company-wide “OKRs” (objectives and key results) quarterly. All Google employees then make sure their own goals are in synch with the CEO’s. All employees’ goals are posted on Google’s internal website next to their names.<sup>51</sup>

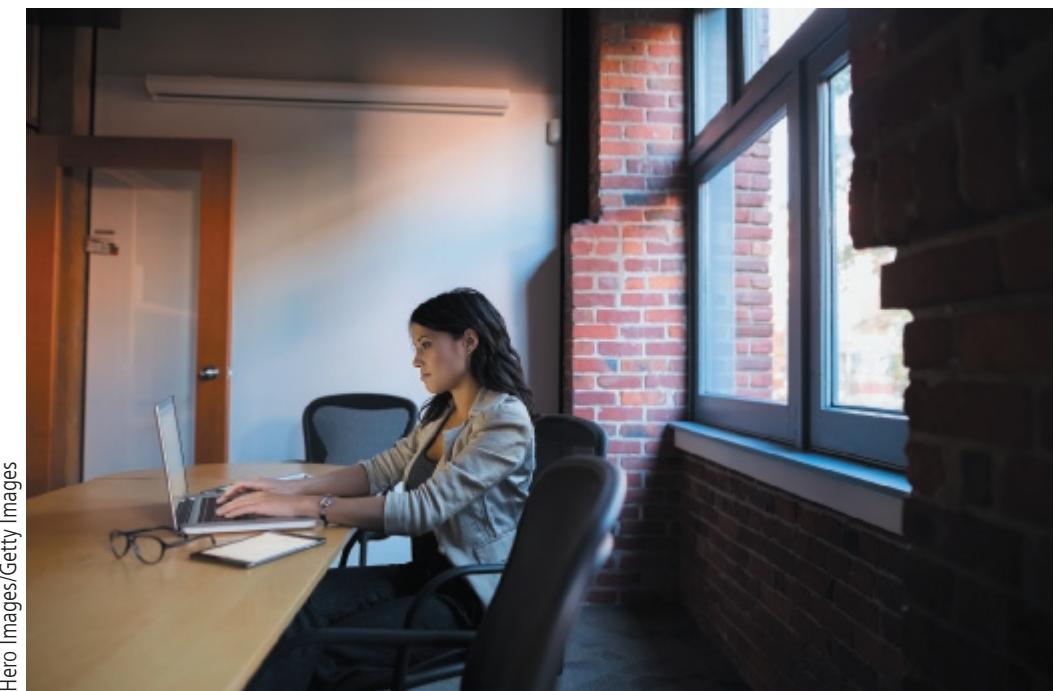
### Appraisal in Practice: Using Forms, Installed Software, or Cloud-Based Systems

Employers use either hard-copy forms, installed appraisal software packages, or cloud-based systems to actually conduct appraisals. Many smaller employers use hard-copy forms, available from vendors such as Staples and HR Direct.<sup>52</sup> Forms are simple to use, but become time-consuming as headcount rises.

Computerization expedites appraisals. Thus with one early package, Employee Appraiser, the manager sees a graphic rating scale with behaviorally anchored examples (such as “presents ideas clearly” and “lacks structure”). The manager chooses the best phrase, and Employee Appraiser generates an appraisal with sample text.<sup>53</sup>

Most computerized appraisal packages today (whether installed locally or cloud-based) are *modules*—components of talent management systems that also

Many employers today make use of computerized or online appraisals for evaluating employee performance.



### **electronic performance monitoring (EPM)**

Having supervisors electronically monitor the amount of computerized data an employee is processing per day, and thereby his or her performance.

include, for instance, applicant tracking systems. For example, with Bamboo HR (see [www.bamboohr.com](http://www.bamboohr.com)) the employer can adopt the full bamboo HR system or just the appraisal module. The module is available as both a cloud service, or installed on Mac or Windows systems.<sup>54</sup>

### **Electronic Performance Monitoring**

**Electronic performance monitoring (EPM)** systems allow managers to monitor the employees' rate, accuracy, and time spent working online.<sup>55</sup>

EPM can improve productivity, but also seems to raise employee stress. However, one researcher concludes that electronic performance monitoring “represents the future of performance feedback where supervisors can electronically monitor the amount and quality of work an employee is producing and have objective indicators of employee performance immediately available and visible.”<sup>56</sup>

Similarly, some employers track workers' performance through wearables. For example, the British retailer Tesco has warehouse workers wear armbands. These track which specific goods each worker is moving and how long the task is taking to complete, and quantify and report things like how long it takes each worker to fulfill each order.<sup>57</sup>

### **Conversation Days**

When employees at Juniper Networks Inc. expressed concerns about their annual performance reviews and the lack of positive feedback, Juniper changed the process. Instead of once-a-year performance reviews, there are now semiannual “conversation days.” The stress in these manager–employee conversations is on areas for improvement and growth, and on setting stretch goals that align with the employee's career interests. There are no explicit performance ratings. GE is similarly experimenting with substituting frequent conversations for traditional appraisals.

### **Using Multiple Methods**

Which appraisal tool to use? In practice, most use a rating form that merges several approaches. For example, Figure 9-2 (page 284) has a numerical graphic rating scale anchored with behavioral incidents such as “Even with guidance, fails to....” The Strategic Context feature (page 302) shows how one employer created a new appraisal system.



## TRENDS SHAPING HR: CUSTOMIZED TALENT MANAGEMENT

There is usually some customizing of appraisals. For example, rating a salesperson based on whether she attained her sales goals assumes she had her own goals to meet.

Today, some employers are customizing their appraisal in other ways. For example, some companies adapt their appraisals and rewards to how critical the employees are to the company's strategic success—their “mission-critical” employees. Thus, GE prioritizes jobs and focuses on what it calls its employee “game changers.”<sup>58</sup> Unilever includes 15% of employees per management level in its high-potential list each year.<sup>59</sup> Shell China appoints “career stewards” to meet regularly with “emerging leaders.”<sup>60</sup> McKinsey & Co. recommends limiting the “high potential group in whom the company invests heavily to no more than 10 to 20% of managerial and professional staff.”<sup>61</sup>

Figure 9-9 illustrates one way to customize appraisals. One company might use a  $3 \times 3$  matrix to plot employees by *Performance* (high, average, low) and *Value to the Organization* (critical, important, non-critical). Consider a chemical engineering company. Here the firm’s experienced engineers may be “critical,” engineer-trainees, sales, accounting, and HR “important,” and outsourceable employees such as maintenance “non-critical.”

This company would then tie each employee’s pay, development, dismissal, and other personnel decisions to each employee’s position in the matrix, in other words to both their performance rating and their criticalness to the company (so, not unreasonably, someone with more critical skills might get more development than would someone who is “non-critical”). This employer might also design its incentives, promotions, and raises to support rather than turn off the mission-critical engineers.<sup>62</sup> ■

The Gig Economy feature shows how Uber assesses its drivers.

## HR AND THE GIG ECONOMY: RATING UBER DRIVERS<sup>63</sup>

Uber’s driver rating system rates drivers on three metrics—on how passengers rate the driver, on what percentage of rides the driver accepts, and on how many he or she cancels. Uber reportedly wants drivers to maintain at least an 80–90% acceptance rate and no more than a 5% trip cancellation rate.

As most Uber users know, after every ride Uber prompts the passenger to rate the driver on a 1–5 star scale. A new driver begins with a 5-star rating. Then, as more passengers rate the driver, the driver’s average rating tends to change. The driver’s rating is generally an average of his or her last 500 trips. For drivers, an average below 4.6 reportedly puts the driver in the “danger zone” for possible deactivation. Only about 2–3% of drivers fall here. One or two star ratings often reflect arguments or harassment. Drivers get weekly emails with notices if their activation is in danger.

### Potential Rating Problems

As with most ratings systems, the driver ratings may say more about the passenger than about the driver. For example, people may view a 4-star rating as a “B,” when in fact at Uber it’s a failing grade. Furthermore, most employers try to minimize biased appraisals by supervisors: that’s harder to guard against when the rater isn’t an employee (and is probably a stranger). Furthermore, extraneous factors (such as surge pricing) can trigger lower ratings.

### How to Get a Better Driver Rating

In any case, Uber and Uber drivers list some of the things drivers can do to get better ratings. Some things to avoid include having an attitude, not knowing your way around, reckless driving, and texting while driving. Some “Do’s” for drivers include offer passengers bottled water, open the door, offer to carry bags, keep the car clean—and don’t ask for five-star ratings.

#### MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to discuss the following. Write a paragraph that addresses the question: “What (based on what I read in this chapter) is good about the Uber driver rating system, and what could Uber do to improve it?”

How Critical Is This Person's Position to Our Company?	EMPLOYEE PERFORMANCE		
	High	Average	Low
This person is in a position that is critical to our company's survival and growth	Provide additional development experiences and rewards	Provide additional development experiences and rewards	Consider additional training to improve performance
This person's position serves an important role but is not critical to our company's survival and growth	Provide additional development experiences to move to more important role	Consider additional training	Consider additional training, or replacement
This person is in a position that is non-critical and (for example) is outsourceable	Consider providing additional training and development to move to more important role	Consider additional training	Consider dismissal or outsourcing

**FIGURE 9-9 One Way to Customize Appraisals**

#### LEARNING OBJECTIVE 9-3

Give examples of how to deal with potential appraisal error problems.

## Dealing with Rater Error Appraisal Problems

In a perfect world, all employers would use performance appraisal systems with clear goals, fair appraisals, swift feedback, and useful coaching. Alas, that is rarely the case.<sup>64</sup> Graphic-type rating forms in particular are susceptible to several “rater error” problems. These are systematic errors in judgment that occur when people evaluate each other: unclear standards, halo effect, central tendency, leniency or strictness, and bias.

### Potential Rating Problems

#### unclear standards

An appraisal that is too open to interpretation.

**UNCLEAR STANDARDS** Table 9-2 illustrates the **unclear standards** problem. This rating scale seems objective. However, it might well result in unfair appraisals, because the traits and degrees of merit are ambiguous. For example, different supervisors might define “good” performance, “fair” performance, and so on, differently. The same is true of traits such as “quality of work.”<sup>65</sup>

The way to fix this problem is to include descriptive phrases that define or illustrate each trait, as in Figure 9-2. That form spells out what measures like “Role Model” or “Below Expectations” actually mean. This specificity leads to more consistent and more easily explained appraisals.

#### halo effect

In performance appraisal, the problem that occurs when a supervisor’s rating of a subordinate on one trait biases the rating of that person on other traits.

**HALO EFFECT** Experts define **halo effect** as “the influence of a rater’s general impression on ratings of specific ratee qualities.”<sup>66</sup> For example, supervisors often rate unfriendly employees lower on all traits, rather than just on “gets along well with others.” Being aware of this problem is a step toward avoiding it. Supervisory training can also alleviate the problem, as can using a BARS (on which, recall, the performance dimensions are usually more independent of each other).

**TABLE 9-2 A Graphic Rating Scale with Unclear Standards**

	Excellent	Good	Fair	Poor
Quantity of work				
Quality of work				
Creativity				
Integrity				

*Note:* For example, what exactly is meant by “good,” “quantity of work,” and so forth?

Supervisors must be familiar with appraisal techniques, understand and avoid problems that can cripple appraisals, and know how to conduct appraisals fairly.

Issa Bin Saleh AlKindy/arabianEye/Getty Images



#### **central tendency**

A tendency to rate all employees the same way, such as rating them all average.

**CENTRAL TENDENCY** Central tendency means rating all employees average. For example, if the rating scale ranges from 1 to 7, raters tend to avoid the highs (6 and 7) and lows (1 and 2) and rate most of their people between 3 and 5. Doing so distorts the evaluations, making them less useful for promotion, salary, or counseling purposes. Ranking employees instead of using graphic rating scales can reduce this problem, since ranking means you can't rate them all average.

#### **strictness/leniency**

The problem that occurs when a supervisor has a tendency to rate all subordinates either high or low.

**LENIENCY OR STRICTNESS** Other supervisors tend to rate all their subordinates high (or low), just as some instructors are notoriously high or low graders. This **strictness/leniency** problem is especially severe with graphic rating scales. *Ranking* forces supervisors to distinguish between high and low performers.

There are other solutions. The employer can recommend that supervisors avoid giving all their employees high (or low) ratings. A second is to require a distribution—that, say, about 10% of the people should be rated “excellent,” 20% “good,” and so forth. (But remember it may not be an error at all, as when all subordinates really are superior.)<sup>67</sup>

**RECENCY EFFECTS** Recency means letting what the employee has done recently blind you to what his or her performance has been over the year. The main solution is to accumulate critical incidents all year long.



#### **bias**

The tendency to allow individual differences such as age, race, and sex to affect the appraisal ratings employees receive.

#### **Diversity Counts: The Problem of Bias**

Biased appraisals (**bias** means the tendency to allow individual differences such as age, race, and sex to affect the appraisal ratings employees receive) have various causes. One is rater personality. For example, raters who score higher on “conscientiousness” tend to give their peers lower ratings—they were stricter, in other words; those more “agreeable” gave higher ratings—they were more lenient.<sup>68</sup> Furthermore, “performance ratings amplify the quality of the personal relationship between boss and employee. Good relationships tend to create good [appraisal] experiences, bad relationships bad ones.”<sup>69</sup>

Unfortunately, subordinates’ demographic traits (age, race, gender, and so on) also affect ratings. For example, it’s often argued that a “glass ceiling” largely explains the few women in top management jobs. A study suggests something more troubling.

The study concluded that “all else being equal, an evaluator will provide a lower performance evaluation to a female subordinate with stronger competence signals compared to a female subordinate with weaker competent signals.”<sup>70</sup> In other words, the better a female employee is, in terms of her actual performance and her educational and work experience, the more likely it is that she’ll be rated lower.

Is that possible? Unfortunately, based on this study, yes. Not all evaluators were prone to this negative bias. Only “male evaluators who are high on SDO [those inclined to be socially dominant] and evaluating a high-performing female subordinate appear to be prone.”<sup>71</sup> But unless employers guard against such bias, they could be condoning biased promotion and pay decisions against some of their highest-performing and highest-potential employees.

Bias is one reason to use multiple raters, to have the supervisor’s boss review ratings, and/or to have “calibration” meetings where supervisors explain among themselves the appraisals they gave.<sup>72</sup> ■

### The Need for Fairness

So, due to either the supervisor’s ineptness or the appraisal method’s inherent unfairness, many appraisals are unfair. The employees’ standards should be clear, employees should understand the basis on which you’re going to appraise them, and the appraisal should be objective.<sup>73</sup> Give the employee an opportunity to express his or her opinions.

In practice, the quality of the interpersonal relationship between the supervisor and employee will shape the appraisal’s impact. Supervisors should be trained in both the technical and interpersonal aspects of appraising employees and giving feedback.<sup>74</sup> They should understand how to build trust, engage in continuous performance conversations, diagnose and productively address performance issues, and deliver and react to feedback constructively.<sup>75</sup> To facilitate this, the employer should evaluate supervisors partly based on their effectiveness in managing performance.<sup>76</sup>

Figure 9-10 lists best practices for ensuring fair appraisals. Table 9-3 summarizes each appraisal method’s pros and cons.



## KNOW YOUR EMPLOYMENT LAW

### *Appraising Performance*

The performance appraisal often plays a role in employment lawsuits, such as when employees claim that they were fired for poor performance in violation of an implied contract, or claim they were defamed during or in an appraisal.<sup>77</sup> Similarly, courts often find that inadequate appraisal systems lie at the root of illegal discriminatory

**FIGURE 9-10** Checklist of Best Practices for Administering Fair Performance Appraisals

- Base the performance review on duties and standards from a job analysis.
- Try to base the performance review on observable job behaviors or objective performance data.
- Make it clear ahead of time what your performance expectations are.
- Use a standardized performance review procedure for all employees.
- Make sure whoever conducts the reviews has frequent opportunities to observe the employee’s job performance.
- Either use multiple raters or have the rater’s supervisor evaluate the appraisal results.
- Include an appeals mechanism.
- Document the appraisal review process and results.
- Discuss the appraisal results with the employee.
- Let the employees know ahead of time how you’re going to conduct the reviews.
- Let the employee provide input regarding your assessment of him or her.
- Indicate what the employee needs to do to improve.
- Train the supervisors who will be doing the appraisals. Make sure they understand the procedure to use, how problems (like leniency and strictness) arise, and how to deal with them.

**TABLE 9-3** Important Advantages and Disadvantages of Appraisal Tools

Tool	Advantages	Disadvantages
<b>Graphic rating scale</b>	Simple to use; provides a quantitative rating for each employee.	Standards may be unclear; halo effect, central tendency, leniency, bias can also be problems.
<b>BARS</b>	Provides behavioral “anchors.” BARS is very accurate.	Difficult to develop.
<b>Alternation ranking</b>	Simple to use (but not as simple as graphic rating scales). Avoids central tendency and other problems of rating scales.	Can cause disagreements among employees and may be unfair if all employees are, in fact, excellent.
<b>Forced distribution method</b>	End up with a predetermined number or % of people in each group.	Employees’ appraisal results depend on your choice of cutoff points.
<b>Critical incident method</b>	Helps specify what is “right” and “wrong” about the employee’s performance; forces supervisor to evaluate subordinates on an ongoing basis.	Difficult to rate or rank employees relative to one another.
<b>MBO</b>	Tied to jointly agreed-upon performance objectives.	Time-consuming.

actions, such as in cases concerning layoffs, discharges, or merit pay.<sup>78</sup> For example, in one classic case the court held that the employer violated Title VII when it laid off several Hispanic-surnamed employees based on poor performance ratings. The court said the practice was illegal because: the firm based the appraisals on subjective supervisory observations; it did not administer and score the appraisals in a standardized fashion; and two of the three supervisory evaluators did not have daily contact with the employees they appraised. Personal bias, unreasonably rating everyone high or low, and relying just on recent events are some other reasons courts have used to declare appraisal processes as unfair.<sup>79</sup>

Steps to ensure your appraisals are legally defensible include the following:

- Base the appraised duties and criteria on a job analysis.
- Give performance standards to employees in writing.
- Don’t just give a single overall rating; appraise several dimensions (quality, quantity, etc.) and have a system to combine these.
- One appraiser should never have absolute authority to determine a personnel action.
- Document everything.<sup>80</sup>
- Train supervisors. At least provide raters with written instructions on how to use the rating scale.
- In reviews of U.S. court decisions, actions reflecting *fairness* and *due process* were most important.<sup>81</sup>
- Finally, to help minimize the discriminatory effects of performance appraisal, “treat everyone in exactly the same way.”<sup>82</sup> ■

**LEARNING OBJECTIVE 9-4**

List steps to take in the appraisal interview.

## Managing the Appraisal Interview

Periodic appraisals typically culminate in an **appraisal interview**. Here the manager and the subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths. These interviews are often uncomfortable. Few people like to receive—or give—negative feedback. Adequate preparation and effective

### appraisal interview

An interview in which the supervisor and subordinate review the appraisal and make plans to remedy deficiencies and reinforce strengths.

implementation are essential. Supervisors face four types of appraisal situations, each with its unique objectives:<sup>83</sup>

- *Satisfactory—Promotable* is the easiest interview: The person's performance is satisfactory and promotion looms. Your objective is to develop specific development plans.
- *Satisfactory—Not promotable* is for employees whose performance is satisfactory but for whom promotion is not possible. The objective here is to maintain satisfactory performance. The best option is usually to find incentives that maintain performance, such as extra time off, a small bonus, or recognition.
- When the person's performance is *unsatisfactory but correctable*, the interview objective is to lay out an action/development plan for correcting the unsatisfactory performance.
- Finally, the interview where the employee is *unsatisfactory* and the situation is *uncorrectable* may be particularly tense. Dismissal is often the usual option.

### How to Conduct the Appraisal Interview

Useful interviews begin before the interview. Beforehand, review the person's job description, compare performance to the standards, and review previous appraisals. Give the employee a week's notice to review his or her work. Set a time for the interview. Interviews with lower-level personnel like clerical workers should take less than an hour. Interviews with management employees often take 1 or 2 hours. Conduct the interview privately with no interruptions.

An effective interview requires effective coaching skills. Coaching doesn't mean telling someone what to do. Instead, it is a process.<sup>84</sup> *Preparation* means understanding the problem and the employee. Here the manager will watch the employee at work to see what he or she is doing, review productivity data, and observe the workflow.

*Planning* the solution is next. This requires reaching agreement on the problem, and laying out a change plan in the form of *steps to take, measures of success, and date to complete*.

With agreement on a plan, the manager can start the *actual coaching*. One writer says, "An effective coach offers ideas and advice in such a way that the subordinate can hear them, respond to them, and appreciate their value."<sup>85</sup> Useful guidelines include the following:

1. **Talk in terms of objective work data.** Use examples such as absences, tardiness, and productivity.
2. **Don't get personal.** Don't say, "You're too slow producing those reports." Instead, compare the person's performance to a standard. ("These reports should normally be done within 10 days.") Similarly, don't compare the person's performance to that of other people. ("He's quicker than you are.")
3. **Encourage the person to talk.** Stop and listen to what the person is saying; ask open-ended questions (such as, "What do you think we can do to improve the situation?"). Use a command such as "Go on." Restate the person's last point as a question, as in, "You don't think you can get the job done?"
4. **Get agreement.** Make sure the person leaves knowing specifically what he or she is doing right and doing wrong, and with agreement on how things will be improved, and has an action plan with targets and dates.

**MAKE IT A DIALOGUE** Whether subordinates express satisfaction with the appraisal interview depends on their not feeling threatened, having an opportunity to present their feelings, and being able to influence the course of the interview.

For example, researchers audiotaped 48 actual annual appraisal interviews.<sup>86</sup> They analyzed these based on the communications that occurred between the supervisors and the employees. Some supervisors used more relation-oriented behaviors in the interviews, making comments like "I agree with that," and "that's a good idea." Other

supervisors did not. The researchers found that such relation-oriented comments elicited positive employee responses, such as “I see what you mean, could we do this?”

The results showed that the best appraisal interviews weren’t monologues in which supervisors simply stuck to a script about what employees did right or wrong. Instead, to paraphrase the researchers, *the best appraisal interviews are dialogues between equal partners.*<sup>87</sup>

### How to Handle a Defensive Subordinate

When a supervisor tells someone his or her performance is poor, the first reaction is often denial. Denial is a defense mechanism. By denying the fault, the person avoids having to question his or her own competence.

Therefore, dealing with defensiveness is an important appraisal skill. In his book *Effective Psychology for Managers*, psychologist Mortimer Feinberg suggests the following:

1. Recognize that defensive behavior is normal.
2. Never attack a person’s defenses. Don’t try to “explain someone to themselves” (as in, “You know the reason you’re using that excuse is that you can’t bear to be blamed.”). Instead, concentrate on the fact (“sales are down”).
3. Postpone action. Sometimes it’s best to do nothing. Employees may react to sudden threats by hiding behind their defenses. Given sufficient time, a more rational reaction takes over.
4. Recognize your limitations. The supervisor is (probably) not a psychologist. Offering understanding is one thing; trying to deal with psychological problems is another.

### How to Criticize a Subordinate

When necessary, criticize in a manner that lets the person maintain his or her dignity—in private, and constructively. Provide examples of critical incidents and specific suggestions. Avoid once-a-year “critical broadsides” by giving feedback periodically, so that the formal review contains no surprises. Never say the person is “always” wrong. Criticism should be objective and free of personal bias.

When the employee is not doing well, the manager will have to decide how candid to be. Former GE CEO Jack Welch once said it’s cruel to tell someone who’s mediocre that their work is satisfactory.<sup>88</sup> Someone who might have changed course may instead waste years in a dead-end job, only to be dismissed when a more demanding boss arrives.

Some managers do take a hard line. Not all employees are salvageable, and not all managers will spend time trying to overcome an employee’s faults. For example, when one Netflix manager requested a performance improvement plan for a worker, the then-head of HR said basically, “Don’t waste your time.” Her position was, why waste time coaching this person if she’ll probably never do the job right anyway?<sup>89</sup>

On the other hand, many employers are now emphasizing praise over criticism. One tells its managers not to touch on more than two areas that need improvement but instead to emphasize subordinates’ strengths. Most *Fortune* 500 companies use the Gallup StrengthsFinder tool ([www.gallupstrengthscenter.com](http://www.gallupstrengthscenter.com)) to help employees identify and build on their strengths. Facebook has used StrengthsFinder to help train supervisors in a style that better fits its mostly Millennial-aged staff. It would seem that to attract, motivate, and retain today’s new employees, a less critical appraisal approach may be advisable.<sup>90</sup>

**GET AGREEMENT ON A PLAN** The aim of the appraisal should be to improve unsatisfactory performance (and/or to reinforce exemplary performance). The appraisal should therefore result in a plan (Figure 9-11) for what the employee must do to improve his or her efforts.

### How to Handle a Written Warning

The employee’s performance may be so weak that it requires a written warning. Such warnings serve two purposes: (1) to shake your employee out of his or her bad habits, and (2) to help you defend your rating to your own boss and (if needed) to the courts.

**FIGURE 9-11** Sample Employee Development Plan

SAMPLE EMPLOYEE DEVELOPMENT PLAN: Employee's Name			
Employee's main objectives for this period:	Did employee fully achieve objective (include rating from appraisal form, from Poor to Outstanding)?	What training or other actions are required for improved performance on this objective?	Completion dates:
1.			
2.			
3.			
4.			
5.			
Employee Signature Copyright Gary Dessler, PhD		Manager Signature	

Written warnings should list the employee's standards, make it clear that the employee was aware of the standard, specify any deficiencies relative to the standard, and show that the employee had an opportunity to correct his or her performance.

Figure 9-12 provides an appraisal interview checklist.

Appraisal Interview Checklist		
Interview Item: Did you	Yes	No
1. Review the employee's job description, previous appraisals, goals, and current job standards prior to the interview?		
2. Provide adequate time and a private, cordial, non-threatening environment for the interview?		
3. Focus your discussion and comments on objective work data?		
4. Encourage the appraisee to talk (restate last comment as a question, etc.), and make it clear you are listening (nod, etc.)?		
5. Give the appraisee an opportunity to fully present his or her ideas and feelings?		
6. Consciously avoid attacking the appraisee's defenses?		
7. Criticize in a way that allowed the appraisee to maintain his or her dignity?		
8. Discuss your evaluation of each of the appraisee's job duties and/or goals?		
9. Reach agreement on the training and development required to improve the appraisee's performance?		
10. Discuss, as appropriate, the steps the employer may take if improvement goals are not met?		
11. Discuss the appraisee's performance in light of his or her career aspirations?		

**FIGURE 9-12** Appraisal Interview Checklist

Source: Copyright Gary Dessler, PhD.

**LEARNING OBJECTIVE 9-5**

**Explain** key points in how to use the appraisal interview to boost employee engagement.

## Employee Engagement Guide for Managers

### Use the Appraisal Interview to Build Engagement

Managers can use the appraisal interview to improve their employees' engagement. Here are relevant findings and implications.

1. Employees who understand how they and their departments contribute to the company's success are more engaged.<sup>91</sup> Therefore, *take the opportunity to show the employee how his or her efforts contribute to the "big picture"—to his or her team's and the company's success.*
2. Another study found that employees' engagement rose when they experienced what the researchers called "psychological meaningfulness" (namely, the perception that one's role in the organization is worthwhile and valuable).<sup>92</sup> *Use the interview to emphasize the meaningfulness to the company of what the employee is doing.*
3. Employees who experience "psychological safety" (the perception that it's safe to bring oneself to a role without fear of damage to self-image, status, or career) were more engaged.<sup>93</sup> Therefore, *be candid and objective but do so supportively and without unnecessarily undermining the employee's self-image.*<sup>94</sup>
4. Efficacy drives engagement, so use the interview to make sure your employee *has what he or she needs to do a good job.*<sup>95</sup>
5. Managers should be candid and honest, but don't unnecessarily emphasize the negatives. Doing so undermines employee engagement. In one survey, Gallup asked about 1,000 U.S. employees to respond to two statements: "My supervisor focuses on my strengths or positive characteristics" and "My supervisor focuses on my weaknesses or negative characteristics." It found that about three times more employees whose *managers focused on strengths* were engaged, compared with those who focused on weaknesses.<sup>96</sup>
6. Involvement in decision making and letting employees voice their opinions improve employee engagement.<sup>97</sup> Use the interview as an opportunity to *show your employees that you listen to their ideas and value their contributions.*
7. Engagement rises when employees have an opportunity to improve their careers.<sup>98</sup> During the interview discuss the person's evaluation *in the context of where he or she sees himself or herself heading career-wise.*<sup>99</sup>
8. Research shows "a significant positive association between (1) distributive [what rewards people get] and informational [what information they get] justice dimensions, and (2) employee engagement."<sup>100</sup> Bottom line: *Make sure that the interviewee views the appraisal and the rewards or remedial actions as fair.*

**LEARNING OBJECTIVE 9-6**

**Explain** how you would take a performance management approach to appraisal.

## Performance Management

Performance appraisal is fine in theory, but in practice appraisals don't always go smoothly. Goals aren't set, the "appraisal" is a form from an office supply store, and the yearly feedback, if any, may be agonizing, with both participants fleeing before any coaching takes place. This runs counter to common sense. Employees should know what their goals are, performance feedback should be useful, and if there is a problem, the time to take action is right away, not 6 months later.

### Total Quality Management and Performance Appraisal

Management experts have long argued that most performance appraisals neither motivate employees nor guide their development.<sup>101</sup> Some proponents of the total quality management (TQM) movement even argued for eliminating performance appraisals altogether.<sup>102</sup> *Total quality management* (TQM) programs are organizationwide programs that integrate all functions and processes of the business such that all aspects of the business including design, planning, production, distribution, and field service are aimed at maximizing customer satisfaction through continuous improvements.<sup>103</sup> TQM programs are built on a philosophy encapsulated by several principles, such as: cease dependence on inspection to achieve quality; aim for continuous improvement; institute extensive training; drive out fear so that everyone may work effectively; remove barriers that rob employees of their pride of workmanship (in particular, the

annual merit rating); and institute a vigorous program of self-improvement.<sup>104</sup> Basically, TQM advocates argue that the organization is a system of interrelated parts, and that employees' performance is more a function of things like training, communication, tools, and supervision than of their motivation.

What would performance appraisal look like in such a company? Visitors to Toyota Motor's Lexington, Kentucky, Camry plant would find such a system. Teams of employees monitor their own results, generally without managers' interventions. In frequent meetings, the team members continuously align those results with the work team's standards and with the plant's overall quality and productivity goals. Team members who need coaching and training receive it. Procedures that need changing are changed.

### What Is Performance Management?

That is performance management in action. In comparing performance management and performance appraisal, "the distinction is the contrast between (1) a year-end event (the completion of the appraisal form) and (2) a process that starts the year with performance planning and is integral to the way people are managed throughout the year."<sup>105</sup> **Performance management** is the *continuous* process of identifying, measuring, and developing the performance of individuals and teams and *aligning* their performance with the organization's *goals*.<sup>106</sup> We can summarize performance management's six basic elements as follows:<sup>107</sup>

- **Direction sharing** means communicating the company's goals to all employees and then translating these into departmental, team, and individual goals.
- **Goal alignment** means having a method that enables managers and employees to *see the link* between the employees' goals and those of their department and company.
- **Ongoing performance monitoring** usually means computerized systems to continuously measure the team's and/or employee's progress toward meeting performance goals.
- **Ongoing feedback** means providing face-to-face and computerized continuous feedback regarding progress toward goals.
- **Coaching and developmental support** should be part of the feedback process.
- **Recognition and rewards** should provide incentives to keep the employee's goal-directed performance on track.



### TRENDS SHAPING HR: DIGITAL AND SOCIAL MEDIA

Employers often use technology to support performance management. For example, with Oracle's TBE Performance Management Cloud Service, performance management involves:

- First, *assign financial and nonfinancial goals* (goals that support the company's overall strategic goals) to each team's activities. For example, an airline might measure ground crew aircraft turnaround time in terms of "improve turnaround time to 26 minutes per plane this year."
- Second, *inform all teams and employees* of their goals.
- Next, *use technology* (cloud-based performance management software, HR scorecards, and digital dashboards) to continuously display, monitor, and assess each team's and employee's performance (see Figure 9-13). Oracle TBE Performance Management Cloud Service illustrates this.<sup>108</sup> Because the goals are "in the cloud" rather than printed in documents, managers needn't wait until the annual or semiannual reviews to revise them. And the system's portable dashboards enable managers to continuously monitor each team or employee's performance, let employees update progress toward goal achievement, and let employees and managers log comments so the process is real-time and interactive. For more details, see [www.oracle.com/taleo-tbe](http://www.oracle.com/taleo-tbe).
- Finally, if exceptions are noted, *take corrective action* before things swing out of control. ■

Performance Goal Management				
Details - 2018 Performance Goal Scorecard		Actions		
Goals for	Brown, Lisa	In Progress (01/01/2018 - 12/31/2018)		Score 4.5
<strong>Employee's Individual Performance Goals</strong>				
Goal	Target	Weight	Score	Date
Achieve 10% Sales Increase	8	45	7.0	June 2018
Improved Customer Satisfaction Rating	4.2	25	4.0	June 2018
Meet Budgetary Constraints	5	15	2.5	June 2018
Improved Leadership Ratings	4.8	15	4.5	June 2018
<strong>Departmental Performance Goals</strong>				
Goal	Target	Weight	Score	Date
Achieve 15% Sales Increase	5	50	3.5	June 2018
Increase Online sales 10%	3.5	25	2.8	June 2018
Meet Budgetary Constraints	5	10	4.2	June 2018
All Employees Cross-Trained on All Products	4.5	15	3.5	June 2018

**FIGURE 9-13** Summary of Performance Management Report

Source: Based on “Personal Goal Management” from the Active Strategy Website. Copyright © 2012 by ActiveStrategy, Inc.

### MyLab Management Apply It!

Who does this company have doing its appraisals? If your professor has assigned this activity, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete the video exercise.

### Performance Management in Action

The trend today is to provide real-time feedback on performance.<sup>109</sup> For example, GE began using a smart phone app it calls PD@GE to let supervisors assess employees continuously rather than once a year.<sup>110</sup> IBM Corp. introduced a new app-based performance review it calls Checkpoint.<sup>111</sup> It allows for more continuous monitoring of performance and feedback.

Goldman Sachs still uses annual reviews, but added a new system through which employees also get continuous feedback. Goldman also compiles 360-degree feedback on its employees. Morgan Stanley no longer uses numerical appraisal ratings, instead emphasizing qualitative feedback.<sup>112</sup>

“Performance management” doesn’t mean a company can’t be tough. For many years, Kimberly-Clark Corp. was reportedly known for lifetime employment and for retaining even underperforming employees. Then it instituted a new performance management system, including continuous online performance reviews to carefully track employees’ performance relative to their goals. Turnover is up dramatically.<sup>113</sup>

The Strategic Context feature shows how one company developed a performance management system to support its strategy.

## ■ IMPROVING PERFORMANCE: THE STRATEGIC CONTEXT

### Deloitte’s New Performance Management Process<sup>114</sup>

The mission of Deloitte LLP and Deloitte USA LLP is to deliver results that are quantifiable and enduring. For a company that provides complex audit and consulting services to many of America’s largest companies, delivering “enduring results” requires an effective performance management system.

Yet while the frequent subjective feedback at the heart of performance management is laudable, many performance management systems suffer from one calamitous weakness: at the end of the day, the employer needs a way to differentiate among employees and to make hard-nosed pay raise and promotional decisions; Any performance management process that can’t do that isn’t very practical.

**THE PROBLEM** Deloitte's managers knew they could improve their performance management system. Many questioned whether the system improved performance. They knew traditional performance ratings often said more about the manager's personality than about the employee's performance. Furthermore, with 65,000 employees, Deloitte was devoting two *million* hours per year to appraisals. And the appraisals focused more on history than on how to improve employees' performance. Management decided to change the process.

**THE NEW GOALS** The team creating the new performance management process set three goals: first, it should *recognize employee performance*, particularly in terms of bonuses; second, the new process should *clearly reflect employee performance*. Third, the new process should *energize performance*, by monitoring performance often enough so that employees could improve their performance during their assignments. (In any year, a Deloitte employee may be assigned to one or more teams working on assignments [such as an audit], for a particular client project.)

**THE NEW PERFORMANCE MANAGEMENT PROCESS** Deloitte's new performance management process has several features. First, each team member *interacts with his or her team leader periodically* during the assignment, to get frequent feedback on how the employee is doing and how to improve.

Second, at the end of the assignment, rather than the team leaders just presenting their opinions about how the employee performed, the team leader provides an "employee performance snapshot" by reporting on how the team leader *plans to act* regarding the employee, specifically: (1) From what I know about this person's performance, if it were my money, here is how I would compensate this person; (2) based on what you know about this person's performance, would you want this person on your team again; (3) do you think this person's performance is such that it might harm the customer or the team; and (4) would you say this person is ready for promotion today?

Then, at the end of the year, Deloitte compiles all these assignment "snapshots" *in a year-end evaluation*. That evaluation, plus input from a team leader who knows the employee's performance personally, determines the employee's compensation.

### MyLab Management Talk About It 4

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/](http://www.pearson.com/mylab/) **management** to complete this discussion. Deloitte is a global company. Discuss two cultural differences between the United States and any one other country that you might have thought would make having a single system challenging.

### The Manager's Role in Performance Management

Technology isn't mandatory for managers who want to take a performance management approach. What is mandatory is having the right managerial philosophy and on-the-job behaviors. As a philosophy, performance management reflects nonthreatening TQM principles such as cease dependence on inspection to achieve quality, aim for continuous improvement, institute extensive training, and drive out fear so that everyone may work effectively. The manager's behaviors should therefore include linking employees' goals to the company's goals, giving employees continuous feedback, providing required resources and coaching, rewarding good performance, and remembering that employees' performance reflects more than just whether they're "motivated."<sup>115</sup>

 **HR in Action at the Hotel Paris** Both Lisa and the firm's CFO were concerned by the current disconnect between (1) what their current appraisal process was focusing on and (2) what the company wanted to accomplish in terms of its strategic goals. They wanted the firm's new performance management system to help breathe life into the firm's strategic performance. To see what they did, read the case pages 306–307 of this chapter.

# Chapter Review

## Chapter Section Summaries

- 9-1.** **Performance appraisal** means evaluating an employee's current or past performance relative to his or her performance standards. Managers appraise their subordinates' performance to obtain input on which promotion and salary raise decisions can be made, to develop plans for correcting performance deficiencies, and for career-planning purposes. Supervisory ratings are still at the heart of most appraisal processes.
- 9-2.** The appraisal is generally conducted using one or more popular **appraisal methods or tools**. These include graphic rating scales, alternation ranking, paired comparison, forced distribution, critical incidents, behaviorally anchored rating scales, MBO, computerized performance appraisals, and electronic performance monitoring.
- 9-3.** The appraisal process can be improved by eliminating chronic **problems** that often undermine appraisals and graphic rating scales in particular. These problems include unclear standards, halo effect, central tendency, leniency or strictness, and bias.
- 9-4.** An appraisal typically culminates in an **appraisal interview**. Adequate preparation (including giving the subordinate notice, reviewing his or her job description and past performance, choosing the right place for the interview, and leaving enough time for it) is essential.
- 9-5.** The manager can use the appraisal interview to improve the employees' level of **engagement**. For example, show the employee how his or her efforts contribute to the team's and the company's success; use the interview to emphasize the meaningfulness to the company of what the employee is doing; and emphasize support rather than threats.
- 9-6.** **Performance management** is the *continuous* process of identifying, measuring, and developing the performance of individuals and teams and *aligning* their performance with the organization's *goals*. It means continuous interactions and feedback to ensure continuous improvement in the employee's and team's capacity and performance. Most important, it requires remembering that your employee's performance usually reflects more than just whether he or she is "motivated."

## Discussion Questions

- 9-1.** What is the purpose of a performance appraisal?
- 9-2.** Answer the question, "Who should do the appraising?"
- 9-3.** Discuss the pros and cons of four performance appraisal tools.
- 9-4.** Explain how you would use the alternation ranking method, the paired comparison method, and the forced distribution method.

- 9-5.** Explain in your own words how you would go about developing a behaviorally anchored rating scale.
- 9-6.** Explain the problems to be avoided in appraising performance.
- 9-7.** Compare and contrast performance management and performance appraisal.

## Individual and Group Activities

- 9-8.** Working individually or in groups, develop a graphic rating scale for the following jobs: secretary, professor, bus driver.
- 9-9.** Working individually or in groups, describe the advantages and disadvantages of using the forced distribution appraisal method for college professors.
- 9-10.** Working individually or in groups, develop, over the period of a week, a set of critical incidents covering the classroom performance of one of your instructors.

- 
- 9-11.** Appendices A and B at the end of this book (pages 614–634) list the knowledge someone studying for the HRCI (Appendix A) or SHRM (Appendix B) certification exam needs to have in each area of human resource management (such as in Strategic Management and Workforce Planning). In groups of several students, do four things: (1) review Appendix A and/or B; (2) identify the material in this chapter that relates to the Appendix A and/or B required knowledge lists; (3) write four

multiple-choice exam questions on this material that you believe would be suitable for inclusion in the HRCI exam and/or the SHRM exam; and (4) if time permits, have someone from your team post your team's questions in front of the class, so that students in all teams can answer the exam questions created by the other teams.

- 9-12.** When he was doing his show *The Apprentice*, Donald Trump often told apprentices

"You're fired!" Review recent (or archived) episodes of Donald Trump's *The Apprentice* and answer this: What performance appraisal system did Mr. Trump use, and do you think it resulted in valid appraisals? What techniques discussed in this chapter did he seem to apply? How would you suggest he might change his appraisal system to make it more effective?

## Experiential Exercise

### Grading the Professor

Written and copyrighted by Gary Dessler, PhD.

**Purpose:** The purpose of this exercise is to give you practice in developing and using a performance appraisal form.

**Required Understanding:** You are going to develop a performance appraisal form for an instructor and should therefore be thoroughly familiar with the discussion of performance appraisals in this chapter.

**How to Set Up the Exercise/Instructions:** Divide the class into groups of four or five students.

- 9-13.** First, based on what you now know about performance appraisal, do you think Figure 9-1 is an effective scale for appraising instructors? Why or why not?

- 9-14.** Next, your group should develop its own tool for appraising the performance of an instructor. Decide which of the appraisal tools (graphic rating scales, alternation ranking, and so on) you are going to use, and then design the instrument itself.
- 9-15.** Next, have a spokesperson from each group post his or her group's appraisal tool on the board. How similar are the tools? Do they all measure the same factors? Which factor appears most often? Which do you think is the most effective tool on the board?
- 9-16.** The class should select the top ten factors from all of the appraisal tools presented to create what the class perceives to be the most effective tool for appraising the performance of the instructor.

## Application Case

### Appraising the Secretaries at Sweetwater U

Written and copyrighted by Gary Dessler, PhD.

Rob Winchester, newly appointed vice president for administrative affairs at Sweetwater State University, faced a tough problem shortly after his university career began. Three weeks after he came on board in September, Sweetwater's president, Rob's boss, told Rob that one of his first tasks was to improve the appraisal system used to evaluate secretarial and clerical performance at Sweetwater U. The main difficulty was that the performance appraisal was traditionally tied directly to salary increases given at the end of the year. Therefore, most administrators were less than accurate when they used the graphic rating forms that were the basis of the clerical staff evaluation. In fact, what usually happened was that each administrator simply rated his or her clerk or secretary as "excellent." This cleared the way for them to receive a maximum pay raise every year.

But the current university budget simply did not include enough money to fund another "maximum" annual raise for every staffer. Furthermore, Sweetwater's president felt that the custom of providing invalid feedback to each secretary on his or her year's performance was not productive, so he had asked the new vice president to revise the system. In October, Rob sent a memo to all administrators, telling them that in the future no more than half the secretaries reporting to any particular administrator could be appraised as "excellent." This move, in effect, forced each supervisor to begin ranking his

or her secretaries for quality of performance. The vice president's memo met widespread resistance immediately—from administrators, who were afraid that many of their secretaries would begin leaving for more lucrative jobs, and from secretaries, who felt that the new system was unfair and reduced each secretary's chance of receiving a maximum salary increase. A handful of secretaries had begun picketing outside the president's home on the university campus. The picketing, caustic remarks by disgruntled administrators, and rumors of an impending slowdown by the secretaries (there were about 250 on campus) made Rob Winchester wonder whether he had made the right decision by setting up forced ranking. He knew, however, that there were a few performance appraisal experts in the School of Business, so he decided to set up an appointment with them to discuss the matter.

He met with them the next morning. He explained the situation as he had found it: The current appraisal system had been set up when the university first opened 10 years earlier. A committee of secretaries had developed it. Under that system, Sweetwater's administrators filled out forms similar to the one shown in Table 9-2. This once-a-year appraisal (in March) had run into problems almost immediately because it was apparent from the start that administrators varied widely in their interpretations of job standards, as well as in how conscientiously they filled out the forms and supervised their secretaries. Moreover, at the end of the first year it became obvious to everyone that each secretary's salary increase was tied directly to the March appraisal. For example, those

rated “excellent” received the maximum increases, those rated “good” received smaller increases, and those given neither rating received only the standard across-the-board cost-of-living increase. Because universities in general—and Sweetwater, in particular—have paid secretaries somewhat lower salaries than those prevailing in private industry, some secretaries left in a huff that first year. From that time on, most administrators simply rated all secretaries excellent in order to reduce staff turnover, thus ensuring each a maximum increase. In the process, they also avoided the hard feelings aroused by the significant performance differences otherwise highlighted by administrators.

Two Sweetwater experts agreed to consider the problem, and in 2 weeks they came back to the vice president with the following recommendations. First, the form used to rate the secretaries was grossly insufficient. It was unclear what “excellent” or “quality of work” meant, for example. They recommended instead a form like that in Figure 9-2. In addition, they recommended that the vice president rescind his earlier memo and no longer attempt to force university administrators to arbitrarily rate at least half their secretaries as something less than excellent. The two consultants pointed out that this was unfair, since it was quite possible that any particular administrator might have staffers who were all or virtually all excellent—or conceivably, although less likely, all below standard. The experts said that the way to get all the administrators to take the appraisal process more seriously was to stop tying it to salary increases. In other words, they recommended that every administrator fill out a form as in Figure 9-2 for each secretary at least once a year and then use this form as the basis of a counseling session. Salary increases would

have to be made on some basis other than the performance appraisal, so that administrators would no longer hesitate to fill out the rating forms honestly.

Rob thanked the two experts and went back to his office to ponder their recommendations. Some of the recommendations (such as substituting the new rating form for the old) seemed to make sense. Nevertheless, he still had serious doubts as to the efficacy of any graphic rating form, particularly compared with his original, preferred forced ranking approach. The experts’ second recommendation—to stop tying the appraisals to automatic salary increases—made sense but raised at least one very practical problem: If salary increases were not to be based on performance appraisals, on what were they to be based? He began wondering whether the experts’ recommendations weren’t simply based on ivory tower theorizing.

### Questions

- 9-17. Do you think that the experts’ recommendations will be sufficient to get most of the administrators to fill out the rating forms properly? Why or why not? What additional actions (if any) do you think will be necessary?
- 9-18. Do you think that Vice President Winchester would be better off dropping graphic rating forms, substituting instead one of the other techniques we discussed in this chapter, such as a ranking method? Why or why not?
- 9-19. What performance appraisal system would you develop for the secretaries if you were Rob Winchester? Defend your answer.

## Continuing Case

### Carter Cleaning Company

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#### The Performance Appraisal

After spending several weeks on the job, Jennifer was surprised to discover that her father had not formally evaluated any employee’s performance for all the years that he had owned the business. Jack’s position was that he had “a hundred higher-priority things to attend to,” such as boosting sales and lowering costs, and, in any case, many employees didn’t stick around long enough to be appraisable anyway. Furthermore, contended Jack, manual workers such as those doing the pressing and the cleaning did periodically get positive feedback in terms of praise from Jack for a job well done, or criticism, also from Jack, if things did not look right during one of his swings through the stores.

Similarly, Jack was never shy about telling his managers about store problems so that they, too, got some feedback on where they stood.

This informal feedback notwithstanding, Jennifer believes that a more formal appraisal approach is required. She believes that there are criteria such as quality, quantity, attendance, and punctuality that should be evaluated periodically even if a worker is paid on piece rate. Furthermore, she feels quite strongly that the managers need to have a list of quality standards for matters such as store cleanliness, efficiency, safety, and adherence to budget on which they know they are to be formally evaluated.

### Questions

- 9-20. Is Jennifer right about the need to evaluate the workers formally? The managers? Why or why not?
- 9-21. Develop a performance appraisal method for the workers and managers in each store.

## Translating Strategy into HR Policies and Practices Case\*,§

\* The accompanying strategy map for this chapter is in the MyLab Management; the overall map on the inside back cover of this text outlines the relationships involved.

### Improving Performance at the Hotel Paris

#### The New Performance Management System

The Hotel Paris’s competitive strategy is “To use superior guest service to differentiate the Hotel Paris properties, and to thereby increase the length of stay and return rate of guests, and thus boost revenues and profitability.” HR manager Lisa Cruz must now formulate appraisal policies and activities that support this competitive strategy, by eliciting the required employee behaviors and competencies.

Lisa knew that the Hotel Paris’s performance appraisal system was inadequate. When the founders opened their first hotel, they went to

an office-supply store and purchased a pad of performance appraisal forms. The hotel chain used these. Each form was a two-sided page. Supervisors indicated whether the employee’s performance in terms of various standard traits including quantity of work, quality of work, and dependability was excellent, good, fair, or poor. Lisa knew that, among other flaws, this appraisal tool did not force either the employee or the supervisor to focus the appraisal on the extent to which the employee was helping the Hotel Paris to achieve its strategic goals. She wanted a system that focused the employee’s attention on taking those actions that would contribute to helping the company achieve its goals, for instance, in terms of improved customer service.

Both Lisa and the firm's CFO were concerned by the current disconnect between (1) what the current appraisal process was focusing on and (2) what the company wanted to accomplish in terms of its strategic goals. They wanted the firm's new performance management system to help breathe life into the firm's strategic performance, by focusing employees' behavior specifically on the performances that would help the Hotel Paris achieve its strategic goals.

Lisa and her team created a performance management system that focused on both competencies and objectives. In designing the new system, their starting point was the job descriptions they had created for the hotel's employees. These descriptions each included required competencies. Consequently, using a form similar to Figure 9-3, the front-desk clerks' appraisals now focus on competencies such as "able to check a guest in or out in 5 minutes or less." Most service employees' appraisals include the competency, "able to exhibit patience and guest support of this even when busy with other activities." There were other required competencies. For example, the Hotel Paris wanted all service employees to show initiative in helping guests, to be customer oriented, and to be team players (in terms of sharing information and best practices). Each of these competencies derives from the hotel's aim of becoming more service oriented. Each employee now also receives one or more strategically relevant objectives for the coming year. (One, for a

housecleaning crewmember, said, "Martha will have no more than three room cleaning infractions in the coming year," for instance.)

In addition to the goals- and competencies-based appraisals, other Hotel Paris performance management forms laid out the development efforts that the employee would undertake in the coming year. Instructions also reminded the supervisors that, in addition to the annual and semiannual appraisals, they should continuously interact with and update their employees. The result was a comprehensive performance management system: The supervisor appraised the employee based on goals and competencies that were driven by the company's strategic needs. And, the actual appraisal resulted in new goals for the coming year, as well as in specific development plans that made sense in terms of the company's and the employees' needs and preferences.

### Questions

- 9-22. Choose one job, such as front-desk clerk. Based on any information you have (including job descriptions you may have created in other chapters), write a list of duties, competencies, and performance standards for that chosen job.
- 9-23. Based on that, and on what you read in this *Dessler Human Resource Management* chapter, create a performance appraisal form for appraising that job.

## MyLab Management

Go to [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) for Auto-graded writing questions as well as the following Assisted-graded writing questions:

- 9-24. Discuss the pros and cons of using different potential raters to appraise a person's performance.
- 9-25. As a new supervisor, you're about to hold your first-ever appraisal interview with one of your subordinates, someone who has not been performing very well for the past 6 months. What should you keep in mind about managing the appraisal interview as you begin the conversation?
- 9-26. MyLab Management only—comprehensive writing assignment for this chapter.

## PERSONAL INVENTORY ASSESSMENTS



What sort of leadership style do you think you would exhibit in leading an organizational change? Go to [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete the Personal Inventory Assessment related to this chapter.

## Key Terms

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## Endnotes

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10

Managing Careers  
and Retention

## LEARNING OBJECTIVES

When you finish studying this chapter, you should be able to:

- 10-1** **Discuss** what employers and supervisors can do to support employees' career development needs.
- 10-2** **Explain** why career development can improve employee engagement.
- 10-3** **Describe** a comprehensive approach to retaining employees.
- 10-4** **List and briefly explain** the main decisions employers should address in reaching promotion and other employee life-cycle career decisions.
- 10-5** **Explain** each of the main grounds for dismissal.

With national grocery chains like Kroger's, local chains like Publix, and giants like Walmart and Amazon, it's not easy finding a grocery niche but Fresh Thyme Farmers Market did so.<sup>1</sup> They've only been in business since 2014, but already have more than 50 stores in 10 states, with plans to open 20 more stores soon. Their strategy is to offer fresh local organic foods, with about half of each store devoted to fresh produce. Its stores have dietitians on staff, and employees pride themselves on getting customers to eat healthy. The question is, how do you attract and retain employees like those. We'll see what they did.



## WHERE ARE WE NOW . . .

Having invested in selecting, training, and appraising employees, the employer of course wants them to want to stay with the firm. The main purpose of this chapter is to explain how to support your employees' career development needs and improve employee retention. The main topics we'll address are **Career Management**, **Improving Employee Engagement Through Career Management**, **Managing Employee Turnover and Retention**, **Employee Life-Cycle Management**, and **Managing Dismissals**.



## Career Management

After appraising performance, it's often necessary to address career-related issues and to discuss these issues with subordinates.

The traditional role of personnel activities like screening, training, and appraising is to staff the company with employees who have the requisite interests, abilities, and skills. Often, however, many employers also use human resource management activities to help their employees realize their full career potential.<sup>2</sup> They do this not just because they think that it's the right thing to do, but because hopefully everyone gains—the employees with more fulfilling careers, and the employer with improved employee relations, engagement, and retention. We'll address career planning and related topics in this chapter.

### LEARNING OBJECTIVE 10-1

**Discuss** what employers and supervisors can do to support employees' career development needs.

#### career

The occupational positions a person has had over many years.

#### career management

The process for enabling employees to better understand and develop their career skills and interests, and to use these skills and interests more effectively.

#### career development

The lifelong series of activities that contribute to a person's career exploration, establishment, success, and fulfillment.

#### career planning

The deliberate process through which someone becomes aware of personal skills, interests, knowledge, motivations, and other characteristics and establishes action plans to attain specific goals.



**HR in Action at the Hotel Paris** If the Hotel Paris wanted satisfied guests, they had to have engaged employees who did their jobs as if they owned the company, even when the supervisor was nowhere in sight. But for the employees to be engaged, Lisa knew the Hotel Paris had to make it clear that the company was also committed to its employees. To see what they did, see the case on pages 336–337 of this chapter.

### Careers Today

People once viewed careers as a sort of upward stairway from job to job, more often than not with one or a few firms. Today, many people do still move up, but many (or most) find themselves having to reinvent themselves. For example, the sales rep, laid off by a publishing firm that's just merged, may reinvent her career as an account executive at a media-oriented advertising firm.<sup>3</sup>

Careers today differ in other ways from a few years ago. With many more women pursuing professional and managerial careers, families must balance the challenges associated with dual-career pressures. What people want from their careers is changing too. Baby boomers—those retiring in the next few years—tended to be job- and employer-focused. People entering the job market now often covet opportunities for more balanced work–family lives.

### The Psychological Contract

One implication is that what employers and employees expect from each other is changing. What the employer and employee expect of each other is part of what psychologists call a *psychological contract*. This is “an unwritten agreement that exists between employers and employees.”<sup>4</sup> The psychological contract identifies each party’s mutual expectations. For example, the unstated agreement is that management will treat employees fairly and provide satisfactory work conditions, hopefully in a long-term relationship. Employees are expected to respond “by demonstrating a good attitude, following directions, and showing loyalty to the organization.”<sup>5</sup>

The problem is that with today’s labor markets, neither the employer nor the employee can count on long-term commitments from each other. That changes the psychological contract, and makes career management more critical for the employee, who may have to prepare for the time that he or she must move on.

### The Employee's Role in Career Management

The employee, the manager, and the employer all have roles in the employee's career development. For example, the manager should provide timely and objective performance feedback, offer developmental assignments and support, and have career development discussions with the employee. He or she should act as a coach, appraiser, advisor, and mentor, listening to and clarifying the employee's career plans, giving feedback, generating career options, and linking the employee to organizational resources and career options. For its part, the employer should provide career-oriented training, development, and promotional opportunities, offer career information and career programs, and give employees a variety of career options.

Ultimately, however, the employee is responsible for his or her own career. He or she must assess interests, skills, and values; seek out career information resources; and take steps to ensure a happy and fulfilling career. For the employee, career planning means matching individual strengths and weaknesses with occupational opportunities and threats. In other words, the person wants to pursue occupations, jobs, and a career that capitalize on his or her interests, aptitudes, values, and skills. The person also wants to choose occupations, jobs, and a career that make sense in terms of projected future demand for occupations. Ideally, he or she should think through an ideal future "self" to strive for.<sup>6</sup>

As one example, career-counseling expert John Holland says that personality (including values, motives, and needs) is an important career choice determinant. For example, a person with a strong social orientation might be attracted to careers that entail interpersonal rather than intellectual or physical activities and to occupations such as social work. Holland found six basic personality types or orientations. For a nominal fee, individuals can use his Self-Directed Search (SDS) test (available online at [www.self-directed-search.com](http://www.self-directed-search.com)) to assess their occupational orientations and preferred occupations. The SDS has an excellent reputation, but one study of 24 no-cost online career assessment websites concluded that they were easy to use but suffered from insufficient validation and confidentiality. However, a number of online career assessment instruments such as Career Key ([www.careerkey.org](http://www.careerkey.org)) do reportedly provide validated information.<sup>7</sup> O\*NET offers a free online "My Next Move" occupations and career assessment system ([www.onetcenter.org/mynextmove.html](http://www.onetcenter.org/mynextmove.html)). You will find other useful career tools in the following two exercises, and in this chapter's appendix.

**EXERCISE 1** One useful exercise for identifying occupational skills is to head a page "The School or Occupational Tasks I Most Enjoyed Doing." Then write a short essay describing the tasks. Provide as much detail as you can about your duties and responsibilities, and what you found enjoyable about each task. (It's not necessarily the most enjoyable *job* you've had, but the most enjoyable *task* you've had to perform within your jobs.) Next, on other pages, do the same thing for two other tasks. Now scrutinize the three essays. Underline the skills that you mentioned the most often. For example, did you especially enjoy the hours you spent on the Internet doing research when you worked one summer as an intern?<sup>8</sup>

**EXERCISE 2** Another exercise can prove enlightening. On a page, answer the question: "If you could have any kind of job, what would it be?" Invent your own job if need be, and don't worry about what you *can* do—just what you want to do.<sup>9</sup>

### HR AND THE GIG ECONOMY: THE PORTFOLIO CAREER

#### portfolio careers

Careers based on using one's skills to create a livelihood from multiple income sources, often from several jobs paying different rates.

More people today—especially Millennials and Generation X-ers—are embracing **portfolio careers**, careers based on using one's skills to create a livelihood from multiple income sources, often from several jobs paying different rates.<sup>10</sup> For example, someone might use her marketing skills for temporary marketing manager gigs, her writing and marketing skills to write a column and blog, and her coaching skills to teach online courses.

### Are Portfolio Careers for you?

Millions of people support themselves through portfolio careers today, and each is probably doing so for his or her own reasons—from just wanting to be independent, to not finding a full-time job, or needing flexibility for family matters.

**DO YOU HAVE WHAT IT TAKES TO DO THIS?** There are some questions to ask yourself. For example, are you comfortable not having the same job to go to every day; are you good at juggling several different big tasks; and do you have the social and salesmanship skills to get out and line up a continually changing cast of clients? And of course, what saleable skills do you have for which someone will pay you?

**IS IT PRACTICAL?** Think it through first. Ask yourself who your potential clients are, how much you might earn, and what the odds are you'll be able to put it all together. Bounce your ideas off friends, and talk with them about which ideas seem more likely to succeed. (On the other hand, "nothing ventured, nothing gained," so don't be too practical! One benefit of portfolio careers is that you can make adjustments as you learn.)

#### reality shock

Results of a period that may occur at the initial career entry when the new employee's high job expectations confront the reality of a boring or otherwise unattractive work situation.



### The Employer's Role in Career Management

Along with the employee, the person's manager and employer have career management responsibilities. These depend partly on how long the employee has been with the firm.

For example, *before hiring*, realistic job interviews can help prospective employees more accurately gauge whether the job is a good fit for them. Especially for recent college graduates, *the first job* can be crucial for building confidence and a more realistic picture of what he or she can and cannot do: providing challenging first jobs and having an experienced mentor who can help the person learn the ropes are important. Some refer to this as preventing **reality shock**, a phenomenon that occurs when a new employee's high expectations and enthusiasm confront the reality of a boring, unchallenging job. Periodic *job rotation* can help the person develop a more realistic picture of what he or she is good at, and thus the career moves that might be best. Thus, Intuit offers new graduates entrée into its Rotational Development Programs.<sup>11</sup> These are 2-year programs in which employees first learn about Intuit's products, customers, employees, strategies, and values. Next the employees complete four 6-month rotations, getting experience in a range of Intuit business units and a variety of functions, for instance, product management, marketing, and human resources. All Rotational Development Program participants are paired with an executive advisor, who provides career coaching and mentoring.

Finally, we will see that once the person has been *on the job* for a while, career-oriented appraisals are important. Here the manager not only appraises the employee but also uses the results to help the person to match his or her strengths and weaknesses with a feasible career path.

### Employer Career Management Methods

Employers including AFLAC, American Express, and Accenture recognize that it pays to help employees improve their careers. For example, American Express opened several career counseling centers for its call-center workers, and both Genentech and AFLAC hired career counselors, and are better preparing their line managers to give career advice.<sup>12</sup> Google has employees who volunteer to act as career coaches and mentors for other employees, and who Google officially designates "career gurus." In one year, over 1,000 Google employees (Googlers) used the gurus' services.<sup>13</sup>

*Self-help e-learning tools* appear to be the most popular employer-provided career services, followed by career assessment and feedback, and on-site training.<sup>14</sup> Such tools—which help users work through career information and instructional resources themselves—are especially useful when users want to improve their careers, and where guidance counseling is available if questions arise.<sup>15</sup>

A *career planning workshop* is “a planned learning event in which participants are expected to be actively involved, completing career planning exercises and inventories and participating in career skills practice sessions.”<sup>16</sup> A typical workshop includes self-assessment exercises (skills, interests, values, and so on), an assessment of important occupational trends, and goal-setting and action-planning segments.

*Career coaches* generally help employees create 1- to 5-year plans showing where their careers with the firm may lead. Then, the employer and employee base the latter’s development plans on what he or she needs to move up.<sup>17</sup> The coaches help individual employees identify their development needs and to obtain the training, professional development, and networking opportunities that they require to satisfy those needs.

Career development systems needn’t be complicated. Even just receiving performance feedback from supervisors, having individual development plans, and having access to training is enough for many employees. Beyond that, job postings, formal career-oriented performance appraisals, formal counseling and mentoring with managers, and individual succession planning for high-potential employees are valuable.<sup>18</sup> Figure 10-1 illustrates a simple employee career planning form.



## IMPROVING PERFORMANCE: THROUGH HRIS

### Integrating Talent Management and Career and Succession Planning

The employer should endeavor to integrate its career planning with its other HR activities efforts. As one example, an employee’s career planning and development plans should reflect his or her performance appraisal ratings and training plans. Similarly, as explained in Chapter 5 (pages 138–139), succession plans should reflect employees’ career interests.

*Integrated talent management software* helps to achieve such coordination. For example, Halogen Succession enables the employer to “identify the skills and competencies required to support your 3- to 5-year strategic plans and cultivate these in your high-potential employees with career and development planning.”<sup>19</sup> ■



### Diversity Counts: Toward Career Success

People with disabilities tend to have less career success than do those without disabilities.<sup>20</sup> Some barriers may be self-imposed. For instance, some with disabilities may have lower career expectations, or may not proactively seek the accommodations they are due under EEO law.

However, the problem more often reflects unfortunate assumptions and actions by managers and coworkers. Though well meaning, they may view those with disabilities as unable to perform various jobs, negatively evaluate them as being poor occupational fits, and assume that jobs designed for those without disabilities are inappropriate for those with disabilities. Figure 10-2 (page 318) presents some positive strategies for people with disabilities. ■

### The Manager as Mentor and Coach

Do not underestimate the impact that a supervisor can have on his or her employee’s career development. With little or no additional effort than realistic performance reviews and candid career advice, a competent supervisor can help the employee get on and stay on the right career track. At the other extreme, an unsupportive supervisor may look back on years of having inhibited his or her employees’ career development. In a study of world-class leaders, one researcher says that his big surprise was the extent to which they engaged in “ongoing, intensive one-on-one tutoring” of their subordinates.<sup>21</sup>

The manager can do several things to support subordinates’ career development needs. When the subordinate first starts, help the person develop the skills required to do the job well. Schedule regular performance appraisals, and address whether the person’s skills and performance are consistent with his or her career aspirations. Ask questions such as “In terms of career, what are you interested in doing, in both the

<b>Employee's Name</b>	<b>Employee's Current Position</b>	<b>Today's Date</b>
<b>I Performance Summary:</b> Briefly discuss this employee's performance over the past year (or other period), in terms of his or her achievement of assigned goals, effectiveness at interacting with colleagues, and any other criteria you believe are relevant here:		
<b>II Strengths:</b> Based on your evaluation and experience with and discussions with employee, what would you say are his or her main strengths?		
<b>III Career Aspirations and Goals:</b> Based on your experience with and discussions with employee, what would the two of you agree should be this person's career goals over the next 1-3 years and beyond?		
<b>IV Areas for Development:</b> Based on what you know about this employee, what would the two of you agree are the main areas for development he or she should concentrate on over the next year or two?		

**Development Objectives and Activities:** Planned to achieve this person's career goals.

<b>Development Activities</b>	<b>Specific Action Plans</b>	<b>Milestones/Dates</b>
1		
2		
3		
4		
5		

Signatures: Supervisor \_\_\_\_\_ Employee \_\_\_\_\_

#### FIGURE 10-1 Employee Career Development Plan

Source: Copyright Gary Dessler, PhD.

short- and long-term?"<sup>22</sup> Provide the employee with at least an informal development plan like that in Figure 10-1. Keep subordinates informed about the firm's current career-related benefits, and encourage them to use them.<sup>23</sup>

#### mentoring

Advising, counseling, and guiding.

Here the manager may act as mentor. **Mentoring** means having experienced senior people advising, counseling, and guiding employees' longer-term career development.

## FIGURE 10-2 Career Guideline Suggestions for Those with Disabilities

*Source:* Career management strategies of people with disabilities. *Human Resource Management*, May–June 2014 (53)3, pp. 455–456. Reprinted by permission from John Wiley & Sons, Inc. Cleared via Copyright Clearance Center.

Strategy	Key Import of Strategy
Espousing a positive mind-set and demonstrating extreme persistence	Overcome worries and focus on tasks at hand
Sensitizing people to ability over disability: <ul style="list-style-type: none"> <li>• Signaling ability by learning new skills</li> <li>• Signaling ability by helping coworkers through newly gained skills</li> <li>• Signaling ability by trying to enhance performance through feedback seeking</li> </ul>	Trounce stereotypes regarding competence
Engaging in disability advocacy: <ul style="list-style-type: none"> <li>• Awareness building</li> <li>• Influencing organizational policymaking with regard to accommodation</li> </ul>	Sensitize others to performance potential of all PWD and help all PWD perform
Building, leveraging, and contributing to relevant networks: <ul style="list-style-type: none"> <li>• Forming networks comprising PWD</li> <li>• Seeking mentors who have a disability</li> <li>• Serving as role models or mentors to other PWD</li> </ul>	Aid general adjustment and career growth of self and other PWD

An employee who agonizes over which career to pursue or how to navigate office politics may need mentoring.

Mentoring may be formal or informal. Informally, mid- and senior-level managers may voluntarily help less-experienced employees—for instance, by giving them career advice and helping them to navigate office politics. Many employers also have formal mentoring programs. For instance, the employer may pair protégés with potential mentors, and provide training to help mentor and protégé better understand their respective responsibilities. Studies show that having a mentor give career-related guidance and act as a sounding board can enhance one's career satisfaction and success.<sup>24</sup>

For the supervisor, mentoring is both valuable and risky. It is valuable insofar as you can influence in a positive way the careers of your less-experienced subordinates and colleagues. The danger is that it can backfire. **Coaching** focuses on teaching daily tasks that you can easily relearn, so coaching's downside is usually limited. **Mentoring** focuses on relatively hard-to-reverse longer-term career issues, and often touches on the person's psychology (motives, and how one gets along with others, for instance). Because the supervisor is usually not a psychologist or trained career advisor, he or she must be cautious in the mentoring advice he or she gives.

Research on what supervisors can do to be better mentors reveals few surprises. Effective mentors *set high standards*, are willing to *invest the time* and effort the mentoring relationship requires, and actively *steer protégés* into important projects, teams, and jobs. They *model* the right behaviors, and *motivate and inspire* those they're mentoring.<sup>25</sup> Effective mentoring requires *trust*, and the level of trust reflects the mentor's *professional competence, consistency, ability to communicate*, and readiness to *share control*.<sup>26</sup>

However, studies suggest that traditional mentoring is less effective for women than it is for men. For example, in one survey of employees who had “active mentoring relationships” in one year, 72% of the men received one or more promotions in the ensuing 2 years, compared with 65% of the women. A CEO or other senior executive mentored 78% of the men, compared with 69% of the women.<sup>27</sup>

Some employers therefore assign female employees to mentors who have more organizational clout. For example, when Deutsche Bank discovered that several female managing directors had left the firm for better jobs at competitors, it began pairing them with mentor/sponsors from the bank’s executive committee. The latter were in a position to advocate the women for promotion.

### coaching

Educating, instructing, and training subordinates.

**LEARNING OBJECTIVE 10-2**

Explain why career development can improve employee engagement.

## Employee Engagement Guide for Managers

### Career Management

As mentioned earlier in this chapter, labor market turbulence has understandably prompted many people to ask why they should be loyal to their employers. “Why,” they might ask, “should I be loyal to you if you’re just going to dump me when you decide to cut costs again?” Employers today therefore have to think through how they’re going to maintain employee engagement, and thereby minimize voluntary departures, and maximize employee effort.

### Commitment-Oriented Career Development Efforts

Given the importance to most people of a fulfilling and successful career, career planning and development can play an important role in employee engagement. Managed effectively, the employer’s career development process should send the signal that the employer cares about the employee’s career success. As mentioned earlier, this doesn’t necessarily have to be complicated. For example, performance appraisals provide an easy opportunity to link the employee’s performance, career interests, and developmental needs into a coherent career plan. With *career-oriented appraisals*, the supervisor and employee jointly merge the latter’s past performance, career preferences, and developmental needs into a formal career plan.

Such appraisals needn’t be automated but online systems are available. For example, Halogen eAppraisal™ helps the manager to identify employee development activities that are appropriate given the employee’s developmental needs and career preferences. The employer then organizes development activities around the person’s needs.

The JCPenney Management Career-Grid approach provides another good example of what is possible (although tumultuous management changes several years ago sidelined much of this effort). Prior to the annual appraisal, the associate and his or her manager reviewed Penney’s career grid. The grid listed all supervisory positions at Penney (grouped by operation jobs, merchandise jobs, personnel jobs, and general management jobs); it also included specific job titles such as “regional catalog sales manager.” The firm also provided thumbnail job descriptions for all the grid’s jobs.

The grid also identified typical promotional routes. For example, when considering the next assignment for a management associate, the supervisor could consider not only merchandise positions but also operations and personnel positions. Promotional projections could cross all four groups, as well as one or two job levels. For example, a senior merchandising manager might be projected for promotion to either assistant buyer or general merchandise manager. In sum, Penney’s grid approach shows how employers can use a career-oriented appraisal process to guide the employee and manager to focus on the former’s strengths, weaknesses, and career prospects and plans.<sup>28</sup>

Other employers use special training and development programs to facilitate their employees’ career development. The accompanying HR Practices Around the Globe feature provides an example.

### ■ IMPROVING PERFORMANCE: HR PRACTICES AROUND THE GLOBE

#### Career Development at Medtronic<sup>29</sup>

Medtronic is a global medical technology company with more than 85,000 employees around the world. The company offers a wide range of career planning and development support tools aimed at helping employees understand their occupational strengths and weaknesses and reach their potential. These tools include customized development plans, self-assessment and feedback tools, mentoring programs, comprehensive on-site classes covering business, engineering, and science topics, tuition reimbursement scholarships, and online job listings so the employee can seek out new career opportunities within the company.

In addition, new MBA employees can participate in Medtronic's corporate Leadership Development Rotation Program. This is a 2- to 3-year program. It includes 12- to 18-month assignments in two different geographic locations, thus providing participants with both a broad understanding of Medtronics, and in-depth functional experiences. Functional tracks include clinical, corporate development, finance, and human resources, for instance.

In addition to their job assignments, participants engage in other developmental experiences including peer mentoring programs, functional training, and leadership workshops. Among other things, candidates for this program are required to have 3 to 5 years of professional and relevant work experience and an MBA (or other masters-level degree as appropriate) and to be mobile and willing to pursue opportunities abroad.

### MyLab Management Talk About It 1

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete this discussion. Look more closely at this program (go to [www.Medtronic.com](http://www.Medtronic.com); then click "Careers" and "Career Growth") or a similar program and discuss why it should positively affect employee engagement.



#### LEARNING OBJECTIVE 10-3

**Describe** a comprehensive approach to retaining employees.

## Managing Employee Turnover and Retention

Not all employees' career plans will coincide with the company's needs. *Turnover*—the rate at which employees leave the firm—varies markedly among industries. For example, turnover in the accommodation and food services industry is very high, with over half the industry's employees voluntarily leaving each year. In contrast, voluntary turnover in educational services is about 12%.<sup>30</sup>

Furthermore, such figures only reflect employees who leave voluntarily. They don't include involuntary separations, such as for poor performance.<sup>31</sup> Combining voluntary and involuntary turnover produces some astounding statistics. For example, the turnover in many food service firms is around 100% per year. In other words, many restaurants need to replace just about all their employees every year! Turnover is expensive, as the HR as a Profit Center discussion shows.



### IMPROVING PERFORMANCE: HR AS A PROFIT CENTER

#### Turnover and Performance

What is the link between turnover and organizational performance? One study analyzed the costs of turnover in a call center with 31 agents and 4 supervisors.<sup>32</sup> Tangible costs associated with an agent's leaving included the costs of recruiting, screening, interviewing, and testing applicants, as well as the cost of wages while the new agent was oriented and trained. Intangible costs included the cost of lost productivity for the new agent (who is less productive at first), the cost of rework for the new agent's errors, and the supervisory cost for coaching the new agent. The researchers estimated the cost of an agent leaving at about \$21,551. This call center averaged 18.6 vacancies per year (about a 60% turnover rate). Therefore, the researchers estimated the total annual cost of agent turnover at \$400,853. Taking steps to cut this turnover rate in, say, half could save this firm about \$200,000 per year. The bottom line is that HR practices can have a big influence on employee turnover, and thereby on the company's profitability. ■

### MyLab Management Talk About It 2

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete this discussion. Discuss three steps you would take to reduce the need to dismiss employees.

Reducing turnover requires identifying and managing the reasons for both voluntary and involuntary turnover.<sup>33</sup> We address managing voluntary turnover here, and managing involuntary turnover later in the chapter.

### Managing Voluntary Turnover

In reducing turnover, the logical place to start is by measuring the number of employees (particularly top performers and high potentials) who leave the company.<sup>34</sup> SHRM recommends computing turnover as follows: “First calculate turnover for each month by dividing the number of [voluntary] separations during the month by the average number of employees during that month and multiplying by 100. Then calculate the annual turnover rate by adding the 12 months of turnover percentages together.”<sup>35</sup>

However, identifying *why* employees voluntarily leave isn’t so easy. People dissatisfied with their jobs are more likely to leave, but the sources of dissatisfaction are many. In one survey, the five top reasons that top-performing employees gave for leaving (ranked from high to low) were pay, promotional opportunities, work–life balance, career development, and health-care benefits.<sup>36</sup> Another survey of employees based on exit interviews found the top five reasons employees left were, career development (22%), work–life balance (12%), management behavior (11%), compensation and benefits (9%), and well-being (9%).<sup>37</sup> Of those who left due to “career development,” most said they didn’t like the work they were doing, while others blamed lack of growth and development.<sup>38</sup> In another study job motivation, social support, and burnout correlated with turnover intentions.<sup>39</sup> Other reasons employees leave include unfairness, not having their voices heard, and lack of recognition.<sup>40</sup>

Practical considerations also affect turnover. For example, high unemployment reduces voluntary turnover, and some locales have fewer job opportunities (and thus turnover). Furthermore, losing low-performing employees isn’t as problematic as losing high-performing ones. The restaurant chain Applebee’s gives managers incentives for reducing turnover of top-performing employees.<sup>41</sup>

In any case, given the many things prompting employees to leave, what can one do to reduce voluntary turnover? We’ll discuss some tactics, but there is no silver bullet. The manager should understand that retaining employees is a talent management issue, and that the best retention strategies are therefore multifunctional. For example, employees who aren’t interested in their jobs, sense that they’re not suited for their jobs, or feel undercompensated are more likely to leave. Employers can address such issues only by instituting effective and coordinated talent management (recruitment, selection, training, appraisal, and compensation) practices. Put another way, turnovers (both voluntary and involuntary) often start with poor selection decisions, compounded by inadequate training, insensitive appraisals, and inequitable pay. Trying to formulate a “retention strategy” without considering all HR practices is futile.

### A Comprehensive Approach to Retaining Employees

However, identifying problems is an important first step. Effectively conducted *exit interviews* provide useful insights into turnover problem areas. Many employers routinely administer *attitude surveys* to monitor employees about matters such as supervision and pay. Sometimes simply asking, “All things considered, how satisfied are you with your job?” can be as effective as soliciting employees’ attitudes toward various facets of the job (such as supervision and pay).<sup>42</sup> Open-door policies and anonymous “hotlines” help management identify and remedy morale problems. Usually conducted by the employee’s manager, the aim of a *stay interview* is to head off retention problems by finding out “how the employee is doing.” Typical questions include, “When you travel to work each day, what are you looking forward to?” and “How can I best support you?” Unlike anonymous group surveys, stay interviews are one on one, and reportedly provide useful information for reducing turnover and improving engagement.<sup>43</sup> Sometimes, analyzing the situation leads to simple solutions. Walmart discovered it could significantly reduce voluntary turnover by providing aggressively *realistic previews* about the job’s demands and work hours.<sup>44</sup> Then, having identified potential problems, the employer can take steps like the following to boost employee retention.

**RAISE PAY** The most obvious explanation for why employees quit is often also the correct one: low pay. Particularly for high performers and key employees, enhanced pay has been the retention tool of choice for many employers.<sup>45</sup>

**HIRE SMART** “Retention starts up front, with the selection and hiring of the right employees.”<sup>46</sup> This refers not just to the worker but also to hiring the right supervisors. For example, FedEx conducts periodic employee attitude surveys. The supervisor then meets to review the results with his or her employees to address any leadership problems the surveys raise.

**DISCUSS CAREERS** One expert says, “Professionals who feel their company cares about their development and progress are much more likely to stay.”<sup>47</sup> Periodically discuss with employees their career preferences and prospects, and help them lay out career plans.<sup>48</sup>

**PROVIDE DIRECTION** People can’t do their jobs if they don’t know what to do or what their goals are. Therefore, retaining employees requires making it clear what your expectations are regarding their performance and what their responsibilities are.

**OFFER FLEXIBILITY** In one survey, workers identified “flexible work arrangements” and “telecommuting” as the two top benefits that would encourage them to choose one job over another.

**USE HIGH-PERFORMANCE HR PRACTICES** In one study, call centers that made more use of high-involvement work practices (for instance, employee empowerment, problem-solving groups, and self-directed teams) had lower rates of quits, dismissals, and total turnover. So did those that “invested” more in employees (for instance, in terms of promotion opportunities, high relative pay, pensions, and full-time jobs).<sup>49</sup>

**COUNTEROFFER?** If a valued employee says he or she is leaving, should you make a counteroffer? Many argue against doing so, calling it a “Band-Aid for a head wound.”<sup>50</sup> Employers who do allow counteroffers need a policy that specifies what people and positions are eligible for counteroffers, allowable compensation enhancements, and how to determine the offer.<sup>51</sup>



### TRENDS SHAPING HR: DIGITAL AND SOCIAL MEDIA

Digital and social media tools can improve the employee retention process. Software company SAS’s employee-retention program sifts through employee data on traits like skills, tenure, performance, education, and friendships. It can predict which high-value employees are more likely to quit in the near future (allowing SAS to try to head that off).<sup>52</sup> Alliant Techsystems created a “flight risk model” to calculate the probability an employee would leave and to take corrective action.<sup>53</sup> Based on its analysis of previous survey results, Google’s “Googlegeist” survey contains five questions aimed at identifying Googlers who are more likely to leave; if a team’s responses fall below 70% favorable, Google knows to take corrective action.<sup>54</sup> Websites such as Globoforce ([www.globoforce.com](http://www.globoforce.com)) enable each employee’s colleagues to comment on and to recognize and reward the person’s contributions. Vendors assert this leads to “dramatic improvements in employee engagement, retention and measurable adoption of corporate culture.”<sup>55</sup> ■

### ■ IMPROVING PERFORMANCE: THE STRATEGIC CONTEXT

#### Fresh Thyme Farmers Market

*Strategic human resource management* means formulating HR policies and practices that produce the employee skills and behaviors the company needs to achieve its strategic aims. Fresh Thyme’s strategy

is to offer fresh, local, organic foods, with about half of each store devoted to fresh produce.<sup>56</sup> Its employees are evangelists about getting customers to eat healthy. What sorts of people does Fresh Thyme want to recruit and hire, and what do they do to retain them?

A company that sells “health and awareness” needs employees who enjoy engaging with customers, particularly about fresh and healthy foods. It helps that fast growth means big opportunities for employees. Fresh Thyme also works hard to develop its employees’ careers. For example, it offers extensive training, from “bagging 101,” to finance courses for managers. The point is Fresh Thyme has an integrated set of recruitment, selection, training, and career development practices that support its “fresh and healthy” strategy while also supporting employee retention.

### MyLab Management Talk About It 3

If your professor has assigned this, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete this discussion question. Do you think Fresh Thyme should work out a career development plan for each of its employees? Why?

## Job Withdrawal

Unfortunately, voluntary turnover is just one way that employees withdraw. Withdrawal in general means separating oneself from one’s current situation—it’s a means of escape for someone who is dissatisfied or fearful. At work, *job withdrawal* has been defined as “actions intended to place physical or psychological distance between employees and their work environments.”<sup>57</sup>

Absences and voluntary turnover are two obvious types of job withdrawal. Others can be less obvious if no less corrosive. Some examples include “taking undeserved work breaks, spending time in idle conversation and neglecting aspects of the job one is obligated to perform.”<sup>58</sup> Other employees stop “showing up” mentally (“psychological withdrawal”), perhaps daydreaming at their desks while productivity suffers.<sup>59</sup> The employee is there, but mentally absent. In fact, the *job withdrawal process* tends to be incremental, often evolving from daydreaming to absences to quitting: “When an employee perceives that temporary withdrawal will not resolve his/her problems, then the employee is apt to choose a more permanent form of withdrawal (i.e., turnover, assuming that alternative work opportunities are available).”<sup>60</sup>

Studies confirm the high costs of job withdrawal, so understanding its causes is important.<sup>61</sup> Many people have experienced the desire to withdraw—to “get away” from some situation—so it’s perhaps not difficult to empathize with those who feel they must escape. Some think of it in terms of pain versus pleasure. People tend to move toward situations that make them feel good, and away from those that make them feel bad.<sup>62</sup> People are repelled by situations that produce unpleasant, uncomfortable emotions, and are attracted to those that produce pleasant, comfortable ones.<sup>63</sup>

The manager can therefore think of withdrawal-reducing strategies in terms of reducing the job’s negative effects, and/or of raising its positive effects. Because potential negatives and positives are virtually limitless, addressing withdrawal problems again requires a comprehensive human resource management approach.<sup>64</sup> Illustrative potential negatives include, for instance, boring jobs, poor supervision, low pay, bullying, lack of career prospects, and poor working conditions. Potential positives include job enrichment, supportive supervision, equitable pay/family-friendly benefits, disciplinary/appeals processes, career development opportunities, safe working conditions, and high-morale colleagues.<sup>65</sup> Interviews, surveys, and observation can help identify issues to address.

With more employees taking their jobs home via smart phones and iPads, employee “detachment” (not withdrawal) isn’t always a bad thing. Two researchers found detaching oneself from work improves family life. They advise working out a system for ensuring some quality family time. For example, the employee and his or her partner might “agree on certain rules such as keeping the weekend free of work, or switching off the mobile phone after dinner.”<sup>66</sup>

**LEARNING OBJECTIVE 10-4**

List and briefly explain the main decisions employers should address in reaching promotion and other employee life-cycle career decisions.

**promotion**

Advancement to a position of increased responsibility.

## Employee Life-Cycle Career Management

An employee's tenure with a firm tends to follow a life cycle, from employment interview to first job, promotion, transfer, and perhaps retirement. We'll look here at the latter three.

### Making Promotion Decisions

**Promotions** traditionally mean advancements to positions of increased responsibility.

Promotions are important. They're obviously a good way to reward performance. Furthermore, hiring outsiders has become more expensive. By one estimate, it now costs about 36% more to hire new employees than it did a few years ago. (This is partly due to more job openings, and partly because the gig economy diverts many potential hires to working on their own). The bottom line is that employers need well thought-out promotion practices and policies. For example, unfairness or secrecy about why people get promoted can devalue the promotion process. An effective promotion strategy therefore includes effective promotion from within systems and practices, making more promotions available, and ensuring that your employees are as aware of their own company's job openings as they are of other companies'.<sup>67</sup>

Also address how to handle those *not* promoted.<sup>68</sup> In one study, military officer training candidates *not* promoted were more likely to engage in counterproductive work behaviors (such as verbal and physical aggression, property theft, and sleeping on duty) than were those who were promoted.

### KNOW YOUR EMPLOYMENT LAW

#### *Establish Clear Guidelines for Managing Promotions*

In general, promotion processes must comply with all the same antidiscrimination laws as do procedures for recruiting and selecting employees or any other HR actions. For example, Title VII of the 1964 Civil Rights Act covers any "terms, conditions, or privileges of employment." Similarly, under the Age Discrimination in Employment Act of 1967, "covered employers may not select individuals for hiring, promotion, or reductions in force in a way that unlawfully discriminates on the basis of age."<sup>69</sup>

The employer should establish safeguards to ensure that promotion decisions don't prompt discrimination claims, or claims of retaliation, as many do. For example, the Fifth U.S. Circuit Court of Appeals allowed a woman's claim of retaliation to proceed when she showed that she was turned down for promotion because a supervisor she had previously accused of sexual harassment persuaded her current supervisor not to promote her.<sup>70</sup>

One way to defend against such claims is to make sure promotion procedures are clear and objective. For example, the Eighth U.S. Circuit Court of Appeals held that a company's failure to set objective guidelines and procedures for promoting employees may suggest employment discrimination.<sup>71</sup> (In this case, the court found that the organization, a community college, did not consistently use the same procedures for hiring and promotions, and did not clarify when and under what conditions vacant positions were announced.) In another case, the employer turned down a 61-year-old employee for a promotion because the person who interviewed him said he did not "get a real feeling of confidence" from the candidate.<sup>72</sup> In this case, "the court made it clear that while subjective reasons can justify adverse employment decisions, an employer must articulate any clear and reasonably specific factual bases upon which it based its decision." In other words, have objective evidence supporting your subjective assessment for promotion. ■

Crucial promotion-related decisions include the following.

**DECISION 1: IS SENIORITY OR COMPETENCE THE RULE?** In setting promotion policies, one decision is whether to base promotion on seniority or competence, or some combination of the two.

Today's focus on performance favors competence. However, this depends on several things. Union agreements sometimes contain clauses emphasizing seniority. Civil service regulations that stress seniority often govern promotions in many public-sector organizations.

**DECISION 2: HOW SHOULD WE MEASURE COMPETENCE?** If the firm opts for competence, it must define and measure competence. Defining and measuring *past* performance is relatively straightforward. But promotions should also rest on procedures for predicting the candidate's future performance.

For better or worse, most employers use prior performance as a guide, and assume that (based on exemplary prior performance) the person will do well on the new job. Many use tests or assessment centers, or tools such as the 9-Box Grid (Chapter 8, page 258), to evaluate promotable employees and identify those with executive potential.

For example, given the public safety issues involved, police departments tend to be very systematic when evaluating candidates for promotion to command positions. For the police, traditional promotion reviews include a written knowledge test, an assessment center, time-in-grade (for example, candidates for police captain in Little Rock, Arkansas, need a minimum 5 years as police officer, 2 years as sergeant, and 2 years as lieutenant before applying for promotion to captain),<sup>73</sup> a score based on recent performance appraisal ratings, and a personnel records review. The latter includes evaluation of supervisory-related education and experience, ratings from multiple sources, and systematic evaluation of behavioral evidence.<sup>74</sup>

**DECISION 3: IS THE PROCESS FORMAL OR INFORMAL?** Many firms have informal promotion processes. They may or may not post open positions, and key managers may use their own unpublished promotion criteria. Here employees (and courts) may conclude that factors like "who you know" are more important than performance, and that working hard to get ahead—at least in this firm—is futile.

Other employers set formal promotion policies and procedures. Employees receive a *formal promotion policy* describing the criteria by which the firm awards promotions. A *job posting policy* states the firm will post open positions and their requirements, and circulate these to all employees. As explained in Chapter 5 (Personnel Planning and Recruiting), many employers also maintain *employee qualification databanks* and use replacement charts and computerized employee information systems to assist in such planning.

**DECISION 4: VERTICAL, HORIZONTAL, OR OTHER?** Promotions aren't necessarily upward. Thus, some employees, such as engineers, may have little or no interest in promotion to managerial roles.

Several options are available. Some firms, such as the exploration division of British Petroleum (BP), create two parallel career paths, one for managers and another for "individual contributors" such as high-performing engineers. At BP, individual contributors can move up to nonsupervisory senior positions, such as "senior engineer." These jobs have most of the financial rewards attached to management-track positions at that level.

Another option is to move the person horizontally. For instance, a production employee may move to human resources to develop his or her skills and to test and challenge his or her aptitudes. In a sense, "promotions" are possible even when leaving the person in the same job. For example, you might enrich the job and provide training to enhance the opportunity for assuming more responsibility.

In any case, there are practical steps to take in formulating promotion policies.<sup>75</sup> Establish eligibility requirements, for instance, in terms of minimum tenure and performance ratings. Require the hiring manager to review the job description, and revise if necessary. Vigorously review all candidates' performance and history. Preferably promote only those who meet the job's requirements. And reach out to employees who may have aspired to a promotion but who were not yet ready to be promoted. To paraphrase Google's chief HR officer, doing so is far better than having them quit or withdraw.<sup>76</sup>



### Diversity Counts: The Gender Gap

Women constitute more than 45% of the workforce, but hold less than 2% of top management positions. Blatant or subtle discrimination may account for much of this. In one study, promoted women had to receive higher performance ratings than promoted men to get promoted, “suggesting that women were held to stricter standards for promotion.”<sup>77</sup> Women report greater barriers (such as being excluded from informal networks) than do men, and have more difficulty getting developmental assignments. Many employers obstruct women’s promotional prospects from the beginning. For example, women make up almost half of entry-level hires, but are 18% less likely than men to be promoted to manager.<sup>78</sup>

Although there are notable exceptions (for instance, Ursula M. Burns was CEO of Xerox, and Indra Nooyi was Pepsico’s CEO), minority women seem particularly at risk. An older survey asked minority women what they saw as the career barriers. They said not having an influential mentor (47%), lack of informal networking with influential colleagues (40%), lack of company role models for members of the same racial or ethnic group (29%), and a lack of high-visibility assignments (28%).<sup>79</sup> Yet a more recent survey from McKinsey & Company and LeanIn.org came to about the same conclusions: Managers don’t advocate for them, help them manage company politics, provide advice, nor give them stretch assignments.<sup>80</sup>

What to do about this? Here are suggestions, aimed at addressing the key findings of the McKinsey & Company/Lean In survey *Women in the Workplace 2017*:<sup>81</sup>

**“Women hit the glass ceiling early.”** Women are 18% less likely to be promoted to manager. *Recognize this as a potential problem, and ensure training and appraisal processes are proactively nondiscriminatory.*

**“Men are more likely to say they get what they want without having to ask.”** Men are more likely to have gotten promotions and raises, and to thus already be satisfied without asking for more. *Make sure you execute promotion and compensation decisions equitably.*

**“Women get less of the support that advances careers.”** Women are less likely to receive advice from managers on how to advance. *Improve mentoring and networking practices.* For example, Marriott instituted leadership conferences for women. Speakers offered practical tips for career advancement, and shared their experiences. The conferences also provided informal opportunities for Marriott women to meet and forge business relationships.

**“Women are less optimistic they can reach the top.”** Women are less likely than men to aspire to top management. *Have mentors encourage, as appropriate, stretch assignments for female employees and encourage them to apply for promotions as appropriate, and have female top management role models.* Also, eliminate barriers. For example, some practices (such as required late-night meetings) may seem gender neutral but in fact disproportionately affect women.

**“Men are less committed to gender diversity efforts.”** Men are less likely to consider gender diversity a priority; some even see it as impeding their own advancement. *The top manager should make it clear that he or she is fully committed to gender diversity.*

**“Many women still work a double shift.”** About 54% of women do all or most of the household work, compared to 22% of men. *Institute career tracks (including reduced hours and flexible work schedules) that allow women to periodically reduce their time at work, but remain on a partner track.* When the accounting firm Deloitte saw it was losing female auditors, it instituted a new flexible/reduced work schedule. This enabled many working mothers to stay with the firm.<sup>82</sup> ■

### Managing Transfers

#### transfers

Reassignments to similar positions in other parts of the firm.

A **transfer** is a move from one job to another, usually with no change in salary or grade. Employers may transfer a worker to vacate a position where he or she is no longer needed, to fill one where he or she is needed, or more generally to find a better fit for the

employee within the firm. Many firms today boost productivity by consolidating positions. Transfers are a way to give displaced employees a chance for another assignment or, perhaps, some personal growth. Employees seek transfers for many reasons, including personal enrichment, more interesting jobs, greater convenience—better hours, location of work, and so on—or to jobs offering greater advancement possibilities. Transfers for the firm's convenience—once widely used—are used less of late.

### Managing Retirements

Retirement planning is a significant issue for employers.<sup>83</sup> In the United States, the number of 25- to 34-year-olds is growing relatively slowly, and the number of 35- to 44-year-olds is declining. So, with many employees in their 60s approaching retirement age, employers face a problem: either retain and attract potential retirees, or face the possibility of not filling all their open positions.

Many have wisely chosen to fill their staffing gaps in part with current or soon-to-be retirees. Fortunately, 78% of employees in one survey said they expect to continue working in some capacity after normal retirement age (64% said they want to do so part-time). Only about a third plan to continue work for financial reasons; about 43% just want to stay active.<sup>84</sup>

The bottom line is that “retirement planning” is no longer just about helping current employees slip into retirement.<sup>85</sup> It should also help the employer to retain, in some capacity, the skills and brainpower of those who would normally retire and leave the firm. HR managers, employees, and supervisors should all have input into the employer’s retirement processes.<sup>86</sup>

**RETIREMENT PROGRAM STEPS** A reasonable first step is to conduct numerical analyses of pending retirements. This should include a demographic analysis (including a census of the company’s employees), determining the current average retirement age for the company’s employees, and assessing how retirements will affect the employer’s health-care and pension benefits. The employer can then determine the extent of the “retirement problem,” and take fact-based steps to address it.<sup>87</sup>

Employers seeking to attract and/or retain retirees should take several steps. The general idea is to institute human resource policies that encourage and support older workers. Not surprisingly, studies show that loyal employees are more likely to stay beyond their normal retirement age.<sup>88</sup> It therefore helps to create a culture that honors

Employers are transferring employees less often, partly because of family resistance.



Cathy Yeulet/123RF

experience. For example, CVS knows that traditional recruiting media might not attract older workers; CVS thus works through the National Council on Aging, city agencies, and community organizations to find new employees. They also welcome older workers: “I’m too young to retire. [CVS] is willing to hire older people. They don’t look at your age but your experience,” said one dedicated older worker.<sup>89</sup> Others modify selection procedures. For example, one British bank stopped using psychometric tests, replacing them with role-playing exercises to gauge how candidates deal with customers.

Other techniques employers use to keep older workers include offering them part-time positions, hiring them as consultants or temporary workers, offering them flexible work arrangements, encouraging them to work past traditional retirement age, providing training to upgrade skills, and instituting phased retirement programs (gradually reduced work schedules).<sup>90</sup>

### MyLab Management Apply It!

How would an attorney actually guide a client when it comes to dismissals? If your professor has assigned this activity, go to the Assignments section of [www.pearson.com/mylab/management](http://www.pearson.com/mylab/management) to complete the video exercise.



#### LEARNING OBJECTIVE 10-5

**Explain** each of the main grounds for dismissal.

##### dismissal

Involuntary termination of an employee’s employment with the firm.

## Managing Dismissals

Not all employee separations are voluntary. Some career plans and appraisals end not in promotion or graceful retirement but in **dismissal**—involuntary termination of an employee’s employment with the firm. Many dismissals are avoidable. For example, many dismissals flow from bad hiring decisions. Using assessment tests, background checks, drug testing, and clearly defined jobs can reduce such dismissals.<sup>91</sup>

### Grounds for Dismissal

There are four bases for dismissal: unsatisfactory performance, misconduct, lack of qualifications for the job, and changed requirements of (or elimination of) the job.

*Unsatisfactory performance* refers to a persistent failure to perform assigned duties or to meet prescribed standards on the job.<sup>92</sup> Specific reasons include lack of productivity or poor-quality work, excessive absenteeism, tardiness, or an adverse attitude.

*Misconduct* is deliberate and willful violation of the employer’s rules and may include stealing, rowdy behavior, sexual harassment, and physical violence or threats at work.

*Lack of qualifications for the job* is an employee’s inability to do the assigned work, although he or she wants to. Because this employee may be trying to do the job, it is reasonable to try to salvage him or her—perhaps through further training or by assigning the employee to another job.

*Changed requirements of the job* is an employee’s incapability of doing the job after the nature of the job has changed. Similarly, you may have to dismiss an employee when his or her job is eliminated. Again, the employee may be industrious, so it is reasonable to retrain or transfer this person, if possible.

**Insubordination**, a form of misconduct, is sometimes the grounds for dismissal. The two basic categories of insubordination are *unwillingness* to carry out the manager’s orders, and *disrespectful behavior* toward the manager. (This assumes that the orders were legitimate, and that the manager did not incite the reaction through his or her own extreme behavior.) Examples of insubordination include the following:<sup>93</sup>

1. Direct disregard of the boss’s authority
2. Direct disobedience of, or refusal to obey, the boss’s orders, particularly in front of others
3. Deliberate defiance of clearly stated company policies, rules, regulations, and procedures
4. Public criticism of the boss
5. Blatant disregard of reasonable instructions
6. Contemptuous display of disrespect

##### insubordination

Willful disregard or disobedience of the boss’s authority or legitimate orders; criticizing the boss in public.

7. Disregard for the chain of command
8. Participation in (or leadership of) an effort to undermine and remove the boss from power

**FAIRNESS SAFEGUARDS** Dismissals are never easy. However, the manager can take steps to make them fair.<sup>94</sup> First, allow the employee to explain why he (or she) did what he did. It could turn out, for instance, that the employee “disobeyed” the order because he or she did not understand it. Second, people who get *full explanations* of why and how termination decisions were made “were more likely to perceive their layoff as fair . . . and indicate that they did not wish to take the past employer to court.”

Third, have a formal *multistep procedure* (including warning) and an appeal process.

Fourth, *the person who actually does the dismissing* is important. Employees in one study whose managers informed them of an impending layoff viewed the dismissal fairer than did those told by, say, a human resource manager. Some employers take a less diplomatic approach. About 10% of respondents in one survey said they’ve used e-mail to fire employees.<sup>95</sup> When JCPenney dismissed thousands of employees in 2012, many were fired in groups of a few dozen to over 100 in an auditorium.<sup>96</sup> Use the right person, and dismiss humanely.

Fifth, dismissed employees who feel they’ve been treated unfairly financially are more likely to sue. Many employers use severance pay to blunt that (Figure 10-3). Most provide severance based on position level, salary, and tenure, but only about half have formal severance policies.<sup>97</sup>



## KNOW YOUR EMPLOYMENT LAW

### Termination at Will

#### terminate at will

In the absence of a contract, either the employer or the employee can terminate at will the employment relationship.

For more than 100 years, the prevailing rule in the United States has been that without an employment contract, either the employer or the employee can **terminate at will** the employment relationship. In other words, the employee could resign for any reason, at will, and the employer could similarly dismiss an employee for any reason, at will. Today, however, dismissed employees increasingly take their cases to court, and employers are finding that they no longer have a blanket right to fire.

Three main protections against wrongful discharge eroded the termination-at-will doctrine—*statutory exceptions*, *common law exceptions*, and *public policy exceptions*.

First, *statutory exceptions* include federal and state equal employment and workplace laws that prohibit certain dismissals. For example, Title VII of the Civil Rights Act of 1964 prohibits discharging employees based on race, color, religion, sex, or national origin.<sup>98</sup> Eighteen states and the District of Columbia have laws protecting LGBT workers from termination for sexual orientation. However, in 29 states someone can still be terminated based on sexual orientation.<sup>99</sup> For federal employees, the EEOC held that Title VII of the Civil Rights Act of 1964 applies to LGBT individuals.<sup>100</sup>

Second, numerous *common law exceptions* exist. Courts create these exceptions based on precedents. For example, courts have held that employee handbooks

**FIGURE 10-3** Average Minimum and Maximum Weeks of Severance Pay by Position Level

Source: “Severance & Separation Benefits”, 2017–2018 Seventh Edition, Lee Hecht Harrison, <https://www.lhh.com/us/en/our-knowledge/2018/severance-and-separation-benefits>, accessed March 17, 2018. Copyright 2018 by Lee Hecht Harrison. Reprinted with permission

### AVERAGE MINIMUM AND MAXIMUM WEEKS BY POSITION LEVEL

Position Level (Employee Group)	Average Minimum # Weeks	Average Maximum # Weeks
C-Suite	22.9	44.7
Senior Management	16.1	39.0
Directors	8.9	32.2
Managers	6.0	29.3
Supervisors	5.2	27.4
Professional/Technical	4.9	27.3
Exempt	5.0	27.1
Non-Exempt	4.2	25.3

promising termination only “for just cause” may create an exception to the at-will rule.<sup>101</sup>

Finally, under the *public policy exception*, courts have held a discharge to be wrongful when it was against a well-established public policy. Thus, a public policy exception might prohibit an employer from firing an employee for refusing to break the law. ■

### Avoiding Wrongful Discharge Suits

*Wrongful discharge* (or *wrongful termination*) occurs when an employee’s dismissal does not comply with the law or with the contractual arrangement stated or implied by the employer. (In a wrongful *constructive discharge* claim, the plaintiff argues that he or she was forced to quit because the employer made the working conditions intolerable.)<sup>102</sup>

Avoiding wrongful discharge suits requires several things.<sup>103</sup> *First*, have employment policies including grievance procedures that help show that you treat employees fairly. Also use severance pay to blunt a dismissal’s sting.<sup>104</sup> No termination is pleasant, but the first line of defense is to handle it justly.<sup>105</sup>

*Second*, review and refine all employment-related policies, procedures, and documents to limit challenges. Procedural steps include the following:<sup>106</sup>

- Have applicants sign the employment application. Make sure it contains a statement that “the employer can terminate at any time.”
- Review your employee manual to delete statements that could undermine your defense in a wrongful discharge case. For example, delete “employees can be terminated only for just cause.”
- Have written rules listing infractions that may require discipline and discharge.
- If a rule is broken, get the worker’s side of the story in front of witnesses, and preferably get it signed. Then check out the story.
- Be sure employees get a written appraisal at least annually. If an employee shows evidence of incompetence, give that person a warning. Provide an opportunity to improve.
- Keep careful confidential records of all actions such as employee appraisals, warnings or notices, and so on.
- Finally, ask the questions in Figure 10-4.

### FIGURE 10-4 Avoiding Wrongful Discharge Claims

Source: Sovereign, K. L. (1999). *Personal law* (4th ed.). Copyright © 1999 Pearson Education, Inc. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, NJ; Pack, A., & Capito, K. (2012, September 11). 8 questions an employer should ask before taking an adverse employment action. [www.dinsmore.com/adverse\\_employment\\_action\\_steps](http://www.dinsmore.com/adverse_employment_action_steps), accessed May 31, 2017; Wrongful termination checklist. <http://employment.findlaw.com/losing-a-job/wrongful-termination-checklist.html>, accessed May 1, 2017.

#### Avoiding Wrongful Discharge Claims: Some Questions to Ask Before Making the Dismissal Final

*Avoiding wrongful discharge claims is a complicated matter that involves, for instance, ensuring that the dismissal is fair and that it does not involve issues of discrimination, harassment, retaliation, or breach of contract. Illustrative questions to ask would include:*

- Is the employee covered by any type of written agreement, including a collective bargaining agreement?
- Is there any workers’ compensation involvement?
- Have reasonable rules and regulations been communicated and enforced?
- Has the employee been given an opportunity to explain any rule violations or to correct poor performance?
- Is there any direct or circumstantial evidence (such as statements) that the employee is being terminated for discriminatory reasons?
- Are similar employees treated differently on the basis of age, gender, race or other protected group category?
- Did an employer make unwelcome sexual advances, request sexual favors, or seek to establish a romantic or sexual relationship?
- Before being fired, did the employee report potential violations in the company to a supervisor, colleagues, your human resources department, or an enforcement agency such as OSHA?
- Is the employee working under a written contract and if so, did it establish permissible reasons for termination or a termination procedure?
- Did the employer, supervisor, or superior make any verbal promises, such as saying the person’s job was “guaranteed” or ensuring “tenure” at work?
- How long has the employee been working here and is this his or her first discipline issue?
- Are you sure there have been past warnings?
- Has anyone else committed this offense and been treated differently?

## Supervisor Liability

Courts *may* hold managers personally liable for their supervisory actions, including for dismissals.<sup>107</sup> For example, the Fair Labor Standards Act defines *employer* to include “any person acting directly or indirectly in the interest of an employer in relation to any employee.”<sup>108</sup> This can mean the individual supervisor.

There are several ways to reduce the likelihood of having personal liability become an issue.

- *Follow company policies and procedures.* An employee may initiate a claim against a supervisor who he or she alleges did not follow policies and procedures.
- *Carefully consider and fully document* the basis for any termination decision.
- Administer the dismissal in a manner that does not add to the employee’s *emotional hardship* (as would having the employee publicly collect his or her belongings and leave the office).
- *Do not act in anger*, since doing so undermines the appearance of objectivity.
- Finally, *use the HR department* for advice regarding how to handle difficult dismissal situations.

## Security Measures

The employer should use a checklist to ensure (for instance) that dismissed employees return all keys and company property, and (often) that they’re accompanied out of the building.<sup>109</sup> For example, the employer should disable Internet-related accounts of former employees, plug holes that could allow them to gain illegal online access, and have rules for return of company laptops and handhelds. As a matter of policy, the employer should immediately inform the IT department of an impending employee separation, to enable IT to take the necessary actions. These actions should include, for instance, disabling access and passwords and changing IP addresses.<sup>110</sup>



### termination interview

The interview in which an employee is informed of the fact that he or she has been dismissed.

## The Termination Interview and Exit Process

Dismissing an employee is one of the most difficult tasks you can face at work. The dismissed employee, even if warned many times, may react with disbelief or even violence. (Review the impending interview with an attorney, if you believe protected characteristics such as gender or age may become issues during or after the interview.)<sup>111</sup> Guidelines for the **termination interview** are as follows.<sup>112</sup>

### 1. Plan the interview.

- Make sure the employee keeps the appointment time.
- Have employee agreements, the human resource file, and a release announcement prepared in advance.
- Have phone numbers ready for medical or security emergencies.

### 2. Get to the point.

When the employee enters, give the person a moment to get comfortable and then tell him or her the purpose of the meeting and of your decision.

**3. Describe the situation.** Briefly, in three or four sentences, explain why the person is being let go. For instance, “Production in your area is down 4%, and we are continuing to have quality problems. We have talked about these problems several times in the past 3 months, and the solutions are not being followed through on. We have to make a change.” Don’t personalize the situation as in, “Your production is just not up to par.” Emphasize the decision is irrevocable. State the effective date of the termination. Preserving the employee’s dignity is important. Point out that the situation was carefully reviewed, but do not provide a detailed analysis of the documents supporting the discharge.<sup>113</sup>

**4. Listen.** Continue the interview for several minutes until the person appears to be talking freely and reasonably calmly.

**5. Review the severance package.** Describe severance payments, benefits, access to office support people, and the way references will be handled. Make no promises of benefits beyond those already in the support package.