Performance Management

COMM 203 Flex at the Sauder School of Business,
University of British Columbia
Performance management is the process for ensuring that employee activities and job performance are contributing toward the organization’s objectives. This includes managing performance to make sure all employees are meeting the performance expectations for their job. Performance appraisal of each employee is a critical component of the performance management process and most of this video will focus on performance appraisal.

PERFORMANCE MANAGEMENT IS IMPORTANT FOR 3 PURPOSES WITHIN THE ORGANIZATION

1. **The Strategic Purpose** relates to linking employee performance with the organization’s strategic objectives. This includes making sure the strategic objectives of the organization are communicated to each employee, and establishing for each employee performance expectations to support these organizational objectives.

2. **The Administrative Purpose** refers to how organizations use the information from performance appraisals to make human resources management decisions. For example, performance appraisal information is used for succession planning in the human resource planning process, for pay decisions, for training needs analysis decisions, promotions, transfers, layoffs and many other human resource management decisions.

3. **The Developmental Purpose** refers to how the information from performance appraisals is used to guide employee development to improve performance in current jobs and prepare employees to advance to other jobs in the organization.

The criteria for effective performance appraisal are very similar to the criteria for effective employee selection methods. Just as there are many ways to predict the future job performance of applicants in selection, there are many ways to measure the actual performance of employees. First, reliability of performance measures is important. Most performance measures rely on evaluations done by others, often the employee’s supervisor. **Inter-rater Reliability** is the consistency of the measurement results across different raters. An individual employee’s performance appraisal should reflect their actual performance and not be determined by who is doing the evaluation. Performance measures with high inter-rater reliability will achieve this.
The Validity, Contamination and Deficiency of a performance measure can be shown with this Venn diagram. The blue circle at the top represents the actual job performance and the red circle at the bottom represents the measured job performance. The portion that overlaps in purple represents the valid measures of job performance. The actual performance that is omitted by the measures is deficiency. The performance measures that do not reflect actual performance are contamination. Unfortunately, the performance measures commonly used by many organizations have a high degree of deficiency and contamination, or in other words, low validity. I will discuss this more later.

There are two additional criteria important for performance appraisal. **Acceptability** refers to the extent to which the appraisal measures are accepted by the supervisors or others who must use them to evaluate their employees, and by the employees who are having their performance evaluated. Acceptability to users of the measures is often influenced by how complicated and time consuming it is to use. More valid job performance measurement will often require more complicated measures that are specific to each job. A supervisor with employees in many different jobs may find the process too complicated and too time consuming. So validity and acceptability may have to be traded off to find a system with the right balance. Employees want their performance evaluation to be fair. This will usually mean they see it as free of contamination and deficiency, or in other words, highly valid. It also means they must believe performance appraisal is completed in a fair and unbiased manner by their supervisor of other evaluators.

**Specificity** refers to how precisely the measures tell employees what their performance expectations are, and how well they are, or are not, meeting them. This is critical for employees to understand what they need to do to improve their performance. If they simply find out their performance is inadequate but receive no details no how or why it is inadequate they will not know what to do to improve. Specificity of the measures is also important for the human resource managers when doing training needs assessments.
So how well do organizations do with their performance evaluation systems? Many do a great job with developing and designing valid systems. These often include different performance appraisal measures for different jobs, or at least different groupings of similar jobs. They provide training for evaluators on how to complete the appraisals. And, they make sure evaluators have the time required to complete the evaluations for all their employees.

Such performance appraisal systems are fairly complicated, and time consuming to develop and use. Some organizations mistakenly take the view that this is a luxury they cannot afford. What a mistake that is! I once read an article where a CEO was bragging that his company had one performance appraisal system that was used for every employee in the organization, including himself. While this may sound appealing on some egalitarian grounds, it is a very poor practice. It turns out the systems this organization was using included rating scales for a list of “traits” such as friendliness, positive attitude, adaptability, initiative and so on. Most of these are socially desirable traits, but it is well known that personal traits have no validity as measures of performance for most jobs in most organizations. Friendliness may appear valid for the job of receptionist who is the organization’s first contact with many people. But for most jobs it has no relationship to job performance.

I quickly concluded the system this organization was using was completely useless. In fact, I concluded it was worse than completely useless. Using rating scales on personal traits also leaves the system open to evaluators interjecting their personal biases into their performance evaluations. They may give high evaluations to the employees they like, or discriminate on the basis of gender, race, or other protected categories. This could leave the organization vulnerable to human rights complaints.

So why do some organizations use such trait based systems? Because they are fast and easy to develop. They are fast and easy to use. And you can use them for a wide variety of jobs. Basically, they are cheap. But given that performance appraisal results are critically important for organizational performance, as information input for many other human resource management decisions, and to help employees understand their performance and how to improve, investing in well designed, valid performance management systems will be well worth it for any organization.