

**15.660**

**Strategic Human Resource  
Management**

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**MIT Sloan School of Management**

# Guidelines for Effective Performance Appraisal



- ❖ Make sure the performance rating process is strategically useful; i.e., based on the key success factors needed for execution.
- ❖ Involve those being rated in the development of the rating scheme.
- ❖ Insure that the process is related to job performance and meets legal requirements.
- ❖ Train the raters on evaluation and feedback.

# Legally Defensible Performance Appraisal



- ❖ Standards should be based on job analysis.
- ❖ Standards communicated to employees.
- ❖ Evaluations based on specific dimensions.
- ❖ Dimensions defined in behavioral terms and supported by objective, observable evidence.
- ❖ Raters should be trained and valid.
- ❖ When possible, more than one rater is used.
- ❖ Appraisal fits the cycle of work.
- ❖ Documentation of extreme ratings is done.
- ❖ Formal appeal process is available.

# Choices Embedded in Appraisal Systems



- ❖ Who is evaluated?
- ❖ What is evaluated?
- ❖ Who performs the evaluation? Who has input?
- ❖ Who sees the evaluation? For what purpose?
- ❖ When is it conducted?
- ❖ Is the evaluation OBJECTIVE or SUBJECTIVE?
- ❖ Is performance RELATIVE or ABSOLUTE?

# Fundamental Questions about Performance Appraisal



- ❖ Is it linked to the larger incentive and reward system?
- ❖ Does it make sense given the firm's strategy?
- ❖ Does it fit with the industry, workforce?
- ❖ Is it consistent with the organizational culture?
  
- ❖ Should individuals be evaluated at all?

# Two Dimensions of Evaluation

Results	High	?	Promote
	Low	Discharge	?
		Low	High
		Fit	

# Managing Performance



- ❖ Evaluating performance
- ❖ Diagnosing performance
- ❖ Providing feedback on performance
- ❖ Linking performance with rewards & punishments
- ❖ Coaching, counseling & developing

# Performance Assessment & Diagnosis



- ❖ Can you make cause-effect linkages between actions & outcomes?
- ❖ How often & to what extent have you intervened? To what extent are you part of the problem?
- ❖ Can you identify root causes?
- ❖ What can be corrected?
- ❖ What can be capitalized on?



# Building Effective Working Relationships

Understanding of Performance	Clear	We don't get along anymore, but X knows where s/he stands	Success
	Ambiguous	Failure	Our relationship is fine, but X doesn't have a clear understanding of how s/he is doing
		Weak	Strong
		Quality of Relationship	

# Coaching



- ❖ Oriented toward problem-solving & action
- ❖ Balance advocacy & inquiry
- ❖ Be as descriptive & specific as possible
- ❖ Take advantage of critical incidents
- ❖ Agree to next steps
- ❖ Identify specific developmental agendas
- ❖ Identify available resources
- ❖ Adapt your coaching style to the individual

# Helpful Feedback



- ✦ Based on constructive evaluation and diagnosis of performance
- ✦ Timely
- ✦ Descriptive & specific
- ✦ Defines consequences/impact of behavior
- ✦ Oriented toward problem-solving & action