15.660
Strategic Human Resource Management

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

<table>
<thead>
<tr>
<th>High Results</th>
<th>Low Results</th>
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</thead>
<tbody>
<tr>
<td>Low Promote</td>
<td>High Discharge</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Understanding of Performance</th>
<th>Weak</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear</td>
<td></td>
<td></td>
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<tr>
<td>Success</td>
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<tr>
<td>Failure</td>
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<tr>
<td>Ambiguous</td>
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</table>

- We don’t get along anymore, but X knows where s/he stands
- Our relationship is fine, but X doesn’t have a clear understanding of how s/he is doing

Our relationship is fine, but X knows where s/he stands
We don’t get along anymore, but X knows where s/he stands
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