SHRM Compensation and Benefits

Module 11: Tying Performance to Compensation



Module 11: Tying Performance to Compensation



Time:  2 minutes

Running time: 2 minutes

**Objective**: Introduce the topic Tying Performance to Compensation

**Description**:  Introduction to the topic and why it is important in Compensation and Benefits

**Instructional Method**: Lecture/ice breaker

**Script:**

This module will introduce entry-level employee evaluation strategies and techniques and will demonstrate to students the relationship between employee evaluation systems and compensation plans.

**Facilitator Notes:**

* Warm up the group with an ice breaker to make students feel comfortable and open for discussion.
* Be sure to put your name and any other information on the first slide.
* Let the class know that they will be interacting with the material and applying the concepts to their lives.  Participation is more than encouraged.

A picture containing table

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Time:  2 minutes

Running time: 4 minutes

**Objective**: Introduce the learning objectives.

**Description**: Show the objectives.  Answer any questions.

**Instructional Method**: Lecture

**Script**:

Here are the objectives for this module:

* Define terms related to performance and compensation.
* Describe the performance appraisal process.
* Identify traditional performance appraisal methods.
* Explain the steps in the appraisal process.
* Discuss common appraisal errors.
* Describe the relationship between performance appraisals and employee engagement.
* Illustrate how the performances appraisal is tied to compensation planning.
* Identify legal issues in performance evaluations.

**Facilitator Notes:**

Use the objectives topics to create evaluation for the review.

Graphical user interface, text

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Time:  6 minutes

Running time: 10 minutes

**Objective**: Define key terms for compensation and benefits.

**Description**: Match Key terms to the correct definition.

**Instructional Method**: Game

**Script**:

Let’s play a game to define some key terms used in the compensation and benefits profession.

**Exercise**:  Key terms

1. The instructor will state the definition of each term.
2. Have students choose which term fits the definition.
3. Click to “light up” the correct answer.

Virtual

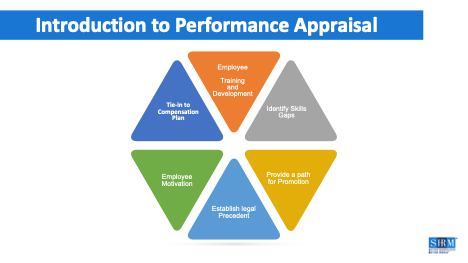
1. Use chat or annotate/stamp.
2. Read the definition and have students choose the term.

**Define Terms:**

1. **Performance Appraisal-** The process of supporting employee growth and development through systematic review of established performance standards and timely and consistent feedback. This definition is sufficiently broad to cover multiple aspects of performance appraisal and establishes a basis for understanding the various purposes of evaluating employees.
2. **Performance Management**- “Directs and motivates employee, workgroups, and business units to accomplish organizational goals by linking past performance with future needs, setting specific goals for future behavior and performance, providing feedback, and identifying and removing performance obstacles” (Phillips, 2022, p. 256).
3. **Employee Development**- “Formal education, job experiences, relationships, and assessments of personality and abilities that help employees prepare for the future” (Noe, 2020, p. 529).
4. **Balanced Scorecard-** “A performance measurement system that translates the organization’s strategy into financial, business process, learning and growth, and customer outcomes” (Phillips, 2022, p.258).
5. **Strategy Map**- “A Balanced Scorecard strategy map is a one-page visual depiction of an organization’s scorecard. It has the ability to show the connections between all four perspectives in a one-page picture”

**Facilitator Notes:**

([https://www.clearpointstrategy.com/what-is-a-balanced-scorecard-definition/#3](https://www.clearpointstrategy.com/what-is-a-balanced-scorecard-definition/)).



Time:  8 minutes

Running time18 minutes

**Objective**: Discuss and describe 6 reasons why to use performance appraisals.

**Description**: Ask the question, have students answer, then explain each reason.

**Instructional Method**: “guessing game” - Lecture

**Script**:  Why appraise your employees?

**Exercise**: Have students guess 6 reasons why we give performance appraisals. Write each answer they give on a white board even if it is not on the list. After 2 minutes of guessing CLICK to show answers.

**Say**: These are the reasons that performance appraisals are so important to any organization.

1. **Employee Development/Training-** In terms of employee training and development, the performance appraisal process can be the most valuable tool in your HR toolbox- if used correctly. If used and/or administered incorrectly, it is not only a useless waste of time, but potentially legally damaging in terms of the possibility of discrimination and being out of compliance with the various local, state, and federal laws.
2. **Identify skills gaps-** Establishing a regular evaluation process that is based on previously identified performance standards will identify skills gaps in your employees. These skills gaps can be addressed through training. Employees will understand that they cannot move to the next compensation level until their skills gap is closed**.**
3. **Provide a path for promotion**- Promotions are typically awarded to employees who are high performing. By establishing a performance appraisal process, organizations can document the decisions leading up to a promotion. It is important to document promotion decisions and base them on a non-discriminatory factor, like work performance.
4. **Establish legal precedent**- Concerning non-discrimination, it is important to ensure that employment decisions are based on non-discriminatory factors- every time. Whether an employee is being promoted, given a raise, evaluated for training, disciplined, or even terminated, it cannot be due to their race, color, religion, sex, or national origin, age over 40, disability status, military status, pregnancy status, and so much more. However, a fair and equitable performance appraisal system establishes a clear and legal precedent for employment related decisions
5. **Employee Motivation-** The need to motivate employees is more of a reality today than perhaps ever before. With many employees still working remotely since COVID-19, paired with the reality of changed needs in terms of educating children, taking care of sick loved ones, and coping with the impact of post-pandemic inflation, politics, etc., finding ways to connect with and motivate your employees is challenging in a whole new way. The trick to employee motivation is finding out what motivates them. It might be money, but don’t count on money to be the only answer to motivate employees and inspire them to do their best work. Employee performance evaluations can be used to incentivize employees and offer them opportunities for collaboration between management and themselves to achieve not only employee career goals, but ultimately also strategic organizational goals.
6. **Tie-in to Compensation Plan-** When designing an evaluation plan, you should consider how it will impact the compensation plan. Will employees receive any kind of promotion or pay increase as a result of receiving a good evaluation? What constitutes a good evaluation? What if they only receive an average evaluation? Will achievement of a new skill, degree, or training program automatically result in more money or a promotion?

**Facilitator Notes:**

  By establishing clear performance standards, consistently evaluating employee performance against that standard, and basing compensation and promotion decisions on those evaluations, your organization will be less likely to experience claims of pay discrimination. To be clear, the policies must be clearly communicated on a regular basis, and transparency is the rule of the day.

Graphical user interface, application, website

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Time: 5 minutes

Running time: 23 minutes

**Objective**: Examine and define a balanced scorecard.

**Description**: Define and give an example of how to use a balanced scorecard. How is this used with compensation?

**Instructional Method**: Lecture – Group discussion

**Script:**It is not possible to measure every aspect of organizational success with a profit and loss statement or description of corporate assets. This is because some aspects of success are measured differently than we measure purely financial rewards. “The Balanced Scorecard approach examines an organization from 4 different perspectives, as shown in the graphic. Each of these perspective work together to “create value, leading to customer and stakeholder satisfaction and good financial performance”

**Discussion Question:** Has anyone used a balanced scorecard and why? How is this used with performance appraisals?

**Note**: If no student has ever used a balanced score card give an example of how to use it given the example on the graphic.

**Facilitator Notes:**

* [What is a Balanced Scorecard?](https://www.youtube.com/watch?v=4mx0hoHRopI&t=2s)  
  The concept of a balanced scorecard was created by Robert S. Kaplan (Harvard) and David P. Norton (Palladium Group) in 1992. Their work was based on the fact that “financial measures report a lagging report (i.e. they told you what happened last month, quarter, or year) but were not able to look forward. Norton and Kaplan wanted to specifically look at what measures that look forward in time and act as leading indicators might look like and how that could affect an organization’s strategy” ([https://www.clearpointstrategy.com/what-is-a-balanced-scorecard-definition/#2](https://www.clearpointstrategy.com/what-is-a-balanced-scorecard-definition/))
* The Balanced Scorecard approach examines an organization from 4 different perspectives, as shown in the graphic below. Each of these perspective work together to “create value, leading to customer and stakeholder satisfaction and good financial performance”
* (<https://balancedscorecard.org/bsc-basics/articles-videos/the-four-perspectives-of-the-balanced-scorecard/>)
* balancedscorecard.org/bsc-basics-overview/
* “An organization uses a Balanced Scorecard for five main reasons:

1. To execute the strategic plan, aligning the company’s efforts and decisions with the strategy.
2. To communicate the strategy across the organization (such as with the strategy map).
3. To track strategic performance (typically via reports).
4. To align the organization’s divisions and departments around a common strategy.
5. To link individuals to the strategy, showing how they contribute to the organization’s goals” ([https://www.clearpointstrategy.com/what-is-a-balanced-scorecard-definition/#5](https://www.clearpointstrategy.com/what-is-a-balanced-scorecard-definition/)).

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Time:  10 minutes

Running time: 33 minutes

**Objective**: Discuss how to create a performance appraisal plan.

**Description**: Describe each step to create a performance appraisal plan.

**Instructional Method**: Lecture

**Script**:  
Now that we’ve established the ‘what’ and the ‘why’ of performance appraisals, it’s time to start discussing the “how”. As with any other HR function, establishing a performance appraisal process requires consideration of organizational strategic plans and the development of internal policies, processes, and procedures to see it through.

\*Use the facilitator notes to put this into your voice.

**Facilitator Notes:**

1. **Develop a performance appraisal philosophy-** Wouldn’t it be great if we could sit around drinking wine and thinking deeply like Plato and Socrates, and those thoughts resulted in a philosophy about performance appraisals that everyone could agree on and adhere to? Your organization’s approach to performance appraisal will set the tone for how both management and staff approach the process. The way your philosophy is incorporated into compensation planning, employee development, and strategic communication will directly impact the outcomes you achieve.
2. **Define the relationships between the compensation plan, performance appraisals, and employee engagement-** One of the major outcomes where we expect to see improvement because of a performance appraisal is in employee engagement and motivation. When appropriately administrated, a quality evaluation can increase employee confidence, professionalism, motivation, and loyalty. When done incorrectly, it can cause division, confusion, lack of motivation and could result in turnover or claims of discrimination. A few key strategies can help ensure that your employee evaluation process is driving employee engagement, rather than detracting

      from it.

**C**. **Illustrate how the employee role fits into the mission of the organization-** Every employee wants to know that the job they do matters. Helping employees understand how their particular role is critical to the overall strategic success of the company shows them that their work is important and valued.

- Have you ever considered how important the trash collector is? People typically don’t think about it until something happens (like a labor strike) that forces the trash to pile up. Don’t you hate it the week between Christmas and New Year’s where we produce so much more trash, but they don’t come to collect it on the days they usually do?

- Every position in your organization should be there because it is of strategic importance to the mission and success of the company. If not, eliminate it. But educating your employees about their worth and value will pay large dividends in terms of employee engagement, making the job of evaluating them more of a pleasure than a pain.

1. **Outline clear goal/steps to help employee achieve raises, promotions, pay increases, etc.-** One of the critical steps in compensation planning is creating pay ranges for each job category. As we stated earlier, if you tie these steps in range to stated performance standards, it will help to justify pay decisions based on strategically identified objectives. It can be a simple as educating employees that    A + B = C.

* For example, for a plumber’s helper position the initial hiring requirements are fairly minimal. They must have a high school diploma (because we need them to have basic reading and writing skills) and be able to physically handle the demands of the job. We hire this position in at $13.25 per hour. Once they are hired at that rate, after successfully completing a 90-day probation period and performance evaluation, their rate is increased to $14.00 per hour.

However, they will remain at $14.00 per hour until two things happen:

o   They achieve 2 years’ job experience AND

o   They obtain an apprentice plumber’s certificate OR

o   They obtain a welding certificate

Every employee knows that this is the requirement to reach another job level: Plumber’s Helper II, which is the next level of the of the pay range. They will, however, be eligible to receive the one-time bonus of $1,500 for each approved certification they obtain.

If policies and procedures are communicated clearly and reinforced not only during employee evaluations but throughout the evaluation period, then everyone can use this transparency to make career decisions that impact an employee’s feeling of control over their career and providing them with the flexibility to make intelligent career choices. This kind of environment will build loyalty and increase motivation amongst employees. The employer is still free to limit employee growth through determining limits on the number of employees you allow into any pay range. If your budget can only afford 5 level 2 plumber’s helpers, then that’s all there is. Until someone is promoted or leaves, there is not an opportunity for promotion. This is simply reality, but the fact remains that employees who feel they are working toward mutual goals perform better than those who simply feel like their work doesn’t matter.

1. **Performance plans should not feel like punishment, only opportunity for improvement**

An employee’s performance evaluation should never be a surprise

employee discipline session. Employee discipline should take place when needed and be dealt with. That is not to say that a disciplinary issue cannot be addressed during an evaluation, but the employee should not be surprised by it. Don’t wait until employee evaluation time to discipline an employee.

o   Consider this, the basic lessons we learn as children are that if we break the rules, discipline (at least effective discipline) will be swift, matched to the offense, and then over with. Imagine waiting 6 months to punish a toddler for punching their younger sibling in the face. The child would have no real understanding of why they are being punished, only that they are somehow bad or wrong. Punishing the child appropriately in the moment teaches them the behavior is wrong, and six months from now, if the correct behavior continues to be reinforced, the toddler will likely not have the same behavior.

o   We are not much different in our approaches to work behaviors. If an employee had a problem with being tardy 6 months ago, they were counseled about it and the behavior changed, why would you bring it up again in an evaluation?

o   If an employee has mastered all the basics, what then do you evaluate on? Use the performance evaluation time to develop the employee’s KSAOs, not air a laundry-list of their faults.

o   If they are that bad, why are they still working for you?

**F. Focus on employee strengths more than opportunities for improvement-** Employee appraisals should be about developing an employee’s natural talents; building on knowledge, education, and experience; and creating development plans that will help the organization meet its strategic goals while also empowering the employee to achieve their own personal career goals.

o   Employee engagement is increased when employees feel that they have opportunities for development.

o   If you have an employee who has a clear performance issue, you need to identify if it is an issue of unclear performance standards, lack of training, unclear communication on the part of management (even if that is yourself, OUCH!); or if it is because the employee is intentionally or unintentionally not performing up to par. If an employee is genuinely trying to perform their work up to standard but consistently falling short, you have to find out why. But you get to choose how you approach that conversation. If you approach it in an accusatory manner of low performance, you might lose a good employee who really just needs more training or even some sort of accommodation.

o   Have a collaborative approach to problem-solving employee issues as much as you possibly can. Employees who feel safe and heard perform better than those who feel it is “us against them”.

**G. Have concrete examples of good employee behaviors and traits as well as negative-** Creating engagement with employees is easier if employees know what good behavior looks like. Are you sure your trainers and managers are modeling the kind of behavior you desire? When good behaviors are positively reinforced and negative behaviors are dealt with justly and swiftly, employees quickly learn what is expected of them.

o   Be cautious of using personal examples of incumbent or former employees who have negative employee behaviors. Deal with those separately. You don’t want to get into a situation of defaming one employee to another employee.

**H**. **Identify performance standards-** By the time you’ve completed a job analysis and developed a job description and completed a job evaluation and valued a job according to individual grades, you already know what you expect of your employees, now it’s time to clearly state it in measurable terms.

o   How measurable, you ask?

o   Well, in the past, that was a pretty subjective term. Employers were basically free to determine who they paid, and what salary they paid them to perform and job, and it was nobody’s business but theirs.

o   No longer.

o   Now, you must identify a system to justify differences in compensation, something based on a bona fide system- preferably already in place. Those employers choosing to proactively address equal pay will be sure to identify which system will be used to advance employees and justify pay differences. Remember, that the law limits the basis of what you can use to justify pay differences, so an appraisal system that is built to complement a compensation system that is based on identifiable and measurable performance standards will help employees be successful in your organization and will help protect your organization from claims of pay discrimination*.* o   So, how you use your employee evaluations can literally be the difference between a documented justification in compensation difference, a tool to increase employee engagement, and a measure of employee success, or something less effective. Every organization gets to make that decision.

Diagram

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Time:  25 minutes

Running time: 58 minutes

**Objective**: Define each method and discuss why to choose each method

**Description**: Have students research and share each method

**Instructional Method**: Lecture – Exercise – group discussion

**Script**:

One of the parts of performance appraisal that is sometimes the hardest decision to make is what method to use to evaluate employees. It is of vital importance and has far-reaching impacts on your organization. A few things to remember as we start through this information:

* You can choose more than one method
* You can choose different methods for different classes of employee
* There is no ‘one right way
* Each of these methods has pros and cons

**Exercise:**Each group will Describe the method and tell us when and why we should/could use this method.

1. Break students into 7 groups
2. Assign a method to each group
3. Have students research the method (8 minutes)
4. Have each group describe the method and give an example of why and when to use it. (2 minutes each)
5. Have students show a graphic or give an example in class.

**Note**: Use the facilitator notes to fill in any blanks in the student’s research.

**Facilitator Notes:**

*1.* **Graphic Rating Scales**

This is the Wong-Baker FACES Pain Rating Scale and is perhaps the most recognizable form of a graphic rating scale we can identify. Personally, I think it would be amazing to be able to rate employees by how much pain they cause us, but that’s not really fair to employees!

*Diagram

Description automatically generated*

<https://wongbakerfaces.org/>

However, a graphic rating scale that is more relatable to your organizational outcomes is very useful, especially if that rating scale is widely used, heavily communicated, truly related to the essential elements of the job.

Instead of faces, consider terms like Unacceptable, Needs Improvement, Acceptable, Exceeds Expectations, etc. Make sure that the terms are defined and clearly aligned to the performance standards to increase clarity in communication and reduce risk of misunderstanding as a result of unclear standards.

Use of this type of scale consists of ranking employee KSAO’s along a simple rating scale indicating their level of proficiency for each KSAO. They are ranked only on their own performance, and not against that of any other employee.

1. **Alternate Ranking Method**  
   The alternation ranking method asks managers to rank employees from highest performing to lowest performing on a variety of identified employee traits. For example, let’s say your job description identifies an employee trait of accurate data entry. For the trait of accuracy, you would rank each of your employees from highest to lowest. Then, you would take the next trait of punctuality and do the same. And then the next trait and so on and so forth until all employees are ranked on all traits. Then, you tally the numbers. Your top performers will have the highest score and your lowest performers will have lower scores.

**Alternation Ranking Method**

**Trait:** Productivity

**Standard:** Serve 15 customers per hour

Highest Performing:

|  |  |
| --- | --- |
| 1. | 7. |
| 2. | 8. |
| 3. | 9. |
| 4. | 10. |
| 5. | 11. |
| 6. | 12. |

                                                                                                                                        Lowest Performing:

This type of ranking system works well when you have multiple evaluators. Have each evaluator perform the same exercise and then tally all the results. Having more scores to evaluate makes your data more accurate!

1. **Paired Comparison Method**

The paired comparison method works similarly to the alternation ranking, except you rank every employee against every other employee for any given trait. In the chart here, if we choose the same trait of accuracy, Joe’s accuracy will be scored individually against Sally’s, Tom’s, Mary’s, and Sarah’s. Each evaluator will essentially pick one person out of each pair who is the best performer. This is again repeated for each trait and then the results are tabulated. Much like paired comparison, the most highly evaluated employees will have the highest scores.

*Table, calendar

Description automatically generated*

<https://www.mbaskool.com/business-concepts/human-resources-hr-terms/13544-paired-comparison-method.html>

This really works well in a small work environment where most jobs are fairly similar to each other.

1. **Forced Distribution**

Forced distribution is the practice of evaluating all employees along a curve. In the example shown on the slide, this employer decided that only the top 20% of employees can receive a rating of top performers, and only the bottom 10% should receive a low rating. Everyone else should be graded along the curve, the remaining 70% receive average evaluation ratings.

*Chart

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<https://empxtrack.com/blog/bell-curve-for-performance-appraisal/>

This type of evaluation system is also known as the “rank & yank” system that [Jack Welch](https://en.wikipedia.org/wiki/Jack_Welch) made famous at GE many years ago. His forced distribution plan included the caveat that the bottom 10% not only received a low rating, but they were automatically terminated. Managers HAD to choose the bottom 10% of employees who were terminated at the end of that evaluation period.

Imagine running a department knowing that 10% of your workforce HAD to be terminated every year! What kind of environment do you think that creates amongst employees?

**5.**  **Critical Incident Method**

The critical incident method hinges on good record-keeping. If your managers can’t or won’t keep good accurate data of both positive and negative employee performance, then don’t choose this method. What tends to happen is that we find ourselves so busy as managers that we only have (or make) time to document the negative employee behaviors. Then, come performance evaluation time the manager has nothing at all to write, or nothing positive to write.

If you choose this method, you must require record keeping and hold managers accountable for submitting it. My advice is not to wait until evaluation time to check up on manager documentation, do it on a regular basis and make it a part of the supervisor’s own performance appraisal.

**6.**  **Narrative Forms**  
Most organizations use some sort of narrative form. You likely have something in mind. These types of forms are useful because they help us evaluate everyone on the same criteria, and they are easy to use. However, they are also easy to skim through and not really do a thorough evaluation of employee performance. If you have a lot of employees to evaluate, though, this helps! It’s also useful for 360 -degree evaluations so that you know everyone evaluating is using the same criteria (at least initially).

If you use a form like this, I still recommend management record keeping of critical incidents because they will help in filling out the forms.

**7.** **Behaviorally Anchored Rating Scales**

Behaviorally-Anchored Rating Scales use specific examples of positive and negative employee behaviors that are tied to a numerical scale.

For example, Sally’s performance does not meet the criteria identified as an “exceptional” performance, but she does meet the minimum criteria for an “acceptable” performance rating, so that’s what she would receive. The BARS system ranks employee performance against a stated standard, not other employees. It’s helpful for evaluators to have the statements that describe good employee behaviors and poor employee behaviors.

Remember, documentation still matters. Employees may demand to know why they didn’t receive a higher rating, and perhaps ultimately, a higher pay grade. Like any other rating scale, it must be used correctly and justified and supported with good documentation.

Whatever method (or combinations of methods) your organization chooses, I recommend a few things:

Educate your employees- all of them. Explain what the method means and how it works. Give them examples. Knowledge is power, and employees kept in the know feel empowered to ask questions and learn the new system.

Choose your methods and stick to them. You can’t change the evaluation method just because some people don’t like it. Discuss the pros and cons ahead of time and then determine how long you are going to use this method before considering a change. Stick to it. There are going to be bumps and bruises and hurt feelings. It’s just part of it.

Require that all supervisors keep appropriate documentation of employee performance, both positive and negative. Evaluate supervisors on it. Demand it. No excuses.

Give yourself and your employees a learning curve. Don’t expect the first roll-out of an employee appraisal system to go perfectly smoothly. There are always bumps.

Train. Train. Train. Train. Train your evaluators!

Graphical user interface

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Time:  12 minutes

Running time: 70 minutes

**Objective**: Define appraisal errors using examples.

**Description**: Define each appraisal error using examples.

**Instructional Method**: Lecture with examples.

**Script**:

As with any process where people are involved, there are going to be errors made. However, learning what to look for and training evaluators to provide consistent documentation and to recognize the potential for errors that could lead to charges of discrimination can help to reduce and/or eliminate these types of risk.

**Facilitator Notes:**

1. **Unclear Performance Standards** The absolute most common mistake that is made in performance evaluations is made with unclear performance standards. If both the evaluators and evaluates don’t clearly understand the standard, how can you expect it to be performed adequately or evaluated fairly? Listen to your employees on this one. It doesn’t matter how good it sounds on paper if those using it don’t understand it and can’t apply it, it’s a waste of paper and everyone’s time.  
     
   Performance standards should be living documents that are changed according to business necessity. They are not chiseled in stone, never to be questioned or considered again. If the job changes, then the performance standard will obviously change as well. If it isn’t working, please don’t use it to evaluate an employee’s performance.
2. **Halo Effect-** Wouldn’t it be great to be the employee that can do no wrong in the eye of the evaluator? Yeah, I don’t know, either. I’ve never been THAT employee. But wouldn’t it be great to not be able to do ANYTHING wrong for some random reason that is completely and totally not related to the job and is only a delusion of the evaluator?

There are a myriad of reasons that this happens: an employee does an amazing thing that one time and milks it for the rest of their career; they remind you of your late Uncle Harry who used to give you candy and let you smoke cigarettes at the family reunion (but it wasn’t weird or anything); maybe they save your butt on a regular basis because you aren’t really all that great at your job, but they cover for you.  
We all know these people in our organizations, and this is a major appraisal error that is easily attributed to discrimination. Instead of, “she reminds me of an old friend who died of cancer, and I know she’s a single mom so I can’t appraise her fairly” it becomes, “he appraises her better than he should because they are sleeping together” or “she won’t really give a true evaluation because he’s the only black man working here, so he can do whatever he wants.”  
Please don’t think it can’t happen to you. It does. It will. It very easy for an employee to sue your organization for discrimination on grounds just this circumstantial. YOUR organization needs to establish a regular and consistent form of evaluation BEFORE your employees receive evaluations and pay increases as a result of your system. And you need to communicate it to your employees. Clearly. A lot.

1. **Central Tendency**

If you’ve been exposed to employee appraisal systems very long, you’ve had a department supervisor who did this:

“Everyone is good enough to keep their jobs, no one is really outstanding or terrible, we should all get the meager raise tied to this lame evaluation that I gave as much effort to as you did on training me how to do it”.

If you think I made up that last line, you would be incorrect. It was literally written on an entire batch of employee evaluations I once had to review 6 weeks into a new HR job.

Central tendency is the error of rating almost everyone in the middle so that no real documentation needs to occur, and supervisors don’t have to actually evaluate employee performance.

*Table

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<https://smartchurchmanagement.com/performance-appraisal-rater-errors/>

1. **Leniency/Strictness**

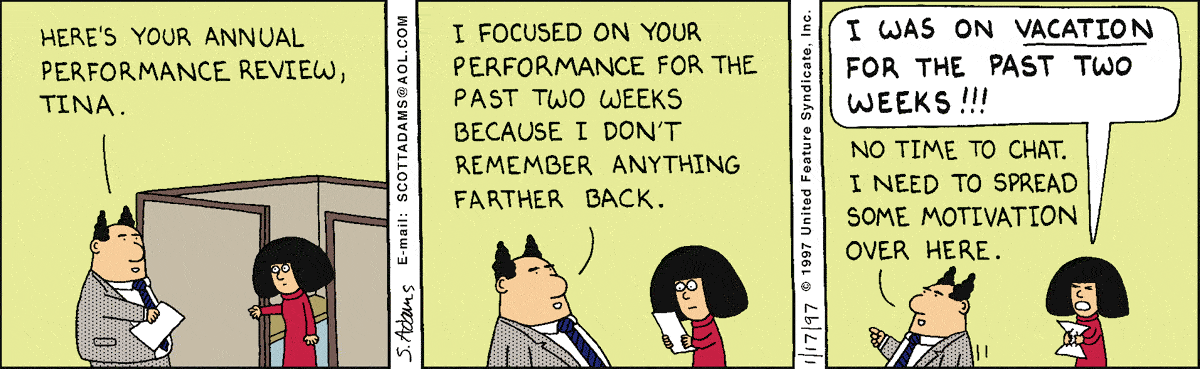
 Where do you fall in the birth line-up in your family?

The reason I ask this question is because most of us who have siblings of any kind frequently believe that one or more of our parents favored a sibling over us. Believe me, my sister is perfect. LOL!

But the same sort of bias happens in the workplace. When I was a kid my sister could do no wrong. She would tear up with these HUGE pouty lips that I don’t have, and she looks EXACTLY like my mother, so my dad always took her side! Why? Because I look EXACTLY like him and act EXACTLY like him, so he automatically assumed I was guilty. Don’t think for one minute she didn’t use that to her advantage. Coupled with the fact that I couldn’t (and still can’t) lie without breaking into hives, I was always the one who received strictness while she got leniency.

We do the same kind of thing in the workplace without even realizing it. We associate things from our past with people we evaluate. We have biases and prejudices we don’t even acknowledge or know we have. Until we suddenly are evaluating the Hispanic employee differently than the African American employee. Or the female employee differently than the male. Or the transgender employee differently than other employees. It’s not even conscious most of the time, but we can only guard against it when we educate ourselves first, and then our employees.

1. **Recency Effect**



<https://dilbert.com/search_results?terms=Tina+%22vacation%22>

 I love this example of recency effect. It’s also like this:

**

<https://www.imdb.com/title/tt0343660/>

Recency effect means that you write your evaluation based on something that happened very recently- good or bad. This is a result of poor record-keeping on the part of the evaluator and should be considered an evaluator error. If an employee has been exemplary for the last 5 years, but 2 months before the evaluation started to have some issues, look deeper.

What happened recently may not be a true example of overall employee performance. What if your employee was recently asked to break the law as I once was? If they have been a great employee for years and suddenly receive a terrible review . . . Ask questions. Lots of questions.

**6.**  **Similar-to-Me Effect**

Don’t you like people who are like you? Of course, you do, we all do. It’s been proven by scientific studies time and again that we like people who are like us.

Is the evaluator married or single? They are more likely to positively evaluate people they identify with.

Is the evaluator gay or straight? They are more likely to positively evaluate people they identify with.

Is the evaluator Christian or Muslim? They are more likely to positively evaluate people they identify with.

Is the evaluator black or white? They are more likely to positively evaluate people they identify with.

This is our reality, and it can be something as superficial as the frat you graduated with, the color of your eyes, the fact that you both have children or don’t.

The reality is that we like to work with people we feel safe with, not challenged by too much, and who are not that much different than us.

It’s easy. And it leads to discrimination.

**7.** **Contrast Effect**

The first evaluation is the one for the employee you like the most, right? They are great. Smart. Experienced. Talented. Dependable. Everyone else pales in the light of the perfect one.

And every other employee is measured against him or her.

But you don’t really deal with their own performance, right? I mean, what is anyone else’s performance compared to our department’s superhero?

Contrast error occurs when employees are evaluated against another employee, not against a performance standard.

But wait, you say! Several of the methods you showed us MAKE us evaluate on person’s performance against another’s. What gives?

Contrast error tends to set one employee up as the “perfect example” and everyone else is gauged against that person more than the performance standard. The differences between the ideal employee and everyone who doesn’t meet that standard are exaggerated and true performance evaluation doesn’t take place.

**8.** **First Impression Error**

We all like to think that we are a good judge of people, right? However, the fact that nearly half of marriages end in divorce and that’s counting the reality that many people don’t marry anymore, I’m guessing there is some room for error in our judgements.

The same thing happens in the workplace. Someone comes in for an interview and they blow your socks off. You hire them even though they might not have been the best qualified among your applicants.

But you just can’t get past the initial impression they left you with and it influence the performance evaluations you write for this employee for the remainder of the time you supervise them.

**9.**  **Bias**

These days, this is a dirty, 4-letter word. Nobody thinks they have it.

                    Everybody does.

                    If you think you don’t have it, you have it the worst of all.

                    We are human resource professionals. It is OUR JOB to present information in a fair,

                     unbiased way, all the time. It is OUR JOB to recognize and appreciate races,

                     religions, disabilities, genders, nationalities, lifestyles, and so forth and so on (please

                     don’t make me quote Title VII of the Civil Rights Act, because I can, and so should

                     you be able to!).

We don’t get to have political opinions in the workplace. Didn’t personally agree with the mask mandate? So what? HR professionals don’t get to have that personal polarization where the workplace is concerned. We do what we are asked to do, and what we must do. If your personal politics get in the way of being able to provide an unbiased evaluation of an employee, you are ethically bound to ask someone else to evaluate that employee.

Many of the people I know don’t agree on politics, but most agree on ethics. If your personal situation doesn’t allow you to honestly evaluate a performance where THE EMPLOYEE BEING EVALUATED doesn’t feel that bias was an influence in their evaluation, then please get help.

This is a huge area of risk for employers.  If you have supervisors who, after receiving training, cannot give an unbiased performance evaluation, you need to deal with that immediately. The risk of being sued is higher than it has ever been. You can give a realistic performance review, but you MUST ensure that it is based on performance standards, not biased attitudes. The more quantifiable (more objective than subjective) your evaluations can become, the less risk you will take on.

Diagram

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Time:  5 minutes

Running time: 75 minutes

**Objective**: Describe 5 ways to avoid rater errors.

**Description**: List and describe the ways to avoid rater errors. Use the information from the previous slide for context.

**Instructional Method**: Lecture

**Script**: As we have seen, there are many ways we can have errors in our performance appraisals. Here are five ways to avoid rater errors:

1. **Mandatory Training for Evaluators-** If you want to avoid rater errors, you must train your evaluators. People aren’t born knowing how to evaluate an employee against a set of performance standards. Training is non-negotiable- for all levels of management and supervisors who perform evaluations.  It is unreasonable to expect people who’ve had no training in how performance evaluations should be handled to do so effectively. Any employee who is expected to evaluate the performance of others should be trained to do so effectively and without bias. The failure to establish ‘train the trainer’ training processes will always result in poor employee evaluations and increased risk to the organization.

o   There is simply NO EXCUSE for not teaching managers and others who perform employee evaluations to do so objectively and fairly. If your organization is ever accused of discriminatory pay practices and you cannot show that you have conducted training for your management staff on how to evaluate employees, the evidence may show negligence on the part of the employer, NOT the employee.

o   Those employees who perform employee evaluations should be evaluated on how well they evaluate their own employees.

o   As a part of any supervisor’s own job performance evaluation, their ability to effectively evaluate those whom they are responsible for should be a measure of their own job performance**.**

1. **Clear Performance Standards, Communicated Frequently-** We’ve spoken at some length about clear performance standards, but it is a foundational issue that can make or break your organization in terms of risk of claims of discrimination. When everyone knows what is expected, the standards are clear, and the methods of evaluation are consistently applied to all employees, the knowledge employees have about the process will result in fewer claims of discriminatory practices.
2. **Mandatory Record Keeping-** Not to sound like a broken record, but a supervisor who doesn’t keep ongoing records of employee performance- both good and bad- shouldn’t be writing employee evaluations. If they can’t keep the records that need to be kept, they simply don’t have the skills they need to have as a supervisor. Organizations in Colorado can’t risk not having documentation to back up employment-related actions anymore.
3. **Strong Diversity Standards-** Talk is cheap. If your organization doesn’t want to face claims of discrimination, then it MUST embrace a policy on diversity that doesn’t allow for biased supervisors to take detrimental employment action against employees, whether by accident, design, or ignorance. In our legal environment, there are few excuses for not creating non-discriminatory employee evaluation systems that are applied consistently to all employees. Your own political opinions or mine don’t matter. As HR professionals, we put those aside and address the hard conversations. It is who we are as HR professionals. Creating a diverse workforce doesn’t happen accidentally for most organizations. Creating standards that encourage diversity will be an intentional activity- it doesn’t happen by accident. If you want to avoid rater errors, strong diversity standards are one of the best tools in your arsenal.
4. **Evaluate the Evaluators-** Anyone who routinely evaluates the job performance of others should also have that job duty evaluated as part of their own performance appraisal. If they are performing job evaluations, then that should be listed as an essential function of their job and the evaluations they write should be reviewed for bias or other errors on a regular basis. This will help to identify training gaps before they become a problem.

Timeline

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Time:  1 minute

Running time: 76 minutes

**Objective**: Quickly preview the performance appraisal process.

**Description**: Pre-view the process and go into details for each step on the next slides

**Instructional Method**: Preview Lecture

**Script:**

This section of the course will briefly cover a high-level overview of the performance appraisal process and will touch on the processes that you must establish as HR professionals for your entire organization to follow.

A picture containing graphical user interface

Description automatically generated

Time:  2 minutes

Running time: 78 minutes

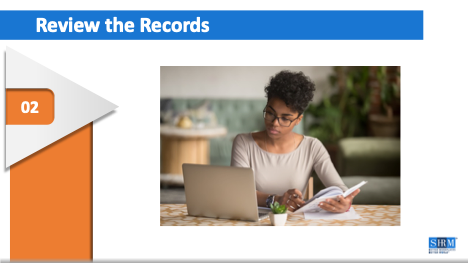
**Objective**: Describe The first step in the performance appraisal process.

**Description**: Read the script.

**Instructional Method**: Lecture

**Script:**

Before any appraisals occur, it is always a good idea to review the job description for changes or updates that might have occurred since the last evaluation period. It’s a great idea to include incumbent employees and supervisors in this activity. If the job hasn’t changed at all, it will be a simple-enough item to document and move on. If changes have occurred, update the job description and evaluation tools prior to evaluation.



Time: 2 minutes

Running time: 80 minutes

**Objective**: Describe The next step in the performance appraisal process.

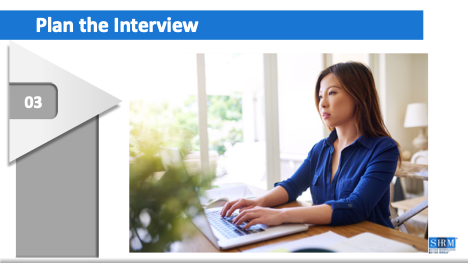
**Description**: Read the script.

**Instructional Method**: Lecture

**Script:**

A good rule of thumb prior to evaluating an employee is to review the records you’ve been keeping about your employees throughout the evaluation period. You should also look at the last evaluation to determine if there is any follow-up that needs to be addressed from the last evaluation. Ideally, there will not be. Even if someone received a poor appraisal and a performance improvement plan during the last evaluation, that should have already been followed-up on more quickly than 6 months or a year later.

The record-keeping we’ve been harping about is critical here. Preparing to write an employee’s performance evaluation should be an exercise in record review and genuine reflection about the employee’s performance.



Time: 2 minutes

Running time: 81 minutes

**Objective**: Describe The next step in the performance appraisal process.

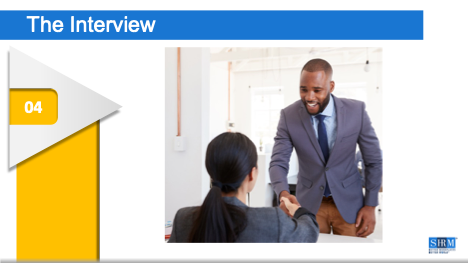
**Description**: Read the script.

**Instructional Method**: Lecture

**Script:**

Planning the interview should be given careful consideration. The time of day, the location, the noise levels, etc. are all important things that you should consider in planning your evaluation interview.

Don’t schedule so many evaluation interviews in one day that both the evaluator and the employee feel insignificant. People don’t like feeling like they are a number, they want to matter- especially at work. Make the evaluation interview as pleasant an experience as possible- even getting out of the office if possible. If your evaluation process feels like a collaboration with employees rather than a confrontation with them, your organization is more likely to experience fewer claims of discrimination in the evaluation process. Make it something to look forward to, not something to dread!



Time: 2 minutes

Running time: 82 minutes

**Objective**: Describe The next step in the performance appraisal process.

**Description**: Read the script.

**Instructional Method**: Lecture

**Script:**

This isn’t a class teaching you how to perform quality job evaluation interviews, but there are a few common recommendations that anyone can use to improve the quality of the interview:

* Be on equal footing. Don’t sit at your desk ‘over’ your employee. They know you are the supervisor.
* Get away from the workplace for performance evaluations. Good or bad, employees hate to walk out of the boss's office after everyone knows they just got their evaluation.
* Use kind, courteous, professional language. Always. You are probably being recorded every time you go into a meeting with an employee already. Get used to it, it’s not going away.
* Don’t get sucked into an argument with an employee about a rating. State the rating and calmly explain it.
* Allow employees to ask questions and give them answers.
* Don’t discuss one employee’s evaluation with another employee.
* If you do have a situation that becomes highly charged and communication has ceased, end the meeting and reschedule. Once communication stops, you are wasting time and will likely not solve anything.



Time: 2 minutes

Running time: 83 minutes

**Objective**: Describe The last step in the performance appraisal process.

**Description**: Read the script.

**Instructional Method**: Lecture

**Script:**

An evaluation process must be completed with close-loop activities. If there are performance improvement plans, those need to be addressed. There is paperwork to send to HR and perhaps payroll. There is also a need to circle back with your employees at least monthly in-between evaluation cycles to follow-up on employee goals, provide support and/or training where needed, and ensure that employees are getting consistent feedback to improve their performance.

Graphical user interface, text

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Time: 5 minutes

Running time: 88 minutes

**Objective**: Students will review the material by answering the questions on the slide.

**Description**: Students will review the material by answering the questions on the slide.

**Instructional Method**: Pair and share discussions, exercises, homework

**Script:** Deloitte –  London, United Kingdom (<https://engagedly.com/8-top-companies-redefined-their-performance-management-systems/>

In a public survey Deloitte conducted, more than half the executives questioned (58%) believe that their current performance management approach drives neither employee engagement nor high performance.

They needed something quick, accurate, real time, and more individualized—something that focused on improving future performance.

In 2015, Deloitte made headlines in the April issue of Harvard Business Review, where they said they were redesigning their performance management and listed the changes that their performance management would embrace.

a. no cascading objectives

b. no once-a-year reviews, and

c. no [360-degree-feedback](https://engagedly.com/360-degree-feedback-tool/) tools

**Facilitator Notes:**

At Deloitte, their new performance management system has three ways of addressing performance:

* Recognizing Performance–Recognizing the contributions of individual employees in each team.
* Seeing Performance–Getting an accurate picture of performance without any bias
* Fueling Performance–Helping employees improve their performance potential

**Discussion Prompts:**

1. Have you ever experienced bias in the workplace? What happened? How did you handle it?
2. What is the most important thing for a supervisor to know about you when performing a job evaluation? Do you have a particular communication style you like/avoid? How often do you like to receive feedback from your supervisor on your job performance?

**HR Skills Exercises:** Prepare a training presentation for your organization’s managers explaining the various rater errors. Be sure to provide an example for each one and explain the concepts in terms that the supervisors will remember and relate to.

A picture containing logo

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Time:  10 minutes

Running time: 98 minutes

**Objective**: Review main points in this module.

**Description**:  Be sure that students have a fun way to remember the material.

**Instructional Method**: Game – Review

**Script**:

Let’s see how much we remember about this module.

**Facilitator Notes:**

* Review Exercise:  Create a fun game to review the material.  Remember to use the objectives to measure learning:
* Define terms related to performance and compensation.
* Describe the performance appraisal process.
* Identify traditional performance appraisal methods.
* Explain the steps in the appraisal process.
* Discuss common appraisal errors.
* Describe the relationship between performance appraisals and employee engagement.
* Illustrate how the performances appraisal is tied to compensation planning.
* Identify legal issues in performance evaluations.  
    
   .
* Have each student submit a question on a piece of paper, crumple it up and toss it in a bucket (clean wastebasket), Instructor will then read them and give points to each team with the correct answer.
* Any game show – Family Feud, Jeopardy, $10,000 pyramid, Password, Tic Tac Toe
* Extra credit quizzes

*Virtual*

There are many ways to review material virtually or in person.  Students can use their phones or computers to navigate to various online review websites.

A few are:

* Kahoot
* Quizlet