

## Performance Evaluation

### Course Module in Human Resources Management

Course Modules help faculty select and sequence HBS Publishing titles for use in segments of a course. Each module represents subject matter experts' thinking about the best materials to assign and how to organize them to facilitate learning. In making selections, we've received guidance from faculty at Harvard Business School and other major academic institutions.

Each module recommends four to six items. Whenever possible at least one alternative item for each main recommendation is included. Cases form the core of many modules, but we also include readings from *Harvard Business Review*, HBS background notes, and other course materials.

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#### 1. Overview of suggested content (HBS case unless otherwise noted)

<i>Title</i>	<i>Author</i>	<i>Product Number</i>	<i>Publication Year</i>	<i>Pages</i>	<i>Teaching Note</i>
<b>1. Introduction</b>					
<a href="#">Conducting a Performance Appraisal Interview</a> (HBS background note)	Beer	497058	1997	16p	--
<i>Alternative 1: <a href="#">Managing Performance</a></i> (HBS background note)	<i>Hill &amp; Gabarro</i>	<i>496022</i>	<i>1995, Rev.2002</i>	<i>6p</i>	--
<i>Alternative 2: <a href="#">Fear of Feedback</a> (HBR article) and <a href="#">How to Get the Best Out of Performance Reviews</a> (Newsletter article)</i>	<i>Jackman &amp; Strober</i>	<i>R0304H</i>	<i>2003</i>	<i>6p</i>	--
	<i>Hattersley</i>	<i>C9905A</i>	<i>1999</i>	<i>3p</i>	--
<b>2. Can Managers Rate Employees Candidly?</b>					
<a href="#">Compensation and Performance Evaluation at Arrow Electronics</a>	Hall	800290	2000	26p	--
<b>3. 360 Degree Performance Evaluation</b>					
<a href="#">The Firmwide 360-Degree Performance Evaluation Process at Morgan Stanley</a>	Burton	498053	1998	16p	400078
<i>Alternative: <a href="#">Getting 360-Degree Feedback Right</a> (HBR article)</i>	<i>Peiperl</i>	<i>R0101K</i>	<i>2001</i>	<i>5p</i>	--
<b>4. Evaluating Problematic Performers</b>					
<a href="#">Rob Parson at Morgan Stanley (A)</a>	Burton	498054	1998	16p	400101
<i>Alternative 1: <a href="#">A New Game Plan for C Players</a> (HBR OnPoint article)</i>	<i>Axelrod</i>	<i>8598</i>	<i>2002</i>	<i>12p</i>	--

<i>Alternative 2: Wolfgang Keller at Konigsbrau-Hellas A.E. (A)</i>	Gabarro	498045	1997 Rev.2006	18p	400069
<b>5. Using a Multidimensional Performance Scorecard</b>					
<i>Citibank: Performance Evaluation</i>	Simons	198048	1997 Rev.1999	9p	199047

## II. Rationale for selection and sequencing the items in this module

In deciding how to sequence the items in this module, one is, roughly speaking, deciding whether to cover tactics first and strategy second or vice versa. We've chosen to begin with the practical tactics of actual performance reviews, and to follow with more philosophical considerations such as who should give performance feedback (e.g, everyone?) and how to deal with talented employees who deliver great performance but violate the company's ethos. If you'd rather start with strategy, consider beginning with segment's 2 through 5, and follow up with the more nitty-gritty topics in segment 1.

Segment 1 recommends a range of readings on the performance appraisal process, with a special emphasis on conducting performance discussions with employees. The main recommendation is Michael Beer's detailed HBS background note on conducting a performance review, but the alternatives also provide solid practical discussions on how to deal with evaluation.

The case on Arrow Electronics in segment 2 is, on one level, about the workplace equivalent of academic grade inflation, and on a deeper level raises questions about whether a manager can give a fair and accurate assessment of an employee's performance.

Segment 3 introduces the concept of 360-degree evaluation, which involves eliciting performance feedback from an employee's superiors, peers, and reports. Either the Morgan Stanley case or the HBR reading (or better, both in concert) will provide a solid introduction to the bestselling Rob Parson case in segment 4. Parson is a great performer but hardly a team player, as his 360-degree evaluation makes clear; what should his employer do with him? The alternative cases in segment 4 also deal with the evaluation of problem performers. Finally, the case in segment 5 examines the use of a multidimensional scorecard in evaluating a regional banking manager who has delivered strong financial results but disappointing customer satisfaction ratings; one question explored is, how should the latter be weighted?

## III. Detailed description of recommended items

### 1. Introduction

*Conducting a Performance Appraisal Interview* Michael Beer (HBS background note)

Discusses typical problems experienced by managers in conducting performance appraisal interviews. The underlying causes of these problems are analyzed and ideas are presented that might help managers overcome these problems. Subjects: Employee promotions; Performance appraisal; Personnel management; Superior & subordinate.

*Alternative 1: Managing Performance* John J. Gabarro and Linda A. Hill (HBS background note)

Encourages managers to think critically about how to prepare for and give a performance appraisal interview. Presents frameworks for evaluating subordinates' work and suggestions for coaching them. Subjects: Performance appraisal; Superior & subordinate.

*Alternative 2: Fear of Feedback* Jay M. Jackman and Myra H. Strober (Harvard Business Review article)

Nobody likes performance reviews. Subordinates are terrified they'll hear nothing but criticism. Bosses, for their part, think their direct reports will respond to even the mildest criticism with stonewalling, anger,

or tears. The result? Everyone keeps quiet and says as little as possible. That's unfortunate, because most people need help figuring out how they can improve their performance and advance their careers. This fear of feedback doesn't come into play just during annual reviews. At least half the executives with whom the authors have worked never ask for feedback. People avoid the truth and instead try to guess what their bosses are thinking. Fears and assumptions about feedback often manifest themselves in psychologically maladaptive behaviors such as procrastination, denial, brooding, jealousy, and self-sabotage. But there's hope, say the authors. Those who learn adaptive techniques can free themselves from these destructive responses. They'll be able to deal with feedback better if they acknowledge negative emotions, reframe fear and criticism constructively, develop realistic goals, create support systems, and reward themselves for achievements along the way. The authors take you through four manageable steps for doing just that: self-assessment, external assessment, absorbing the feedback, and taking action toward change. Subjects: Employee development; Employee morale; Human resources management; Interpersonal behavior; Management styles; Managerial skills; Performance appraisal; Psychology.

#### **And**

[How to Get the Best Out of Performance Reviews](#) Michael Hattersley  
(Harvard Management Communication Letter article)

The performance review process often requires a manager to give bad or mixed news to a colleague or even a friend. Although the process may not always be comfortable, following some common sense rules can help ensure that performance reviews actually result in better performance. Subjects: Management of professionals; Performance appraisal; Performance measurement.

### **2. Can Managers Rate Employees Candidly?**

[Compensation and Performance Evaluation at Arrow Electronics](#) Brian J. Hall

Describes a company's struggles in implementing a subjective performance rating system for its employees. In particular, it describes the difficulties faced by the CEO in getting managers to combat "ratings inflation"--that is, to produce numerical ratings that are both differentiated and "not too high." Subjects: Compensation; Incentives; Performance measurement. Setting: Long Island City, NY; semiconductor industry; \$6 billion; 1994-98.

### **3. 360 Degree Performance Evaluation**

[The Firmwide 360-Degree Performance Evaluation Process at Morgan Stanley](#) M. Diane Burton

Describes Morgan Stanley's firmwide, 360-degree performance evaluation process. Evaluation forms are included as exhibits. Learning Objective: To introduce students to a 360-degree performance evaluation process. Subjects: Corporate culture; Human resources management; Interpersonal behavior; Investment banking; Management of professionals; Organizational behavior; Performance appraisal. Setting: New York, investment banking, \$1 billion, 1993-95.

Alternative: [Getting 360-Degree Feedback Right](#) Maury A. Peiperl (Harvard Business Review article)

Over the past decade, 360-degree feedback has revolutionized performance management. But one of its components--peer appraisal--consistently stymies executives and can exacerbate bureaucracy, heighten political tensions, and consume lots of time. For ten years, Maury Peiperl has studied 360-degree feedback and has asked: under what circumstances does peer appraisal improve performance? Why does peer appraisal sometimes work well and sometimes fail? And how can executives make these programs less anxiety provoking for participants and more productive for organizations? Peiperl discusses four paradoxes inherent to peer appraisal: 1) In the Paradox of Roles, colleagues juggle being both peer and judge. 2) The Paradox of Group Performance navigates between assessing individual feedback and the reality that much of today's work is done by groups. 3) The Measurement Paradox arises because simple, straightforward rating systems would seem to generate the most useful appraisals--but they don't. 4) During evaluations, most people focus almost exclusively on reward outcomes and ignore the constructive feedback generated by peer appraisal. Ironically, it is precisely this

*overlooked feedback that helps improve performance--thus, the Paradox of Rewards. These paradoxes do not have neat solutions, but managers who understand them can better use peer appraisal to improve their organizations. Subjects: Human behavior; Knowledge workers; Learning; Participatory management; Performance appraisal; Teams.*

#### **4. Evaluating Problematic Performers**

[Rob Parson at Morgan Stanley \(A\)](#) M. Diane Burton

Rob Parson was a star producer in Morgan Stanley's Capital Markets division. He had been recruited from a competitor the prior year and had generated substantial revenues since joining the firm. Unfortunately, Parson's reviews from the 360-degree performance evaluation process revealed that he was having difficulty adapting to the firm's culture. His manager, Paul Nasr, faces the difficult decision of whether to promote Parson to managing director. Nasr must also complete Parson's performance evaluation summary and conduct Parson's performance review.

Learning Objective: To explore managerial problems associated with performance appraisal and performance management. Subjects: 360-degree feedback; Corporate culture; Employee retention; Organizational behavior; Performance appraisal; Personal strategy & style; Promotion from within; Relationship management. Setting: Financial industry, investment banking; \$1 billion; 1995.

*Alternative 1: [A New Game Plan for C Players](#) Beth Axelrod, Helen Handfield-Jones and Ed Michaels (Harvard Business Review OnPoint article)*

*This is an enhanced edition of the HBR reprint R0201G, originally published in January 2002. HBR OnPoint articles save you time by enhancing an original Harvard Business Review article with an overview that draws out the main points and an annotated bibliography that points you to related resources. This enables you to scan, absorb, and share the management insights with others. It's a big driver of business success, but one that executives are loath to talk about: upgrading the management talent pool by weeding out "C" players--those who deliver results that are acceptable but who fail to innovate or inspire the people they lead. In this article, the authors of *The War for Talent* explore the hidden costs of tolerating underperformance and acknowledge the reasons why executives may shy away from dealing decisively with C players. They recommend that organizations establish rigorous, disciplined processes for assessing and dealing with low-performing managers but still treat them with respect. The authors outline three ironhanded step for executives to take. First, identify C players by evaluating their talents and distributing employee performances along an assessment curve. Second, agree on explicit action plans that articulate the improvements or changes that C performers must achieve within six to 12 months. And third, hold managers accountable for carrying out the action plans. The authors also emphasize the need for executives to ensure that low performers are treated with dignity--offer candid feedback, instructive coaching, and generous severance packages and outplacement support. The authors' approach isn't about being tough on people; it's about being relentlessly focused on performance. Subjects: Employee development; Human resources management; Management of professionals; Management performance; Managerial selection; Organizational management; Performance appraisal.*

*Alternative 2: [Wolfgang Keller at Konigsbrau-Hellas A.E. \(A\)](#) John J. Gabarro*

*Raises issues concerning performance evaluation, performance appraisal, managing ineffective performance, and conflicts in management style. Subjects: Beverages; Human resources management; Leadership; Management styles; Performance appraisal; Superior & subordinate. Setting: Europe, brewing industry, \$100 million.*

#### **5. Using a Multidimensional Performance Scorecard**

[Citibank: Performance Evaluation](#) Robert L. Simons

Citibank has introduced a new, comprehensive performance-scorecard system. A regional president struggles with a tough decision: how to evaluate an outstanding branch manager who has scored poorly



on an important customer satisfaction measure. This case provides a scoring sheet to be completed by the reader and an explanation of the ramifications of the decision for the business's strategy. Subjects: Banking; Control systems; Incentives; Performance appraisal; Performance measurement; Strategy implementation. Setting: U.S., banking industry, 1996.