

8.7: Summary of Learning Outcomes

8.7.1 Performance Appraisal Systems

How do organizations effectively use performance appraisals to improve individual job performance, and what are the limitations inherent in the use of various appraisal systems?

If performance is to be changed or improved, it must be rewarded. To be rewarded, it must be measured. However, great care must be taken to (1) measure important behaviors and outcomes (individual, group, or organizational) and not just those that are easy to measure, (2) measure them with the appropriate technique(s), and (3) tie appropriate rewards to the desired behaviors and outcomes.

Organizations use performance appraisals for several reasons: (1) to provide feedback to employees, (2) to allow for employee self-development, (3) to allocate rewards, (4) to gather information for personnel decisions, and (5) to guide them in developing training and development efforts.

8.7.2 Techniques of Performance Appraisal

What practices are used in the performance appraisal process?

Performance appraisals are subject to several problems, including central tendency error, strictness or leniency error, halo effect, recency error, and personal biases.

8.7.3 Feedback

How do managers give effective feedback to subordinates?

Among the most common appraisal systems are graphic rating scales, critical incident technique, behaviorally anchored rating scales, behavioral observation scales, management by objectives, and assessment centers. Assessment centers represent a special case of evaluations in that they focus on assessing an employee's long-term potential to an organization.

8.7.4 Reward Systems in Organizations

How do organizations choose the best appraisal system for their organization?

Rewards serve several functions, including (1) stimulating job effort and performance, (2) reducing absenteeism and turnover, (3) enhancing employee commitment, (4) facilitating job satisfaction, and (5) facilitating occupational and organizational choice.

Rewards may be distributed on the basis of power, equality, need, or distributive justice. Distributive justice rests on the principle of allocating rewards in proportion to employee contribution. Intrinsic rewards represent those outcomes that are administered by the employee (e.g., a sense of task accomplishment), whereas extrinsic rewards are administered by others (e.g., wages).

Gain-sharing incentive plans base some of the employees' pay on corporate profits or productivity. As a result, employees are generally more interested in facilitating corporate performance. **Skills-based incentives** reward employees on the basis of the skills they possess, not the skills they are allowed to use at work. As a result, employees are encouraged to continually upgrade their skill levels.

A lump-sum salary increase simply provides employees with their pay raises at one time (possibly shortly before summer vacation or a major holiday).

Participative pay decisions allow employees some input in determining their pay raises.

8.7.5 Individual and Group Incentive Plans

How do managers and organizations use incentives and rewards effectively to secure the best possible performance from employees?

Flexible benefits allow employees to choose the fringe benefits that best suit their needs.

A good reward system (1) is closely tied to performance, (2) allows for individual differences, (3) reflects the type of work that is being done, (4) is consistent with the corporate culture, and (5) is carefully monitored over time.

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