

- Narrative methods include the critical incident technique and the essay approach.
- Training managers and employees on how to conduct performance appraisals can contribute to the effectiveness of a performance management system.
- Many performance appraisal problems are caused by a number of different rater errors.
- The appraisal feedback interview is a vital part of any appraisal system, and the reactions of both managers and employees must be considered when evaluating the system.

CRITICAL THINKING CHALLENGES

1. Describe how an organizational culture and the use of performance criteria and standards affect the remaining components of a performance management system.
2. Suppose you are a supervisor. What errors might you make when preparing the performance appraisal on a clerical employee? How might you avoid those errors?
3. Based on your experiences, as well as the chapter information, what are some good “rules of thumb” for conducting successful performance appraisal interviews?
4. Review the performance appraisal process and appraisal form used by a current or former employer, and compare them with those provided by other students. Also review other appraisal issues by going to www.workforce.com and searching for articles on *performance appraisals*. Develop a report suggesting changes to make the performance appraisal form and process you reviewed more effective.
5. As the new HR Director of a company in the behavioral health industry, you have the responsibility to develop a performance management system. You need to present a business case to senior executives that the performance management system does not stand alone and must be integrated into the company’s strategic plan, business information practices, and articles tab.
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WEEK 5

CASE

Performance Management at Netflix

Netflix has a unique approach to the performance of its employees. It employs a culture with few rules and no tolerance for average or poor performers. Workers can earn top-of-the-market pay but no bonuses, development, training, or career planning. Vacation is at the discretion of the employee. The focus is on what people get done, not how many hours or days they worked. Netflix officials maintain that when employee discretion rules, employees can be trusted to do the right things. Reed Hastings, the CEO, says “We are more focused on the absence

of procedure—managing through talented people rather than a rule book.”

There is no policy on vacation time. Workers decide, for example, how much vacation and sick leave to take. The only rules are being out sick for more than five days requires a doctor’s excuse, and time-off beyond 30 days per year requires HR approval. The HR Director interviewed an applicant who expressed surprise at the vacation time approach. He said, “I am a workaholic and never take time off. I need someone to make sure I take

my time or I won't use it." He was told, "We hire adults and if you do not know how to manage your vacations you won't fit in."

If someone does something wrong, they are told it was wrong. After that they either "get it" or they are gone. The CEO says, "We try to be fair, but the length of an employee's Netflix career is not our primary concern. If someone is not extraordinary we let them go." If a person is rated as average or mediocre during the performance review process, he or she is dismissed. The HR officer notes that really good workers get frustrated at working with average performers. They feel it is important to get rid of those who do not perform even though other companies often do not.

Annual 360-degree reviews provide "direct and honest feedback." Another HR official notes, "In many companies when I want you to leave, my job is to prove you're incompetent. Here I write a check. We exchange severance for a release." The company does not "coddle" employees and does not ask how someone

"feels." When they are dismissed people usually find new jobs quickly and to date no one has sued.

The culture is designed to initiate and maintain creativity. If efficiency was the goal, more structure and rules would be needed, the CEO notes. As the company gets bigger, it may be more difficult to allow the same amount of freedom. As one observer noted, "Good people can do things and can be relied on to police themselves." The lack of rules coupled with a serious performance culture makes Netflix an interesting place to work.⁵¹

QUESTIONS

1. Would you find working at Netflix exciting or frightening? Why?
2. Can everyone in a company be above average? If so, how can you tell if someone is truly above average?
3. Are performance evaluations important in this culture?

SUPPLEMENTAL CASES

Performance Management Improvements for Bristol-Myers Squibb

This case identifies how performance management systems might be redesigned. (For the case, go to www.cengage.com/management/mathis.)

Building Performance through Employee Participation

The case outlines what was done at Jewelers Mutual Insurance in allowing employees to have a say in

performance management. (For the case, go to www.cengage.com/management/mathis.)

Unequal/Equal Supervisors

This case identifies the consequences of giving appraisal ratings that may not be accurate. (For the case, go to www.cengage.com/management/mathis.)

NOTES

1. Adapted from Bob Campbell, et al., "Performance Management: Rewired for Recovery," *Workspan*, 07/2010, 42-48.
2. Paul Falcone, "Held Hostage by Underperformers," *HR Magazine*, October 2012, 92-93.
3. Andrew R. McIlvaine, "There's Got to Be a Better Way," *Human Resource Executive*, July/August 2012, 13-15. Samuel A. Culbert, "The Case for Killing Performance Reviews," *Human Resource Executive Online*, July 16, 2012, 1-2.
4. Jonathan A. Segal, "Performance Management Blunders," *HR Magazine*, November 2010, 75-77.
5. Jamie A. Gruman and Alan M. Saks, "Performance Management and Employee Engagement," *Human*