

Human Resource Management

Unit – 4

Performance Appraisal



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Performance Appraisal



Defination: *Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development.*

Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

Objectives of Performance Appraisal



Performance Appraisal can be done with following objectives in mind:

- 1.To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
- 2.To identify the strengths and weaknesses of employees to place right men on right job.
- 3.To maintain and assess the potential present in a person for further growth and development.
- 4.To provide a feedback to employees regarding their performance and related status.
- 5.To provide a feedback to employees regarding their performance and related status.
- 6.It serves as a basis for influencing working habits of the employees.
- 7.To review and retain the promotional and other training programmes.

Advantages of Performance Appraisal



1. **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programs for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
1. **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.

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3. Employees Development: The systematic procedure of performance appraisal helps the supervisors to frame training policies and programs. It helps to analyze strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programs.

4. Selection Validation: Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.

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4. Communication: For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:

- Through performance appraisal, the employers can understand and accept skills of subordinates.
- The subordinates can also understand and create a trust and confidence in superiors.
- It also helps in maintaining cordial and congenial labour management relationship.
- It develops the spirit of work and boosts the morale of employees.

5. Motivation: Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.



Process of Performance Appraisal

Performance Appraisal Process



Step 1: Establishing performance standards

Step 2: Communicating the standards to employees



Step 3: Measuring actual performance



Step 4: Comparing the actual with standard performance



Step 5: Discuss the report with employees



Step 6: Taking corrective action



1: Establishing Performance Standards: The first step in the process of performance appraisal is the setting up setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

2. Communicating the Standards to Employees: Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

3. Measuring Actual Performance: It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employee's work.

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4. Comparing the Actual with Standard Performance: The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set.

The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance.

5. Discuss the Report with Employees: The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

6. Taking Corrective Action: The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc.



Methods of Performance Appraisal



Performance Appraisal Tools and Techniques

Following are the tools used by the organizations for Performance Appraisals of their employees.

- Ranking
- Paired Comparison
- Forced Distribution
- Confidential Report
- Essay Evaluation
- Critical Incident
- Checklists
- Graphic Rating Scale
- BARS
- Forced Choice Method
- MBO
- Field Review Technique
- Performance Test



1. Ranking Method

The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank order. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.

Advantages of Ranking Method

1. Employees are ranked according to their performance levels.
2. It is easier to rank the best and the worst employee.

Limitations of Ranking Method

1. The “whole man” is compared with another “whole man” in this method. In practice, it is very difficult to compare individuals possessing various individual traits.
2. This method speaks only of the position where an employee stands in his group. It does not test anything about how much better or how much worse an employee is when compared to another employee.
3. When a large number of employees are working, ranking of individuals become a difficult issue.
4. There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgements.



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2. Forced Distribution method

This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format. The workers of outstanding merit may be placed at top 10 percent of the scale, the rest may be placed as 20 % good, 40 % outstanding, 20 % fair and 10 % fair.

Advantages of Forced Distribution

1. This method tends to eliminate raters bias
2. By forcing the distribution according to pre-determined percentages, the problem of making use of different raters with different scales is avoided.

Limitations of Forced Distribution

1. The limitation of using this method in salary administration, however, is that it may lead low morale, low productivity and high absenteeism.
2. Employees who feel that they are productive, but find themselves in lower grade(than expected) feel frustrated and exhibit over a period of time reluctance to work.

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3. Critical Incident techniques

Under this method, the manager prepares lists of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees or the job. The manager maintains logs of each employee, whereby he periodically records critical incidents of the workers behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the worker's performance.

Example of a good critical incident of a Customer Relations Officer is : March 12 - The Officer patiently attended to a customers complaint. He was very polite and prompt in attending the customers problem.

Advantages of Critical Incident techniques

- This method provides an objective basis for conducting a thorough discussion of an employees performance.
- This method avoids recency bias (most recent incidents are too much emphasized)



1. Negative incidents may be more noticeable than positive incidents.
2. The supervisors have a tendency to unload a series of complaints about the incidents during an annual performance review sessions.
3. It results in very close supervision which may not be liked by an employee.
4. The recording of incidents may be a chore for the manager concerned, who may be too busy or may forget to do it.

4. Checklists and Weighted Checklists

In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it. While rating an employee the supervisor checks all those statements that most closely describe the behavior of the individual under assessment. The rating sheet is then scored by averaging the weights of all the statements checked by the rater. A checklist is constructed for each job by having persons who are quite familiar with the jobs. These statements are then categorized by the judges and weights are assigned to the statements in accordance with the value attached by the judges.

Advantages of Checklists and Weighted Checklists

1. Most frequently used method in evaluation of the employees performance.

Limitations of Checklists and Weighted Checklists

1. This method is very expensive and time consuming
2. Rater may be biased in distinguishing the positive and negative questions.
3. It becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employees characteristics, contributions and behaviours.

5. Behaviorally Anchored Rating Scales: statements of effective and ineffective behaviors determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behavior describes the employee performance.

Advantages

helps overcome rating errors.

Disadvantages

Suffers from distortions inherent in most rating techniques

6. 360-Degree Feedback

It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback.

7. Essay Method:

- Essay method is the simplest one among various appraisal methods available. In this method, the rater writes a narrative description on an employee's strengths, weaknesses, past performance, potential and suggestions for improvement. Its positive point is that it is simple in use. It does not require complex formats and extensive/specific training to complete it.
- However, essay method, like other methods, is not free from drawbacks. In the absence of any prescribed structure, the essays are likely to vary widely in terms of length and content. And, of course, the quality of appraisal depends more upon rater's writing skill than the appraiser's actual level of performance.
- Moreover, because the essays are descriptive, the method provides only qualitative information about the employee. In the absence of quantitative data, the evaluation suffers from subjectivity problem. Nonetheless, the essay method is a good start and is beneficial also if used in conjunction with other appraisal methods.



360 Degree Performance Appraisal Method

360 Degree Performance Appraisal



360 degree feedback, also known as 'multi-rater feedback', is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job. 360 degree respondents for an employee can be his/her peers, managers, subordinates, team members, customers, suppliers/ vendors - anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee.

360 degree appraisal has four integral components:



1. Self appraisal
2. Superior's appraisal
3. Subordinate's appraisal
4. Peer appraisal.

Self appraisal gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance.

Superior's appraisal forms the traditional part of the 360 degree appraisal where the employees' responsibilities and actual performance is rated by the superior.

Subordinates appraisal gives a chance to judge the employee on the parameters like communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc.

360 degree appraisal is also a powerful developmental tool because when conducted at regular intervals it helps to keep a track of the changes others' perceptions about the employees.



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A 360 degree appraisal is generally found more suitable for the managers as it helps to assess their leadership and managing styles. This technique is being effectively used across the globe for performance appraisals.

Some of the organizations following it are **Wipro, Infosys, and Reliance Industries etc.**