

Performance Appraisal

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Historical perspective

*Formal appraisal of an individual's performance began in the Wei dynasty (A.D. 221-265) in China, where an **Imperial Rater** appraised the performance of members of the official family. In 1883, the New York Civil Service in USA introduced a formal appraisal programme shortly before World War I. Recent research shows that at present more than three-fourths of American companies have appraisal programmes to measure employees' performances.*

Performance appraisal used for:

1. Identifying employees for salary increases, promotion, transfer and lay-offs or termination of services.
2. Determining the training needs for further improvement in performance.
3. Motivating employees by indicating their performance levels.
4. Establishing a basis for research and reference for personnel decisions in future.

Performance Appraisal

Performance appraisal is a systematic evaluation of personnel by supervisors or others familiar with their performance because employers are interested in knowing about employee performance. Employee also wish to know their position in the organization. Appraisal are essential for making many administrative decisions: selection, training, promotion, transfer, wage and salary administration, etc.

Problem of Criteria

A broad definition of criteria is “that which is to be predicted”. This definition refers to the evaluative standards which measure a person’s performance, attitudes, etc. Identifying performance criteria is easy if the job is clearly defined but difficult it is broad.

Irrespective of the level, by and large, most companies use eleven performance measures: **quantity of work**, **quality of work**, waste and breakage, **money earned**, **job knowledge**, job tenure, **absenteeism**, **rate of advancement**, **self-judgement**, **judgement by peers**, and judgement by supervisors. *These measures can be classified into three broad categories.*

Personal Data

This includes personal history, number of times one has been absent, number of grievances, accidents, breakages, etc., all of which are often used to differentiate between good and bad performers. Most studies have worked backwards, i.e. after identifying good and bad performers, they studied what personal variables made them “good” or “bad” performers. However, there is little evidence to suggest that personal data can predict job performance.

Unlike western counterpart, Indian worker is marked by excessive obedience and lack of competitiveness, deep-rooted Indian ways of life, and respect for family customs or relationships. Other writers have argued that irrespective of social values and traditions, workers develop in their work-role a network of relationships that is consistent with the requirements of their industrial roles.

Some researchers (e.g., Dayal, 1976) made a case for taking cultural factors into account when developing an appraisal system.

In view of conflicting evidence, it is extremely risky to use personal data as an indicator for performance.

Production Data

Rate and quality of work, and money earned, are direct measures of performance. These can range from units per hour to money earned or lost. Production data are useful for evaluating the performance of people only in some jobs and at some levels.

Initial studies on production as a measure for performance suggest that the time period between measures can make a substantial difference to the accuracy of the data. The reliability of production data depends to a large extent on the time when the sample of production data is taken, as well as on the time period between measures. Correlations on the reliability of production data have been found to range from 0.05 to 0.85, with the magnitude influenced by the time period between measures.

Lack of clear-cut criteria constitutes a major roadblock in making an appraisal effective. In a survey of 580 managers (319 – public / 216 – private), Singh, Maggu and Warriar (1981) found that the level of satisfaction with the existing performance appraisal system was very low. Public sector managers were even lesser satisfied than those in the private sector. A number of factors were found to contribute to this low level of satisfaction. Prominent among them were subjectivity of the raters, low inter-rater reliability, secrecy, items in forms not related to job contents, and lack of awareness about the criteria by appraisors.

Judgemental Data

These include self-judgement, judgement by peers and supervisors, and sometimes knowledge of the job. It is one of the most commonly used indicators of performance, and probably the one most loaded with errors and problems. Most of the problems arise because it is based on subjective assessment either by the individual, or by another individual for him

PERFORMANCE APPRAISAL METHODS

A close analysis of appraisal forms reveal following methods of performance appraisal.

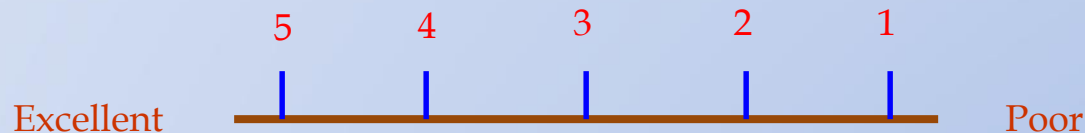
Confidential Report

This is the traditional way of appraising employee performance. A confidential report by the immediate supervisor is still a major determinant of the subordinate's promotion or transfer. The supervisor writes about a paragraph on his subordinate's strength, weaknesses, intelligence, attitude to work, attendance, conduct and character, work efficiency, etc.

Rating Scales

These methods assess the *degree* of certain qualities required for the job such as industriousness, reliability and dependability. The degree is usually measured on a scale which can vary from 3 point (*good, average, and poor*) to several points. The anchor points in most cases are labeled excellent—poor, high – low, or never – always, depending on the format.

Example :



The general notion that ratings are objective must be regarded with extreme caution. There is no objective rating procedure. These ratings need to be validated against other methods of evaluation. Human behaviour is complex, and traits such as job knowledge, experience, ability to get things done, etc., are hardly independent of each other. The validity of the rating also depends on the rater's characteristics.

The rating methods may permit two employees to have the same total rating, though on specific traits they might get different ratings.

Ranking System

One of the disadvantages of the rating system is that it permits similar total scores for two or more individuals. The ranking system obviates this problem. The rater simply ranks employees in order of merit, which determines the employee's ratings. Ranking him in relation to others; or by first identifying several relevant traits, ranking employees separately on each of these traits, and then cumulating these trait-ranking to arrive at the final employee-rankings. In both cases, the rater is in a difficult position if employees are roughly equal in their abilities.

Ranking can also be highly deceptive. This problem can be overcome by using several raters to ensure ranking on an objective rather than a random basis.

The ranking system is simple, natural and useful when the number of employee evaluated by the same supervisor is small.

The two main disadvantages of the ranking system are, firstly, it is difficult to rank employees apart from and between the top and bottom extremes; finer judgement has to be exercised here, which increases chances of errors. Secondly, the task of ranking individuals is difficult when there are over 20 or 25 cases.

Paired-Comparison Method

This method is much simpler, requiring the rater to judge which of two workers is superior, instead of having to arrange members of a large group of workers in order of excellence. It makes the rater compare one employee systematically with the others individually. Usually only one trait, the overall ability to perform the job is considered. The supervisor is provided with a bunch of slips each containing a pair of names. The rater puts a tick mark against the individual whom he considers the better of the two, and the final ranking is considered by the number of times that individual is judged better than others. The rater must make evaluations of all possible pairs. The maximum number of pairs is indicated by the formula $N(N-1)/2$ where N = the total number of employees to be evaluated.

One obvious disadvantage of this method is that in a large group of employees, the number of permutations and combinations increases, requiring more time from the evaluator.

Forced-Choice Method

The forced-choice rating form contains a series of groups of statements, and the rater checks how effectively the statement describes each individual being evaluated. Each statement carries a weight of score which is not indicated to the rater. This method has a number of variations. Sometimes all the statements may be either favourable or unfavourable. In another variation, from four statements – two positive and two negative – the rater picks the most appropriate and the most inappropriate, for the person being rated.

Guildford has outlined the following steps in developing forced-choice instruments:

1. Descriptions of persons on two extremes of the performance scale are obtained.
2. These are analyzed into simple behaviour qualities and presented either as a statement or as trait names.
3. The discrimination value (index of validity) and preference value (index of the degree to which the quality is valued) are empirically established.
4. The statement or trait names, and preference value – one valid, the other not – are paired. Similarly, two statements or trait names for low preference value are paired.
5. High and low preference value are paired to form an item.
6. Instructions to rater are prepared, asking the rater to choose (check) one “best fit” and one “least appropriate” for the employee.
7. To validate the technique, pre-testing is done on a sample for which an outside criterion is available. Discriminating responses are determined and weights assigned.
8. Based on step 7, a scoring key is prepared.

Critical Incident Method

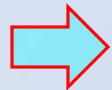
This technique involves three steps. A test of noteworthy (good or bad) on-the-job behaviour, usually of specific instances, is first prepared. A group of experts then assigns scale values to them, depending upon the degree of desirability for the job. The third step is constructing a check list that includes incidents which define “good” and “bad” workers. Subsequently, supervisors use these lists for evaluating the workers. This method helps to identify key areas in which employees are weak or strong. It emphasizes rating on objective evidence rather than on the subjective evaluation of traits. Finally, the supervisor finds counselling easier since he knows his subordinates’ weaknesses.

Cost Accounting Method

This method evaluates performance from the monetary returns the employee yields to his organization. A relationship is established between the cost involved in keeping the person, and the benefit the organization derives from him. While evaluating the performance, the following factors are carefully considered. (1) Average value of production or service units. (2) Quality of object produced or services accomplished. (3) Overhead cost. (4) Errors, accidents, spoilage, wastages, damage to machine through unusual wear and tear, etc. (5) Appearance, manner, friendliness, sociability, etc. for a public-relation job. (6) The cost of the time of the supervisor and other personnel taken by the appraisee to perform his job.

Problems in Performance Appraisal

None of the methods for appraising performance is absolutely valid or reliable. Each has its own strengths and weaknesses.



Most appraisal methods involve judgements of one kind or the other. The error of “central tendency” and the error of leniency are inherent in the process.



Another problem is the “*Halo Effect*”, or a tendency to allow the assessment on one trait to influence assessment on others. This arises when traits are unfamiliar, ill-defined, and involve personal reactions. Character traits cause this error more often than the others.



Another source of error in performance evaluation is criterion contamination and bias, because of a variety of circumstances and functions beyond the control of the rater and the employee. These are critical biases, and must be taken into account to make appraisal as objective as possible.

Problems in Performance Appraisal ...

As per Blum and Nylor following are sources of bias.

☐ Opportunity bias.

Better working conditions, supportive supervisors, more experienced co-workers, and this result in greater output

☐ Group characteristics bias

Cohesive group with high morale can produce more than less cohesive group with low morale

☐ Knowledge of predictor bias

A rater's knowledge of the performance of an employee on predictors can influence his appraisal ratings. An employee who topped in the selection list might leave the impression that he is the best among the employees

Problems in Performance Appraisal ...

Although all appraisal methods are subject to validity and reliability tests there is very little evidence on these two counts.

An on-the-spot investigation of two Indian manufacturing companies by Dayal reports the following findings:

1. No significant relationship was found between evaluation *vis-à-vis* promotion, transfer and placement.
2. Low reliability was noticed between what was reported on paper about a subordinate's performance and what the appraisers reported in face-to-face discussions.
3. Appraisal reports were completed by supervisors only a few minutes before their submission.
4. Supervisors revealed a distinct anxiety in judging their subordinates.
5. Remarkable variation was noticed when one employee was evaluated by different raters

Appraisal Interview

Evaluation whether positive or negative can be very useful if it is communicated to the employee. Many organizations require their supervisor, managers, and other raters to have periodic discussions with employees about their performance, and negative evaluation so that the employee gets a chance to “explain”.

Appraisal interviews serve these broad purposes:

1. They provide feedback to the employee which helps him ensure appropriate performance in future.
2. They help the organization to get some idea of its working. Often problems and issues raised by employees, difficulties faced in the execution of their duties, and ways and means to improve the functioning, are brought to the surface.
3. The organization can ascertain the training needs of its employees, which is very important.

Appraisal Interview

Norman Maier has described three appraisal interviews each with a specific and slightly different objectives.

The Tell and Sell Method

The purpose is to communicate the rater's evaluation to the employee as accurately as possible. It assumes that the evaluation was done in fairness. The rater's purpose is to communicate to the employee his performance, to gain his acceptance of the evaluation, and to draw up a plan to improvement for him.

The Tell and Listen Method

The purpose of this method is to communicate the evaluation to the employee, and then let him respond to it. The first part covers the strength and weaknesses of the employee, and the second explores his feelings about the evaluation. In contrast to first method, the rater, having initiated the discourse, listens to the employee. Since there is less fear of reprisal and of annoying supervisor, there might be less resistance from the employee, and the atmosphere can be friendly and cordial.

The Problem-Solving Approach

Unlike in the first two methods, the appraisal need not even be communicated according to this method. The thrust is on employee development, and the rater is more of a helper than a judge. He does not point out the areas for improvement, but stimulates the employee into thinking about improving his performance. Since problem-solving involves exploration of various solutions, the rater should help the employee to seek alternatives.

Problems with Appraisal Interviews

- ❑ Some managers may not be enthusiastic about such dialogues with their subordinates.
- ❑ Even if they are, it demands much their time
- ❑ Raters might not possess all these characteristics and hence may not conduct these interviews successfully. Such interviews require patience, understanding, sensitivity, empathy and ability to listen.

Management by Objectives (MBO)

MBO calls on the subordinate to set his short-term performance goals in consultation with his superior. Goals explicitly state the actions which the employee will follow. Instead of being appraised in a traditional way by his supervisor, the subordinate appraises his own performance by evaluating it *vis-à-vis* the goals. Before establishing a goal, the individual studies his job, assesses his potentialities, and formulates some specific plans to reach the goal. The supervisor is not the evaluator, but directs the goal-setting process to ensure that it matches the objectives of the organizations.

The employee establishes his goals for a particular period, say, six months. At the end of that period, he judges his accomplishment against the goals. The interview is the assessment by the superior and subordinate together, of the latter's self-appraisal. The supervisor also guides the subordinate and modifies the goals for the next period.

MBO differs significantly from the traditional approach, for it shifts the emphasis from "appraisal" to "analysis". Subordinate assumes the role of an active agent rather than a passive object: new responsibilities and importance have been thrust on him. It is assumed that the individual knows, or capable of learning, more than any one else about his own needs, strengths and weaknesses.

The superior has to help the subordinate relate his goals to the needs and realities of the organization.