Unit-10

Performance Appraisal

Performance Appraisal (assessment/evaluation/rating)

- PA is the systematic, periodic, impartial evaluation of an employee's ability for doing his present job and his potential for future job.

- It is done after trained and motivated employee

- It evaluates the <u>contribution</u> of each employee to the accomplishment of organizational goals.

- "Performance appraisal is a review of the job relevant strengths and weaknesses of an individual or a team in an organization". –Cascio.

- Conclusion: it is the assessment of individual's performance in a systematic way.

- The performance is measured some essential requirement of employees such as job knowledge, quality and quantity of output, initiative, leadership ability, supervision, dependability, co-operation, judgment etc.

- The performance appraisal system should be fair, equitable, transparent and acceptable to all the employees of the organization.

Purpose and uses/importance of PA

1. Performance improvement: the main motive of PA is to improve performance skill and ability of employees. It helps to <u>compare</u> actual performance achieved with that of standard performance. It facilitate to know whether actual performance achieved predetermined standard or not.

2. Training and development: PA information is used to find out whether an employees requires additional training and development or not. Deficiencies in performance may be due to inadequate knowledge or skills.

3. Promotion: PA provides <u>guideline</u> to find out which employee should be given a promotion. Evaluation of past performance of employee together with other background data will enable management to select proper person for promotion.

4. Transfer: transfer involve changes in job responsibilities, and it is important to find out the employees who can take these responsibilities. Such identification of employees, who can be transferred, is possible through the PA. The transfer of right person to the right job facilitates to develop working efficiency. (job change)

5. Compensation reviews: PA can be used to compensate the employees by increasing their pay and other incentives. PA help decision makers determine who should receive pay raises. (reward management)

6. Career planning: PA enables managers to coach and counsel employees in their career development. It helps to know skill, efficiency, knowledge and interest of each employee in certain sector of performance. (succession planning)

7. Evaluation of HR plan: the appraisal process helps in human resource planning. Without the knowledge of who is capable of being promoted, demoted, transferred or terminated, management cannot make employment plans for the future.

8. Performance feedback: most employees are very interested in knowing how well they are doing at present and how they can do better in a future. They want to improve their performance in order to get promotion and pay increase. Proper performance feedback can improve the employee's future performance.

Techniques/methods of PA

1.   Graphic Rating Scale Method

Certainly, the most popular method of evaluation used in organizations today is the **graphic rating scale**. The supervisor or rater is typically presented with a <u>printed or online</u> form that contains both the employee's name and several evaluation dimensions (quantity of work, quality of work, knowledge of job, attendance). The rater is then asked to rate the employee by assigning a number or rating on each of the dimensions.

Advantages

- It is the most common method of evaluating of an employee's performance today.

- It is simple and easy to understand

- It permits a statistical tabulation of scores of employees

- It considers overall quality of employees by adding total scores.

Disadvantages

- It may be arbitrary due to careless of evaluation

- It considers each characteristic is equally important in evaluation of the employee's performance.

- There is the possibility of rating errors in evaluation.

A Sample of a Typical Graphic Rating Scale

Name _____ Dept. _____ Date _____

	Outstanding	Good	Satisfactory	Fair	Unsatisfactory
Quantity of work	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Volume of acceptable work under normal conditions	*****	****	***	**	-
Comments:					
Quality of work	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Thoroughness (carefulness), neatness, and accuracy of work					
Comments:					
Knowledge of job	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Clear understanding of the facts or factors pertinent(related) to the job					
Comments:					
Personal qualities	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Personality, appearance, sociability, leadership, integrity					
Comments:					
Cooperation	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Ability and willingness to work with associates, supervisors, and subordinates toward common goal					
Comments:					
Dependability	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Conscientious, thorough, accurate, reliable with respect to attendance, lunch periods, reliefs, etc.					
Comments:					
Initiative	**Outstanding**	**Good**	**Satisfactory**	**Fair**	**Unsatisfactory**
Sincerity in seeking increased responsibilities Self-starting, unafraid to proceed alone					
Comments:					

2. Alternative Ranking method:

In this method, one employee is compared with another employee. After comparison of employees they are placed in an order one after another. It is usually easier to distinguish between the <u>worst</u> and <u>best</u> employees.

It is done in specific manner like first selecting the best employee in a group then the worst, then the second best then the second worst and so on

Advantages:

- It is simple to understand and to implement in practice

- It is less time consuming because managers can evaluate employees by considering their overall efficiency

- It is economical because it needs minimum procedure

Disadvantages:

- There is possibility of biasness at the time of ranking employees from high to bottom

- It does not consider the special skills of an employee

- It unable to compare employees across different groups

EXHIBIT 2.2

ALTERNATION RANKING SCALE

For the trait: ————————————————————————————— ——

For the trait you are measuring, list all the employees you want to rank. Put the highest-ranking employee's name on line-1. Put the lowest –ranking employee's name on line 20. Then list the next highest ranking on line 2, the next lowest ranking on line 19, and so on.

Highest ranking employee

1.	——————————	11.	——————————
2.	——————————	12.	——————————
3.	——————————	13.	——————————
4.	——————————	14.	——————————
5.	——————————	15.	——————————
6.	——————————	16.	——————————
7.	——————————	17.	——————————
8.	——————————	18.	——————————
9.	——————————	19.	——————————
10.	——————————	20.	——————————

Lowest ranking employee

3. Paired comparison method:

In this method, each employee is rated with another employee in the form of pairs. After all the comparisons on the basis of the overall performance, the employees are given the final ranking. In paired comparison the evaluator makes comparison between only two individuals at a time, in order to reach the conclusion that which of the two individual is better. This process continues until every member of the group is paired with all the other members of the group.

The number of comparisons may be calculated with the help of a formula as under:

No. of pairs comparison= $N(N-1)/2$, $5(5-1)/2=10$

Advantages:

- It facilitates to know the overall efficiency of each employee
- It helps to know the number of comparison on the basis of number of employee in a group
- There is rare possibility of errors.

Disadvantages:

- This method is inappropriate when there are large numbers of employees in a group
- It does not consider specific quality of individual employee
- It does not recommend any guideline to improve performance of employee.

EXHIBIT 2.3 FOR THE TRAIT " QUALITY OF WORK"

As compared to	Employee rated				
	A Arti	B Maria	C Rita	D Ram	E Kumar
A Arti		+	+	-	-
B Maria	-		-	-	:
C Rita	-	+		+	-
D Ram	+	+	-		+
E Kumar	+	+	+		

Maria ranks highest here.

Ranking employees by the **Paired Comparison Method**

+ means " better than", - means "worse than"

4. **Forced distribution method** (forced ranking or forced choice method):

Forced distribution is a form of employee evaluation in which employees are ranked against one another rather than performance standards.

The method is done by stack ranking the employees from first to last or by creating five groups and evaluating each employee's skills and performance within those limits. The result is typically a <u>bell</u> <u>curve</u> with a small percentage of low- and high-performing employees.

The top level can be <u>encouraged</u> to continue exceeding expectations with raises, and promotions. <u>Middling</u> performers can be given lesser raises and goals to meet along with <u>training</u> and <u>encouragement</u> to meet those goals. <u>Poor</u> performers are encouraged to do better in the <u>next</u> evaluation cycle or face <u>release</u> from the company to seek success elsewhere.

- **Advantages:**
- It has limited levels of grouping
- Employees would be graded on the basis of their overall efficiency.
- It is primarily used to eliminate rating errors such as biasness.
- **Disadvantages:**
- It is not appropriate when there are minimum employees in a group.
- It is very difficult to discriminate employees where job performance is quite similar.
- It is based on assumption of normal distribution.
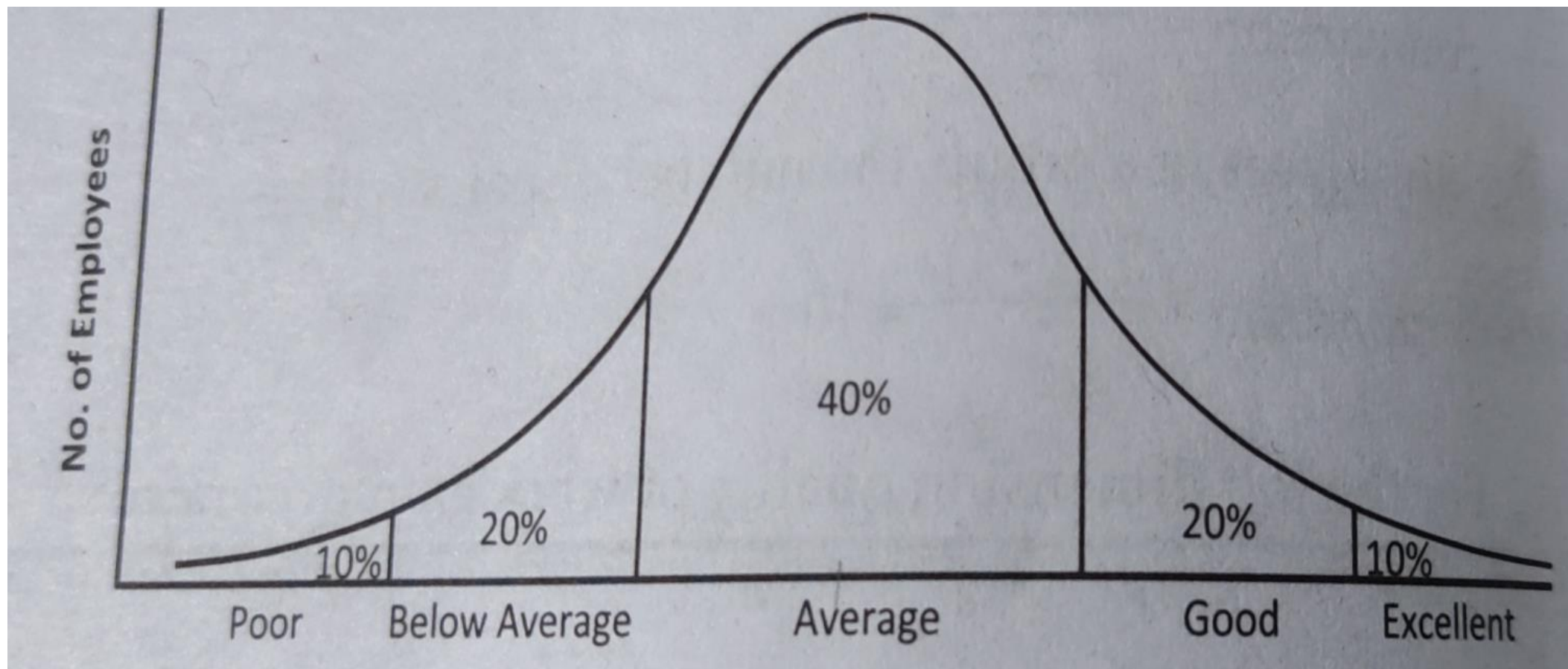
From the above table if there are 50 employees in a group, 5 would have to be placed in the low category, 10 in the below-average category, 20 in the average, 10 above average and 5 would be placed in the highest category. The proportions of forced distribution may vary on the basis of logic and need of the manager.

5. **Critical Incident (event) Method**: (a friend is need is a friend indeed)

A critical incident appraisal focuses on the essential behaviors that determine whether a task is done well or poorly. The manager prepares (record) list of statements (situation or incidents) of very effective (outstanding) and ineffective (poor) behavior of an employee. At the end of the rating period, such recorded critical incidents are used in the evaluation of the employee's performance. This method of evaluation is applied to evaluate the performance of superiors.

Advantages:

- It is very easy to understand and use.

- It is very easy to get feedback of behavior

- It is less expensive and provides rich information

Disadvantages:

- Since it is based on critical incidents only, it does not say anything about the every day situations.

- It emphasize on overly close supervision which may not be liked by the employees

- Rater may not be willing to take the time to write a complete situation when describing a incident.

Critical Incidents Method

Ex: A fire, sudden breakdown, accident

Workers	Reaction	scale
A	Informed the supervisor immediately	5
B	Become anxious on loss of output	4
C	Tried to repair the machine	3
D	Complained for poor maintenance	2
E	Was happy to forced test	1

6. Essay Methods:

- Here, the manager or the appraiser(from outsider) writes <u>an essay or statement about the employee</u>. The major focus here is to write about the strengths and weaknesses of the employee on the job. The statement also focuses on the different steps that could be taken to rectify (correct) the drawbacks in the employee's performance.

- There are 2 ways in which this essay is written. On one hand, it could be single-handedly written and framed by the appraiser. On the other hand, the appraiser could work on it in collaboration with the employee in question.

- The appraiser consider the following factors:

- Job knowledge and potential of the employee

- Employee's understanding of the company's program, policies, objectives, and other internal system

- The employee's relation with co-workers, juniors and superiors

- The employee's general planning, organizing, controlling and other managerial ability

- The attitude, value, belief, norms and perceptions of the employees.

Advantages:

- It useful for filing necessary information about he employees for future reference

- It provide good deal of information about the employee

- It is simple method and easy to understand

Disadvantages:

- It is highly dependent upon the writing skills of rater

- There is possibility of bias as it is unstructured nature of the essay

- The rater may take more time which become costlier for the organization

7. Checklist Method:

- This is an extremely simple appraisal method as it only requires the appraiser to <u>tick mark</u> statements that are applicable to a given employee. If the rater believes strongly that the employee possesses a particular listed trait, he checks the item; otherwise he leaves the item blank. A most recent variation of the checklist method is the weighted list. Here the rater only does the reporting or checking and HR department does the actual evaluation.

- **Advantages:**

- It is easy for implementation

- It need limited training both rater and employees

- It consider certain level of standard

- **Disadvantages:**

- The rater may be biased in distinguishing the positive and negative questions

- It become difficult for the manager to assemble, analyze and weigh a number of statements about the employee

- It does not allow rater to give relative rating

- Sample checklist:

S.N	Employees Behavior	Yes	No
1.	Is the employee really interested in the task assigned?		
2.	Is he respected by his colleagues?		
3.	Does he give respect to his superiors?		
4.	Does he follow instructions properly?		
5.	Does he make mistakes frequently?		
6.	Does he cooperative to team members?		
7.	Is he punctual in attendance?		

Performance Appraisal Practice in Nepalese Organization

Features of PA in Nepal

1. Informal system: most of the Nepalese business organizations do not have formal system of PA. In <u>private</u> organization, PA is totally depending on owners or managers judgment. In <u>Corporate institution </u>here is provision of PA after completion every financial year to know about progress of work and to know about problem areas of performance. In public enterprise or civil service of government have their own process of PA.

2. Lack of transparency: there is lack of transparency about PA system of Nepalese organization. all the performance related information remains secret within limited officials. Corporate business have some transparency about the outcome of PA. In Civil service, there is also lack of transparency. Here only recommendation from authorized officials is taken into consideration for further action.

3. Low priority: In Nepalese organizations, PA has received lower priority. It is mostly linked with promotion and pay increment. Managers of private organization decide to make PA of employees only when the situation of promotion, transfer, pay increment, foreign visit opportunity or other specific situation created in the organization. In Civic Service Act and Rule, there is provision of regular supervision and evaluation of performance, but it lacks effective implementation.

4. Not considers as part of HR planning: in Nepal there is no provision of PA program in annual working schedule. In private organization, owners or managers do evaluation of performance when they think necessary. In corporate business, there is some provision of evaluation at the end of every fiscal year. In civil service, there is also provision, but not so effectively implement.

5. Personal biases and judgment: in Nepalese organization, personal judgment of managers or officials play important role for evaluating performance outcome of employees. In private organization, only managers plays important role for evaluation of performance. In corporate org. few systems are take into consideration where in public enterprises, recommendation of manager plays important role. In civil service, there is system of periodic evaluation of performance.

Practice of PA in Nepal

- See Pg 358 from book