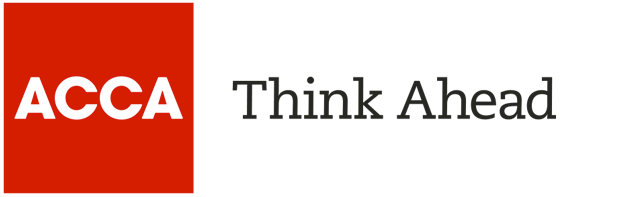
The global body for professional accountants

* [About us](http://www.accaglobal.com/ng/en/discover.html)
* [Contact us](http://www.accaglobal.com/ng/en/footertoolbar/contact-us.html)
* [Work for us](http://recruitment.accaglobal.com)
* [Technical activities](http://www.accaglobal.com/ng/en/technical-activities.html)
* [Help & support](http://www.accaglobal.com/ng/en/help.html)
* http://www.accaglobal.com/content/dam/ACCA_Global/img/website/flyout/Flyout_Nigeria_2013.png[Nigeria](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system.html)

Top of Form

[](http://www.accaglobal.com/ng/en.html)

 http://www.accaglobal.com/etc/designs/acca/img/mag_glass.png

Bottom of Form

Top of Form

[My ACCA](https://portal.accaglobal.com/)

* [Home](http://www.accaglobal.com/ng/en.html)

* [Our qualifications](http://www.accaglobal.com/ng/en/qualifications.html)

* [Employers](http://www.accaglobal.com/ng/en/employer.html)

* [Learning providers](http://www.accaglobal.com/ng/en/learning-provider.html)

* [Members](http://www.accaglobal.com/ng/en/member.html)

* [Students](http://www.accaglobal.com/ng/en/student.html)

* [Research & Insights](http://www.accaglobal.com/ng/en/research-insights.html)

Bottom of Form

* [Home](http://www.accaglobal.com/ng/en.html)>
* [Students](http://www.accaglobal.com/ng/en/student.html)>
* [ACCA Qualification Student Journey](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey.html) >
* [Qualification resources](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource.html)>
* [ACCA Qualification](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification.html)>
* [P5 Advanced Performance Management](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5.html)>
* [Technical articles](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles.html)

**Human resource management and the appraisal system**

[Share on emailEmail](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system.html" \o "Email" \t "_blank) [Share on printPrint](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system.html) [Share on twitterTwitter](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system.html) [Share on facebookFacebook](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system.html) [Share on linkedinLinkedin](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system.html" \o "LinkedIn" \t "_blank) [More Sharing ServicesAdd This](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system.html)

**Related Links**

* [Reward schemes for employees and management](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/reward-schemes-for-employees-and-management.html" \o "Reward schemes for employees and management" \t "_blank)
* [ACCA's Competency Framework](http://www.accaglobal.com/ng/en/student/competency-framework.html" \o "ACCA's Competency Framework" \t "_blank)
* [Self-test question](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/qual-resource/acca-qualification/p5/technical-articles/human-resource-management-and-the-appraisal-system/human-resource-management-and-the-appraisal-system--self-test-.html" \o "Self-test question" \t "_blank)
* [Student Accountant hub page](http://www.accaglobal.com/ng/en/student/acca-qual-student-journey/sa.html)

This article looks at the nature of human resource management, and at the link between human resource management and performance management. It then examines aspects of the staff appraisal system, and considers the impact of these on the performance of an organisation.

**Nature of human resource management**

Human resource management is defined by Bratton as ‘a strategic approach to managing employment relations, which emphasises that leveraging people’s capabilities is critical to achieving competitive advantage.’ *(1)*  
  
From this definition, we can see that human resource management has grown in importance from the traditional view of the personnel department, whose role was primarily seen as that of hiring and firing employees to a much broader role. Human resource management includes the recruitment of employees, the development of policies relating to human resources, and the management and development of employees.  
  
It also follows that human resources management is not carried out exclusively by the HR department. Line managers are involved in managing the human resources in their departments.

**Importance of human resources**

The modern terms ‘human resources’ and ‘human capital’ reflect the increasing recognition of the strategic importance of employees.  The terms actually refer to the traits that people bring to the workplace, such as knowledge, intelligence, enthusiasm, an ability to learn, and so on. Employees are seen less and less as an expensive necessity, and more and more as a strategic resource that may provide an organisation with competitive advantage.  
  
In service industries such as restaurants, for example, where employees have direct contact with customers, having employees that are friendly and helpful has a large impact on how customers will view the business. In IT industries, having staff with good technical knowledge is essential.  
  
The problem with human resources is that they require more management than other factors of production. We humans are complex, emotional creatures, and it can be challenging to ensure that we behave in the right way, remain motivated and give our best to the employer. William James, the 19th century American sociologist, once remarked that most people only use 15% of their combined intelligence, skills and aptitudes in their employment. Whether this still remains the case or not, it is clearly a challenge to get employees to contribute more of their abilities in the workplace.

**Strategic human resource management**

Given that human resources are a strategic capability, many human resource practitioners talk about ‘strategic human resource management’. This means aligning the human resource management of organisations with the organisations’ strategy.  
  
The human resources management process should support the corporate strategy by:

* ensuring that the organisation has the right number of qualified employees
* employees have the right skills and knowledge to perform efficiently and effectively
* employees exhibit the appropriate behaviours consistent with the organisation’s culture and values
* employees meet the organisation’s motivational needs.

A low-cost supermarket, for example, may have an HR policy of recruiting unskilled staff, who are prepared to work for low wages, but would not provide customers with excellent service. A more upmarket supermarket on the other hand would want to provide excellent customer care. HR strategies would include the recruitment of individuals who have excellent personal skills, and training of all staff in customer care.

**Recruitment and selection**

‘Recruitment is the process of generating a pool of capable people to apply to an organisation for employment. Selection is the process by which managers and others use specific instruments to choose from a pool of applicants the person or persons most likely to succeed in the job given management goals and legal requirements.' *(2)*  
  
Recruitment is the first stage in the process of human resource management. The organisation needs to recruit individuals with the right skills, and the right attitudes to contribute to the strategic goals of the organisation. Employees should also have the personality that will fit into the culture of the organisation.  
  
From the point of view of potential employees, the recruitment process provides them with the opportunity to see if the organisation matches their expectations. The organisation should provide honest information about the position so that the potential employee forms the right expectations about the role that they are applying for. If not, this may lead to disappointment and high staff turnover.  
  
When recruiting, the amount of time and effort spent in selecting the right employee depends on the amount of responsibility that the position requires. Managerial or problem-solving positions, where employees would be required to have deeper skills, a higher level of responsibility and greater commitment, thus contributing to the strategy of the organisation, would merit a much greater effort in the selection process. The selection process will need to ensure that candidates should possess the ability to acquire the skills needed, and the attitude that fits the culture of the organisation. Organisations may use psychometric tests to assess candidates for such positions. Psychometric tests are described later in this article.  
  
Lower level employees would be employed if they have the right skills. Less screening would take place for this group of employees.

**Competency frameworks**

In many organisations, competency frameworks may be developed prior to the recruitment stage. A competency framework shows a set of behaviour patterns and skills that the candidate needs in order to perform a job with competence.  
  
ACCA has developed a comprehensive competency framework for ACCA students to help plan careers in different roles. In ACCA's competency frameworks, competencies are categorised into exams, experience, ethics, job profiles, technical competencies and behavioural competencies. An example of a technical competence relating to management accounting is performance objective 13, *Contribute to budget planning and production*.

**Appraisal system**

An appraisal is the analysis of the performance of an individual, which usually includes assessment of the individual’s current and past work performance. Broadly speaking, there are two main reasons for the appraisal process. The first is the control purpose, which means making decisions about pay, promotions and careers. The second is about identifying the development needs of individuals.

**Control objective of appraisals**

In recent years, there has been a drive towards linking the appraisal of employees to the strategic objectives of an organisation. The idea is that the organisation sets its own goals and performance measures. These goals are then translated into goals for managers and employees. Measurable targets are identified and set for employees, and their performance against the targets will be used as part of their appraisal.  
  
Appraisal is, therefore, seen as part of management control. By measuring the performance of employees against targets, management is seen to be proactively managing the performance of employees and therefore improving the performance of the organisation.  
  
While such an approach may appear rational, in practice it is very unpopular with employees, who do not like to feel they are being controlled. It can also be criticised for trying to make a complex relationship between employees and managers appear to be too simple. In practice, however, such control models are the most popular models of assessment.

**Developmental objectives of appraisals**

A second way in which the appraisal system can support performance management is by identifying the development needs of staff and managers. Some organisations use a development centre, where an individual is assessed, often by a qualified occupational psychologist, against the required competencies for his role. Personal development plans are then made to develop the individual in areas where weaknesses are recognised.

**Difficulties in appraisal**

In assessing employees, managers are required to make judgments about an employee’s performance and capabilities. Such judgments are naturally subject to potential bias in favour of some and against others. There are many statistics showing how prejudice may affect the promotional prospects of some groups.  In the UK, for example, 40% of the workforce are women, but only 30% of managers are women.  
  
Another difficulty is the effect that negative criticism can have on performance. A study carried out in the 1960s by Meyer, Kay and French *(3)* investigated the impact of the appraisal process at a factory in the US. The study concluded that where staff are given criticism, they react defensively to the criticism and try to blame others for their shortcomings. They will also become demotivated.  Interestingly, praise given during the process had little impact on performance.  
  
One potential solution to the difficulties mentioned above in relation to appraisal is to be aware that, in addition to the formal appraisal process, employees receive continuous informal feedback from their managers on the job. Employees generally accept this informal feedback more readily, and it is more likely to lead to improvement in their performance. Placing more emphasis on this informal type of assessment, and less on the formal appraisal process, may improve the overall performance of employees.

**Measurement of performance**

When measuring the performance of employees for the purpose of appraisal, three different approaches can be used:

* Measurement of inputs
* Behaviour in performance
* Measurement of results and outcomes.

**Measurement of inputs**

Measurement of inputs means attempting to assess the traits of an individual. Traits are those skills, knowledge and attitudes that the employee possesses. Assessment aims to identify whether the staff member has the competencies (or traits) for a job, perhaps with reference to a competency framework. Attributes such as leadership, commitment, ability to work within a team and loyalty are traits that are typically desired.  
  
Where assessment is performed by the line manager, the subjectivity of the exercise may well lead to real or perceived bias in the assessment. As a result of this, many organisations now use professionally designed psychometric tests.  
  
Psychometric testing aims to ‘measure’ the abilities and personal skills of an individual. An example of an ability would be the number of words per minute that the individual can type on a keyboard. Personal skills focus on areas such as emotional stability of the individual, whether the individual is introvert or extrovert, and how flexible the employee is.  
  
Some organisations hold ‘moderation meetings’ for bigger teams. The purpose of these meetings is to ensure that the various managers involved in assessing the different members of staff within a team are doing so consistently.

**Behaviour in performance**

This type of appraisal looks at the behaviour of the employee during work, and at how the employee applies his or her skills. Both quantitative and qualitative data is collected on a continuous basis relating to how the employee displays the expected behaviour for the position – for example, ‘gives praise where it is due to others on the team’ might be one of the behaviours looked for.  
  
A common method for assessing behaviour in performance is the use of behaviour-anchored rating scales (BARS). Descriptions of desired (and undesirable) behaviour are listed, and the appraiser gives a score for each one. A good example of BARS is the course assessment forms used by many ACCA tuition providers, where students are asked to rate the tutor on various attributes, such as ‘clarity of explanations’, and ‘approachability’. Students then give the tutor a grade for each of these attributes – for example, from 1 to 5, where 5 is excellent, and 1 is poor.  
  
Behavioural observation scales (BOS) are where specific actions are listed, and the appraisee is judged on how many times he performs that action. For example, how often does a supervisor provide constructive feedback to colleagues?  
  
An obvious problem with BARS and BOS is the subjectivity involved. BOS are designed to be slightly less subjective as they are based on the number of times behaviour is observed, which is more factual.     
  
Measurement of behaviour in performance generally is beneficial because not only is information about the employee’s performance obtained, but more detailed understanding of the requirement of the job can be ascertained, and this can be used for defining standards in future.

**Measurement of results and outcomes**

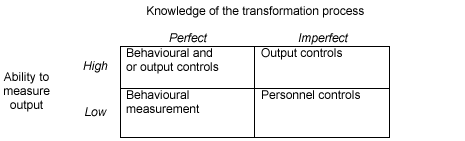
Under these types of appraisals, individuals are assessed on quantifiable outcomes – for example, the amount of sales achieved by a salesman, the volume of production achieved, the number of customer complaints. Where competency frameworks are used, it may also be possible to measure the number of competencies achieved during a period.  
  
Frequently, targets may be set for individuals and their performance will be judged against these. In setting such targets, it is appropriate to consider the principles relating to the setting of standards from the Fitzgerald and Moon building blocks model. In particular, standards should be achievable, or staff will become demotivated; they should be controllable – that is, staff should not be judged on targets that are outside of their control.  
  
Measurement of results and outcomes is usually easy to perform, but suffers from the problem that it does not take into account the differing external factors that may have occurred. It may also lead to measure fixation among staff, such as the famous example in the call centres, where the performance of call centre staff was measured based on the number of calls per day. It was quite common for call centre staff to keep this high by simply hanging up when presented with difficult customers.

**Control mechanisms for employees**

Ouchi developed a model for helping to determine what types of controls are most appropriate for employees in different situations:

* Personnel controls, also known as clan controls, are based on fostering a sense of solidarity in the people who work for an organisation. If personnel believe in the objectives that the organisation is trying to achieve, then they will be motivated to work towards those objectives and will not require detailed supervision or control. Personnel controls include recruitment of people with the right attitudes, training and job design. These are closely related to appraisal systems based on inputs.
* Behavioural controls involve observing the employee – for example, the foreman on a production line watches the employees to ensure that the work is done as prescribed. Such controls are consistent with appraisal systems that focus on the behaviour of employees.
* Output or results controls that focus on measuring some aspect of work performed. Examples could include measuring the number of defective products. Appraisal systems based on results or outcomes are examples of output controls.

The type of control system that is appropriate depends on two variables – the ability to measure output, and the knowledge of the transformation process. Ouchi forms a matrix from these two that helps to determine what types of control system are most appropriate for a particular organisation:



Knowledge of the transformation process is low in situations where there is no obvious way to do a task. Those performing the task may have to learn on the job, rather than be provided with a detailed instruction manual showing them how to do it. This may occur in project-based work, for example, where each project brings new tasks and challenges to the project team.  
  
In manufacturing industries, it is likely that it is easy to measure output, and knowledge of the transformation process is high – the tasks have been performed many times before. So behavioural or output controls are appropriate, and appraisal will focus on the behaviour of employees or on results and outcomes.  
  
A situation where the knowledge of the transformation system is imperfect but measurement is easy might be a sales department. Management may not be aware of the exact processes involved by the sales team, and there may not be one ‘right way’ of making sales. However, measurement of sales is easy to do, so output controls may be used. The problem with this approach, however, is that it does not take into account external factors. It may be difficult to make sales in some markets, for example, and so appraising employees on results alone might be deemed unfair.  
  
The ability to measure output may be difficult in certain activities, such as research work. Where people work in teams, measuring the output of the individuals within the team may be difficult. Some individuals may put in more effort than others, for example. If knowledge of the transformation process is also low, then the organisation may have to rely on personnel and clan controls. In such situations, the appraisal process may focus on traits.

**Linking appraisal to the reward scheme**

The appraisal process may be linked to a reward scheme whereby employees or managers earn some incentives, such as promotion or financial incentives if targets are met. Reward schemes were discussed in another article, ‘Reward schemes for employees and management’ (see Related links).

**Nick Ryan is the lead tutor for ACCA Performance Management for Becker Professional Education**

**References**

1. *Human Resource Management*, Theory and Practice, 4th edition, Bratton and Gold, published by Palgrave Macmillan, p3
2. Bratton and Gold, p239
3. Bratton and Gold, p285