Methods of Performance Appraisal

Although there is no such thing as universally accepted performance appraisal method, most organizations accept the Strauss and Sayles classification. George Strauss and Leonard R. Sayles classify performance appraisal methods into two categories: traditional and modern.

Table 28.4 : Methods of Performance Appraisal

Traditional Methods	Modern Methods
1. Ranking method	1. Management by Objectives (MBO)
2. Paired comparison	2. Behaviourally anchored rating scales
3. Grading	3. Assessment centres
4. Forced distribution method	4. 360-degree appraisal
5. Forced choice method	5. Cost accounting method
6. Checklist method	
7. Critical incidents method	
8. Graphic scale method	
9. Essay method	
10. Field review method	
11. Confidential report	

Traditional Methods:

1. Ranking Method

It is the oldest and simplest formal systematic method of performance appraisal in which employee is compared with all others for the purpose of placing order of worth. The employees are ranked from the highest to the lowest or from the best to the worst.

In doing this the employee who is the highest on the characteristic being measured and also the one who is L lowest, are indicated. Then, the next highest and the next lowest between next highest and lowest until all the employees to be rated have been ranked. Thus, if there are ten employees to be appraised, there will be ten ranks from 1 to 10.

2. Paired Comparison Method

The paired comparison method is almost similar to ranking method. When variations are made in the ranking method so that it can easily be used in large groups, it becomes paired comparison method. In paired comparison method, every person is compared trait wise with the other persons one at a time. The number of times one person is compared with others is tallied on a piece of paper. With the help of these numbers, ranks are allotted to the employees.

Rater is provided with the bunch of slips, each containing a pair of names. The rater puts a tick mark against the person whom he considers better of the two, and the final ranking is determined by taking the total of number of times an employee is ranked better than another employee.

3. Grading Method

In this method, certain categories of worth are established in advance and carefully defined. There can be three categories established for employees: outstanding, satisfactory and unsatisfactory. There can be more than three grades. Employee performance is compared with grade definitions. The employee is, then, allocated to the grade that best describes his or her performance.

4. Forced Distribution Method

This method was evolved by Tiffen to eliminate the central tendency of rating most of the employees at a higher end of the scale. The method assumes that employees' performance level confirms to a normal statistical distribution i.e., 10,20,40,20 and 10 per cent. This is useful for rating a large number of employees' job performance and promo ability. It tends to eliminate or reduce bias.

It is also highly simple to understand and easy to apply in appraising the performance of employees in organizations. It suffer from the drawback that improve similarly, no single grade would rise in a ratings.

5. Forced Choice Method

This method requires the rater to choose from statements, often in pairs, that appear equally favorable or equally unfavorable. The statements, however, are designed to distinguish between successful and unsuccessful performance. The rater selects one statement from the pair without knowing which statement correctly describes successful job behavior.

6. Checklist Method

Under this method, a checklist of statements on the traits of the employees and his or her job is prepared in two columns – viz. a 'Yes' column and a 'No' column. It is a list of statements that indicate the performance of the employees on the job. All that the rater has to do is to tick 'Yes' column if the answer to the statement is positive and column 'No' if the answer is negative. The performance of the employee is rated on the basis of the number of positive checks.

7. Critical Incidents Method

In this method, the rater focuses his or her attention on those key or critical behaviors' that make the difference between performing a job in a noteworthy manner (effectively or ineffectively). There are three steps involved in appraising employees using this method.

First, a list of noteworthy (good or bad) on-the-job behavior of specific incidents is prepared. Second, a group of experts then assigns weightage or score to these incidents, depending upon their degree of desirability to perform a job. Third, finally a check-list indicating incidents that describe workers as "good" or "bad" is constructed. Then, the check-list is given to the rater for evaluating the workers.

8. Graphic Rating Scale Method

The graphic rating scale is one of the most popular and simplest techniques for appraising performance. It is also known as linear rating scale. In this method, the printed appraisal form is used to appraise each employee.

The form lists traits (such as quality and reliability) and a range of job performance characteristics (from unsatisfactory to outstanding) for each trait. The rating is done on the basis of points on the continuum. The common practice is to follow five points scale.

9. Essay Method

This method requires the appraiser to compose a statement that best describes the employee being appraised. The appraiser is usually instructed to describe the employee's strengths and weaknesses and to make recommendations for his or her development. Essay method is often used in combination with some other rating method. Here, the supervisor continuously watches the subordinates and writes his assessment in the report.

10. Field Review Method

When there is a reason to suspect rater's biasedness or his or her rating appears to be quite higher than others, these are neutralized with the help of a review process. The review process is usually conducted by the personnel officer in the HR department.

11. Confidential Report

It is the traditional way of appraising employees mainly in the Government Departments. Evaluation is made by the immediate boss or supervisor for giving effect to promotion and transfer. Usually a structured format is devised to collect information on employee's strength weakness, intelligence, attitude, character, attendance, discipline, etc. report.

Modern Methods

1. Management by Objectives (MBO)

Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate goals. After setting clear goals, managers and subordinates periodically discuss the progress made to control and debate on the feasibility.

This process usually lays more stress on tangible work or career-oriented goals. So, intangible aspects like interpersonal skills, job commitment, etc. are often brushed under the rug. This method is slightly expensive and time-intensive.

2. 360-Degree Feedback

Once-in-a-year performance appraisals are lackadaisical and don't work. Workers need ongoing communication with team leaders and managers. A continuous process, like 360-degree feedback, can help employees stay motivated. This is one of the most widely used appraisal methods.

In 360-degree feedback, every employee in an organization appraises his/her managers, peers, customers, suppliers, and also does a self-evaluation. This method ensures effective performance analysis and Total Employee Involved (TEI). If not handled properly, this method can also suffer from the subjectivity of the appraiser.
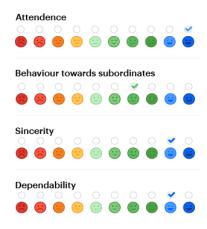
3. Assessment Centre Method

The assessment center method tests employees in a social-related situation. This concept was introduced way back in 1930 by the German Army but it has been polished and tailored to fit today's environment. Employees are asked to take part in situation exercises like in-basket exercises, work groups, simulations, and role-playing exercises that ensure success in a role.

While it gives an insight of the employee's personality (ethics, tolerance, problem-solving skill, introversion/extroversion, adaptability, etc.), it can also breed unhealthy competition among the workers and bears adverse effects on low performers.

4. Behaviorally Anchored Rating Scale (BARS)

Behaviorally anchored rating scales (BARS) bring out both the qualitative and quantitative benefits in a performance appraisal process. BARS compares employee performance with specific behavioral examples that are anchored to numerical ratings.

This performance appraisal method is said to be better than the traditional methods. BARS provides clear standards, improved feedback, accurate performance analysis, and consistent evaluation. However, when done manually it suffers from the usual distortions that are inherent in most review methodologies.

5. Cost Accounting Method

This method evaluates an employee's performance from the monetary benefits the employee yields to his/her organization. This is ascertained by establishing a relationship between the costs involved in retaining the employee, and the benefits an organization derives from Him/her.

While evaluating an employee's performance under this method, the following factors are also taken into consideration:

1. Unit wise average value of production or service.

2. Quality of product produced or service rendered.

3. Overhead cost incurred.

4. Accidents, damages, errors, spoilage, wastage caused through unusual wear and tear.

5. Human relationship with others.

6. Cost of the time supervisor spent in appraising the employee.