

## Purpose of Performance Appraisal

Performance appraisal serves over a dozen different organizational purposes:

- 1. Providing feedback to employees about their performance** - Providing feedback is the most common justification for an organization to have a performance appraisal system. Through its performance appraisal process the individual learns exactly how well she did during the previous twelve months and can then use that information to improve her performance in the future.
- 2. Determining who gets promoted** - Almost everyone in an organization wants to get ahead. How should the company decide who gets the brass rings? Performance appraisal makes it easier for the organization to make such decisions.
- 3. Facilitating layoff or downsizing decisions** - when economic realities force an organization to downsize, performance appraisal helps make sure that the most talented individuals are retained and that only the organization's marginal performers are cut loose.
- 4. Encouraging performance improvement** - How can anyone improve if he doesn't know how he's doing right now? A good performance appraisal points out areas where individuals need to improve their performance.
- 5. Motivating superior performance** - Performance appraisal helps motivate people to deliver superior performance in several ways.
- 6. Setting and measuring goals** - The performance appraisal process is commonly used to make sure that every member of the organization sets and achieves effective goals.
- 7. Counseling poor performers** - Performance appraisal forces managers to confront those whose performance is not meeting the company's expectations.
- 8. Determining compensation changes** - Performance appraisal provides the mechanism to make sure that those who do better work receive more pay.
- 9. Encouraging coaching and mentoring** - Performance appraisal identifies the areas where coaching is necessary and encourages managers to take an active coaching role.
- 10. Supporting manpower planning or succession planning** - Companies need to determine who and where their most talented members are. They need to identify the departments that

are rich with talent and the ones that are suffering a talent drought. Performance appraisal gives companies the tool they need to make sure they have the intellectual horsepower required for the future.

- 11. Determining organizational training and development needs** - By reviewing the data from performance appraisals, training and development professionals can make good decisions about where the organization should concentrate company-wide training efforts.
- 12. Confirming that good hiring decisions are being made** - Is the company hiring stars, or is it filling itself with trolls? Only when the performance of newly hired individuals is assessed can the company learn whether it is hiring the right people.
- 13.** Providing legal defensibility for personnel decisions
- 14.** Improving overall organizational performance
- 15.** Determining individual training and development needs

## **Process of Performance Appraisal**

The six steps involved in process of performance appraisal are as follows:

1. Establish Performance Standards
2. Communicate Performance Expectation to Employee
3. Measure Actual Performance
4. Compare Actual Performance with Standards
5. Discuss the Appraisal with the Employee
6. Initiate Corrective Actions.

### **1. Establish Performance Standards:**

The appraisal process begins with the establishment of performance standards. The managers must determine what outputs, accomplishments and skills will be evaluated. Performance

standards are established through job descriptions, employee handbooks and operational manuals. Standards are subject to adjustment, based on changes in business needs.

Performance standards include everything from attendance to sales goals.

These performance standards should also be clear and objective to be understood and measured. Standards should not be expressed in an articulated or vague manner such as “a good job” or “a full day’s work” as these vague phrases tell nothing.

## **2. Communicate Performance Expectations to Employees:**

Once the performance standards are established, this needs to be communicated to the respective employees so that they come to know what is expected of them. Even though standards are written and distributed in company manuals, there also should be a specific onboarding process that summarizes the company's expectations. Regular meetings reviewing the standards and expectations reiterate to employees that everybody must meet certain minimum requirements to retain employment or to be eligible for raises or promotions.

## **3. Measure Actual Performance:**

This is the third step involved in the appraisal process. In this stage, the actual performance of the employee is measured on the basis of information available from various sources such as personal observation, statistical reports, oral reports, and written reports. It is of utmost significance to ensure that you do not make appraisal judgment based on what you feel towards the employee. It is only appropriate to make a sound measurement of findings, facts, and objectivity.

You also need to have in mind that measuring of employees’ actual performance needs to be a continuous activity that should be carried out throughout the year hence to identify all the parameters effectively.

## **4. Compare Actual Performance with Standards:**

In this stage, the actual performance is compared with the predetermined standards. Such a comparison may reveal the deviation between standard performance and actual performance and will enable the evaluator to proceed to the fifth step in the process, i.e., the discussion of the appraisal with the concerned employees.

## **5. Discuss the Appraisal with the Employee:**

The fifth step in the appraisal process is to communicate to and discuss with the employees the results of the appraisal. This is, in fact, one of the most challenging tasks the manager's face to present an accurate appraisal to the employees and then make them accept the appraisal in a constructive manner.

A discussion on appraisal enables employees to know their strengths and weaknesses. This has, in turn, impact on their future performance. Yes, the impact may be positive or negative depending upon how the appraisal is presented and discussed with the employees.

It is also advisable to prepare your workers psychologically before presenting appraisal results and also ensure that results are communicated with lots of positivity. The aim here is to motivate the employees and not necessarily to evoke emotions.

## **6. Initiate Corrective Action:**

This is the final stage in appraisal processes. Initiating some effective corrective measures should be executed according to the results of the appraisal. Carefully examine the results and identify areas that require improvement and then come up with corrective action that will make it possible for employees to improve performance.

The corrective action can be of two types. One is immediate and deals predominantly with symptoms. This action is often called as "putting out fires." The other is basic and delves into causes of deviations and seeks to adjust the difference permanently.

This type of action involves time to analyze deviations. Hence, managers often opt for the immediate action, or say, "put out fires". Training, coaching, counseling, etc. is the common examples of corrective actions that managers initiate to improve the employee performance.