

# NOTES ON PERFORMANCE APPRAISAL

-By Dr. Sweta Mishra

## Meaning

- ✓ A performance appraisal is a systematic and periodic process of measuring an individual's work performance against the established requirements of the job. It's a subjective evaluation of the employee's strengths and weaknesses, relative worth to the organization, and future development potential.
- ✓ Performance appraisals are also called performance evaluations, performance reviews, development discussions, or employee appraisals.
- ✓ Companies use performance appraisals to give employees big-picture feedback on their work and to justify pay increases and bonuses, as well as termination decisions.
- ✓ They can be conducted at any given time but tend to be annual, semiannual, or quarterly.

## Definitions

According to **Edwin B. Flippo**, "Performance appraisal is a systematic, periodic and so far as humanly possible, an impartial rating of an employee's excellence in matters pertaining to his present job and to his potentialities for a better job."

According to **Slabbert and Swanepoel** – "Performance appraisal is a formal and systematic process by means of which the relevant strengths and weaknesses of the employees are identified, measured, recorded and developed."

**Alford and Beatty** have defined it as – “the evaluation or appraisal of the relative worth to the company of a man’s services on his job”.

According to **Douglass**, “Performance appraisal is a method of acquiring and processing the information needed to improve an individual employee’s performance and accomplishments.”

## Characteristics of Performance Appraisal

### 1. Clear Objectives

- ✧ Organizations differ in terms of work, size, resources, needs and environment, but every organization will have set of objectives to be achieved end of the year.
- ✧ The goals should be well defined and communicated to every employee at the organization. This will align employee towards organization goals.
- ✧ The goals should be set taking into account organization-employee compatibility and scope of the employees to attain the goals.
- ✧ Thus the goal/objective of the appraisal system should be clear, specific and tailor-made for the company.

### 2. Accurate, Valid, and Reliable Data

- ✧ Appraisal system should be fair and ethical, to make the organization attain pinnacle of success. This can be made possible only when the data is valid and reliable.
- ✧ The data here is nothing but the goal against employee outcome, time taken to accomplish the goal and status of the goal.
- ✧ All this data must be recorded and documented for every employee performance.

- ✧ Collation of this data showcases complete employee performance on the appraisal day and will be real time, reliable data

### **3. Well Defined Performance Criteria**

- ✧ Effective performance appraisal system has standard and top-rated appraisal forms, rules, and appraisal procedures along with well-defined performance criteria and standards. The objectives should be relevant, timely and open.
- ✧ For instance, you cannot rate a graphic designer based on a skill, which is not present in his/her job description.

### **4. Standardization:**

- ✧ Well-defined performance factors and criteria should be developed. These factors as well as appraisal form, procedures and techniques should be standardized.
- ✧ It will help to ensure uniformity and comparison of ratings. Employees who go around the procedures ethically are identified and encouraged.

### **5. Economical and less time consuming**

- ✧ Effective performance appraisal systems are designed to be economical and less time-consuming to get maximum benefits. HR personnel need not waste all their valuable time only on the managerial tasks.
- ✧ With a good performance appraisal system, they can spare time and effort to focus on other important and productive jobs.

### **6. Feedback and Participation**

- ✧ A post appraisal talk should be arranged for employees to get feedback from their managers. It also helps the organization to learn

about the problems and difficulties the employees might be facing, finding the gaps in their performance and skills as well as discover suitable training. Managers can also arrange development plans that suit his/her team members.

- ✧ The employees should actively participate in managing performance and in the ongoing process of evaluation. The superior should play the role of coach and counsellor.

## Objectives of Performance Appraisal

- **Evaluate employee performance:** One of the main objectives of performance appraisals is to evaluate employee performance objectively and systematically. This involves assessing employee performance against specific job-related criteria, such as job duties, performance goals, and key performance indicators.
- **Provide feedback:** Performance appraisals provide employees with feedback on their job performance, highlighting areas where they are doing well and areas where they need to improve. Feedback can be constructive and positive way, focusing on specific actions and behaviours that can be improved.
- **Set performance goals:** Performance appraisals help to set performance goals that are aligned with the organization's goals and objectives. These goals can be used to motivate employees and provide a clear path for career development.
- **Identify training and development needs:** Performance appraisals can help to identify areas where employees may need additional training or development to improve their job performance.

This can help employees to develop new skills and knowledge and improve their overall performance.

- **Determine compensation and rewards:** Performance appraisals are often used to determine compensation and rewards for employees based on their job performance. This can include bonuses, salary increases, promotions, and other forms of recognition.
- **Support performance management:** Performance appraisals are an important tool for performance management, which involves setting expectations, measuring performance, and providing feedback and coaching to employees to improve their performance.
- **Identify potential for career growth:** Performance appraisals can help to identify employees who have the potential for career growth and development. This can include identifying employees who have the skills and experience to take on new responsibilities or roles within the organization.

## Methods of Performance Appraisal

### I. 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 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**

- Using this performance appraisal traditional method, every employee contrasts every characteristic with all other employees in pairs, one at a time.
- This strategy makes assessment less difficult and more straightforward than the traditional ranking system.
- The number of times someone is contrasted with another individual is recorded on paper. These numbers produce the rank number for each pair. The findings are compiled and each person is granted a rank. The rater considers the individual with the highest points to be the most significant employee, while the one with no points is viewed as the one with the least worth.
- This approach traditionally uses a paper-based evaluation form to assess each employee, although in more recent years digital alternatives such as flip-books are more common.
- This strategy is unsuitable for huge businesses.

## **3. Graphic Rating Scale Method**

- The graphic scale of ratings uses a paper-based evaluation form to assess each employee.

- The form includes features like dependability and excellence, as well as work performance attributes ranging from poor to excellent for each characteristic.
- The rating is based on the points on the spectrum. A five-point scale is most commonly used like either a numerical scale (1-5) such as 'poor', 'average', 'good', 'very good', 'superior' or rate various attributes of employee performance. The rater values each appraisee by selecting the rating that most accurately characterizes employee performance for each of the characteristics. Finally, all allocated characteristic scores are tallied.
- This method is popular because it is easy to construct; adaptable to a wide range of jobs and tasks, and easily understood by raters and employees.

#### **4. Forced Distribution Method**

- This traditional method of performance appraisal in HRM was prevalent in big businesses. It relies on the notion that staff efficiency varies widely within a company, with certain individuals being highly efficient while others are less effective.
- In this approach, the management is required to disperse employees based on how they perform across every aspect of the bell-shaped curve. The method assumes that employees' performance level confirms to a normal statistical distribution i.e. 10, 20, 30, 20, and 100 per cent. Some are in the excellent range, while others are mediocre or at the bottom portion of the curving scale.
- This is useful for rating a large number of employees' job performance and promotion.

- The primary flaw in this approach is the belief that staff performance levels consistently adhere to a standard distribution.

## **5. Checklist Method**

- Under this conventional method of performance review, HR creates a checklist and sends it to the management.
- The checklist might contain a set of questions (about employee conduct and work performance), to which the manager must respond with a simple 'YES' or 'NO'.
- The management evaluates the question and the employee and responds based on their assessment of the employee.
- Questions in the checklist are assigned a number score depending on how crucial they are to work efficiency.
- As a result, the appraisal grade is derived by summing the ratings for all of these distinct elements.

## **6. Grading Method**

- In this performance appraisal traditional method in HRM, specific types of merit are predetermined and precisely specified.
- Employees can be classified into the following groups: excellent, satisfactory, and unsatisfactory. There could be three more levels.
- Employee performance is evaluated against grade standards. The individual is then assigned to the rating that most closely matches their performance.
- This sort of rating is used in an annual evaluation pattern and when selecting candidates in the broader domain.



## **7. Critical Incidents Method**

- This employee traditional method concentrates on core behaviors that influence how the work is performed.
- This method involves recording on-the-job behavior over a period of time. The employee's Officer keeps a 'diary' of examples of effective and ineffective job performance. Thus the behaviour of the employees in terms performance in different occasions are recorded and assessed and then used as background to overall assessment.
- The 'rater' selects and stamps whether the employee's individual behavior is positive or negative. The idea underlying this strategy is to outline uncommon behavior.

## **8. Essay Appraisal Method**

- This method of traditional performance appraisal, frequently referred to as the "Free Form method," consists of an explanation of an employee's performance by their boss. The summary is an appraisal of a person's achievements according to data, and it often features instances and proof to back up what is stated.
- Under this approach, the rater is expected to convey both the strengths and weaknesses of the employee's conduct. This method is usually employed in conjunction with a graphical scale for rating since the rater can comment on the scale by providing a context for their evaluation.

## **9. Confidential Report Method**

- This is a traditional method of appraisal in HRM, yet it is not commonly used in private companies. This method is most commonly

used in appraisals conducted by public or confidential bodies. The confidential report system, as the name implies, entails delivering the employee's appraisal to senior-level executives in closed envelopes.

- 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 strengths, weakness, intelligence, attitude, characteristics, attendance, and discipline and so on, throughout a specific time period.
- As the feedback is not given to the appraisee, the appraisal remains confined to evaluation than development. Feedback, if any, is given only in case of adverse reports which is unlikely to boost employee efficiency.

## **II. Modern Methods**

### **1. 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.
- Each performance level on a BAR scale is anchored by multiple BARS statements which describe common behaviors that an employee routinely exhibits. These statements act as a yardstick to measure an individual's performance against predetermined standards that are applicable to their role and job level.
- The first step in BARS creation is generation of critical incidents that depict typical workplace behavior. The next step is editing these critical incidents into a common format and removing any redundancy. After normalization, the critical instances are

randomized and assessed for effectiveness. Remaining critical incidents are used to create BARS and evaluate employee performance.

## **2. Assessment Centre Method**

- This performance appraisal method assesses employee performance in social-related situations. Employees are asked to take part in situational exercises (in-basket exercises, work-groups, simulations, role-playing exercises, etc.) that aim to highlight their potential success in various roles and bearing various responsibilities.
- This technique mainly gives emphasis on evaluating interpersonal skills, intelligence and planning and organizing skills. The potential of an employee for a new job as well as his training and development needs are evaluated by this method.
- Assessment method is specially used for evaluating potential of supervisors and executives in businesses. They are reviewed by senior management and the review process is also supported by the human resource team and psychologists.
- The reviewers discuss about the gathered information and give their feedback at the end of the appraisal meeting in terms of strengths and weaknesses of an employee.

## **3. 360 Degree Performance Appraisal**

- This method makes the appraisal more transparent and participative. The performance of employee is appraised by different people with whom he interacts in his job.
- The specialty of this method is that apart from other parties the employee also appraises his performance.

- People of any department who are in contact with employee can be a part of this method. The six parties that are mainly involved in this method are top management, seniors, peer group, subordinates, customers and the employee himself.
- Structured questionnaires are prepared to collect feedback from different parties about the performance of the employee. Employee also appraises himself by answering the questionnaire. On the basis of this feedback, the employee is appraised positively or negatively.

#### **4. Management by Objectives (MBO)**

- Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate objectives to focus on during a specific appraisal period. After setting clear goals, managers and subordinates periodically discuss the progress made to control and debate on the feasibility of achieving those set objectives.
- This performance appraisal method is used to match the overarching organizational goals with objectives of employees effectively while validating objectives using the SMART method to see if the set objective is specific, measurable, achievable, realistic, and time-sensitive.
- At the end of the review period (quarterly, half-yearly, or annual), employees are judged by their results. Success is rewarded with promotion and a salary hike whereas failure is dealt with transfer or further training.
- This process usually lays more stress on tangible goals and intangible aspects like interpersonal skills, commitment, etc. are often brushed under the rug.

## 5. Human-Resource (Cost) Accounting Method

- Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company.
- It is obtained by comparing the cost of retaining an employee (cost to company) and the monetary benefits (contributions) an organization has ascertained from that specific employee.
- When an employee's performance is evaluated based on cost accounting methods, factors like unit-wise average service value, quality, overhead cost, interpersonal relationships, and more are taken into account.
- Its high-dependency on the cost and benefit analysis and the memory power of the reviewer is the drawback of human resources accounting method.

## Performance Appraisal Process

The appraisal process consists of six steps. They are as follows:

### **1.Establish performance standards:**

- ✓ The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees.
- ✓ This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives.
- ✓ These standards should have evolved out of job analysis and job descriptions and should be clear, easily understandable and in measurable terms.

- ✓ In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

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

- ✓ Once the performance standards are established, this need to be communicated to the respective employees so that they come to know what is expected of them. Past experience indicates that not communicating standards to the employees compounds the appraisal problem.
- ✓ Here, it must be noted that mere transference of information (relating to performance standards, for example) from the manager to the employees is not communication. It becomes communication only when the transference of information has taken place and has been received and understood by the employees'.
- ✓ The feedback from the employees on the standards communicated to them must be obtained. If required, the standards may be modified or revised in the light of feedback obtained from the employees. It is important to note that communication is a two-way street.

## **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.
- ✓ Needless to mention, the evaluator's feelings should not influence the performance measurement of the employee.
- ✓ Measurement must be objective based on facts and findings. This is because what we measure is more critical and important to the evaluation process than how we measure.

#### **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.

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

- ✓ The final step in the appraisal process is the initiation of corrective action when it is necessary. The areas needing improvement are identified and then, the measures to correct or improve the performance are identified and initiated.
- ✓ 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 analyse deviations. Hence, managers often opt for the immediate action, or say, “put out fires”. Training, coaching, counselling, etc. is the common examples of corrective actions that managers initiate to improve the employee performance.

THANK YOU