

# **Idhaya College for Women Kumbakonam**



**PG & Research Department of Commerce**

**III BCom**

**Human Resource Management – 16MBECM3**

**Unit – V**

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## UNIT- V

### PERFORMANCE APPRAISAL

#### Expansion of Perform:

P → Purpose

E → Empowerment

R → Relationship

F → Flexibility

O → Optimal Performance

R → Recognition & Reward

M → Morale

#### Meaning of Appraisal:

Appraisal means Evaluation or a judgement about the value or quality of somebody/something.

#### Meaning of Performance appraisal:

Performance appraisal is an objective assessment of an individual's performance against well defined benchmarks.

Performance appraisal, “ the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality and quantity of output, initiative , leadership abilities, co-operation, judgement and health etc. Performance appraisal is known as ‘merit rating’ or ‘efficiency rating’.

#### Definition of Performance appraisal:

According to Flippo, “ Performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job”.

#### Aims of Performance appraisal:

- Give employee feedback
- Identify employee training need
- Document criteria

- Form a basis for personnel: salary increases, promotions, disciplinary actions, bonuses etc.
- Provide the opportunity for organisational diagnosis and development
- Facilitate communication
- Validate selection techniques and human resource policies.

### **Purposes of performance appraisal:**

- 1) To review the performance of the employee.
- 2) To judge the gap between the actual and desired performance
- 3) To help the management in exercising organisational control
- 4) To diagnose the training and development needs of the future
- 5) Provide information to assist in the HR decisions like promotions, transfers etc.
- 6) Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- 7) To judge the effectiveness of the other human resource functions.
- 8) To reduce the grievances of the employees.
- 9) Helps to strengthen the relationship and communication between superior-subordinates and management-employees.

### **Objectives of Performance Appraisal:**

#### **I) Work related objectives:**

- To provide a control for work done
- To improve efficiency
- To help in assigning work and plan for future work assignment and
- To carry out job evaluation

#### **II) Career development objectives:**

- To identify strong and weak points and encourage finding remedies for weak points through training.
- To determine career potential
- To plan developmental (Promotional or lateral) assignments and
- To plan career goals

#### **III) Objectives of Communication:**

- To Provide adequate feedback on performance
- To clearly establish goals, i.e. what is expected of the staff members in terms of performance and future work assignments.
- To provide counseling and job satisfaction through open discussion on performance and
- To let employees assess where they stand within the organisation in terms of their performance.

#### IV) Administrative objectives:

- To serve as a basis for promotion or demotion
- To serve as a basis for allocating incentives
- To serve as a basis for determining transfers
- To serve as a basis for termination in case of reduction of staff.

#### Characteristics of effective performance appraisal:

- a) The philosophy, purpose and objectives of the organisation are clearly stated so that performance appraisal tools can be designed to reflect these.
- b) The purposes of performance appraisal are identified, communicated and understood.
- c) Job descriptions are written in such a manner that standards of job performance can be identified for each job.
- d) The appraisal tool used is suited to the purposes for which it will be utilised and is accompanied by clear instructions for its use.
- e) Evaluators are trained in the use of the tool
- f) The performance appraisal procedure is delineated, communicated and understood.
- g) Plans for policing the appraisal procedure and evaluating appraisal tools are developed and implemented.
- h) Performance appraisal has the full support of top management
- i) Performance appraisal is considered to be fair and productive by all who participate in it.

#### Qualities of a good appraisal

It is **Factual**

It is **Fair**

It describes the **Whole Period**

It describes the **Whole Job**

It has no **Surprises**

#### Pros and Cons of Performance Appraisal System

##### Pros

##### 1. Benefits for the individuals:

- Gaining a better understanding of their role
- Understanding more clearly how and where they fit in within the wider picture
- A better understanding of how performance is assessed and monitored
- Getting an insight
- Improving understanding of their strengths and weaknesses and developmental needs

- Identifying ways in which they can improve performance
- Providing an opportunity to discuss and clarify developmental and training needs
- Understanding and agreeing their objectives for the next year
- An opportunity to discuss career direction and prospects

## **2. Benefit to the line/ manager/ supervisor/team leader:**

- Opportunities to
  - Hear and exchange views and opinions away from the normal pressure of work
  - To identify any potential difficulties or weaknesses
  - An improved understanding of the resources available
  - To plan for and set objectives for the next period
  - To think about and clarify their own role
  - To plan for further delegation and coaching
  - To motivate members of team

## **3. Benefits to the organisation:**

- A structured means of identifying and assessing potential
- Up-to-date information regarding the expectations and aspirations of employees
- Information on which to base decisions about promotions and motivation
- An opportunity to review succession planning

### **Cons:**

1. If not done appropriately, can be a negative experience
2. The time consumption is more, especially for a manager
3. It can be stressful for all
4. If not done right can be a complete waste of time.

### **Steps in Performance appraisal:**

#### **1. Setting the Performance Standards:**

The first step in the performance appraisal process is the setting of standards of performance expected from the employees. The standards set should be the line with the objectives and the mission of the organisation.

Further the standard set must be realistic and attainable. If unrealistic and unattainable standards are set, it will demotivate and demoralize the employee. Hence care should be taken while setting the standards.

#### **2. Communicating the Performance Standard to the Employees:**

It is not enough if just the standards are fixed. The expected level of performance should be communicated to the employees so that they are all well aware of what is expected of them.

### **3. Measuring the Actual Performance:**

This is a crucial step in the performance appraisal process. Here the actual performances are measured. There are various methods of measuring the performance.

### **4. Comparing the Actual With the Standard Performance:**

Once the standard levels of performance are set and the actual performances are measured, the next step will be the comparison of the actual with the standard performance. This comparison will enable the determination of the gap between the actual and the expected performance; such gaps can be bridged through training and development.

### **5. Providing Feedback:**

The performance appraisal process does not end with mere evaluation of the performance. It is essential to provide feedback to the employees on their performance. This will help the employees to identify the weak areas and initiate actions to overcome them. Such feedback motivates them to perform better in future by avoiding the repetition of the same mistakes.

### **6. Initiating Corrective Actions:**

When a gap is found between the actual and the expected level of performance, corrective actions should be undertaken. By analyzing the reason for a gap, proper action should be taken so that the gap is bridged. When the actual and the standard performance match there is no need for any corrective action.

## **Traditional Methods of Performance Appraisal**

- 1. Rating Scales:** Rating scales consists of several numerical scales representing job related performance criteria such as dependability, initiative, output, attendance, attitude etc. Each scale ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived.

Advantages : Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required.

Disadvantages – Rater's biases

- 2. Checklist:** Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and HR department does the actual evaluation.

Advantages – economy, ease of administration, limited training required, standardization.

Disadvantages – Raters biases, use of improper weights by HR, does not allow rater to give relative ratings

- 3. Forced Choice Method:** The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment.

Advantages – Absence of personal biases because of forced choice.

Disadvantages – Statements may be wrongly framed.

- 4. Forced Distribution Method:** Here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution.

Advantages – Eliminates abnormal distribution

Disadvantages – Assumption of normal distribution, unrealistic, errors of central tendency.

- 5. Critical Incidents Method:** The approach is focused on certain critical behaviors of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents. Advantages – Evaluations are based on actual job behaviors, ratings are supported by descriptions, feedback is easy, reduces regency biases, chances of subordinate improvement are high. Disadvantages – Negative incidents can be prioritized, forgetting incidents, overly close supervision; feedback may be too much and may appear to be punishment.

- 6. Behaviorally Anchored Rating Scales:** statements of effective and ineffective behaviors determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behavior describes the employee performance.

Advantages – helps overcome rating errors.

Disadvantages – Suffers from distortions inherent in most rating techniques.

- 7. Field Review Method:** This is an appraisal done by someone outside employees' own department usually from corporate or HR department.

Advantages – Useful for managerial level promotions, when comparable information is needed,

Disadvantages – Outsider is generally not familiar with employees work environment, Observation of actual behaviors not possible.

**8. Performance Tests & Observations:** This is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Tests must be reliable and validated to be useful.

Advantage – Tests may be apt to measure potential more than actual performance.

Disadvantages – Tests may suffer if costs of test development or administration are high.

**9. Confidential Records:** Mostly used by government departments, however its application in industry is not ruled out. Here the report is given in the form of Annual Confidentiality Report (ACR) and may record ratings with respect to following items; attendance, self expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential. Feedback to the assessee is given only in case of an adverse entry.

Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.

**10. Essay Method:** In this method the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promoteability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee.

Advantage – It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist.

Disadvantages – It is highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused success depends on the memory power of raters.

**11. Cost Accounting Method:** Here performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee, and benefit the organization derives is ascertained. Hence it is more dependent upon cost and benefit analysis.

**12. Comparative Evaluation Method (Ranking & Paired Comparisons):** These are collection of different methods that compare performance with that of other co-workers. The usual techniques used may be ranking methods and paired comparison method.

\* **Ranking Methods:** Superior ranks his worker based on merit, from best to worst. However how best and why best are not elaborated in this method. It is easy to administer and explanation.



\* **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs. The number of comparisons may be calculated with the help of a formula as under.

$$N \times (N-1) / 2$$

### **Non-traditional methods of Performance appraisal (or) Modern Methods:**

**1.Management By Objectives:** It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under.

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

Advantage – It is more useful for managerial positions.

Disadvantages – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.

**2. Psychological Appraisals:** These appraisals are more directed to assess employees potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly and may be useful for bright young members who may have considerable potential. However quality of these appraisals largely depend upon the skills of psychologists who perform the evaluation.

**3. Assessment Centers:** This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Assesses are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability,

communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc.

Advantages – well-conducted assessment center can achieve better forecasts of future performance and progress than other methods of appraisals. Also reliability, content validity and predictive ability are said to be high in assessment centers. The tests also make sure that the wrong people are not hired or promoted. Finally it clearly defines the criteria for selection and promotion.

Disadvantages – Costs of employees traveling and lodging, psychologists, ratings strongly influenced by assessee's inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.

**4. 360-Degree Feedback:** It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adopt at providing balanced and objective feedback.

**Problems / Defects in Performance Appraisal:**

1. There is no consensus among the assessors on the factors that should be given priority in evaluating the performance of the subordinates.
2. Some superior have the tendency to certify all their subordinates as very efficient while others may be very strict in their evaluation and may certify even a very efficient subordinate as just average.
3. The personal likes and dislikes of the superior also affect employee appraisal.
4. Another problem in performance appraisal is that there is always scope for favouritism and nepotism.

5. There are a number of methods available to evaluate performance. The plus and minus points of each such method also influence ratings.
6. Such qualities of employee as attitude, commitment, loyalty, dependability etc., cannot be objectively measured.

**Steps to make Performance appraisal effective:**

1. Each superior will adopt his own criterion to assess performance and this will result in lack of uniformity.
2. The method of appraisal once selected should be continuously followed.
3. The managers capacity to judge the subordinates also needs to be examined.
4. There should be no discrimination on the basis of religion, sex, caste etc.
5. The results of appraisal must be communicated to the subordinate at the right time.
6. Suitable incentives must be given to the subordinates who have performed really well.
7. For the appraisal of employees to be successful, it is important that there is trust and confidence between the superiors and subordinates.

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