

# Human Resource Management

## UNIT – IV

### TRAINING AND DEVELOPMENT

#### INTRODUCTION :

- Training is an organised activity for increasing the knowledge and skills of people for a definite purpose.
- It involves systematic procedures for transferring technical know-how to the employees so as to increase their knowledge and skills for doing specific jobs with proficiency.
- In other words, the trainees acquire technical knowledge, skills and problem solving ability by undergoing the training programme.

#### DEFINITION :

According to Edwin B. Flippo, “Training is the act of increasing the knowledge and skills of an employee for doing a particular job”.

#### OBJECTIVES OF TRAINING :

- To impart to new entrants the basic knowledge and skill they need for an intelligent performance of definite tasks;
- To assist employees to function more effectively in their present positions by exposing them to the latest concepts, information and techniques and developing the skills, they will need in their particular fields;
- To build up a second line of competent officers and prepare them to occupy more responsible positions;
- To broaden the minds of senior managers by providing them with opportunities for an interchange of experiences within and outside with a view to correcting the narrowness of the outlook that may arise from over-specialisation;
- To impart customer education for the purpose of meeting the training needs of Corporations which deal mainly with the public. In a nutshell, the objectives of training are —to Bridge the gap between existing performance ability and desired performance.

## NEED AND IMPORTANCE OF TRAINING :

- **Increasing Productivity:**

Instruction can help employees increase their level of performance on their present job assignment. Increased human performance often directly leads to increased operational productivity and increased company profit.

- **Improving Quality:**

Better informed workers are less likely to make operational mistakes. Quality increases may be in relationship to a company product or service, or in reference to the intangible organisational employment atmosphere.

- **Helping a Company Fulfil its Future Personnel Needs:**

Organisations that have a good internal educational programme will have to make less drastic manpower changes and adjustments in the event of sudden personnel alternations. When the need arises, organisational vacancies can more easily be staffed from internal sources.

- **Improving Organisational Climate:**

An endless chain of positive reactions results from a well-planned training programme. Production and product quality may improve financial incentives may then be increased, internal promotions become stressed, less supervisory pressures ensue and base pay rate increases result.

- **Improving Health and Safety:**

Proper training can help prevent industrial accidents. A safer work environment leads, to more stable mental attitudes on the part of employees.

- **Obsolescence Prevention:**

Training and development programmes foster the initiative and creativity of employees and help to prevent manpower obsolescence, which may be due to age, temperament or motivation, or the inability of a person to adapt himself to technological changes.

- **Personal Growth:**

Employees on a personal basis gain individually from their exposure to educational experiences. Again, Management development programmes seem to give participants a wider awareness, an enlarged skin, an enlightened altruistic philosophy, and make enhanced personal growth possible.

## Methods of Training

### I. On-the-Job Training Methods:

This type of training is imparted on the job and at the work place where the employee is expected to perform his duties.

- **On Specific Job:**

On the job training methods is used to provide training for a specific job such as electrical, motor mechanic, plumbing etc.

- **Experience :**

This is the oldest method of on-the-job training. Learning by experience cannot and should not be eliminated as a method of development, though as a sole approach; it is a wasteful, time consuming and inefficient.

- **Coaching:**

On-the-Job coaching by the superior is an important and potentially effective approach is superior. The technique involves direct personnel instruction and guidance, usually with extensive demonstration.

- **Job Rotation:**

The major objective of job rotation training is the broadening of the background of trainee in the organisation. If trainee is rotated periodically from one job to another job, he acquires a general background.

- **Special Projects:**

This is a very flexible training device. The trainee may be asked to perform special assignment; thereby he learns the work procedure.

- **Apprenticeship:**

Under this method, the trainee is placed under a qualified supervisor or instructor for a long period of time depending upon the job and skill required.

- **Vestibule Training:**

Under this method, actual work conditions are created in a class room or a workshop. The machines, materials and tools under this method is same as those used in actual performance in the factory.

- **Multiple Management:**

Multiple management emphasizes the use of committees to increase the flow of ideas from less experience managers and to train them for positions of greater responsibility.

## II. Off-the-job Training Methods:

- **Special Courses and Lectures:**

- Lecturing is the most traditional form of formal training method Special courses and lectures can be established by business organizations in numerous ways as a part of their development programmes.

- **Conferences:**

- This is also an old method, but still a favourite training method.
- In order to escape the limitations of straight lecturing many organizations have adopted guided, discussion type of conferences in their training programmes.
- In this method, the participant's pools, their ideas and experience in attempting to arrive at improved methods of dealing with the problems, which are common subject of discussion;

- **Case Studies:**

- This technique, which has been developed, popularized by the Harvard Business School, U.S.A is one of the most common forms of training.
- A case is a written account of a trained reporter of analyst seeking to describe an actual situation.

- **Brainstorming :**

- This is the method of stimulating trainees to creative thinking This approach developed by Alex Osborn seeks to reduce inhibiting forces by providing for a maximum of group participation and a minimum of criticism.
- A problem is posed and ideas are invited. Quantity rather quality is the primary objective.
- Ideas are encouraged and criticism of any idea is discouraged. Chain reactions from idea to idea often develop. Later these ideas are critically examined.

- **Laboratory Training:**

- Laboratory training adds to conventional training by providing situations in which the trains themselves experience through their own interaction some of the conditions they are talking about.
- In this way, they more or less experiment on themselves. Laboratory training is more concerned about changing individual behaviour and attitude.

- **There are two methods of laboratory training:**
- **Simulation:**
  - An increasing popular technique of management development is simulation of performance.
  - In this method, instead of taking participants into the field, the field can be simulated in the training session itself Simulation is the presentation of real situation of organisation in the training session.
  - There are two common simulation methods of training. They are role-playing and business game.
- **Role-playing:**
  - Role-playing is a laboratory method, which can be used rather easily as a supplement of conventional training methods.  
Its purpose is to increase the trainee's skill in dealing with other people.
  - One of its greatest uses, in connection with human relations training, but it is also used in sales training as well.
  - It is spontaneous acting of a realistic situation involving two or more persons, under classroom situations.
  - Dialogue spontaneously grows out of the situation, as the trainees assigned to it develop it.
- **Gaming:**
  - Gaming has been devised to simulate the problems of running a company or even a particular department.
  - It has been used for a variety of training objectives from investment strategy, collective bargaining techniques to the morale of clerical personnel.
  - It has been used at all the levels, from the executives for the production supervisors.
  - Gaming is a laboratory method in which role-playing exists but its difference is that it focuses attention on administrative problems, while role-playing tend to emphasis mostly feeling and tone between people in interaction.
- **Sensitivity Training:**
  - Sensitivity training is the most controversial laboratory training method.

- Many of its advocates have an almost religious zeal in their enhancement with the training group experience.
- Some of its critics match this favour in their attacks on the technique. As a result of criticism and experience, a revised approach, often described as “team development” training has appeared.
- Induction Training The introduction of the new employee to the job is known as induction.
- It is the process by which new employees are introduced to the practices, policies and purposes of the organisation.
- Induction follows placement and consists of the task of orienting or introducing the new employee to the company, its policy and its position in the economy.
- Induction literally means helping the worker to get or with his own environment.
- After an employee is assigned his job, it is necessary to introduce him to his job situation, his associates in the job and the overall policies of the company.

#### DISTINCTION BETWEEN TRAINING AND DEVELOPMENT

<b>Training</b>	<b>Development</b>
Training means learning skills and knowledge for doing a particular job. It increases job skills.	Development means the growth of an employee in all respects. It shapes attitudes.
The term ‘training’ is generally used to denote imparting specific skills among operative workers and employees.	The term ‘development’ is associated with the overall growth of the executives
Training is concerned with maintaining and improving current job performance. Thus, it has a short-term perspective.	Executive development seeks to develop competence and skills for future performance. Thus, it has a long-term perspective.
Training is job-centred in nature.	All development is ‘self development’. The executive has to be internally motivated for self-development

## Unit – V

### Performance Appraisal

#### Meaning

Human Resource Management is a process, which consists of four main activities, namely, acquisition, development, motivation, and maintenance of human resources

#### Definition

**According to Flippo**, a prominent personality in the field of Human resources, “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.”

**According to International Labor Organization**, “A regular and continuous evaluation of the quality, quantity and style of the performance along with the assessment of the factors influencing the performance and behavior of an individual is called as performance appraisal.”

#### Need and Importance of Performance Appraisal

- (1) To give information about the performance of employees on the job and give ranks on the basis of which decisions regarding salary fixation, demotion, promotion, transfer and confirmation are taken.
- (2) To provide information about amount of achievement and behavior of subordinate in their job.
- (3) To provide information about an employee’s job-relevant strengths and & weaknesses.
- (4) To provide information so as to identify shortage in employee regarding ability, awareness and find out training and developmental needs.
- (5) To avoid grievances and in disciplinary activities in the organization.
- (6) It is an ongoing process in every large scale organization.

#### Objectives of Performance Appraisal

Performance appraisal furnishes information for a variety of organizational and individual purpose. Objectives of performance appraisal which are thus:

- (1) To assist managers in overseeing subordinates closely and instruct them appropriately and effectively.
- (2) To help in motivating employees by providing performance feedback .
- (3) To achieve better results and improve the performance at work.
- (4) To identify developmental needs that are employed while selecting training and development

programmes.

- (5) To achieve success by focusing on the objectives effectively and efficiently.
- (6) To facilitate research in human resource management.
- (7) To provide feedback to employees so that they come to know where they stand and can improve their job performance.

### **Purposes of Performance Appraisal**

The following are the main purposes of performance appraisal:

#### **1. Appraisal Procedure:**

It provides a common and unified measure of performance appraisal, so that all employees are evaluated in the same manner. It gives an in discriminatory rating of all the employees.

#### **2. Decision Making:**

Performance appraisal of the employees is extremely useful in the decision making process of the organization. In selection, training, promotion, pay increment and in transfer, performance appraisal is very useful tool.

#### **3. Work Performance Records:**

Performance appraisal gives us a complete information in the form of records regarding every employee. In the case of industrial disputes even arbitrator accepts these records in the course of grievance handling procedure.

#### **4. Employees Development:**

Performance appraisal guides the employees in removing their defects and improving their working. The weaknesses of the employee recorded in the performance appraisal provide the basis for an individual development programme.

#### **5. Enables Supervisors to be More Alert and Competent :**

Performance appraisal enables supervisor to be more alert and competent and to improve the quality of supervision by giving him a complete record of employee's performance. He can guide an employee, where he is prone to commit mistakes.

#### **6. Merit Rating :**

Merit rating is another name of performance appraisal, it gives supervisors a more effective tool for rating their personnel. It enables them to make more careful analysis of employee's performance and make them more productive and useful.

#### **7. Improves Employer Employee Relations :**



Performance appraisal is not only a useful guide for the supervisors and employees but it improves the employer-employee relations by creating a more conducive and amicable atmosphere in the organization.

### **Characteristics of Performance Appraisal**

#### **1. A Process:**

Performance appraisal is not a one-act play. It is rather a process that involves several acts or steps.

#### **2. Systematic Assessment:**

Performance appraisal is a systematic assessment of an employee's strengths and weakness in the context of the given job.

#### **3. Main Objective:**

The main objective of it is to know how well an employee is going for the organisation and what needs to be improved in him.

#### **4. Scientific Evaluation:**

It is an objective, unbiased and scientific evaluation through similar measure and procedures for all employees in a formal manner.

#### **5. Periodic Evaluation :**

Although informal appraisals tend to take place in an unscheduled manner (on continuous) basis with the enterprises a supervisors evaluate their subordinates work and as subordinates appraise each other and supervisors on a daily basis.

#### **6. Continuous Process:**

In addition to being periodic performance usually is an ongoing process.

### **Essentials of an Effective Performance Appraisal System**

#### **1. Mutual Trust:**

The existence of an atmosphere of confidence and trust so that both supervisor and employee may discuss matters frankly and offer suggestions which may be beneficial for the organisation and for an improvement of the employee. An atmosphere of mutual trust and confidence should be created in the organisation before introducing the appraisal system.

#### **2. Clear Objectives:**

The objectives and uses of performance appraisal should be made clear and specific. The objectives should be relevant, timely and open.

**3. Standardisation:**

Well-defined performance factors and criteria should be developed. These factors as well as appraisal form, procedures and techniques should be standardised. It will help to ensure uniformity and comparison of ratings.

**4. Training :**

Evaluators should be given training in philosophy and techniques of appraisal. They should be provided with knowledge and skills in documenting appraisals, conducting post appraisal interviews, rating errors, etc.

**5. Job Relatedness:**

The evaluators should focus attention on job-related behaviour and performance of employees. The results of performance rather than personality traits should be given due weight.

**6. Strength and Weaknesses:**

The raters should be required to justify their ratings. The supervisor should try to analyse the strength and weaknesses of an employee and advise him on correcting die weakness.

**7. Individual Differences:**

While designing the appraisal system, individual differences in organisations should be recognised. Organisations differ in terms of size, nature, needs and environment. Therefore, the appraisal system should be tailor-made for the particular organisation.

**8. Feedback and Participation :**

Arrangements should be made to communicate the ratings to both the employees and the raters. 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.

**9. Post Appraisal Interview:**

A post-appraisal interview should be arranged so that employees may be supplied with feedback and the organisation may know the difficulties under which employees work, so that their training needs may be discovered.

**10. Review and Appeal :**

A mechanism for review of ratings should be provided. Which particular technique is to be adopted for appraisal should be governed by such factors as the size, financial resources, philosophy and objectives of an organisation.

## **Uses of Performance Appraisal**

### **1. Help in Deciding Promotion:**

It is in the best interest of the management to promote the employees to the positions where they can most effectively use their abilities. A well-organised, development and administered performance appraisal programme may help the management in determining whether an individual should be considered for promotion.

### **2. Help in Personnel Actions:**

Personnel actions such as lay-offs, demotions, transfers and discharges etc. may be justified only if they are based on performance appraisal.

### **3. Help in Wage and Salary Administration:**

The wage increase given to some employees on the basis of their performance may be justified by the performance appraisal results.

### **4. Help in Training and Development:**

An appropriate system of performance appraisal helps the management in devising training and development programmes and in identifying the areas of skill or knowledge in which several employees are not at par with the job requirements.

### **5. Aid to Personnel Research:**

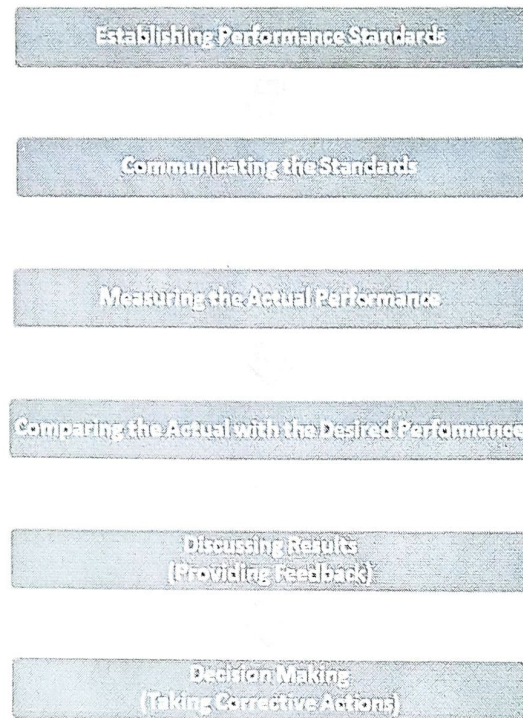
Performance appraisal helps in conducting research in the field of personnel management. Theories in personnel field are the outcome of efforts to find out the cause and effect relationship between personnel and their performance. By studying the various problems which are faced by the performance appraiser, new areas of research may be developed in personnel field.

### **6. Help in Self Evaluation:**

Performance appraisal helps the employee in another way also. Every employee is anxious to know his performance on the job and his potentials for higher jobs so as to bring himself to the level of that position.

## Steps or Process of Performance Appraisal

Various steps in appraising performance of employees are as follows:



### 1. Establishing Performance Standard:

The process of evaluation begins with the establishment of Performance Standards. While designing a job and formulating a job description, performance standards are usually developed for the position. This standard should be very clear and objective enough to be understood and measured.

### 2. Communicating Performance Expectations to Employees:

The next important step is to communicate the aforesaid standards to the concerned employees. Their jobs and jobs-related behaviour should be clearly explained to them.

### 3. Measuring Actual Performance:

The third step is the measurement of actual performance. To determine what actual performance is, it is necessary to acquire information about it we should be concerned with how we measure and what we measure. Four sources of information are frequently used to measure actual performance: personal observation, statistical reports, oral reports and written reports.

#### 4. Comparing Actual Performance with Standards:

The next step is comparison of actual performance with the standards. By doing so the potentiality for growth and advancement of an employee can be appraised and judged. Efforts are made to find out deviations between standard performance and actual performance.

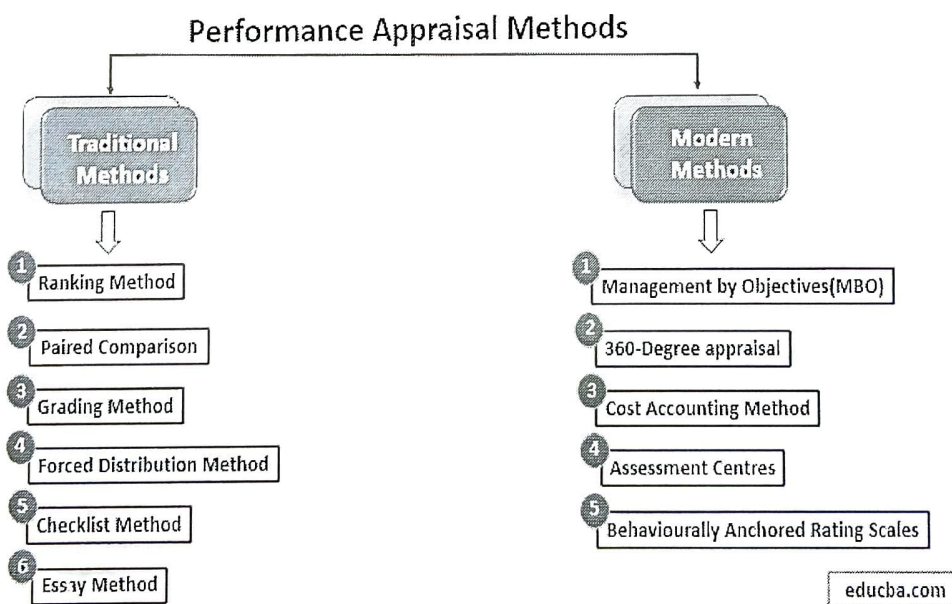
#### 5. Discussing the Appraisal with the Employee:

After comparing actual performance with standards, the next step is to discuss periodically the appraisal with the employee. Under this discussion good points, weak points, and difficulties are indicated and discussed so that performance is improved.

#### 6. Initiating Corrective Action:

The final step is the initiation of corrective action whenever necessary. Immediate corrective action can be of two types. One is immediate and deals predominantly with symptoms. The other is basic and delves into causes.

### Methods of Performance Appraisal



- 1. Ranking Method:** Ranking method is the oldest and simplest method of rating. Here, each employee is compared with all others performing the same job and then he is given a particular rank i.e. First Rank, Second Rank etc. This method ranks all employees but it does not tell us the degree or extent of superiority. In this method, the performance of individual employee is not compared with the standard performance. Here, the best is given first rank and poorest gets the last rank.

**2. Paired Comparison:**

In method is comparatively simpler as compared to ranking method. In this method, the evaluator ranks employees by comparing one employee with all other employees in the group. The rater is given slips where, each slip has a pair of names, the rater puts a tick mark next those employee whom he considers to be the better of the two. This employee is compared number of times so as to determine the final ranking.

**3. Grading Method:**

Under this method of performance appraisal, different grades are developed for evaluating the ability of different employees and then the employees are placed in these grades. These grades may be as follows: (i) Excellent; (ii) very good; (iii) Good; (iv) Average; (v) Bad; (vi) Worst.

**4. Man-to-Man Comparison Method:**

This method was first used in USA army during the 1<sup>st</sup> World War. Under this method, few factors are selected for analysis purposes. These factors are: leadership, dependability and initiative. After that a scale is designed by the rate for each factor. A scale of person is also developed for each selected factor.

**5. Graphic Rating Scale Method:**

This is the very popular, traditional method of performance appraisal. Under this method, scales are established for a number of fairly specific factors. A printed form is supplied to the rater.

**6. Check-list Method:**

The main reason for using this method is to reduce the burden of evaluator. In this method of evaluation the evaluator is provided with the appraisal report which consist of series of questions which is related to the appraise.

**7. Critical Incidents Method:**

This method is very useful for finding out those employees who have the highest potential to work in a critical situation. Such an incidence is very important for organization as they get a sense, how a supervisor has handled a situation in the case of sudden trouble in an organization, which gives an idea about his leadership qualities and handling of situation.

**8. Essay Method:**

In this method, the rater writes a detailed description on an employee's characteristics and behavior, Knowledge about organizational policies, procedures and rules, Knowledge about

the job Training and development needs of the employee, strengths, weakness, past performance, potential and suggestions for improvement. It is said to be the encouraging and simple method to use. It does not need difficult formats and specific training to complete it.

## **Modern Methods:**

### **1. Management by Objective (MBO)**

It was Peter F. Drucker who first gave the concept of MBO to the world in 1954 when his book *The Practice of Management* was first published. Management by objective can be described as, a process whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members.

## **Essential Characteristics of MBO:**

### **1. A Philosophy:**

Management by objective is a philosophy or a system, and not merely a technique.

### **2. Participative Goal Setting:**

It emphasises participative goal setting.

### **3. Clearly Define Individual Responsibilities:**

Management by objective (MBO) clearly defines each individual's responsibilities in terms of results.

### **4. Accomplishment of Goal:**

It focuses a tension on what goal must be accomplished rather than on how it is to be accomplished (method).

### **5. Objective Need into Personal Goal:**

MBO converts objective need into personal goals at every level in the organisation.

## **The Process of MBO:**

### **1. Establishment of Goal:**

The first step is to establish the goals of each subordinate. In some organisations, superiors and subordinates work together to establish goals. While in other organisation, superiors establish goals for subordinates. The goals typically refer to the desired outcome to be achieved. Thereafter these goals can be used to evaluate employee performance.

## **2. Setting the Performance Standard:**

The second step involves setting the performance standard for the subordinates in a previously arranged time period. As subordinates perform, they know fairly well what there is to do, what has been done, and what remains to be done.

## **3. Comparison of Actual Goals with the Standard Goals :**

In the third step the actual level goal attainment is compared with the standard goals. The evaluator explores reasons of the goals that were not met and for the goals that were exceeded. This step helps to determine possible training needs.

## **4. Establishing New Goals, New Strategies:**

The final step involves establishing new goals and, possibly, new strategies for goals not previously attained. At this point, subordinate and superior involvement in goal-setting may change. Subordinates who successfully reach the established goals may be allowed to participate more in the goal-setting process next time.

### **Advantages of MBO:**

#### **1. Balanced Focus on Objectives:**

MBO forces the management to set objectives with balanced stress on key result area. Thus, crisis conditions are avoided to take place in the organisation.

#### **2. Better Managing Things:**

MBO forces managers to think about planning for results, rather than merely planning activities or work. Managers are required to ensure that the targets are realistic and needed resources are made available to subordinates to achieve the targets.

#### **3. Better Organising :**

The positions in the enterprise can be built around the key result areas. Managers are required to clarify organisational roles and structures hence better organising.

#### **4. MBO Reduces Role Conflict and Ambiguity :**

Role conflict exists when a person is faced with conflicting demands from two or more supervisors; and role ambiguity exists when a person is uncertain as to how he will be evaluated, or what he has to achieve. Since MBO aims at providing clear targets and their order or priority, it reduces both these situations.

#### **5. It Provide more Objective Appraisal Criteria :**

The targets emerge from the MBO process provide a sound set of criteria for evaluating the manager's performance.



**6. More Motivation :**

MBO helps and increases employee motivation because it relates overall goals to the individual's goals : and help to increase an employee's understanding of where the organization is and where it is heading.

**7. Managers Compete with Themselves :**

Managers are more likely to compete with themselves than with other managers. The kind of evaluation can reduce internal conflicts that often arise when managers compete with each other to obtain scarce resources.

**8. Develop Personal Leadership :**

MBO helps the individual manager to develop personal leadership, especially the skills of listening, planning, controlling, motivating, counselling and evaluating. This approach to managing instills a personal commitment to respond positively to the organisation's major concerns as well as to the development of human resources.

**9. MBO Identifies Problem Early :**

It identifies problems better and early. Frequent performance review sessions makes this possible.

**10. Identifies Performance Deficiency :**

MBO identifies performance deficiencies and enables the management and the employee to set individualised self improvement goals and thus proves effective in training and development of people.

**Disadvantages of MBO:**

**1. Unfavourable Attitude of Managers :**

Some executives have an attitude that the regular attention required of them by Management by objectives system, drawn heavily on their busy time-schedule and is not consistent with their roles. They feel that it is not so effective a way as some other approaches.

**2. Difficult to Apply MBO Concepts :**

Those executives who have been involved very often find it difficult to apply MBO concepts to their own work habits. They find it hard to think about the results of work rather than the work itself.

### **3. Heavy Paper Work :**

MBO involves a huge amount of news letter, instruction booklets, training manuals, questionnaires, performance data review and appraisals report to be prepared by the superior and subordinates. Thus MBO is said to have created one more paper mill in organisation added to the already existing large amount of paper work.

### **4. Tug of War :**

There is sometimes tug of war in which the subordinates try to set the lowest targets possible and the supervisors the highest.

### **5. Time Consuming :**

MBO is time consuming especially in the early phases of its introduction when employees are unfamiliar with its process.

### **2. Assessment Centres:**

It is a method which was first implemented in German Army in 1930. With the passage of time industrial houses and business started using this method. This is a system of assessment where individual employee is assessed by many experts by using different technique of performance appraisal. The techniques which may be used are role playing, case studies, simulation exercises, transactional analysis etc. In this method employees from different departments are brought together for an assignment which they are supposed to perform in a group, as if they are working for a higher post or promoted. Each employee is ranked by the observer on the basis of merit .The basic purpose behind assessment is to recognize whether a particular employee can be promoted, or is there any need for training or development. This method has certain advantages such as it helps the observer in making correct decision in terms of which employee has the capability of getting promoted, but it has certain disadvantages also it is costly and time consuming, discourages the poor performers etc.

### **3. 360 Degree Performance Appraisals:**

This method is also known as 'multi-rater feedback', it is the appraisal in a wider perspective where the comment about the employees' performance comes from all the possible sources that are directly or indirectly related with the employee on his job. In 360 degree performance appraisal an employee can be appraised by his peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who comes into direct or indirect contact with the employee and can provide necessary information or feedback regarding performance of the employee the "on-the-job".

The four major component of 360 degree performance appraisal are:

1. Employees Self Appraisal
2. Appraisal by Superior
3. Appraisal by Subordinate
4. Peer Appraisal.

Employee self appraisal gives an option to the employee to know his own strengths and weaknesses, his achievements, and judge his own performance. Appraisal by superior forms the traditional part of the 360 degree performance appraisal where the employees' responsibilities and actual performance is judged by the superior. Appraisal by subordinate gives a chance to evaluate the employee on the basis of communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc. It is also known as internal customers; the correct opinion given by peers can aid to find employees' who are co-operative, employees who ready to work in a team and understanding towards others.

#### **4. Cost Accounting Method:**

In this method performance of an employee is evaluated on the basis of monetary returns the employee gives to his or her organization. A relationship is recognized between the cost included in keeping the employee in an organization and the benefit the organization gets from him or her. The evaluation is based on the established relationship between the cost and the benefit. The following factors are considered while evaluating an employee's performance:

1. Interpersonal relationship with others.
2. Quality of product produced or service given to the organization.
3. Wastage, damage, accidents caused by the employee.
4. Average value of production or service by an employee.
5. Overhead cost incurred.

#### **5. Behaviorally Anchored Rating Scales (BARS):**

This method is a combination of traditional rating scales and critical incidents methods. It consists of preset critical areas of job performance or sets of behavioural statements which describes the important job performance qualities as good or bad (for e.g. the qualities like inter personal relationships, flexibility and consistency, job knowledge etc). These statements are developed from critical incidents. These behavioral examples are then again translated into appropriate performance dimensions. Those that are selected into the dimension are retained. The final groups of behavior incidents are then scaled numerically to a level of performance that is

perceived to represent. A rater must indicate which behavior on each scale best describes an employee's performance. The results of the above processes are behavioural descriptions, such as anticipate, plan, executes, solves immediate problems, carries out orders, and handles urgent situation situations. This method has following advantages: a) It reduces rating errors) Behavior is assessed over traits. c) It gives an idea about the behavior to the employee and the rater about which behaviors bring good Performance and which bring bad performance.

### **Essential of good performance appraisal system**

#### **Mutual Trust :-**

An atmosphere of mutual trust and confidence should be created in the organisation before introducing the appraisal system. Such an atmosphere is necessary for frank discussion of appraisal. It also helps to obtain the faith of employees in the appraisal system.

Performance appraisal is an emotional process involving feelings of fairness and equal treatment. The human element in it must be considered if is to serve the individual and organizational purposes.

#### **Clear objectives :-**

The objectives and uses of performance appraisal should be made clear and specific. The objectives should be relevant, timely and open. The appraisal system should be fair so that it is beneficial to both the individual employee and the organization. The system should be adequately and appropriately linked with other subsystems of human resource management.

#### **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.

The appraisal techniques should measure what they are supposed to measure. These should also be easy to administer and economical to use. Employees should be made fully aware of performance standards and should be involved in setting the standards.

#### **Training :-**

Evaluators should be given training in philosophy and techniques of appraisal. They should be provided with knowledge and skills in documenting appraisals, conducting post appraisal interviews, rating errors, etc.

**Job Relatedness :-**

The evaluators should focus attention on job-related behaviour and performance of employees. Multiple criteria should be used for appraisal and appraisal should be done periodically rather than once a year.

**Documentation :-**

The raters should be required to justify their ratings. Documentation will encourage evaluators to make conclusions efforts minimizing personal biases. It will also help to impart accountability for ratings.

**Feedback and participation :-**

Arrangements should be made to communicate the ratings to both the employees and the raters. 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. The overall purpose of appraisals should be developmental rather than judgemental. The feedback message must contain comments with examples and suggestions for improvement.

**Individual differences :-**

While designing the appraisal system, individual differences in organisations should be recognized. Organisations differ in terms of size, nature, needs and environment. Therefore, the appraisal system should be tailor-made for the particular organisation. The needs of ratees in terms of feedback, mobility, confidence and openness should also be considered.

**Post appraisal Interview :-**

After appraisal, an interview with the employee should be arranged. It is necessary to supply feedback, to know the difficulties under which the employees work and to identify their training needs. The rater should adopt a problem – solving approach in the interview and should provide counseling for improving performance.

**Review and appeal :**

A mechanism for review of ratings should be provided. The review may be made by a committee consisting of line executives and personnel experts. The committee will see whether the raters are unusually strict or lenient. It may compare ratings with operating results and may require the raters to give specific examples or tangible proof. Differences if any are discussed and dissent is recorded. Provision must be made for an appeal in case the employee/ratee is not satisfied with the ratings.

## **Limitations or Problems of Performance Appraisal**

The main limitations of Performance Appraisal are explained below :

### **1. Time Consuming :**

Performance appraisal is a time taking affair. It is a very lengthy process under which different forms are to be filled in and various observations are required to be noted in a careful manner.

### **2. Lack of Reliability :**

Reliability implies stability and consistency in the measurement. Lack of consistency over time and among different raters may reduce the reliability of performance appraisal.

### **3. Incompetence :**

Raters may fail to evaluate performance accurately due to lack of knowledge and experience. Post appraisal interview is often handled ineffectively.

### **4. No Uniform Standards :**

The standards used for appraisal purpose are not uniform within the same organisation. This makes the rating unscientific. Similarly, the rating is done on the basis of an overall impression, which is not proper.

### **5. Absence of Effective Participation of Employees :**

In performance appraisal effective participation of concerned employee is essential. In many methods of appraisal he is given a passive role. He is evaluated but his participation or self evaluation is rather absent.

### **6. Resistance of Employees to Appraisal :**

Employees oppose the system as they feel that the system is only for showing their defects and for punishing them. The managers resist the system as they are not willing to criticise their subordinates or have no capacity to guide them for self improvement or self development.

### **7. Paperwork :**

Some supervisors feel that performance appraisal is paperwork. They make such complaints because many a times, performance appraisal reports are found only in the files rather than rendering any practical use.

**8. Fear of Spoiling Relations :**

Performance appraisals may also affect superior-subordinate relations. As appraisal makes the superior more of a judge rather than a coach, the subordinate may look upon the superior with a feeling of a suspicion and mistrust.

**9. Stereotyping :**

This implies forming a mental picture of a person on the basis of his age, sex, caste or religion. It results in an over-simplified view and blurs the assessment of job performance.

**10. Negative Approach :**

Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employees.

**11. Multiple Objectives :**

Raters may get confused due to too many objectives or unclear objective of performance appraisal.

**12. Resistance :**

Trade unions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations and industrial relations particularly when employees/unions do not have faith in the system of performance appraisal.

**13. Halo Effect:**

Generally, there is the presence of a 'halo' effect which leads to a tendency to rate the same individual first, which once have stood first.

**14. Individual Differences:**

Some people are more distinct while some are very liberal in assigning the factors, points or number to the employees. They are unable to maintain a fair distinction between two individuals. It also nullifies the utility of this system.

**15. Unconfirmed:**

Sometimes the results of performance appraisals are not confirmed by other techniques of motivation, incentive wages plans and so on. Factors are introduced in the managerial appraisal because of a fact or bias in the person concerned conducting the appraisal.