

Bachelor of Business Administration B.B.A (Gen) Semester-III

Title of the Course: Human Resource Management

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**Unit-4: Performance Appraisal**

Performance Appraisal: Meaning, Process,

Traditional Methods: Ranking Method, Paired Comparison, Checklist Method

Modern Method: MBO and 360 Degree Method, BARS

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Performance Appraisal: Meaning, Process

Performance appraisal is also known as employee evaluation, merit rating, employee assessment, etc. It is a systematic process of appraising an employee's current and past performance relative to his/her performance parameters. Performance appraisal system is used by the organizations to measure the effectiveness and efficiency of their employees by assessing their performance in a systematic manner against the standards laid by the organization, though each organisation can have their own parameters of evaluating the performance of the employee but some factors against on which employee performance is evaluated are :

- job knowledge
- his skills and abilities
- his attitude towards the job
- quality and quantity of output • initiative
- leadership qualities
- supervision
- Co-operation etc.

**Definitions**

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

According to Heyel:—Performance Appraisal is the process of evaluating the performance and qualifications of the employees as per the requirements of the job for which he is employed, for purposes of administration including placement, selecting for promotion, providing financial rewards and other actions which require differential treatment among the members of the group as distinguished from actions affecting all members equally.

Thus Performance Appraisal is a formal structured and systematic method of evaluating an employee's performance and behaviour so as to find out how the employee is currently performing his job and how he

can perform in more effective manner in the future so that the employee, organisation and society all get benefit of it.

## Process of Performance Appraisal

The Process of Performance Appraisal as shown in fig Includes following steps:



### 1. Establishing the Performance Standards

- The performance appraisal process starts with formulating the standards or criteria, to be used for judging the performance of employees.
- The criteria are prepared with the help of job analysis which gives the main requirements of a job and should also be discussed with the supervisors so as to ensure that all the relevant factors have been included.
- These criteria should be clear, objective and in writing - ie who has to do the appraisal and how frequently appraisal is to be done should also be clearly decided. Where the output can be measured the criteria is clear.

### 2. Communicating the Standards

- The performance standards which are specified in the first step need to be communicated or informed and explained to the employees so that they get to know what is expected from them.

### 3. Measuring Performance

- Once the performance standards are prepared and explained, the next stage is to measure the actual performance of the employee. This requires selecting the right techniques for measuring employee performance, besides that identifying the internal and external factors which have

the influence on the performance of employee and finally collecting information on results achieved.

#### **4. Comparing the Actual with the Standards**

- In the next stage actual performance of the employee collected in previous step is compared with the pre decided performance standards specified in the step 1. Such comparison will reveal the difference or the deviations which may be positive or negative. Positive deviations occur when the performance of the employee exceeds the standards. On the other hand, negative deviations suggest that excess of standard performance over the actual performance.

#### **5. Discussing the Appraisal**

- •The result of the appraisal step 4 is communicated to and discussed with the employees. Not only the deviations, but also the reasons behind them are also-analyzed and discussed. Such discussion will help an employee to know his weaknesses and strengths. Therefore, he will be motivated to improve himself.

#### **6. Taking Corrective Actions**

- In the final step through mutual discussions with employees, the steps required to improve performance are identified and initiated. Training, coaching, counseling, etc. are the examples of corrective actions that help to improve performance.

### **Methods of Performance Appraisal**

Performance Appraisal plays a vital role in any organization human resource framework. Performance Appraisal is an important tool in the hands of personnel management because this technique accomplishes the main objective of the organization to the development of the people by appraising the worth of the individual. There are different method of Performance Appraisal based on the type of the organization, size of the organization and also the period when it is used.

There are numerous methods to measure employee's performance appraisal but some of these methods are not suitable in some cases. Effective appraisal systems should address clarity, openness and fairness; recognize productivity through rewards; and be cognizant of appraiser leadership qualities

## **Traditional Methods of Performance Appraisal**

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### **Traditional Methods of Performance Appraisal**

#### **1. Ranking Method**

- In this method manager compares an employee to other similar employees, rather than to a standard measurement.
- Employees are ranked from the best to the poorest on the basis of overall performance.
- Ranking can also be used for developmental purposes by letting employees know where they stand in comparison to their peers—they can be motivated to improve performance.
- The employees ranked in the top group usually get the rewards (raise, bonus, promotion), those not at the top tend to have the reward withheld, and those at the bottom sometimes get punished.
- Managers have to make evaluative decisions, such as who is the employee of the month, who gets a raise or promotion, and who gets laid off. So when we have to make evaluative decisions, we generally have to use ranking.
- It is the quick and simple method but also subjective so invites criticism  
However, the greatest limitations of this appraisal method are that:
- It does not tell that how much better or worse one is than another,
- The task of ranking individuals is difficult when a large number of employees are rated, and It is very difficult to compare one individual with others having varying behavioral traits.
- To remedy these defects, the paired comparison method of performance appraisal has been evolved.

## 2. Paired Comparison Method

- A better technique of comparison than the straight ranking method, this method compares each employee with all others in the group, one at a time. Under this method the employees of a group are compared with one another at one time. This method compares each employee with all others in the group, one at a time. After all the comparisons on the basis of the overall comparisons, the employees are given the final rankings.
- It is a method of comparing employee and job with another one on the basis of skill sets, time required to execute tasks, knowledge etc.
- If there are 5 employees A-E, A will be compared individually to B, to C and similarly to the remaining employees. If A is better than B a “+” will be marked against his name, and if he is not as good as C, a “-“ will be marked. The total number of decisions in this case will be 10.
- The number of decisions can be calculated by the formula  $N(N-1)/2$ , where N represents the total number of employees being evaluated. In the diagram below employee C has the most “+” and hence will receive more incentives.
- It is a reliable method and provides reasoning behind decision making.
- This method cannot be used in organizations with a large number of employees as it would be too difficult to compare so many people on an individual basis.

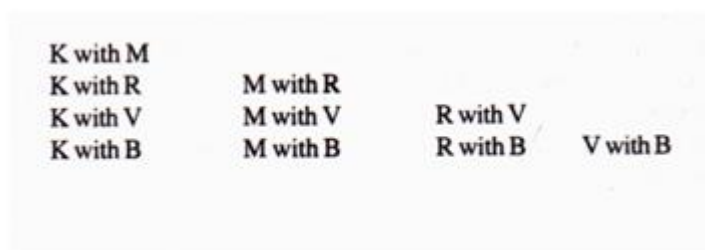
$$N(N-1)/2$$

Where N = the total number of employees to be evaluated. Let this be exemplified with an imaginary example.

If the following five teachers have to be evaluated by the Vice Chancellor of a University:

(K), Mohapatra (M), Raul (R), Venkat (V), and Barman (B), the above formula gives  $5(5-1)/2$  or 10 pairs.

**These are:**



Thus, the pairs so ascertained give the maximum possible permutations and combinations. The

number of times a worker is considered better makes his/her score. Such scores are determined for each worker and he/she is ranked according to his/her score.

### 3. Checklist Method

- A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour. The checklist contains a list of statements on the basis of which the rater describes the job performance of the employees.
  - A more recent variation of the checklist method is the weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than others.
  - Appraiser bias or human errors may be reduced in this method.
  - It requires proper planning
- The basic purpose of utilizing check-list method is to ease the evaluation burden upon the rater. In this method, a series of statements, i.e., questions with their answers in ‘yes’ or ‘no’ are prepared by the HR department

The check-list is, then, presented to the rater to tick appropriate answers relevant to the appraisee. Each question carries a weight-age in relationship to their importance.

**Fig. 28.2: Sample Check-list for Appraising University Teachers**

	<i>Yes</i>	<i>No</i>
1. Is regular on the job?	---	---
2. Does maintain discipline well?	---	---
3. Does show consistent behaviour to all students?	---	---
4. Is interested in (teaching) job?	---	---
5. Does ever make mistakes?	---	---
6. Does show favouritism to particular students?	---	---
7. Is willing to help colleagues?	---	---

When the check-list is completed, it is sent to the HR department to prepare the final scores for all appraises based on all questions. While preparing questions an attempt is made to determine the degree of consistency of the rater by asking the same question twice but in a different manne

### 1. Management by Objectives

- The concept of Management by Objectives (MBO) was first given by Peter Drucker in 1954.
- It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the

standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

- The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in the achievement of organizational as well as personal goals.
- MBO may be viewed as a system of management rather than an appraisal method.
- The advantages of MBO are: easy to implement and measure, motivated employee as aware with expected roles and accountability, Performance oriented diagnostic system and facilitates employee counseling and guidance.
- The disadvantages of MBO are: difficult to employees agree on goals, misses intangibles like honesty, integrity, quality, etc, interpretation of goals may vary from manager to manager and employee to employee.
- It is also time consuming, complicated, lengthy and expensive method

### **360 degrees Performance Appraisal**

- 360 degree feedback, also known as ‘multi-rater feedback’, is the most comprehensive appraisal where the feedback about the employee’s performance comes from all the sources that come in contact with the employee on his job.
- Usually, this tool is used for employees at middle and senior level. The complexity of their roles enables the organisation to generate sufficient data from all stakeholders for a meaningful assessment.
- Analogous to the multiple points on a compass, the 360 method provides each employee the opportunity to receive performance feedback from his or her supervisor, peers, staff members, co-workers and customers.
- It is first used by German military in 1940s in order to evaluate performance during World War II. They gathered feedback from multiple sources.
- 360 degree appraisal has four integral components: Self appraisal, Superior’s, appraisal, Subordinate’s appraisal and Peer appraisal.
- According to Rajeswari (2017) the advantage of this system over the traditional boss appraisal system is that, there will be better clarity of the employee performance in a broader sense and there is will be less error due to halo effect or bias. And the employees also will get a change to know the feedback and a voice for clarification in case of a gap in the actual and target performances.
- It gives a comprehensive view of the performance of employees and improves credibility

of performance appraisal.

- 360 degree feedback method is very time consuming and complicated in administration

## 2. Behaviorally Anchored Rating Scales

- This is a relatively new method which is designed to identify the critical areas of the jobs. It combines graphic rating scale and critical incidents method.
- BARS were introduced by Smith and Kendall in 1963.
- BARS may consist of a set of five to ten vertical scales. Each scale represents a major performance dimension of the job and is usually anchored by five or more critical incidents that reflect highly effective to highly ineffective observable job behaviors relevant to the job dimension under consideration.
- Scale values are assigned to the critical incidents, which correspond to the approximate degree of effectiveness with the highly effective behavior being assigned the highest value on the scale. The major performance dimensions for a job and the critical incidents for each dimension are identified through job analysis by future scale users (e.g., employees actually performing the job and their managers), who are expected to be thoroughly knowledgeable about the job.
- In developing critical incidents, the emphasis is on incorporating job related behaviors that are observable and reflect various levels of desirable performance. The number of vertical scales (BARS) may vary from one job to another since it depends on the major performance dimensions of a job under consideration. The scale values (e.g., 1 to 5, 1 to 7, or 1 to 10) as well as the number of critical incidents anchored on a scale can also vary depending on the development procedure and appropriateness of the situation.
- A final version of BARS should be a jargon-free instrument that is closely related to the requirements of a given job.
- In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS.
- Objectivity may be achieved while assessing the performance of employee.
- It is time consuming and complicated method of performance appraisal. Development of BARS and implementation of BARS needs expertise.
- **Example** (Lloyd,K.) - In a hypothetical position of human resources coordinator, one of the job holder's responsibilities is to complete status change notices, which update the personnel system regarding changes in employee pay, position, title, supervisor, and personal data. The BARS method for this specific task in this specific job could read as follows:



- 5 — Exceptional performance: Accurately completes and submits all status change notices within an hour of request.
- 4 — Excellent performance: Verifies all status change notice information with requesting manager before submitting.
- 3 — Fully competent performance: Completes status change notice forms by the end of the workday.
- 2 — Marginal performance: Argues when asked to complete a status change notice.
- 1 — unsatisfactory performance: Says status change notice forms have been submitted when they haven't.

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