UNIT -1 PERFORMANCE APPRAISAL

Performance Appraisal Concept, Objectives and uses of performance appraisal, developing a performance appraisal programme, A brief idea of traditional and modern appraisal methods. Common errors in performance appraisal

PERFORM ANCE APPRAISAL: INTRODUCTION

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.

2. The supervisor analyses the factors behind work performances of employees.

3. The employers are in position to guide the employees, for a better performance.

MEANING OF PERFORMANCE APPRIASAL

Performance appraisals is the assessment of individuals performance in a systematic way. It is a development tool used for all round development of the employee and the organization. The performance is measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility and health. Assessment should be confined to past as well as potential performance also. The second definitions more focused on behaviors as a part of assessment because behaviors do affect job results.

DEFINITION OF PERFORMANCE APPRAISAL

"It is formal, structured system of measuring, evaluating job related behaviors and outcomes to discover reasons of performance and how to perform effectively in figure so that employee, organization and society all benefits."

"It is a systematic evaluation of an individual with respect to performance on the job and individual's potential for development"

Uses of Performance Appraisal

For many organizations, the primary goal of an appraisal system is to improve individual and organizational performance. There may be other goals, however. A potential problem with PA.and a possible cause of much dissatisfaction, is expecting too much from one appraisal plan, For example, a plan that is effective for developing employees may not be the best fordetermining pay increases. Yet.a properly designed system can help achieve organizational objectives and enhance employee

performance. In fact, PA data are potentially valuable for-virtually everyhuman resource functional area

Human Resource Planning

In assessing a firm's human resources, data must be available to identify these who have the potential to be promoted or for any area of internal employee relations. Through performance appraisal it may be discovered that there is an insufficient number of workers who are prepared to enter management. Plans can then be made for greater emphasis on management development. Succession planning (discussed previously in Chapter 4) is' a key concern for ail firms. A well-designed appraisal system provides a profile of the organization's human resource strengths and weaknesses to support this effort.

Recruitment and Selection

Performance evaluation ratings may be helpful in predicting the performance of job applicants. For example, it may be determined that a firm's successful employees (identified through performance evaluations) exhibit certain behavior when performing key tasks. These data may then provide benchmarks for evaluating applicant responses obtained through behavioral interviews discussed in Chapter 6. Also, in validating Section tests, employee ratings may be used as the variable against which test scores are combed. In this instance, determination of the selection test's validity would depend on the accuracy of appraisal results.

Training and Development

Performance appraisal should point out an employee's specific needs for training and development. For instance, if Pat Compton's job requires skill in technical writing and her evaluation reveals a deficiency in this factor she may need additional training in written communication. If afirm finds that a number of first line supervisor are having difficulty in administering disciplinary action, training season addressing this problem may be appropriate. By identifying deficiencies that adversely affect performance, T&D programs can be developed that permit individuals to build on their strengths and minimize their deficiencies. An appraisal system does not guarantee properly trained and developed employees. However, determining T&D needs is more precise when appraisal data are available.

Career Planning and Development

As discussed inthe appendix to Chapter-7, career planning is an ongoing process whereby an individual sets career goals and identifies the means to achieve them.

Onthe other hand career development is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Performance appraisal data is essential in assessing an employee's strengths and weaknesses and in determining the Person's potential. Managers may use such information to counsel subordinates and asset them in developing and implementing their career plans.

Compensation Programs

Performance appraisal results provide a basis for rational decisions regarding pay adjustments. Most managers believe that you should reward outstanding job performance tangibly with pay increases. They believe that the behaviors you reward are the behaviors you get. Rewarding behaviors necessary for accomplishing organizational objectives is at the heart of a firm's strategic plan. To encourage good performance, a firm should design and implement a reliable performance appraisal system and then reward the most productive workers and terms accordingly.

Internal Employee Relations

Performance appraisal data are also used for decisions in several areas of internal employee relations, including promotion, demotion, termination, layoff and transfer. For example, an employees performance in one job may be useful in determining his on her ability to perform another job on the same level, as is required in the consideration of transfers. When the performance level is unacceptable, demotion or even termination may be appropriate.

Assessment of Employee Potential

Some organizations attempt to assess an employee's potential as they appraise his or her job performance. Although past behavior, maybeagood predictor of future behaviors in some jobs an employee's past performance may not accurately indicate future performance in other jobs. The bit salesperson in the company may not have what it takes to become a successful district sales manager where the tasks are distinctly different. Similarly, the best systems analyst may, if promoted, be a disaster as an information technology manager. Overemphasizing technical skills and ignoring other equally important skills is a common error in promoting employees into management jobs. Recognition of this problem has led some firms to separate the appraisal of performance, which focuses on past behavior, from the assessment of potential, which is future-oriented.

OBJECTIVES OF PERFORMANCE APPRAISAL

Performance Appraisal can be done with following objectives in mind:

- To maintain records in order to determine compensation packages, wage structure salaries raises, etc.
- To identify the strengths and weaknesses of employees to place right men on right job.
- To maintain and assess the potential present in a person for further growth and development.
- To provide a feedback to employees regarding their performance and related status.
- To provide a feedback to employees regarding their performance and related status.
- It serves as a basis for influencing working habits of the employees.
- To review and retain the promotional and other training programmes.

TECHNIQUES OF PERFORMANCE APPRAISAL

Numerous methods have been devised to measure the quantity and quality of performance appraisals. Each of the methods is effective for some purposes for some organizations only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization or an employee.

Broadly all methods of appraisals can be divided into two different categories.

i)   Traditional Methods

ii)   Modern Methods

Traditional Methods	*Modern Methods*
1. Ranking method	1. Management by Objectives (MBO)
2. Paired comparison	2. Behaviorally anchored rating scales
3. Grading	3. Assessment centers
4. Forced distribution method	4. 360-dcgiw appraisal
5. Forced choice method	5. Cost accounting method
6. Checklist method	
7. Critical incidents method	
8. Graphic scale method	
9. Essay method	
10. Field review method	
11. Confidential report	

TRADITIONAL METHODS:

1. **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.

2. **Paired Comparison Methods:**

   In this 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 x (N-l) /2   ....

3. **Grading Methods:** In this method, certain categories of worth are established in advance and carefully defined. There can be three categories established for employees-outstanding, satisfactory, and unsatisfactory. There can be more than three 4de' Employee performance is compared with grade definitions. The employee is thenallocated to the grade the best describes his or her performance. Such type of grading is done is semester pattern of examinations and in the selection of a candidate in the public service sector. One of the major drawback of this method is that die rater ma. of the employee on the higher side of their performance.

4. **Forced distribution methods:** 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 Disadvantages - Assumption of normal distribution. Unrealistic, error of central tendency.

5. **Forced Choice Methods:** 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.

6. **Checklist Methods :** 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 HRdoes not allow rater to give relative ratings.

7. **Critical Incident 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 Recency 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.

8. **Graphic Rating Scales Methods :**Rating scales consists of several numerical scales representing jubilated performance criterions such as dependability, initiative, output, attendance attitude etc. Each scales ranges from excellent to poor. The total numerical scores Computed and final conclusions are derived. Advantages - Adaptability, easy to use lowcost, every type of job can be evaluated, large number of employees covered, no formal training required. Disadvantages - Rater's biases.

9. Essay Method: In this method the rater writes down the employees description in detail within a number of broad categories like, overall impression of performance, promote ability of employee, existing capabilities and qualifications of performing jobs, strengths and weakness 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 rather and most of them are not good writers. They may get confused success depends on the memory power of raters.

10. **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.

11. **Confidential Reports:** 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 respectto

following items; attendance, sett expression, team work, leadership, initiative,technical ability, reasoning ability, originality and resourcefulness etc. The systems highly secretive and confidential. Feedback to the assesse is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be maculated because the evaluations are linked to HR actions like promotions etc.

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 o0als important and long-term goals etc.

2. **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 over come rating errors. Disadvantages - Suffers from distortions inherent in most rating techniques.

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

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 thecriteria for selection and promotion.

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 multisource feedback fromis 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 adept at providing balanced and objective feedback.

5. **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 ascertain Hence it is more depended upon cost and benefit analysis.

DEVELOPING A PERFORMANCE APPRAISAL PROGRAMME

Employers develop performance appraisal programmes based on what they perceive employees need in terms of regular, constructive feedback. Appraisalalso serves to recognize skills, talent and the employee's interest in developing his expertise for future roles within the organization. Not all appraisal programs are formal, sophisticated systems that produce pages of meaningless narrative about goals and productivity. Many are well-constructed, straightforward measurements that foster candid assessments of performance and positive workplace relationships that support the organization's business goals.

Introductory Evaluation

An introductory evaluation is an effective way to determine if your company is making wise hiring decisions. Since much turnover occurs early in the employment relationship, conductive an evaluation within the first 60 to 90 days on the job ensures the employee, is a good fit for the job and the work environment. An introductory evaluation also gives the employee an opportunity to express any concerns about her duties before minor issues become irresolvable problems.

Supervisor Evaluation

Though supervisors typically evaluate employee performance, the'nature of the supervisor-employee relationship lends itself to two-way review and feedback. This type of appraisal program enables managers to see how effective supervisors are and whether supervisors are good at establishing themselves as organizational leaders. Employees who report to supervisors are the best source of knowledge of supervisor actions and behavior "because of the direct reporting relationship and daily interaction. Employee reviews of supervisors can be done anonymously to protect employees from potential retaliation by supervisors whose reviews contain comments about poor behavior or deficient leadership skills.

Peer Evaluation

These may be the trickiest of all appraisal programs, because conducting peer evaluations requires extensive training for employees. Subjectivity also can become a challenge; therefore, employees must be reminded that only objective and constructive feedback is acceptable and personal options about their peers are unacceptable. Peer evaluations shed light on whether employees who work together in the same department are following consistent processes and procedures. peer evaluations also can help identify employees who demonstrate leadership skills and are admired by their peers for their positive attitudes and teamwork.

Self Evaluation

Employers may construct a performance appraisal program that combines elements of a traditional supervisor-employee interaction during the appraisal with an employee self-evaluation. This type of appraisal program produces supervisor employee interaction during the appraisal meeting. Employers who use employee self-evaluation benefit from the combination of two perspectives that involves a negotiated approach to reaching a final performance rating. The employees self-evaluation is not simply a feel good exercise for employees. It encourages

supervisors to listen carefully to employees own perceptions of their strengths and weaknesses. The result is that the overall performance appraisal program is well received by workers who appreciate that an employer values their Opinions.

COMMON ERRORS IN PERFORMANCE APPRAISAL

When managed and delivered effectively, performance appraisals are an excellent way to communicate with employees, set goals, review progress and motivate workers. However, a number of errors can get in the way of quality performance appraisals, and even cause negative effects on employee progress and morale. Here are some of the common mistakes in performance appraisals.

Structure and Timing

Inconsistency and uncertainty in the performance appraisal system mitigates their effectives. Employees should know when to expect performance reviews, and the manager should plan ahead and set appraisal meeting on time. Scheduling and preparing for appraisal meetings helps your employees take the more seriously. Finding a quiet space to conduct the meeting and allowing the employee to share feedback or input is helpful as well.

Strictness and Leniency

Some managers offer feedback that is too strict or too lenient. Being too strict means that you downgrade employees relative to actual performance. Leniency means delivering scores higher than job performance warrants. Keeping emotions out of your evaluation and using objective criteria with data to support your reasoning helps ensure the most accurate results. Accurate rating improve the ability of your workers to respond in areas where improvement is needed.

The Halo Effect Prevents Objective Evaluations

The halo effect means that you assume because an employee is generally "good", that his work in all areas is strong. The halo effect prevents a manager from objectively evaluating the employee on each criterion. Maintaining a professional approach to relationships, treating each worker equally and carefully scoring each criterion helps protect against haloing.

Likeness and Stereotyping

"Like me" bias and stereotyping are closely related errors in employee appraisal. These errors in performance appraisal stem from a manager's use of personal perspectives to conduct evaluations. Liking a particular employee may bias the manager toward more favorable assessments. Stereotyping employee:, leads to

preconceive J expectations and judgments, which hinder accuracy. Stereotyping also may lead to discrimination.

As with strictness and leniency, the key to protect against these errors in employee appraisal L objective and carefully scrutinized appraisals. Data-driven assessments also guard against high levels of subjectivity.

The Recency Effect

The Recency effect is based on a natural inclination to give greater weight to the most recentevents. Therefore, an employee who has performed much lower .than formal in recent weeks may receive an overly condemning evaluation. Some employees recognize the Recency effect and work hard leading up to a performance appraisal to make a positive last impression. Keeping notes between employee evaluations and tracking performance data for an extended period of time enables a more thorough employee performance evaluation.