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# Performance Appraisal

Presented by

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- What is performance appraisal? Describe the uses or benefits of performance appraisal.
- Explain the various techniques of performance appraisal.
- Describe the limitations of performance appraisal.

# Performance Appraisal

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- (1) According to **Edwin Flippo**, "Performance Appraisal is the systematic, periodic and impartial rating of an employee's excellence, in matters pertaining to his present job and his potential for a better job."
- (2) According to **Dale Beach**, "Performance Appraisal is the systematic evaluation of the individual with regards to his or her performance on the job and his potential for development."

# APPRAISAL PROCESS

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- The Performance Appraisal process involves the following steps :
- (1) Establish the Standards of Performance.
- (2) Communicate these standards to employees.
- (3) Measure the actual performance.

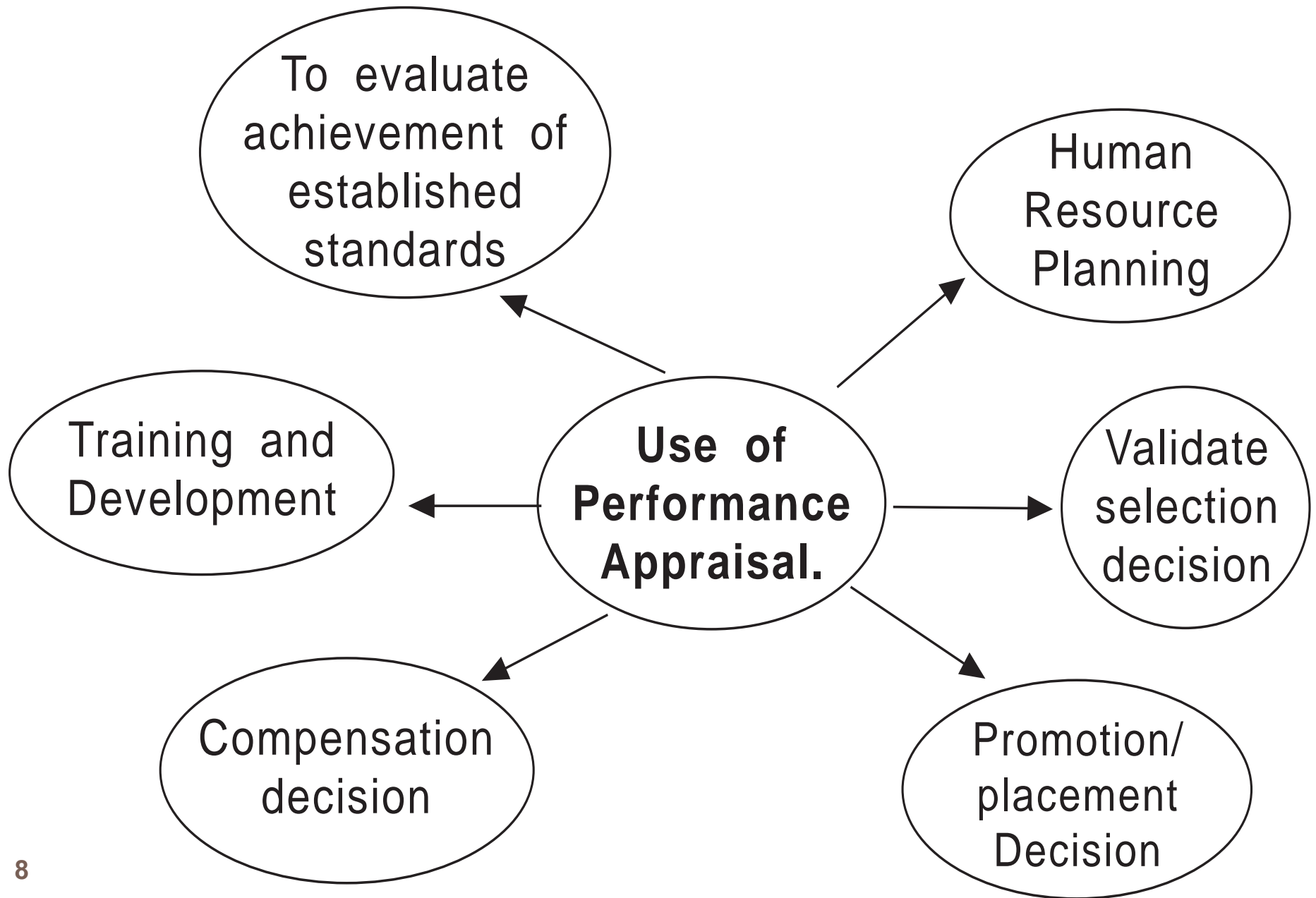
- (4) Compare actual performance with the standards established.
- (5) In case of variation, initiate corrective action.
- (6) Communicate the rating to the employee.
- (7) Discuss the feedback with the employee.
- (8) Conduct post-appraisal Interview.
- <sup>5</sup> (9) Initiate corrective action if required.

# Purpose / Uses

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- The main purposes of employee assessment are as follows :
- (1) Identify employees who are eligible for salary increase.
- (2) Generate data to take personnel decisions such as promotion, transfer and lay-off or termination decision.
- (3) Determine the training and development needs of the employees.

- (4) Validate the selection process.
- (5) To measure whether standards laid down has been achieved by the employees or not.
- (6) Estimate the future requirement of work force.
- (7) Helps to recognise potential of promising employees.
- (8) Last but not the least, performance appraisal also helps in motivating employees by providing feed back about their level of performance.





# Advantages of Performance Appraisal :

- (1) **SWOT Analysis** : Performance Appraisal gives a complete idea of the employee's strength, weaknesses and based on that their opportunities and threats.
- (2) **Career Planning** : On the basis of one's own SWOT analysis, an employee can have his career plans.
- (3) **Suitable Placement** : Performance appraisal enables a company to give suitable placement to an employee based on their talents and skills.

- **(4) Self-Development** : Performance Appraisal is very much a positive activity which enables an employee to know his own weaknesses and also enables him to remove their weaknesses and lead to self-development.
- **(5) Effective Training Programme** : Training programmes can be drawn out on the basis of the needs of employees to remove their weaknesses.
- **(6) Sound Personnel Policies** : Personnel policies for promotions, transfer must be sound and objective. Performance Appraisal provides valuable information and reliable data for such decisions.

- **(7) Employee – Employer Relations** will be healthy if performance Appraisal information will be used for personnel management. This will minimise grievances and improve confidence in the management.
- **(8) Higher Employee Productivity** : Employer morale will be high because there can be a system of rewards for employees with higher performance. This will improve organization productivity.
- **(9) Performance Appraisal** will help in potential human resource planning.

# Limitations of Performance Appraisal :

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- **Personal Bias** : The biggest limitation of performance Appraisal is subjectivity. Due to human element in Appraisal, there is always a fear of one's own opinion coming in the way of Appraisal.
- (2) **Halo Effect** : The tendency of an individual to rate an employee consistently high due to some earlier good performance rather than his existing performance is called as carrying a halo around oneself.
- (3) **Horn Effect** : The tendency of a superior to rate a subordinate lower than his performance justifies due to some recent/earlier failures.

- **(4) Lack of Uniform Standards** : The standards used by different departments in the organisation may not be the same, hence, rating becomes unscientific and employees suffer. Some rates are too liberal while others are too strict causing lack of uniformity.
  
- **(5) Appropriate Appraisal Technique** : Selection of appropriate appraisal technique is important to give the correct result. Some of the techniques are time-consuming and costly and so avoided. If wrong techniques are applied performance appraisal results may prove defective.
  
- **(6) Wrong Appraisal by Superior** : Superiors have continuous and daily relations with the subordinates, giving accurate ratings may lead to spoiling relations with them which the superiors may want to avoid, hence higher rating to the subordinates.

- **(7) Stress on Individual and not on Performance :**  
Performance Appraisal must lay stress on the performance of the individual and not on his individual and not on his personal characteristics. Many a times this is overlooked and the personnel characteristics comes in the way of his performance appraisal.
- **(8) Central Tendency :** Many a times to be on the safer side the rater would put the ratee on average scores. This happens because of 2 reasons — first of all if the rater does not want low scores to the ratee. Secondly, if he himself is not competent and would not like to show his incompetency.

- **(9) Lack of Importance to Self-Development :**  
Performance Appraisal is not for witch hunting but for finding out strengths as well as weaknesses. The strengths can be consolidated upon and the weaknesses too be removed through appropriate training. However, this aspect is not given importance and so the main objective of performance appraisal is neglected.
  
- **(10)Lack of Communication and Participation with Employees :** Performance appraisal is not complete without communicating to the employee the results of the appraisal and also give him a chance to give his opinion, otherwise it is a one-sided affair without participation of employee and will not lead to their development.

- (11) **Time-Consuming and Huge Paperwork** : Performance appraisal is a continuous job for the superiors. There is need to continuously observe the subordinates, keep records, fill documents, write reports, hence time-consuming and costly.



# Methods of Performance Appraisal

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- (1) Ranking Method
- (2) Paired Comparison Method
- (3) Forced Distribution
- (4) Forced Choice Method
- (5) Check List Method
- (6) Critical Incident Method
- (7) Graphic Rating Scale
- (8) Essay Method
- (9) Field Review Method
- (10) Confidential Report
- (11) Person-to-Person Method
- (1) MBO
- (2) BARS
- (3) Assessment Centres
- (4) 360o Appraisal
- (5) Cost Accounting Method

## □ **(1) Traditional Methods :**

- These methods lay more emphasis on rating of individuals' personality traits, such as initiative, dependability, drive, creativity, integrity, intelligence, leadership potential, etc. In the following pages each method has been described in brief.

### □ **(a) Ranking Method :**

- It is the oldest and simplest method of performance appraisal. In this method the employee is ranked from the highest to the lowest or from best to the worst. Thus, if there are ten employees the Best employee is given the first rank and the worst employee in the group is given the tenth rank.

However, this method has some limitations namely :

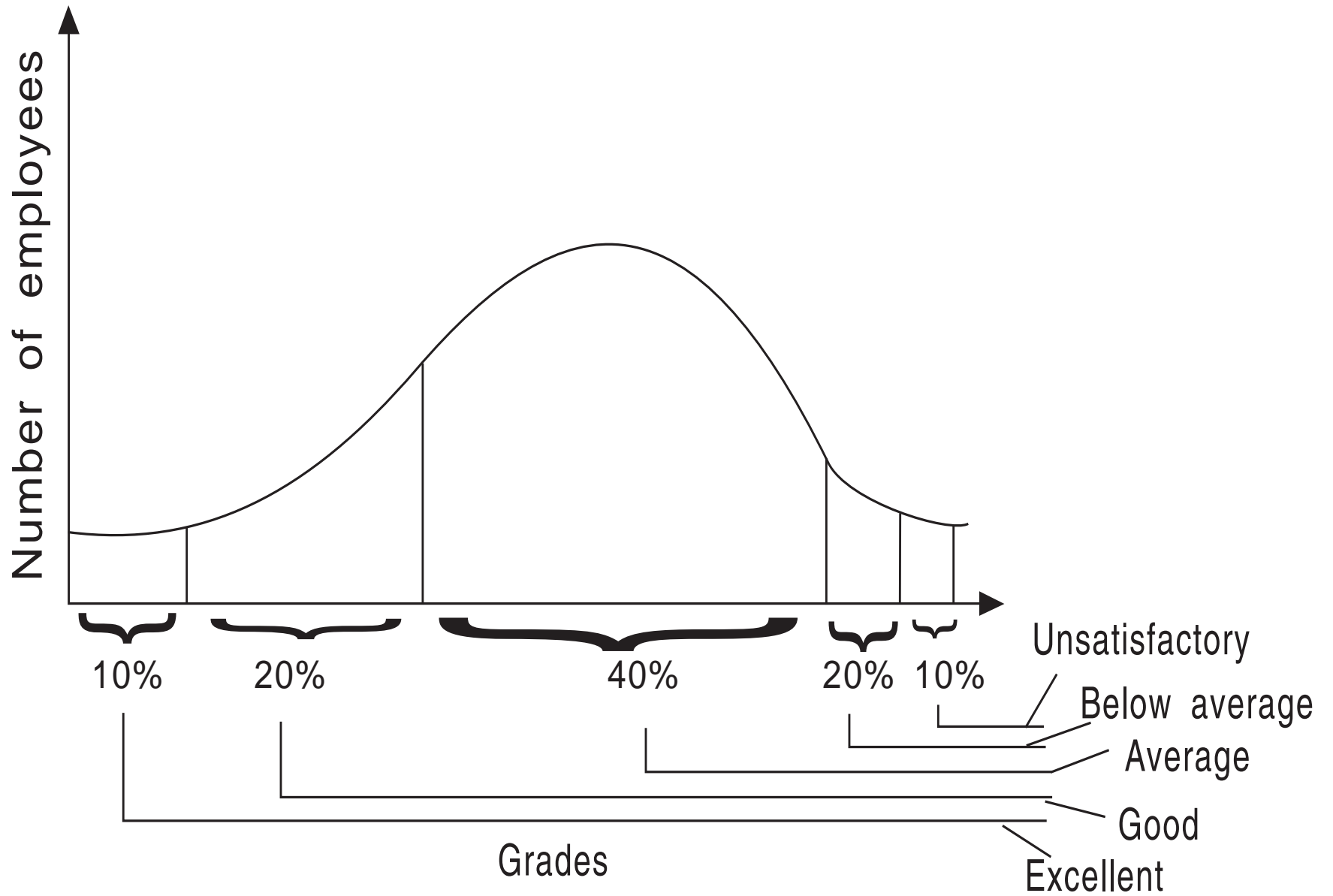
(1) It is difficult to adopt this method, in case of evaluating large number of employees.

(2) It is difficult to compare one individual with other having varying behavioural traits.

□ **(b) Paired Comparison Method :**

- In this method, each employee is compared with the other on one-to-one basis. This method makes judgement easier as compared to ranking method. The number of times the employee is rated as better in comparisons with others determines his or her final ranking. The total number of comparison can be ascertained by the following formula :
- where N stands for number of employees to be evaluated.
- The concept can be illustrated with the help of the following example.
- If the following five students Ashok (A), Bina (B), Chitra (C), Dinesh (D), Eillen (E) have to be evaluated for the best student award, the total number of comparison would be = 10
- A with B
- A with C      B with C
- A with D      B with D C with D
- A with E      B with E C with E D with E
- The number of times a student gets a better score, would be the basis for selecting the Best Student. This method is not appropriate if a large number of students are required to be evaluated.

- **(c) Forced Distribution Method :**
- This technique was contributed by **Joseph Tiffin**. The method operates under the assumption that an employee's performance can be plotted in a bell-shaped curve. Here 10% of the employees are given excellent grade, 20% are given good grade, 40% are given the average grade, next 20% are given the below average grade and last 10% are given unsatisfactory grade.



□ **(d) Forced Choice Method :**

- This method was contributed by **J.P. Guilford**. Here, an evaluator rates an employee on the basis of a group of statements. These statements are a combination of positive and negative statements and are arranged in blocks of two or more. The rater is required to identify the most or least descriptive statement pertaining to an employee. For example :
- (1) Provides clear guidance to employees.
- (2) Can be depended to complete the assignment on hand.
- (3) Is reliable and trustworthy.
- (4) Is partial to some employees

- **(e) Check-list Method :**
- The main purpose of this method is to reduce the evaluator's burden of rating the employee. In this method a dichotomous questionnaire (A question with two answer choices namely `Yes' or `No') is used. A rater is required to put a tick mark against the respective column.
- This questionnaire is prepared and scored by the HR department. The main disadvantage of this method is the rater is not given the flexibility to add or delete the statements. A typical check list is given below :
- **Table 3 : Check list for Students**
- (1) Is the student regular
- (2) Is he/she disciplined
- (3) Does he/she complete the assignment on time
- (4) Does he/she participate in extra-curricular activities



- **(f) Critical Incident Method :**
- This method evaluates an employee on the basis of certain `events' or `episodes' known as critical incident. The underlying principle of this method is "there are certain significant acts in each employee's behaviour and performance, which can make all the difference between success and failure on the job." Thus, in this method the rater focusses his attention on all those factors, that can make a difference between performing a job in a noteworthy manner.

□ **Graphic or Linear Rating Scale :**

□ This is the most commonly used method of evaluating an employee's performance. Here the Questionnaire consists of more than 2 answer choices. The Questionnaire consists of set of questions covering aspects such as:

- **(i) Employee Characteristics** (includes factors such as initiative, leadership, dependability, attitude, loyalty, creative ability, analytical ability etc.)
- **(ii) Employee Contribution** (includes factors such as Quantity and Quality of work, Specific goals achieved, regularity, attitude and approach towards supervisors and colleagues, etc.)

□ The following table highlights a typical graphic rating scale:

|                            |              |             |              |   |
|----------------------------|--------------|-------------|--------------|---|
| □ (1) Quality of Work      | ○            | ○           | ○            | ○ |
| □           Unsatisfactory | Satisfactory | Sometimes   | Consistently |   |
|                            | Superior     | Superior    |              |   |
| □ (2) Dependability        | ○            | ○           | ○            | ○ |
| □           Requires       | Requires     | Very little | No           |   |
|                            | Constant     | Supervision | Supervision  |   |
|                            | Supervision  | follow-up   |              |   |

□ **(h) Essay Method :**

- In this method, the rater writes a narrative description of an employees strengths, weaknesses, past performance, potential and suggestions for improvement. As there is no prescribed format, the length and content of essay is likely to vary. Similarly, the quality of Essay would depend upon the rater's writing skills. As the essays are descriptive in nature, it only provides qualitative information about the employee.

□ **(i) Field Review Method :**

- If during the appraisal process there are reasons to believe that the employee is given a higher rating because of rater bias, a review process is initiated. The review process is generally conducted by the personnel officer of the HR department.
- This method is also used for making promotional decisions at the managerial level and when information is required from employees of different units and location.

- **(j) Confidential Report :**
- This is a traditional method of evaluating an employee's performance. It is normally used in Government departments and small business units. Here, the evaluation is done by the immediate boss or supervisor. The main limitation of this method is the ratings are generally not discussed with the ratee (only in case of adverse remark).

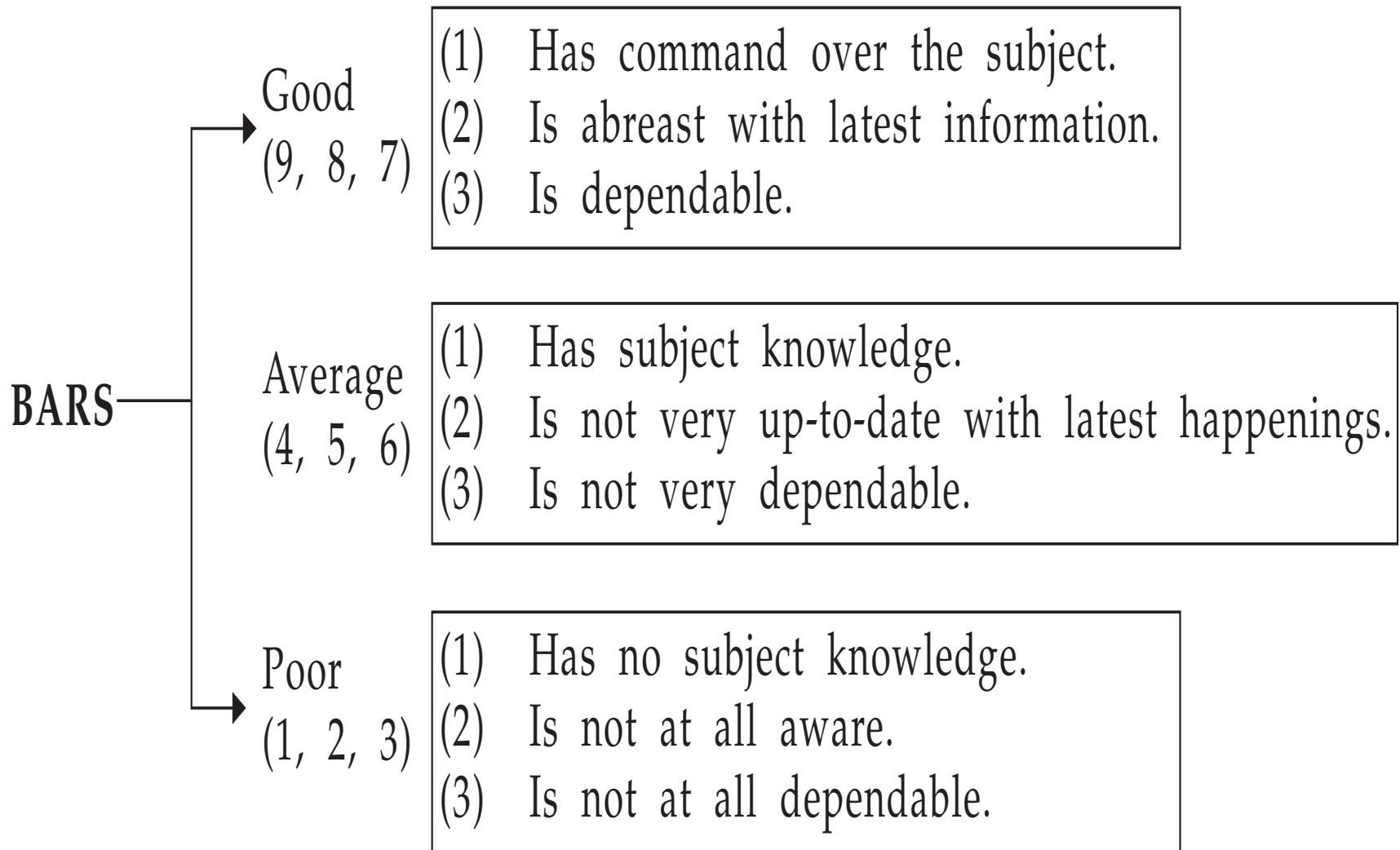
## Modern Methods :

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- (a) MBO (Management by Objective or Joint Target Setting)  
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- This method was propounded by Alfred Sloans and Donaldson Brown in 1920s. However, it was further popularised by Peter Drucker in his book "The Practice of Management" in 1954.
- According to George S. Odiorne, MBO can be described as "a process whereby the superior and the immediate subordinate of an organisation jointly identify the 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."

- In this method emphasis is laid on stating objectives for **Key Result Areas (KRAs) in Quantifiable terms**. For example, in case of Research and Development department, objective is stated in the following terms. i.e. to design a new product by 31st March, 2005.
- MBO is used as a performance appraisal technique, as it is easy to measure whether the stated objectives have been achieved or not.

- **(b) BARS (Behaviourally Anchored Rating Scale) :**
- In order to overcome the problem of judgmental evaluation, this method was conceived by some organisations. This method combines the benefits of Essay Method, Critical Incident and Rating scales.
- In this method the employee's behaviour and performance dimensions are analysed and used for evaluating the performance of the employee. The HR department is involved in the process of preparing the BARS. Based on the Employee's performance and behaviour, employees are anchored in different slots of good, average and poor. The rater is required to give corresponding ratings to the employee.





- **(c) Assessment Centres :**
- This method was used to appraise army officers in Germany way back in 1930s. The concept was adapted from army to business arena in 1960s. In India, the concept has been adopted by organisations such as Crompton Greaves, Eicher, Hindustan Lever and Modi Xerox recently.
- This method is mainly used to evaluate executive and supervisory potential. Here employees are taken to a place away from work and a series of tests and exercises are administered. For example, assesses are asked to participate in; in-basket exercise, simulations, group exercise and role plays. Performance of the employee is evaluated in each of these tests and feedback is provided to the ratee, in terms of strengths and weaknesses.

- (d) **360o Appraisal Method :**
- Where multiple raters are involved in evaluating performance, the technique is called 360-degree appraisal.
- The 360-degree technique is understood as systematic collection of performance data on an individual or a group derived from a number of stakeholders—the stakeholders being the immediate, team members customers peers and self.
- In this method an employee's performance is evaluated by his supervisor, subordinates, peers and customers (or an outside expert).
- All these appraisers provide information or feedback by completing a questionnaire designed for this purpose.

- The 360-degree appraisal provides a broader perspective about an employee's performance. In addition, the technique facilitates greater self-development of the employee. It enables an employee to compare his evaluation about self with perceptions of others. Though this method was developed to bring about a degree of objectivity, it still suffers from subjectivity.

□ **(e) Cost Accounting Method :**

□ This method evaluates an employee's performance in relation to the contribution of an employee in monetary terms. Here the rater evaluates the employee in terms of cost of retaining the employee and the benefits the organisation derives from him/her. The following factors are taken into account in this method :

□ (1) Cost of training the employee.

□ (2) Quality of product or service rendered.

□ (3) Accidents, damages, errors, spoilage, wastages, etc.

□ (4) The time spent in appraising the employee.

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Thank you

Wish getting success