

# MS-108 (Human Resource Management)

## Unit- 13: Performance Appraisal

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# Performance Appraisal (P.A.) defined

- ❑ Performance Appraisal is defined as the evaluation of employees' performance.
- ❑ It is a tool for understanding the employees' abilities so that his growth and development can be charted and planned in the organization.
- ❑ Performance Appraisal does not end at evaluation it includes the development of the employee to ensure maximum contribution of the employee towards organizational development.
- ❑ It is an on-going process of obtaining, researching, analysing and recording information about the worth of an employee.

# Purpose of P.A.

- ❑ The purpose of appraisal is to achieve better work performance from employees.
- ❑ A performance appraisal is a formal process used to assess an employee's productivity and effectiveness and serves both administrative and developmental purposes.
- ❑ As far as administration is concerned, it helps in decision-making regarding employment actions, employees planning and training.
- ❑ Developmental purpose improves employees' performance by providing positive and constructive feedback and strengthening his/her attitude towards work.

# Objectives of P.A.

1. Helps in determining the compensation packages of the employees, their wage structure and also the salaries increments i.e. their promotions.
2. Helps in placing appropriate person at the right job by identifying his strengths, weaknesses.
3. Helps in assessing the true potential of an employee so that his growth and development requirements could be charted well in advance.
4. Helps in providing a feedback to employees. Such feedback even helps the employee to self-access himself/herself.
5. Helps in monitoring employees work habits and then strengthening the positive ones and sometimes modifying the negative ones.
6. Helps in planning training session according to the needs to the employees and also reviewing such programmes.

# Advantages of P.A.

- ❑ Ensuring promotion for deserving
- ❑ Ensuring Right Compensation
- ❑ Ensuring Employees' Development
- ❑ Ensuring Right Selection Validation
- ❑ Ensuring Effective Communication
- ❑ ensuring Motivated Work-Force

# Methods of P.A.

- Ranking Method
- Forced Choice Method
- Forced Distribution Method
- Graphic Rating Scale Method
- Critical Incident Technique
- Field Review Method
- Check-List Method
- Confidential Report
- Checklist and Weighted Checklist
- Paired Comparison

# Ranking Method

The first traditional method of performance appraisal is the ranking method. In it a person who is generally a superior is required to rank the overall performance of the subordinates. In this method the superior put all his/her subordinates in a rank order. The employees are ranked against each other and their relative position. The numerical rank states his/her comparative position against the other members of his/her own team or sometimes even against the member of other teams.

# Forced Distribution Method

In this method the manager have to evaluate the performance of the employees and have to rank them into specified categories. These categories can be excellent, good, fair etc. the categories are generally three but it can be increased on the basis of the requirement of the appraisal system.

The evaluator is forced to place the employee in any one of the stated categories. Clear cut format is presented to the evaluator in which the number of employee who can fall into a specific category is fixed. For example the employees in excellent category can be 20%, in good category can be - 30%, in fair category - 40 % and in poor category - 10 %.



# Critical Incident Technique

The critical incident techniques as the name suggest give the maximum importance to any specific behaviour of the employees. Critical behaviour which leads to efficiency or inefficiency is identified by the supervisor by preparing a list of statements of effective and ineffective employees' behaviour.

The supervisor maintains a log of the behaviour of the employees in which he marks the outstanding or poor behaviour at critical events. This log is periodically maintained, these records forms the base for performance appraisal of employees.

# Check-list Method

The check-list method is used to reduce the evaluation burden from the supervisor or the senior. The human resource (HR) department of the organization creates check-lists for evaluation of the employees' performance. This check list contain series of statements which can be questions along with answers may be in form of 'yes' or 'no'. The superiors or the supervisors are given this check-list and are asked to tick appropriate answers which represent the performance of that employee.

The completed check-list is sent back to the HR department and final scores for the employees' performance are calculated. The questions are framed in a strategic manner so that the responses can be confirmed through asking similar questions twice but in a different form.

# Checklist and Weighted Checklist

The difference between the check-list method and weighted check-list is that the statements in the list are associated with weights or scale. The weighted checklist is created with the help of a personal who is familiar with the job and is aware of all the specification of the jobs. He frames the statement for evaluation. These statements are further classified and then weights are assigned to these statements.

Large numbers of statements are framed that describe all the aspects of a job. The superior while appraising an employee checks all the given statements and given weights to the behaviour, performance, characteristics etc. The average of all the weighted scores of an employee is calculated to come up with a score of an individual employee.

# Paired Comparison

The method of paired comparison requires comparing each employee with the other employees i.e. at a point in time two employees are compared with each other. Usually the employees are compared on a single trait or performance at specific time. In this process of performance appraisal the superior is aided with the names of two employees who are to be compared with each other and then he is asked to tick the better one. The process continues till all the employees whose performance is to be evaluated are valued among each other. The ranking of an employee is determined by the number of times an employee is marked as better.

# Paired Comparison (Continued)

Following formula is used for paired comparison:

$$n*(n-1)/2$$

In the above formula n stands for total number of employees whose performance is to be evaluated. The following example will give a clear view; Performance appraisal of five professors is to be done by the Dean of a University: Sharma (S), Malhotra (M), Verma (V), Jain (J), and Anang (A), the above formula gives-

$$5* (5 -1) / 2 \text{ or } 10 \text{ pairs}$$

Each and every professor's performance will be compared with every other. One of the major limitations of this method is that when the number of employees whose performance is to be evaluated increases to great extent this process becomes a tedious one.

# Forced-Choice Method

J. P. Guilford has developed the forced-choice method. Series of statement are presented in-front of the evaluator. S/he rate employees on the basis of how effectively each statement describes his/her performance.

Forced-choice method normally contains both positive and negative statements; following are the examples of positive statements for evaluation of customer relationship executive;

- a. Executive provide clear instructions to his subordinates.
- b. He is dependable and complete all job assigned.

The negative statements for evaluation of customer relationship executive;

- a. Is unable to keep his promises.
- b. Is biased towards some employees.

The HR department accomplishes the task of rating the employees on the basis of the response gather from the evaluator. One of the challenging tasks is to construct so many positive and negative statements for evaluation as it requires a lot of time and expertise.

# Graphic Rating Scale Method

It is one of the simplest and used techniques for performance appraisal, also known as linear rating scale. The HR department of the organization provides a printed appraisal form to the manager for performance appraisal of employee. In the form characteristics and the traits are listed and the manager has to rate the employee on the stated traits on a scale which can be from extraordinary to fair.

Generally a five point scale is used. The evaluator keeps every employee on the scale against every given trait. The values obtained are then totalled and the score of an employee is made available and also further be used for comparison.

# Field Review Method

In order to eliminate the bias in the appraisal process, the field review method is used. When there appears exceptionally high rating in the appraisal process to any employees it is a signal of evaluator's bias. The HR manager uses the field review method in such situation in order to neutralize such high rates.

Following activities are involves in the field review method;

- a. The HR manager identifies the areas where the disagreement is seen.
- b. Then s/he tries to get the group consensus.
- c. Then s/he ensures that every evaluator understands the similarity of the standards used for performance appraisal.



# Confidential Report

The Government department generally uses the method of confidential report for performance appraisal. The immediate boss is the most powerful authority in this method; s/he is the one who is considered as appropriate as well as enough for evaluation of an employee. A structured format is used for collecting relevant information about the strength, weakness, characteristics, traits, presence etc. Such performance appraisal may lead to promotion or transfer, and thus it may be used to unevenly distribute the benefits or to give any undue advantage to an individual.

# Modern Methods of P.A.

- ❑ Management by Objectives (MBO)
- ❑ 360 Degree Appraisal
- ❑ Cost Accounting Methods

# Management by Objectives (MBO)

Peter Drucker propounded the idea of MBO, it is defines as a “process whereby the superiors and subordinates of an organisation jointly identify their common goals, define each individual’s major areas of responsibility in terms of results expected from him and use these measures as guides for operating the department and assessing the contribution of each of its members”.

# 360 Degree Appraisal

Generally known as GE method of appraisal, 360 degree appraisal was formally developed and adopted by General Electric Company, USA in the year 1992. Many Indian companies like Reliance, Wipro, Infosys, Thomas cook has adopted the 360 degree appraisal method. The companies use these methods to plan the promotions, increase in pay scale, finalizing the bonuses, planning transfers, and also for identifying the training and development needs.

As the name suggest the 360 degree appraisal is done at 360 degree level where the performance is appraised by the supervisor, subordinate, peers and all those with whom he interact during the course of his job and also by the person himself . That is 90 degree from all the evaluator groups. Information related to the employees skills, behaviour, abilities etc. is collected.

The information is collected with the help of pre designed questionnaire specifically planned for the purpose of performance appraisal.

# Cost Accounting Method

In the cost accounting method the employee's performance is evaluated on the basis of the monetary benefits the company draws from the performance of the employee. This method work for establishing the relationship between the retaining costs of the employee and the monetary benefit s/he is provided with.

# Cost Accounting Method (Continued)

Following factors are to be calculated while employees' performance appraisal:

- a. Calculating the unit wise average value of producing a good or rendering a service.
- b. Measuring the quality of product or services provided by the consumer .
- c. The cost incurred on keeping the employee in form of salary, bonus, or other incentives.
- d. Other associated costs such as damages, wastage, accidents or any other wear and tear.
- e. Cost incurred in supervision of employee.

All these costs are compared with the benefits derived from the performance of the employee, and the person whose benefits exceeds the cost get a positive performance appraisal and vice versa.

# Errors in P.A.

- ❑ First Impression Error
- ❑ Similar-to-me Error
- ❑ Influence of Halo-Effect Bias
- ❑ Central Tendency Error
- ❑ Overemphasis on Attitude
- ❑ Unawareness of Negative Biases
- ❑ Lack of Professional Development Plan
- ❑ Failure to Listen
- ❑ Focus on Single Deficiency
- ❑ Ignoring the Entire Timeline
- ❑ No Baseline
- ❑ No Actionable

# Guidelines for P.A. Interview

- Timely conduction of Interview
- An appropriate way to be chosen
- Use of work-data
- Don't get personal
- Value employee's opinion
- Don't tiptoe around



# New trends in Appraisal Interview

- **90 Degree Appraisal:** It is a single angled appraisal which is done by the employee himself/herself or is done by the superior. The employee is evaluated on his/her strengths and achievements.
- **180 Degree Appraisal:** This method consists of two elements viz. the employee and the superior. Evaluation is done by both employee himself/herself as well as his/her superior together. The superior evaluate the performance on a monthly basis.
- **270 Degree Appraisal:** This method consists of three elements. Evaluation of an employee is done by three persons- by himself/herself, superior and his/her co-workers.
- **360 Degree Appraisal:** 360 degree appraisal system, a multi angled evaluation is conducted. It requires feedback from superior, co-worker, subordinated, and also by himself/herself and then a complete evaluation is conduction.

# New trends in Appraisal Interview (Continued)

- ❑ 720 Degree Appraisal: It is an addition to the 360O appraisal, in it firstly the 360O appraisal is conducted and then again the done 360O appraisal is conducted in by the superior along with the employee to ensure that the feedback leads to better future performance of employee and they can achieve set targets.
- ❑ Rank and Yank Strategy
- ❑ Finding the Leverage and Developing Trust
- ❑ Continuous Performance Management
- ❑ Rethinking Job Roles will increase Employee Growth and Development

# Reference

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Thank You!