



PERFORMANCE APPRAISAL CLASSIFICATION AND ITS IMPACT

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Abstract

There are five 'M's for the production. Such as men, machine, money, material and methods. These are called factors of production. In these factors other than the men all are passive. Men can handle and manage all the remaining factors. The success of an organization that depends on the effective performance of employees. Employees are key factors of every organization. The performance of an organization is managed by monitoring and managing the performance of the individual employees in the organization. The objectives and goals of individual performance are determined based on the objectives and goals of the organization. Hence, the successful performance of the organization is a culmination of individual's performances and contributions. Performance appraisal management is a critical and sometimes controversial aspect of the organizational management.

Performance appraisal has been traditionally connected to rewards and punishments in the organization. In recent times however, the concept of developing employees based on the appraisal has gained popularity. While the system of performance appraisal can be effective and productive in the organization context, the problems in appraisal are related to its application and implementation. It can therefore be said that a well designed and well implemented performance appraisal systems adds value to the organization.

Key Words: *Concept, Objectives, Process, Methods, Uses, Ethics, Problems, Barriers, Principles and Conclusion.*

Concept of Performance Appraisal

Performance appraisal can be defined as the process of evaluation the performance of an employee and communication the results of the evaluation to him/her the purpose of rewarding or developing the employee.

Performance can be defined as the degree of accomplishment of tasks by the employee in his/her job. However, most organizations use a combination of both efforts and results. Performance appraisal is also termed as performance review, annual review or annual appraisal.

Performance appraisal is the process of assessing and analyzing the employee performance on present job and expecting his potential for future job. Its aim is to measure what an employee does.

It is a powerful tool to analyze the caliber and performance of the employee.

Objectives of Performance Appraisal

- To estimate the performance of the employees over a given period of time.
- To fill the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- to strengthen the relationship between superior – subordinates and management – employees in all dimensions.
- To diagnose the strengths and weakness of the individuals
- To provide feedback to the employees regarding their p[resent and previous performance.
- To reduce the grievances of the employees.

A performance appraisal system should provide for recognition of employee performance in the face of adverse external influences, if any. For example, the performance appraisal of a sales person should take into account the effects of a slump in the market or high inflation rate.

The Appraisal Process

The performance standards and objectives have to be determined by the employee and the supervisor together. These have to be communicated in a simple and lucid manner to the employee.

The next step in the process of performance appraisal is the measurement of employee performance against the pre-determined goals and standards. This determines what components of the performance are to be measured. At this stage, the process of measurement, namely, how the performance components are to be measured, has to be determined.



The next step is the actual process of measurement. Performance appraisal has to be a continue process and the feedbacks should be given to the employee at the regular intervals. Making a note of the critical incidents, either positive or negative, helps the manager keep a track of the employee performance. Feedback has to be given once in 2 to 3 months, depending on the need to do so, which would help the employee in meeting his objectives.

The next step is communicating the results of appraisal to the employee concerned. It is the responsibility of the manager to make the employee feel comfortable with the whole process. Continuous feedback and orientation would ensure a simple final appraisal discussion, with very few differences of opinion.

Once the appraisal is finalized after discussing it has to be put to effective use. Though most organizations link it to the rewards system, some prefer to restrict it to the development of employees. Whatever might be the immediately put to ensure a better performance during the next appraisal periods.

Procedure for performance appraisal:

Establishing performance standards Communicating the standards and expectations Measuring actual performance Comparing with standards Discussing results Decision making

Methods of Performance Appraisal

Several methods and techniques are used for evaluating employee performance. These may be classified in to Traditional and Modern methods.

Traditional Methods

1. **Straight Ranking Method:** is technique, evaluator assigns relative ranks to all employees in the same work unit doing the same job. Employees are ranked from the best to the poorest on the basis of overall performance. The relative position of an employee is reflected in the numerical rank. It is one of the simplest methods. It is time saving and comparative evaluation technique of appraisal.
2. **Paired comparison method** – This method is relatively simple. Under this method , the appraiser ranks the employees by comparing one employee with all other employees in to group , one at a time this method result each employee being given a positive comparison total and a certain percentage of total positive evaluation. This percentage of positive comparison given in paired comparison method has an advantage over the comparative methods (Rating forced distribution)

Paired comparison does not force distribution of employees in each department. This method could be employed fairly easily where the number of the employees less this means that where the number is fairly large the technique may time consuming. Another limitation of this technique is that employees are simply compared to each other on total performance rather than specific job criteria.

3. **Grading method** - under this method, the rater considers certain factors, and marks them accordingly to a scale. The selected factor may be analytical ability, co-operation, dependability, self-expression, job knowledge. They may be grades as 'A' – outstanding, 'B'- very good, 'C'-good/average, 'D'-fair, 'E'- poor. The actual performance of an employee is then compared with these grade definitions and he is allotted the grade which best described his performance.
4. **Graphic rating scales method** –this is simplest and widely used method. This method is also known as linear rating scale or simple rating scale. The rater is given a printed form for each employee to be rated. The form contains several characteristics relating to the personality and performance of employee. Intelligence, attitude, quality of world, leadership skills, judgment, etc. are some of characteristics. This method is widely used as it is easy to understand. It allows a statistical tabulation of scores and, a ready comparison of scores among the employees is possible. The approach is multi-dimensional as several significant dimensions of the job can be considered in evaluation.
5. **Forced choice Distribution method** - In this method, the rating elements are several sets of pair's phrases or adjectives relating to job proficiency or personal qualification. The rate is asked to indicate which of the phrases is most and least descriptive of the employee.



6. **Checklist method** - In this method, series of questions are presented concerning an employee's behavior. Here rater does not evaluate employee performance; he supplies reports about it and the personnel department do the final rating.
7. **Weight check list method:-** The check list provides to the evaluator containing statements relating to work related behavior of the employees. Under this check list method, the items having significant importance for organizational effectiveness are given weightier. In this weights are assigned to different statements to indicate their relative importance.
8. **Free Essay Method** - This method requires the manager to write a short essay describing each employee's performance during the rating period. This format emphasis evaluation of overall performance based on strengths /weaknesses of employee performance rather than specific job dimensions. By asking superior to enumerate specific examples of behaviors, the essay technique minimizes superior's bias and halo effect. The time involved in separate essays about each employee can be formidable. Essays are not emendable for evaluation and analysis: fifty essays describe different employee performance cannot be tried to merit increases and promotion possibilities because there is no common standard. Another inherent limitation of this method is that the evaluator may have unequal skills in writing the essays. A skillful writer can present a more dramatic case about an employee than an award writer or superior. Thus, the quality of the ratings depends, not actually on employee performance, but on the writing ability of the rater.

9. **Critical incident method:**

Employees are rated discontinuously, i.e., once in a year or six months under the earlier methods. The performance rated may not reflect real and overall performance as the rater would be serious about the appraisal just two or three weeks before the appraisal.

It is a continuous appraisal method. under this method the supervisor continuously records the critical incident of the employee performance or behaviors relating to all characteristics in a specially designed note book the supervisor rates the performance of his subordinates on the basis of the notes taken by him and it can be fruitfully employed as documentation of the reasons why the employee was rated in certain way.

The critically incident method has the advantages of being objective because rater considers the records of performance rather than subjective point of opinion for example mood emotional balance, relationship between superior and subordinates. This critically helps in reducing bias in evaluation. However, the system is the same manner by all raters.

Next, the rater may resent recording events continuously over a period of time. The question of discounting precious time of the executive is also involved here. Because of the time require d to write complete profile or critical incident, manager can be asked instead to records sketchily notes these could be transformed into detailed descriptions for completing a rating scale of some kind.

10. **Confidential report:-** A confidential report by the immediate supervisor is a still major detriment of the subordinates promotion or transfer. This is a traditional form of appraisal used in most government organizations. It is a descriptive report prepared by the employee's immediate superior. This report highlights the strengths and weakness of the subordinates.
11. **Forced distribution method** - In these techniques the rater appraises an employee according to a pre-determined distribution scale. It is assumed that it is desirable to rate only two factors by this method that is Job performance and promo ability. For this purpose a five poking performance scale is used without any descriptive statement& employees are placed between two extremes of good and bad performance.
12. **Group Appraisal:** Under this method, an employee is appraised by a group of appraisers; this group consists of the immediate supervisor of the employee and the group members who have close contact with the employee's work.
The head of the department or manager may be the chairman of the group and the immediate supervisor may act as the coordinator for the group activities. this method is widely used for purposes of promotion and retrenchment appraisal.



Modern Methods

1. **Assessments Center Method** - An assessments center is a group employee drawn from different work units. These employees work together on assignments similar to the one they would be handling when promoted. The most important feature of the assessments center is job-related simulations. Evaluators observe and rank the performances of all participants. This group evaluates all employees both individually and collectively by using simulations techniques like role-playing.

Business games and in-basket exercises? Employees are evaluated on the basis of job related characteristics considered important for job success. The evaluators prepare a summary report and feedback on interpersonal skills, communicating ability and organize the activities etc. Assessments centers are not only methods of appraisal but help to determine training and development needs of employees and provide data for human resource planning.

2. Human Resource Accounting Method

Human Resource deals with cost of and contribution of human resource to the organization. Cost of the employee includes cost of man power planning, recruitment, selection, induction, placement, training, development, wages and benefits. Employee contribution is the money value of employee service which can be measured by labour productivity or value added by human resources.

Employee performance can be taken as positive when contribution is more than the cost and performance can be viewed as negative if cost is more than contribution. Positive performance can be measured in terms of percentage of excess of employee contribution over the cost of employee. Similarly, negative performance can be calculated in terms of percentage of deficit in employee contribution compared to the cost of employee. These percentages can be ranked "zero" level. Performance is judged in terms of costs and contributions of employees. Costs of human resources consist of expenditure on human resource planning, recruitment, selection, induction, training, compensation, etc. Contribution of human resources is the money value of labour productivity or value added by human resources. Difference between cost and contribution will reflect the performance of employees. This method is still in the transitory stage and is, therefore, not popular at present.

3. Behavioral Anchored Rating Scales (BARS) - This method combines graphic rating with critical incidents method. BARS are descriptions of various degrees of behavior relating to specific performance dimensions.

The rater records the observable job behaviour of an employee and compares these observations with BARS. In this way an employee's actual behaviour is judged against the desired behavior. These steps involved are: -

1. **Identify Critical Incidents** - Persons with knowledge of the identify job to be appraised describe specific examples of both effective and ineffective job behaviors.
2. **Select Performance Dimensions** - The persons then cluster the behavioral incidents into a smaller set (usually 5-10) of performance dimensions.
3. **Retranslate the Incidents** - Another group of knowledgeable persons assign each incident to the dimension that it best describes. Incidents for which there is less than 75% agreement with the first group are not retranslated.
4. **Assign scales to incidents** - The second group rates each incident on a 7 or 9 point scale. Rating is done on the basis of how well the behavior described in the incident represents the performance on the appropriate dimensions. Means (average) and standards deviations are then calculated for the scale values assigned to each incident.
5. **Develop Final Instrument** - A subset of the incidents that meets both the retranslation and standard deviation criteria is used as a behavioural anchor for the final performance dimensions. A final BARS instrument typically comprises a series of vertical scales that are endorsed by the include incidents. Each incident is positioned on the scale according to its mean value.

4. 360 Degrees Performance Appraisal - The latest approach to performance evaluation is the use of 360-Degree evaluations. It provides the feedback about employee performance from the full circle of daily contacts that an employee might have, ranging from mailroom personnel to customers to bosses to Peers. The number of appraisals can be as few as three or four evaluations or as many as 20; with most organizations collecting five to ten per employee.

A recent survey shows that about 12 percent of American organizations are using full 360-degree programmes but the trend is growing. Companies currently using this approach include Alcoa, DuPont, Levi Strauss, Honetwell, UPS, Sprint, Amoco, AT&T, and W.L.Gore & Associates.



What's the appeal of 360-degree evaluation?

This is the most effective and efficient accurate method to evaluate on employee performance. According to this everyone who relates to the employee and with his job will give appraisal on him. Those are from CEO to lower order person in the organization

1. Immediate Superior

As we, implied, about 95 percent of all performance evaluations at the lower and middle levels of the organization are conducted by the employee's immediate boss. Yet a number of organizations are recognizing the drawbacks to using this source of evaluation. For instance, many bosses feel unqualified to evaluate the unique contributions of each of their employees.

Others resent being asked to "Play God" with their employees' careers. Additionally, with many of today's organizations using self-managed teams, telecommuting, and other organizing devices that distance bosses from their employees, an employee's immediate superior may not be a reliable judge of that employee's performance.

2. Peers

Peer evaluations are one of the most reliable sources of appraisal data. Why because, peers are closed to the action. Daily they interact with employee and peers as raters they have independent judgments. A boss can offer only a single evaluation, but peers can provide multiple appraisals. Sometimes peer evaluations are biased because of friendship and other relations. And sometimes, some of the peers are given false evaluation because of negative reasons which have in their inner sense.

3. Self-Evaluation

Self-evaluations get high marks from employees themselves; they tend to lessen employees' defensiveness about the appraisal process; and they make excellent vehicles for stimulating job performance discussions between employees and their superiors. However, as you might guess, they suffer from over inflated assessment and self-serving bias. Moreover, self-evaluations are often low in agreement with superior's ratings. Because of these serious drawbacks, self-evaluations are probably better suited to developmental uses than evaluative purposes.

4. Immediate Subordinates

A fourth judgment source is an employee's immediate subordinates. Immediate subordinate's evaluations can provide accurate and detailed information about a manager's behavior because the evaluators typically have frequent contact with the evaluation. The obvious problem with this form of rating is fear of appraisal from bosses given unfavorable evaluations. Therefore, respondent anonymity is crucial if these evaluations are to be accurate.

This system has the following advantages:

- Higher validity and reliability of the evaluation.
- Self evaluation by the employees gets compared with the perception of others.
- Helps in maximizing employee potential in the face of challenges.

Advantages

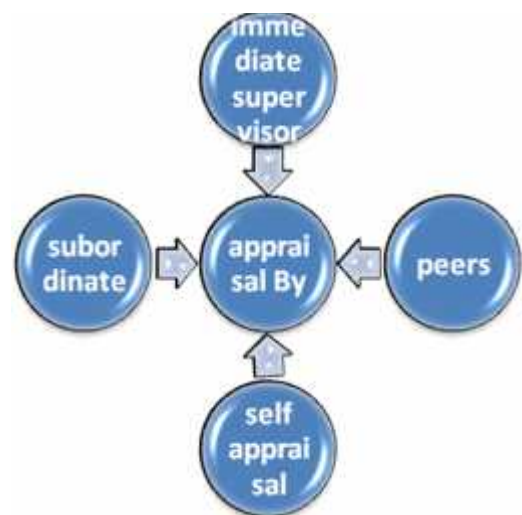
- Ratings are likely to be accurate because these are done by experts.
- The method is more reliable and valid as it is job specific and identified observable and measurable behavior.
- Ratings are likely to be more acceptable due to employee participation
- The use of critical incidents is useful in providing feedback to the employee being rated.

Limitations

- It is a time consuming process and cost effective to develop BARS for every job.
- Behaviors used are more activity oriented than results oriented.

6. Process of MBO

Management by objectives is one of the latest and most dynamic approaches developed in the field of management. It is not merely a tool and technique of management. It is an approach or a system or philosophy of management. It is goal oriented. It is a process which superiors and





subordinates sit together to identify the common objectives and set the results which are to be achieved by the subordinates

- Set Organization Goals –
- Defining Performance Targets -.
- Performance Reviews - Feedback - ADVANTAGES :
- Ends –means chain
- Role clarity
- Objective appraisal
- Motivation and commitment
- Management development
- Co-ordination

Uses of Performance Appraisal

A good appraisal system has many uses. Some of them are given below:

- Training and development needs of employee can be determined.
- Organizational effectiveness can be improved by improving the individual performances of employees.
- The performance system forms the basis for compensation management in the organization, in addition to other methods like market surveys.
- Can be used for basis for transfers, promotions and other career planning activities of the individual employee.
- An effective performance appraisal system also helps in succession planning in the organization.
- Cross-functional transfers and job enrichment exercises etc. can be taken up, based on inputs from the appraisal system.
- Human resources of the firm can be evaluated based on the competency and skill set and potential of the work force. This provides the base for human resource planning.
- An assessment of the value of the human resource helps in organizational planning.
- The performance appraisal system also helps in evaluating and auditing the existing plans, process and systems in the organization.

Ethics of Performance Appraisal

Every performance management system needs the support of the top management and the acceptance of the workforce of the success. Without these, any system will be a failure. The employees of the organization have to be convinced about the effectiveness and importance of the appraisal system. They should have trust in the process of implementation of the system. Performance appraisals systems turn out to be ineffective due to implementation errors, rather than design effects. Some of them are

- Making the ratings more measurable and quantifiable.
- Reducing subjectivity by using multi-rater feedback.
- Using instruments/methods which have hidden weights or keys attached to them.
- Having the feedback evaluated by the third party like the HR department

Problems of Appraisal

There are three significant factors which deter or impede objective evaluation. These factors are:

1. The Halo Effect or Error

The 'halo effect' is a "tendency to let the assessment of an individual one trait influence the evaluation of that person other specific traits. The 'halo' effect refers to the tendency to rate an individual consistently high or low or average on the various traits, depending upon whether the rater's overall impression of the individual is favourable or not.

The 'halo' effect problem can be removed by:

Providing a five to ten minutes training programs to the evaluators; Restructuring the questions by requiring the evaluator to consider each question independently; and Having the evaluator appraise all rates on each dimension before going to the next dimension.

2. Leniency or Strictness Tendency or Constant Errors

Superiors consistently assign 'high values' to their employees, while at other times they may have a tendency to assign consistently 'low ratings'. The former tendency is known as 'positive leniency error', while the latter as 'negative leniency



error'. The tendency can be avoided by holding meetings or training sessions for raters so that they may understand what is required of them in rating.

3. The Central Tendency Problem

It is the most commonly found error. It assigns 'average rating' to all the employees with a view to avoiding commitment or involvement, or when the rater is in doubt or has inadequate information or lack of knowledge about the behavior of the employee, or when he does not have much time at his disposal. The ranking tools are aimed at avoiding this problem.

Barriers to Effective Performance Appraisal

- The rater has faulty assumption about an employee who comes under the performance appraisal system.
- An employee may act indifferently while being appraised.
- It is presumed that no appraisal method can provide accurate evaluation of an employee.
- Employees feel that the opinion of superior is not valid one. The reason is that the superior may provide inaccurate appraisal.
- There are some psychological factors responsible for ineffective performance appraisal. The psychological factors include appraisal as an extra work to the appraiser, which arises of conflict with subordinates, and the appraiser unwilling to remark the inefficiency of subordinates and so on.
- There is no clear cut standard for work performance to compare with actual performance.
- A rater may be influenced by the rate's good or bad performance of any type of work. The rater can assess the employee on the basis of first impression for the entire performance as such.
- The prevailing family or friendship relationship between the rater and rate.
- The inability of the superior to evaluate the employee's performance is also one of the barriers to effective performance appraisal.
- If there is any carelessness on the part of rater, inaccurate evaluation will be obtained.
- The likes and dislikes of the rater may influence his performance appraisal.

Principles of Effective Performance Appraisal

A systematic Performance appraisal should be an accurate and reliable one. The reliability and accuracy of performance appraisal is obtained the barriers of performance appraisal are overcome by the management. The management may take the following measures to overcome the barriers of Performance appraisal. Single employee is rated by two raters. One is the rating should be done by an immediate superior of any subordinate in an organization.

A separate department may be created for effective performance appraisal. The rating is conveyed to the concerned employee. It helps in several ways. The employee can understand the position where he stands and where he should go. The plus point of an employee should be recognized. At the same time, the minus points should not be highlighted too much but they may be hinted to him. The management should create confidence in the minds of employee. The standard for each job should be determined by the management. Separate printed forms should be used for performance appraisal to each job according to the nature of the job.

Conclusion

Employees are valuable resource to every organization. That's why every organization has to identify their calibers. For that organization has to assess the performance. For that organizations use different types of appraisal tools. Performance appraisal tool is essential to every organization to evaluate and assessing the employee performance. And identifying the potentiality of the employee's on current job.

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