

COURSE: PRINCIPLES OF HUMAN RESOURCE MANAGEMENT

LECTURE 11: PERFORMANCE APPRAISAL

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Lecture learning outcomes:

At the end of the lecture, you will be able to:

- 1. Explain and discuss the concept of performance appraisal**
- 2. Examine the performance appraisal process**
- 3. Discuss methods of performance appraisal**

PERFORMANCE APPRAISAL

Performance appraisal or Performance evaluation is a method of evaluating the behaviour of employees in a workplace, normally including both the quantitative and qualitative aspect of job performance. Performance here refers to the degree of accomplishment of the tasks that makeup an individual's job. It indicates how well an individual fulfilling the job demands. Performance is measured in terms of results. Thus, Performance appraisal is the process of assessing the performance or progress of an employee, or a group of employees on the given job, as well as his potential for future development. Thus, performance appraisal comprises all formal procedures used in organisations to evaluate contributions, personality, and potential of individual employees. In other words, performance appraisal includes the comparison of performance scales of different individuals holding similar areas of work responsibilities and relate to determination of worth of the scales for the achievement of organisaton objective.

According to Edwin 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 Cummings, The overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilise the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including the salary reviews the development and training of individuals, planning job rotation and assistance promotions.

According to Wendell French, Performance appraisal and review in the formal, systematic assessment of how well employees are performing their jobs in relations to establish standards and the communication of that assessment to employees.

According to Dale Yoder, Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a

continuous process to secure information necessary for making correct and objective decisions on employees.

Performance appraisal is a systematic evaluation of the employees performance at work. Performance appraisal is a process of evaluating an employees performance on a job in terms of its requirement. It is a process of estimating or judging the value, excellence, qualities of status of some object, person or thing.

Performance appraisal is a formal programme in an organisation which is concerned with not only the contributions of the members who form part of the organisation but aims at spotting the potential also. The satisfactory performance is only a part of the system as a whole and the management needs more information than mere performance ratings of the subordinates.

Performance appraisal is the systematic evaluation of the individual with respect to his performance on the job and his potential for development. Performance appraisal is concerned with determining the differences among the employees working in the organisation. Generally, the evaluation is done by the individual's immediate superior in the organisation and whose performance is reviewed in turn by his superior. Thus, everyone in the organisation who rates others below him is also rated by his superiors, Performance appraisal employs rating techniques for comparing individual employees in the work group, in terms of personal qualities or deficiencies and the requirements of their respective jobs.

Characteristics of Performance Appraisal

1. **A Process:** Performance appraisal is not a one-act play. It is rather a process that involves several acts or steps.
2. **Systematic Assessment:** Performance appraisal is a systematic assessment of an employee's strengths and weakness in the context of the given job.
3. **Main Objective:** The main objective of it is to know how well an employee is going for the organisation and what needs to be improved in him.
4. **Scientific Evaluation:** It is an objective, unbiased and scientific evaluation through similar measure and procedures for all employees in a formal manner.
5. **Periodic Evaluation:** Although informal appraisals tend to take place in an unscheduled manner (on continuous) basis with the enterprises a supervisors evaluate their subordinates work and as subordinates appraise each other and supervisors on a daily basis, yet the systematic (i.e., formal) appraisal of an individual employee is likely to occur at certain intervals throughout that person's history of employment (say quarterly, six monthly, annually, etc.)
6. **Continuous Process:** In addition to being periodic performance usually is an ongoing process. It means that appraisals are regularly scheduled and are not dumped on the employee on whimsical dates without relevance. The process has not been broken in person's history of employment however, the periodicity of appraisal may be changed as per needs of the situation.

7. **Employee Feedback:** Performance appraisal system provides information to employees on how well they are doing their jobs, and this feedback is provided to them when it is relevant. Performance appraisal is also called Employee Rating and Service Rating. Performance appraisal and merit rating are used synonymously. But strictly speaking performance appraisal is a wider term than merit-rating. In merit rating the focus is on judging the calibre and worth of an employee so as to place him on right job. On the other hand, performance appraisal focuses on the performance and future potential of the employee. Its aim is not simply to decide placement or promotion but to measure the value of worker in different job situations.

Purpose of performance appraisal.

1. Appraisal Procedure: It provides a common and unified measure of performance appraisal, so that all employees are evaluated in the same manner. It gives an indiscriminatory rating of all the employees.

2. Decision Making: Performance appraisal of the employees is extremely useful in the decision making process of the organization. In selection, training, promotion, pay increment and in transfer, performance appraisal is very useful tool.

3. Work Performance Records : Performance appraisal gives us a complete information in the form of records regarding every employee. In the case of industrial disputes even arbitrator accepts these records in the course of grievance handling procedure.

4. Employees Development: Performance appraisal guides the employees in removing their defects and improving their working. The weaknesses of the employee recorded in the performance appraisal provide the basis for an individual development programme. If properly recorded and used, the performance appraisal gives the fair opportunities to employees to correct and rectify their mistakes.

5. Enables Supervisors to be More Alert and Competent: Performance appraisal enables supervisor to be more alert and competent and to improve the quality of supervision by giving him a complete record of employee's performance. He can guide an employee, where he is prone to commit mistakes.

6. Merit Rating: Merit rating is another name of performance appraisal, it gives supervisors a more effective tool for rating their personnel. It enables them to make more careful analysis of employee's performance and make them more productive and useful.

7. Improves Employer Employee Relations: Performance appraisal is not only a useful guide for the supervisors and employees but it improves the employer-employee relations by creating a more conducive and amicable atmosphere in the organization. It also stimulates free exchange of thoughts and ideas between the supervisor and his men. In this way performance appraisal bridges

the emotional gap between the employer and employee by bringing them more close and by reducing man-toman differences in the organization.

Uses of performance appraisal

Performance appraisal helps the employees in Self improvement and Self-development. It helps the management in taking decisions about Placement, Promotions, Transfer, Training and Development, etc. It helps to achieve individual and organisational goals. It is useful to the employees and the organisation. Therefore, Performance Appraisal should be conducted objectively from time to time. The employees should not oppose it. However, they should see that the performance appraisals are systematic, fair and impartial. It should not be for punishing the employees. It should be for improving the employees and their performances.

1. **Help in Deciding Promotion:** It is in the best interest of the management to promote the employees to the positions where they can most effectively use their abilities. A well-organised, development and administered performance appraisal programme may help the management in determining whether an individual should be considered for promotion because the system not only appraises the worth of the employee on the present job but also evaluates his potentialities for higher job.
2. **Help in Personnel Actions:** Personnel actions such as layoffs, demotions, transfers and discharges etc. may be justified only if they are based on performance appraisal. While in some cases, actions are taken because of unsatisfactory performance of the employee, in some other cases it may be called for due to some economic conditions beyond control such as changes in production process. In former case, the action can only be justified on the basis of the result of performance appraisal.
3. **Help in Wage and Salary Administration:** The wage increase given to some employees on the basis of their performance may be justified by the performance appraisal results. In some cases appraisal, i.e., merit and seniority are combined for higher salaries on better positions.
4. **Help in Training and Development:** An appropriate system of performance appraisal helps the management in devising training and development programmes and in identifying the areas of skill or knowledge in which several employees are not at par with the job requirements. Thus the appraisal system points out the general training deficiencies which may be corrected by additional training, interviews, discussions or counselling. It helps in spotting the potential to train and develop them to create an inventory of executives.
5. **Aid to Personnel Research:** Performance appraisal helps in conducting research in the field of personnel management. Theories in personnel field are the outcome of efforts to find out the cause and effect relationship between personnel and their performance. By studying the various problems which are faced by the performance appraiser, new areas of research may be developed in personnel field.

6. **Help in Self Evaluation:** Performance appraisal helps the employee in another way also. Every employee is anxious to know his performance on the job and his potentials for higher jobs so as to bring himself to the level of that position.
7. **Help in Creating Healthy Competition:** Performance appraisal brings out the deficiencies and shortcomings of the employees. Discussions between rater and rates may be conducted in a spirit of co-operation and mutual understanding. This gives an opportunity to the employer to have an insight on their performance and to take corrective measures to improve upon their performance.

Essentials of an Effective Performance Appraisal System

The following are the essentials of an effective Performance Appraisal System

1. Mutual Trust: The existence of an atmosphere of confidence and trust so that both supervisor and employee may discuss matters frankly and offer suggestions which may be beneficial for the organisation and for an improvement of the employee. An atmosphere of mutual trust and confidence should be created in the organisation before introducing the appraisal system. Such an atmosphere is necessary for frank discussion of appraisal. It also helps to obtain the faith of employees in the appraisal system.

2. Clear Objectives: The objectives and uses of performance appraisal should be made clear and specific. The objectives should be relevant, timely and open. The supervisor must very thoroughly evaluate the employee's performance so that he is capable of meeting challenges about his ratings of his subordinate.

3. Standardisation: Well-defined performance factors and criteria should be developed. These factors as well as appraisal form, procedures and techniques should be standardised. It will help to ensure uniformity and comparison of ratings. The appraisal techniques should measure what they are supposed to measure. These should also be easy to administer and economical to use. The appraisal system should be performance based and uniform. Employees should be made fully aware of performance standards and should be involved in setting the standards.

4. Training: Evaluators should be given training in philosophy and techniques of appraisal. They should be provided with knowledge and skills in documenting appraisals, conducting post appraisal interviews, rating errors, etc.

5. Job Relatedness: The evaluators should focus attention on job-related behaviour and performance of employees. The results of performance rather than personality traits should be given due weight. Suggestions for improvement should be directed towards the objective facts of the job (such as work schedules, output, reports completed, sales made, losses incurred, profits earned, accomplishments, etc.). Joint plans for the future must be developed after consultation with subordinates. The individual as a person should never be criticised.

6. Strength and Weaknesses: The raters should be required to justify their ratings. The supervisor should try to analyse the strength and weaknesses of an employee and advise him on correcting the weakness.

7. Feedback and Participation: Arrangements should be made to communicate the ratings to both the employees and the raters. The employees should actively participate in managing performance and in the ongoing process of evaluation. The superior should play the role of coach and counsellor. The overall purpose of appraisals should be developmental rather than judgmental.

8. Individual Differences: While designing the appraisal system, individual differences in organisations should be recognised. Organisations differ in terms of size, nature, needs and environment. Therefore, the appraisal system should be tailor-made for the particular organisation. The needs of rates in terms of feedback, mobility, confidence and openness should also be considered.

9. Post Appraisal Interview: A post-appraisal interview should be arranged so that employees may be supplied with feedback and the organisation may know the difficulties under which employees work, so that their training needs may be discovered.

10. Review and Appeal: A mechanism for review of ratings should be provided. Which particular technique is to be adopted for appraisal should be governed by such factors as the size, financial resources, philosophy and objectives of an organisation. The results of the appraisal, particularly when they are negative, should be immediately communicated to the employees, so that they may try to improve their performance.

Steps in Appraising Performance

Various steps in appraising performance of employees are as follows :

- 1. Establishing Performance Standard:** The process of evaluation begins with the establishment of Performance Standards. While designing a job and formulating a job description, performance standards are usually developed for the position. These standard should be very clear and not vague, and objective enough to be understood and measured. These standard should be discussed with the supervisors to find out which different factors are to be incorporated. Weights and points to be given to each factor and these then should be indicated on the Appraisal Form, and later on used for appraising the performance of the employees.
- 2. Communicating Performance Expectations to Employees:** The next important step is to communicate the aforesaid standards to the concerned employees. Their jobs and job-related behaviour should be clearly explained to them. It should be noted that job related behaviours are those critical behaviour that constitute job success. The employee should not be presumed to guess what is expected of him. It should be noted that here communication means that the standards have been transmitted to the employee and he has received and understood them a two-way communication, i.e., transference of information from the manager to the subordinate regarding expectations, and feedback from the subordinate to the manager that this information has been received and understood in same context and contents.
- 3. Measuring Actual Performance:** The third step is the measurement of actual performance. To determine what actual performance is, it is necessary to acquire information about it should be concerned with how we measure and what we measure. Four sources of information are frequently used to measure actual performance, personal observation, statistical reports, oral reports and written reports.

4. **Comparing Actual Performance with Standards :** The next step is comparison of actual performance with the standards. By doing so the potentiality for growth and advancement of an employee can be appraised and judged. Efforts are made to find out deviations between standard performance and actual performance.
5. **Discussing the Appraisal with the Employee:** After comparing actual performance with standards, the next step is to discuss periodically the appraisal with the employee. Under this discussion good points, weak points, and difficulties are indicated and discussed so that performance is improved. The information that the subordinate receives about his performance assessment has a great impact of his self-esteem and on his subsequent performance. Conveying good news is considerably less difficult for both the manager and the subordinate than when performance has been below expectations.
6. **Initiating Corrective Action:** The final step is the initiation of corrective action whenever necessary. Immediate corrective action can be of two types. One is immediate and deals predominantly with symptoms. The other is basic and delves into causes. Immediate corrective action is often described as putting out fires whereas basic corrective action gets to the source of deviation and seeks to adjust the difference permanently. Coaching and counseling may be done or special assignments and projects may be set. Persons may be deputed for formal training courses, and decision making responsibilities and authority may be delegated to the subordinates. Attempts may also be made to recommend for salary increases or promotions, if these decisions become plausible in the light of appraisals. It should be noted that the above details may vary from organisation to organisation, but these steps usually form the principal steps/features of a sound evaluation programme.

METHODS OF PERFORMANCE APPRAISAL

Traditional Methods of Performance Appraisal

There are different techniques/methods which are used for performance appraisal of employees. Some of the methods of performance appraisal are:

1. Ranking Method: Ranking method is the oldest and simplest method of rating. Here, each employee is compared with all others performing the same job and then he is given a particular rank i.e. First Rank, Second Rank etc. It states that A is superior to B. B is superior to C and so on. This method ranks all employees but it does not tell us the degree or extent of superiority i.e. by how much one employee is superior to another. Secondly, this ranking is based on only mental assessment so it is not possible to give any objective proof about why the rater has ranked one employee as superior to another. In this method, the performance of individual employee is not compared with the standard performance. Here, the best is given first rank and poorest gets the last rank. The ranking method is highly subjective. Similarly, here the employees are compared as a whole. Comparison of the various parts of an employee's performance is not done.

2. Grading Method: Under this method of performance appraisal, different grades are developed for evaluating the ability of different employees and then the employees are placed in these grades. These grades may be as follows:

- (i) Excellent
- (ii) very good
- (iii) Good
- (iv) Average
- (v) Bad
- (vi) Worst

3. Man-to-Man Comparison Method: This method was first used in USA army during the 1st World War. Under this method, few factors are selected for analysis purposes. These factors are : leadership, dependability and initiative. After that a scale is designed by the rate for each factor. A scale of person is also developed for each selected factor. Each person to be rated is compared with the person in the scale, and certain scores for each factor are awarded to him/her. In other words, instead of comparing a whole man to a whole man personnel are compared to the key man in respect of one factor at a time. We can use this method in job evaluation. This method is also known as the Factor Comparison Method. In performance appraisal, it is not of much use because the designing of scale is a very difficult task.

4. Graphic Rating Scale Method of Performance Appraisal: This is the very popular, traditional method of performance appraisal. Under this method, scales are established for a number of fairly specific factors. A printed form is supplied to the rater. The form contains a number of factors to be rated. Employee characteristics and contributions include qualities like quality of work, dependability, creative ability and so on. These traits are then evaluated on a continuous scale, where the rater places a mark somewhere along the scale. The scores are tabulated and a comparison of scores among the different individuals is made. These scores indicate the work of every individual.

MODERN METHODS OF APPRAISAL

Most of the traditional methods emphasise either on the task or the worker's personality, while making an appraisal. For bringing about a balance between these two, modern methods, have been developed. The details of these methods are as follows:

- 1. Management by Objective (MBO):** It was Peter F. Drucker who first gave the concept of MBO to the world in 1954 when his book. The Practice of Management was first published. Management by objective can be described as, a process whereby the superior and subordinate managers of an organisation jointly identify its 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.

Essential Characteristics of MBO

- 1. A Philosophy:** Management by objective is a philosophy or a system, and not merely a technique.
 - 2. Participative Goal Setting:** It emphasises participative goal setting.
 - 3. Clearly Define Individual Responsibilities:** Management by objective (MBO) clearly defines each individual's responsibilities in terms of results.
 - 4. Accomplishment of Goal:** It focuses a tension on what goal must be accomplished rather than on how it is to be accomplished (method).
 - 5. Objective Need into Personal Goal:** MBO converts objective need into personal goals at every level in the organisation.
- It Establishes Goals Yardsticks:** It establishes standards or goals yardsticks as operating guides and also as basis of performance evaluation.
- 7. Efforts to Blend and Balance Goals:** It is a system intentionally directed toward effective and efficient attainment of organisational and personal goals.

Objectives of MBO

The objective of MBO is to change behaviour and attitudes towards getting the job done. In other words, it is results-oriented. It is performance that counts. It is a management system and philosophy that stress goals rather than methods. It provides responsibility and accountability and recognises that workers or employees have needs for achievement and self-fulfillment. It meets these needs by providing opportunities for participation in goal setting process. Subordinates become involved in planning their own careers.

The Process of MBO

It is as follows

- 1. Establishment of Goal:** The first step is to establish the goals of each subordinate. In some organisations, superiors and subordinates work together to establish goals. While in other organisation, superiors establish goals for subordinates. The goals typically refer to the desired outcome to be achieved. Thereafter these goals can be used to evaluate employee performance.
- 2. Setting the Performance Standard:** The second step involves setting the performance standard for the subordinates in a previously arranged time period. As subordinates perform, they know fairly well what there is to do, what has been done, and what remains to be done.
- 3. Comparison of Actual Goals with the Standard Goals:** In the third step the actual level goal attainment is compared with the standard goals. The evaluator explores reasons of the goals that were not met and for the goals that were exceeded. This step helps to

determine possible training needs. It also alerts the superior to conditions in the organisation that may affect a subordinate but over which the subordinate has no control.

4. Establishing New Goals, New Strategies: The final step involves establishing new goals and, possibly, new strategies for goals not previously attained. At this point, subordinate and superior involvement in goal-setting may change. Subordinates who successfully reach the established goals may be allowed to participate more in the goal-setting process next time. The process is repeated.

Benefits or Advantages of MBO

The benefits of MBO are as follows

1. **Balanced Focus on Objectives:** MBO forces the management to set objectives with balanced stress on key result area. Thus, crisis conditions are avoided to take place in the organisation.
2. **Better Managing Things:** MBO forces managers to think about planning for results, rather than merely planning activities or work. Managers are required to ensure that the targets are realistic and needed resources are made available to subordinates to achieve the targets. Clearly set objectives for the subordinates serve as evaluation standards and motivators for them. Thus, MBO results in improvement in managing.
3. **Better Organising:** The positions in the enterprise can be built around the key result areas. Managers are required to clarify organisational roles and structures hence better organising.
4. **MBO Reduces Role Conflict and Ambiguity :** Role conflict exists when a person is faced with conflicting demands from two or more supervisors; and role ambiguity exists when a person is uncertain as to how he will be evaluated, or what he has to achieve. Since MBO aims at providing clear targets and their order or priority, it reduces both these situations.
5. **It Provide more Objective Appraisal Criteria:** The targets emerge from the MBO process provide a sound set of criteria for evaluating the manager's performance.
6. **More Motivation :** MBO helps and increases employee motivation because it relates overall goals to the individual's goals : and help to increase an employee's understanding of where the organisation is and where it is heading.
7. **Managers Complete with themselves:** Managers are more likely to complete with themselves than with other managers. The kind of evaluation can reduce internal conflicts that often arise when managers compete with each other to obtain scarce resources.
8. **Develop Personal Leadership:** MBO helps the individual manager to develop personal leadership, especially the skills of listening, planning, controlling, motivating, counseling and evaluating. This approach to managing instills a personal commitment to respond positively to the organisation's major concerns as well as to the development of human resources.
9. **MBO Identifies Problem Early:** It identifies problems better and early. Frequent performance review sessions makes this possible.

10. Identifies Performance Deficiency: MBO identifies performance deficiencies and enables the management and the employee to set individualised self improvement goals and thus proves effective in training and development of people. Mc Gregor points out that MBO, in most of the cases, does some good without costing much. He further point out, under proper conditions, participation and consultative management provide encouragement to people to direct their creative energies towards organisation objectives, give them some oice in decisions which affect them, and provide sufficient opportunities for satisfaction of social, egoistic and self-fulfillment needs

Disadvantages of MBO

1. **Unfavourable Attitude of Managers:** Some executives have an attitude that the regular attention required of them by Management by objectives system, drawn heavily on their busy time-schedule and is not consistent with their roles. They feel that it is not so effective a way as some other approaches. Some view their roles as primarily involving policy-making, budget formulation etc.
2. **Difficult to Apply MBO Concepts:** Those executives who have been involved very often find it difficult to apply MBO concepts to their own work habits. They find it hard to think about the results of work rather than the work itself. They tend to over emphasize goals that the easy to quantify, sometimes forgetting that workers often behave almost like children at play-when the game no longer challenges, interest is soon last.
3. **Heavy Paper Work:** MBO involves a huge amount of news letter, instruction booklets, training manuals, questionnaires, performance data review and appraisals report to be prepared by the superior and subordinates. Thus MBO is said to have created one more paper mill in organisation added to the already existing large amount of paper work.
4. **Tug of War:** There is sometimes tug of war in which the subordinates try to set the lowest targets possible and the supervisors the highest.
5. **Time Consuming:** MBO is time consuming especially in the early phases of its introduction when employees are unfamiliar with its process. A number of pitfalls have been indicated, by the researchers, in the way of effective working of MBO programmes. The reasons for failure in the MBO process are : hasty implementation, unknowledgeable users, lack of management follow through, and support, over emphasis on structure, treatment of another gimmick, failure to carefully monitor and encourage the MBO process during hard initial year of implementation. MBO can be effective technique for performance evaluation and for motivating subordinates, by developing communication between executives at all levels. Those at the bottoms must be willing to listen to the voice of experience, and those at the bottoms must be willing to listen to the voice of experience, and those at the top willing to accept fresh idea from lower echelon employees. Similarly, executives must keep abreast of new programmes, especially the modern ideas that have been developed in the academic circles.

2. Assessment Centre Method This concept was first applied to military situations by Simoniet in the Geran Army in the 1930s and the War office Selection Board of the British Army in the year 1960. The main objective of this method was and is to test candidates in a social situation, using a number of assessors and variety of procedures. The most important characteristic of the assessment centre is job-related simulations. These simulations involve characteristics that managers feel are important to the job success. The evaluators observe and evaluate participants as they perform activities commonly found in these higher level jobs. In this method many evaluators join together to assess the performance of employee in several situations with the use of variety of criteria. It is used mostly to help select employees for the first level (the lowest) supervisory positions. The assessments are made to find employee potential for the purpose of promotions. The assessment is generally done with the help of a couple of employees and involves a paper-and pencil test, interviews, and situational exercises. The main features of the techniques are given below:

- i. **Leaderless Discussion:** The use of situational excises such as an in-basket exercise, business game, a role-playing incident and leaderless group discussion.
- ii. **Highly Experienced Evaluator:** Evaluators are drawn from experienced managers with proven ability at different level of management.
- iii. **Employee's Individual and Collective Evaluation:** The evaluators evaluate all employees, both individually and collectively, and each candidate is given one of the three categories more than acceptable, less than acceptable and unacceptable.
- iv. **Preparation of Summary Report:** A summary Report is made by the members, and a feedback on a face-to-face basis is administered to all the candidates who ask for it.

Objectives of Assessment Centres

The centres are used for the following purposes:

1. For implementing affirmative goals.
2. For making an early determination of potential.
3. For providing accurate information relating with human resource planning.
4. For determining individual training needs of employees.
5. For selecting recent college students for entry level position.
6. For measuring potential for first level supervision, sales and upper management positions and also for higher levels of management for development purposes. The characteristics assessed in a typical assessment centre include assertiveness, persuasive ability, communicating ability, planning and organisaional ability, self-confidence, resistance to stress, energy level, decision-making, sensitivity to the feeling others, administrative ability, creativity, and mental alertness etc.

Procedure

The Assessment centre programme commonly used as follows :

- i. **Firstly:** A leadership group is made each member supporting a predefined position, but the group must arrive at consensus.
- ii. **Secondly:** A task force is used with an appointed leader, who decides on a course of action.
- iii. **Thirdly:** Simulation games and in-basket exercises are used to test organisational and planning abilities
- iv. **Fourthly:** Oral report is made by the candidate, which tests his communication skills and straight into his present position.
- v. **Fifthly and Lastly :** Personal interviews, and projective tests are used to assess work motivation, career orientation, and dependence on other. Paper and pencil tests measure intellectual ability. The duration of Assessment centre programme varies with the persons. For instance, centre designed to select first line supervisors, sales personnel, and management trainee generally last for a day or less; while those used for higher-level managers may run for two or three days or longer if used for developmental and not for selection purposes.

Drawbacks

These are as follows :

- (i) **Exam Syndrome:** One of the most obvious drawbacks is the examination-taking syndrome solid performer in day-to-day operations feel suffocated in the simulated environment.
- (ii) **Adverse Effect on Potential:** Another drawback is its potential adverse effect on those not selected to participate in the exercise.
- (iii) **Negative Reaction:** Employees who receive a poor report from the centre may react in negative way.
- (iv) **Poor Report Demoralises Employee:** A good performer at one level may leave the organisation in order to remove the bad assessment report from his or her work record. Thus, a poor report can demoralise an employee who was once an asset.
- (v) **Other Problems:** Other problems include-strong and unhealthy sense of competition among the assesses, difficulty of conducting test frequently, and the possibility of over emphasising the test performance. However, a well-conducted assessment centre can and does achieve better forecasts of future performance and progress than other methods of appraisal. Apart from that reliability, content validity, and predictive validity are said to be high in the assessment centres. This test helps in making sure that the wrong people are not hired or promoted.

3. Human Asset Accounting Method

This technique refers to money estimates to the value of a firm's internal human organisation and its external customer goodwill. If well trained employees leave a firm, the human organisation is worthless; if they join it, its human assets are increased. if distrust and conflict prevail, the human enterprise is devalued. If team work and high morale prevail, the human organisation is a very valuable asset. The current value of a firm's human organisation can be evaluated by developed procedures by undertaking periodic measurements of key casual and intervening enterprise variables. The key casual variables include the structure of an organisation's management policies, decisions, business leadership, skills, strategies, and behaviour. The intervening variables indicate

the internal state and health of an organisation. They include loyalties, attitudes, motivations, and collective capacity for effective interaction, communication and decision-making. These two types of variable measurements must be made over several years to provide the needed data for the computation of the human asset accounting.

4. Behaviourally Anchored Rating Scales (BARS): This method is also called behavioural expectation scales. These are the rating scales whose scale points are determined by statements of effective and ineffective behaviour. They are said to be behaviourally anchored in that the scales represent a range of descriptive statements of behaviour varying from the least to the most effective. A rater must indicate which behaviour on each scale best described an employee's performance.

Behaviourally anchored rating scales (BARS) are having 5 steps

- a) **Generate Critical Incidents:** Persons with knowledge of the job to be appraised (job holders/supervisors) are asked to describe specific illustrations (critical incidents) of effective performance behaviour.
- b) **Develop Performance Dimensions:** These people then cluster the incidents into a smaller set (or say 5 or 10) of performance dimensions. Each cluster (dimension) is then defined.
- c) **Reallocate Incidents:** Any group of people who also know the job then reallocate the original critical incidents. They are given the cluster's definitions, and critical incidents, and asked to redesign each incident to the dimension it best described. Typically a critical incident is retained if some percentage usually (50 to 80%) of this group assigns it to the same cluster as the previous group did.
- d) **Scale of Incidents:** This second group is generally asked to rate (7 or 9 point scales are typical) the behaviour described in the incident as to how effectively or ineffectively it represents performance on the appropriate dimension.
- e) **Develop Final Instrument:** A subset of incident (usually 6 or 7 per) cluster are used as behaviour anchors for the performance dimensions. BARS were developed to provide results which subordinates could use to improve performance superiors would feel comfortable to give feedback to the ratee. Further, BARS help to overcome rating errors. Unfortunately, the method too suffers from distortions inherent in most rating techniques.

6. 360o Appraisal

In 360-degree performance appraisal technique a manager is rated by everyone above, alongside and below him. 360 degree approach is essentially a fact-finding, self correcting technique, used to design promotions. The personality of each top manager – their talents, behavioural traits, values, ethical standards, tempers, loyalties – is to be scanned, by their colleagues as they are best placed to diagnose their suitability for the job requirements. In this method a questionnaire is structured to collect required data about a manager from his bosses, peers, subordinates. 360-degree approach of assessment provides equal opportunity to evaluate the efforts of the top manager or managers in running a company effectively. It

focuses on the intrinsic qualities of the manager as well as his capacity to lead. It also gives feedback to all assesses on their styles.

Merits of 360-Degree Approach: The merits of the technique are

- a) The organisation gains from the self-awareness of the top managers. It reveals strengths and weaknesses in their managing styles.
- b) The gap between self assessment and the views of one's colleagues is reduced.
- c) Teamwork thrives once peer group assessment is included in the methodology.
- d) Empowerment is facilitated.
- e) Facts about the organisational culture are brought to light.
- f) Inflexible managers are forced to initiate change in their style:

Demerit of 360-Degree Approach : The main drawbacks of this approach are as follows :

1. 360-degree approach can be utilised to humiliate people.
2. Response from colleagues tends to be biased.
3. Linking rewards to findings can prove to be unfair.
4. The results could be uneven. This technique identifies most suitable and acceptable person for the consideration of promotion. 360-degree approach supports the company's progress and rewarding the excellent performance of an individual.

Limitations of Performance Appraisal

The main limitations of Performance Appraisal are explained below

- 1. Time Consuming:** Performance appraisal is a time taking affair. It is a very lengthy process under which different forms are to be filled in and various observations are required to be noted in a careful manner.
- 2. Lack of Reliability:** Reliability implies stability and consistency in the measurement. Lack of consistency over time and among different raters may reduce the reliability of performance appraisal.
- 3. Incompetence:** Raters may fail to evaluate performance accurately due to lack of knowledge and experience. Post appraisal interview is often handled ineffectively.
- 4. No Uniform Standards:** The standards used for appraisal purpose are not uniform within the same organisation. This makes the rating unscientific. Similarly, the rating is done on the basis of an overall impression, which is not proper.
- 5. Absence of Effective Participation of Employees:** In performance appraisal effective participation of concerned employee is essential. In many methods of appraisal he is given a passive role. He is evaluated but his participation or self evaluation is rather absent.
- 6. Resistance of Employees to Appraisal:** Employees oppose the system as they feel that the system is only for showing their defects and for punishing them. The managers resist the system as they are not willing to criticize their subordinates or have no capacity to guide them for self improvement or self development.
- 7. Paperwork:** Some supervisors feel that performance appraisal is paperwork. They make such complaints because many a times, performance appraisal reports are found only in the files rather than rendering any practical use.

8. Fear of Spoiling Relations: Performance appraisals may also affect superior-subordinate relations. As appraisal makes the superior more of a judge rather than a coach, the subordinate may look upon the superior with a feeling of a suspicion and mistrust.

9. Stereotyping: This implies forming a mental picture of a person on the basis of his age, sex, caste or religion. It results in an over-simplified view and blurs the assessment of job performance.

10. Negative Approach: Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employees.

11. Multiple Objective : Raters may get confused due to too many objectives or unclear objective of performance appraisal.

12. Resistance: Trade unions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations and industrial relations particularly when employees/unions do not have faith in the system of performance appraisal.

13. Halo Effect: Generally, there is the presence of 'a halo' effect which leads to a tendency to rate the same individual first, which once have stood first.

14. Individual Differences: Some people are more distinct while some are very liberal in assigning the factors, points or number to the employees. They are unable to maintain a fair distinction between two individuals. It also nullifies the utility of this system.

15. Unconfirmed: Sometimes the results of performance appraisals are not confirmed by other techniques of motivation, incentive wages plans and so on. Factors are introduced in the managerial appraisal because of a fact or bias in the person concerned conducting the appraisal.

Questions

1. Define Performance appraisal. How is performance appraisal useful?
2. Discuss the meaning and purpose of Performance Appraisal.
3. What are the main objectives/purposes of performance Appraisal ? Discuss the important reasons of benefits which justify the existence of a system of performance appraisal in an enterprises.
4. Discuss the role of a Performance Appraisal System in an Organisation.
5. Explain the importance of Performance Appraisal in Human Resource Management.
6. What is Performance Appraisal? What are its Objective? Explain
7. Describe the Process of Evaluating Employees Performance.
8. Describe in detail the process of Performance Appraisal.
9. Performance Appraisal is not merely for appraisal but is for accomplishment and improvement of performance. Discuss.

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