**Performance Appraisal**

Performance appraisal is a process of evaluation of employee's performance of a job. It is essential for the management to know the performance of the employees of the job because the employees are the human beings and they differ in their skills, abilities, strengths, aptitudes, likings etc. It enables the management to know the degree of these differences. This affects the quality and quantity of work. It facilitates to know the comparative worth of the employees. The worthy employees be suitably rewarded and wrong placing of the employees be corrected.

The performance appraisal, started in 1915 when Walter. D. Scott adopted the system of evaluating the performance of U. S. Army personnel’s during World War I. Now it has become a routine for every organization. It is a process of judging the excellence, abilities and qualities of the personnel’s. It establishes the comparative worthiness of all the employees of the organization. It is now a part of personnel function. Personnel appraisal is done by the supervisor or a specially trained person meant for the job. The various rating techniques are available for comparing the individual performance of a job at a work place.

**#Definitions of Performance Appraisal:**

It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally."

* According to Scott, Clothier and Spriegal, “Performance appraisal is a process of evaluating an employee’s performance for a job in terms of its requirements.”
* According to Dale Beach performance appraisal means “the systematic evaluation of the individual with respect to his performance on the job and his or her potential for development.”

**Objectives of Performance Appraisal:**

(A) **Administrative Purposes:**

1. **Promotion And Placement of Employees:**

Performance Appraisal is used to promote employees as per their competence and performance in the previous period.  Performance appraisal is useful for the selection of right person for the right type of promotion.

1. **Transfers And Demotions:**

Performance appraisal reports can be used for taking final decisions on transfers and demotions.  Various personnel decisions can be taken correctly when based on impartial performance appraisal.

1. **Wage And Salary Payment:**

Wage increase is based on the performance appraisal reports.  Along with other factors that decides wage, performance appraisal is given due weight age.

1. **Personnel Research:**

Performance appraisal serves as a feedback to the management in the field of personnel research.  It serves as a base for the conduct of research activities in personnel management.

1. **Strengthen the relationship:**

Helps to strengthen the relationship and communication between superior – subordinates and management – employees.

1. **Judge the effectiveness:**

To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.

1. **Organizational control:**

Performance appraisal always help the management in exercising organizational control.

(B) **Self Improvement Of Employees:**

* To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
* To evaluate and compare the performance of an employee in contrast to other employees.
* To discover hidden skills and talent.
* To assess whether the employee is on the right job or not.
* To know about the career opportunities that should be provided to an employee.
* To reduce the grievances of the employees.
* To provide feedback to the employees regarding their past performance.
* Provide information to assist in the other personal decisions in the organization.
* To judge the gap between the actual and the desired performance.

**# Methods of Performance Appraisal**

There are many methods and techniques of performance appraisal. These methods and scales differ for varying plain reasons. There are differences in job requirements hence qualities required to perform jobs are different, therefore different methods of ratings are required. The differences in methods are due to different personnel’s to be rated eg:-worker, foreman, salesman, clerk, supervisor, executive etc. The performance evaluation is a continuous process and made at regular intervals. It should therefore be based on objective factors and evaluate the personal qualities of the personnel’s regarding knowledge of work and capacity to perform it, initiative, leadership and confidence. The methods of personnel appraisal can be broadly divided into (1) Traditional methods and (2) Modern methods.

**Traditional Methods**

These are the old methods of performance appraisal based or personal qualities like knowledge, capacity, judgment, initiative, attitude, leadership, loyalty etc. The following are the traditional methods of merit rating or performance appraisal.

**(1) Ranking/Rating Scale Method**:

**T**he rating scale method offers a high degree of structure for appraisals. Each employee trait or characteristic is rated on a bipolar scale that usually has several points ranging from "poor" to "excellent" (or some similar arrangement).

The traits assessed on these scales include employee attributes such as cooperation, communications ability, initiative, punctuality and technical (work skills) competence. The nature and scope of the traits selected for inclusion is limited only by the imagination of the scale's designer, or by the organization's need to know.

**Contents of appraisal:**

• Quantity of work. Volume of work under normal working conditions
• Quality of work. Neatness, thoroughness and accuracy of work Knowledge of job.
• Dependability. Conscientious, thorough, reliable, accurate, with respect to attendance, relief, lunch breaks, etc.
• Judgment
• attitude. Exhibits enthusiasm and cooperativeness on the job
• Cooperation . Willingness and ability to work with others to produce desired goals.
• Initiative.

**Rating scales:** Rating scales can include 5 elements as follows:
• Unsatisfactory
• Fair
• Satisfactory
• Good
• Outstanding

**Advantages:**
#The greatest advantage of rating scales is that they are structured and standardized. This allows ratings to be easily compared and contrasted - even for entire workforces.

#Each employee is subjected to the same basic appraisal process and rating criteria, with the same range of responses. This encourages equality in treatment for all appraisees and imposes standard measures of performance across all parts of the organization.

#Rating scale methods are easy to use and understand. The concept of the rating scale makes obvious sense; both appraisers and appraisees have an intuitive appreciation for the simple and efficient logic of the bipolar scale. The result is widespread acceptance and popularity.  **Disadvantages:**
#Selected rating-scale traits are not clearly relevant to the jobs of all the appraises. It is inevitable that with a standardized and fixed system of appraisal that certain traits will have a greater relevance in some jobs than in others.

#Rating scales, and the traits they purport to measure, generally attempt to encapsulate all the relevant indicators of employee performance. There is an assumption that all the true and best indicators of performance are included, and all false and irrelevant indicators are excluded.

#This includes various well-known problems of selective perception as well as problems of perceived meaning.

#The most common rating error is central tendency.

Finally, this method suffers from the element of subjectivity, and lacks fairness in assessing the real worth of a person. It becomes a difficult task when large number of persons are to be appraised.

**(2) Essay Method:**

**I**n the essay method approach, the appraiser prepares a written statement about the employee being appraised.

The statement usually concentrates on describing specific strengths and weaknesses in job performance. It also suggests courses of action to remedy the identified problem areas.

The statement may be written and edited by the appraiser alone, or it be composed in collaboration with the appraisee.

**Advantages:**
#The essay method is far less structured and confining than the rating scale method. It permits the appraiser to examine almost any relevant issue or attribute of performance.

#This contrasts sharply with methods where the appraisal criteria are rigidly defined.

#Appraisers may place whatever degree of emphasis on issues or attributes that they feel appropriate. Thus the process is open-ended and very flexible. The appraiser is not locked into an appraisal system the limits expression or assumes that employee traits can be neatly dissected and scaled.

**Disadvantages:**
#Essay methods are time-consuming and difficult to administer. Appraisers often find the essay technique more demanding than methods such as rating scales.

#The techniques greatest advantage - freedom of expression - is also its greatest handicap. The varying writing skills of appraisers can upset and distort the whole process. The process is subjective and, in consequence, it is difficult to compare and contrast the results of individuals or to draw any broad conclusions about organizational needs.

**Modern Methods:**

As an improvement over the traditional methods or to remove the defects from old methods. Some modern methods of judging the performance of employees are developed. These modern methods are discussed below.

**I)Management By Objectives (M. B. O.) :**

Peter Drucker has developed this method. Management by objective is a system approach to management. Under this method a target is fixed for performance and is rated on the basis of the achievement of the target. It is a method of measuring the performance against results. The target or goal is fixed with agreement between the supervisor and the worker. They also discuss the contents of the job and key areas of results, reasonable objectives are then fixed for a year. This approach is based on clear and time bound objectives or targets. It minimizes the controlling efforts as the workers are serf motivated as the target is set with their consultation. This method is applicable only when setting of targets is possible.

**Advantages:**
# The MBO approach overcomes some of the problems that arise as a result of assuming that the employee traits needed for job success can be reliably identified and measured.

# Instead of assuming traits, the MBO method concentrates on actual outcomes.

# If the employee meets or exceeds the set objectives, then he or she has demonstrated an acceptable level of job performance. Employees are judged according to real outcomes, and not on their potential for success, or on someone's subjective opinion of their abilities.

# The guiding principle of the MBO approach is that direct results can be observed, whereas the traits and attributes of employees (which may or may not contribute to performance) must be guessed at or inferred.

# The MBO method recognizes the fact that it is difficult to neatly dissect all the complex and varied elements that go to make up employee performance.

# MBO advocates claim that the performance of employees cannot be broken up into so many constituent parts - as one might take apart an engine to study it. But put all the parts together and the performance may be directly observed and measured.

**Disadvantages:**#MBO methods of performance appraisal can give employees a satisfying sense of autonomy and achievement. But on the downside, they can lead to unrealistic expectations about what can and cannot be reasonably accomplished.

#Supervisors and subordinates must have very good "reality checking" skills to use MBO appraisal methods. They will need these skills during the initial stage of objective setting, and for the purposes of self-auditing and self-monitoring.

#Unfortunately, research studies have shown repeatedly that human beings tend to lack the skills needed to do their own "reality checking". Nor are these skills easily conveyed by training. Reality itself is an intensely personal experience, prone to all forms of perceptual bias.

#One of the strengths of the MBO method is the clarity of purpose that flows from a set of well-articulated objectives. But this can be a source of weakness also. It has become very apparent that the modern organization must be flexible to survive. Objectives, by their very nature, tend to impose a certain rigidity.

#Of course, the obvious answer is to make the objectives more fluid and yielding. But the penalty for fluidity is loss of clarity. Variable objectives may cause employee confusion. It is also possible that fluid objectives may be distorted to disguise or justify failures in performance.

#### II) [360 degree performance appraisal](http://www.humanresources.hrvinet.com/360-degree-performance-appraisal/)

360 Degree Feedback is a system or process in which employees receive confidential, anonymous feedback from the people who work around them.

#### Who should conduct 360 degree performance appraisal?

• Subordinates.
• Peers.
• Managers (i.e. superior).
• Team members.
• Customers.
• Suppliers/ vendors.
• Anyone who comes into contact with the employee and can provide valuable insights and information.

#### What’s 360 degree measures?

• 360 degree measures behaviors and competencies.
• 360 degree addresses skills such as listening, planning, and goal-setting.
• 360 degree focuses on subjective areas such as teamwork, character, and leadership effectiveness.
• 360 degree provide feedback on how others perceive an employee.

#### 360 degree appraisal has four components:

• Self appraisal
• Subordinate’s appraisal
• Peer appraisal.
• Superior’s appraisal

**Advantages of 360 degree appraisal**

Advantages of 360 degree appraisal

**1. For employees**

• Can uncover hidden lights and blind spots.
• Feedback coming from a number of different people is more likely to be accepted.
• Helps individuals gain a realistic view of how others perceive them.
• Inspires people to take ownership of their own learning and development.
• Provides feedback in a quantifiable form on a structured range of behaviors.

**2. For the team:**

• It helps people understand how their behavior influences both their own personal effectiveness and how they impact the smooth running of the organization.
• Supports teamwork by involving team members in the development process.
• Increases communication between team members.
• Higher levels of trust and better communication as individuals identify the causes of breakdowns.
• Increased team effectiveness.

**3. For the organization:**

• Better career development planning and implementation for employees.
• Improves customer service by having customers contribute to the evaluation process.
• Reinforced corporate culture by linking survey items to organizational leadership competencies and company values.
• Helps with training needs analysis.

**Essentials of a Sound Appraisal System**

A sound appraisal system should comply with the following:-

(1) The method of performance appraisal should be simple and understandable by the employees. It should not be lengthy, complicated and time consuming.

(2) The periodic performance appraisal of the employees enable them to improve their performance therefore the atmosphere of mutual understanding and confidence must be created.

(3) The approach to merit rating should be objective and free from personal bias. It should be equitable.

(4) The employees should be taken into confidence while preparing a plan for appraisal.

(5) The appraisal plans must suit to the organization structure and based on latest development in the appraisal system.

(6) The appraisal system should be objective oriented. It should fulfill the desired objectives like determining the potential for higher jobs or for sanction of annual increment in the salary or for granting promotion or for transfer or to know the requirements for training.

(7) The rater must be provided adequate training in evaluating the performance of the employees without any bias. For equitable evaluation it is a necessity.

(8) If the result of appraisal is negative and goes against the employee it should immediately be communicated to him so that he may improve his performance or he may go for appeal before the appropriate authority in case he is not satisfied. Such provisions should be made. This will enable the management to gain the confidence of the associations of the employees.

**Study Questions**

1. Explain performance appraisal. Discuss its importance.
2. Explain the traditional methods (two) of performance appraisal.
3. Discuss modern methods (two) of performance appraisal.
4. Discuss the drawbacks of performance appraisal system.
5. What are the necessary steps towards the sound appraisal system?