

Welcome Students
to
this seventh
Session in Human
Resource
Management

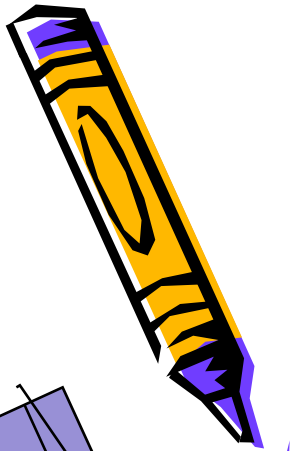


Human Resource
Management

Chapter : Seven

Title : "Performance
Appraisal"

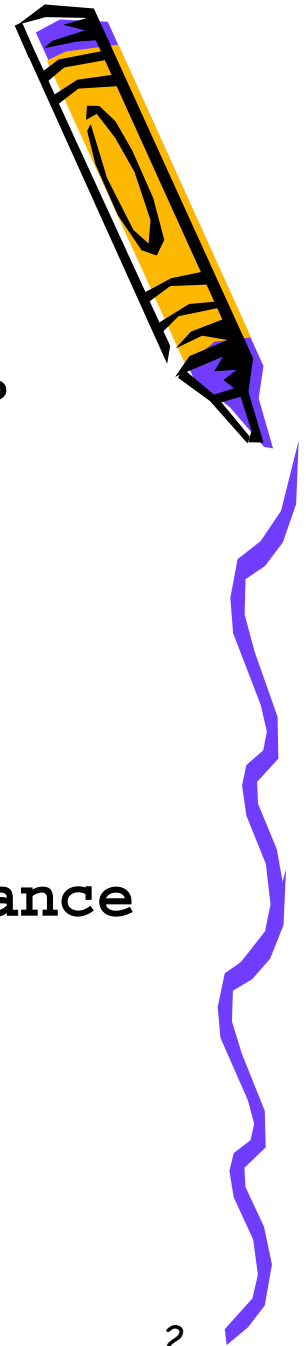
Slides : 34



Performance Appraisal

Objectives of this session

- What is Performance Appraisal?
- Importance of Performance Appraisal
- How Performance Appraisal is conducted in an organization.
- Different methods of Performance Appraisal.
- Problems faced in Performance Appraisal



Performance Appraisal

Structure of this session

- Nature of Performance Appraisal?
- Importance of Performance Appraisal
- Process of Performance Appraisal
- Annual Performance Appraisal cycle.
- Current methods of Performance Appraisal
- Future methods of Performance Appraisal
- Problems faced in Performance Appraisal
- Related reading
- Summary



Human Resource
Management



Performance Appraisal

7.1 Nature of Performance Appraisal

Performance appraisal is an objective assessment of an individual's performance against well defined benchmarks. An employee is assessed on several factors like job knowledge, quality and quantity of output, initiatives, leadership qualities etc.

The process consists of appraising employees, providing feedback and offering rewards to employees.

Earlier only past performance was assessed. These days companies focus on their future potential performance.



Performance Appraisal

7.2 Importance of Performance Appraisal

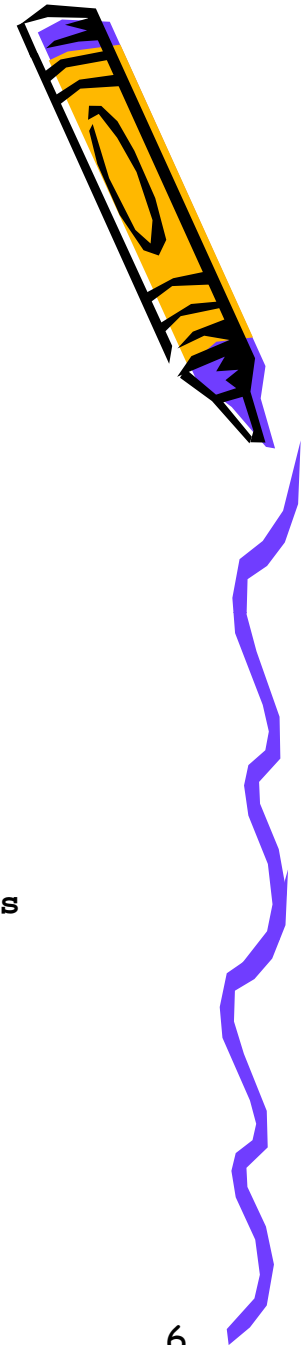
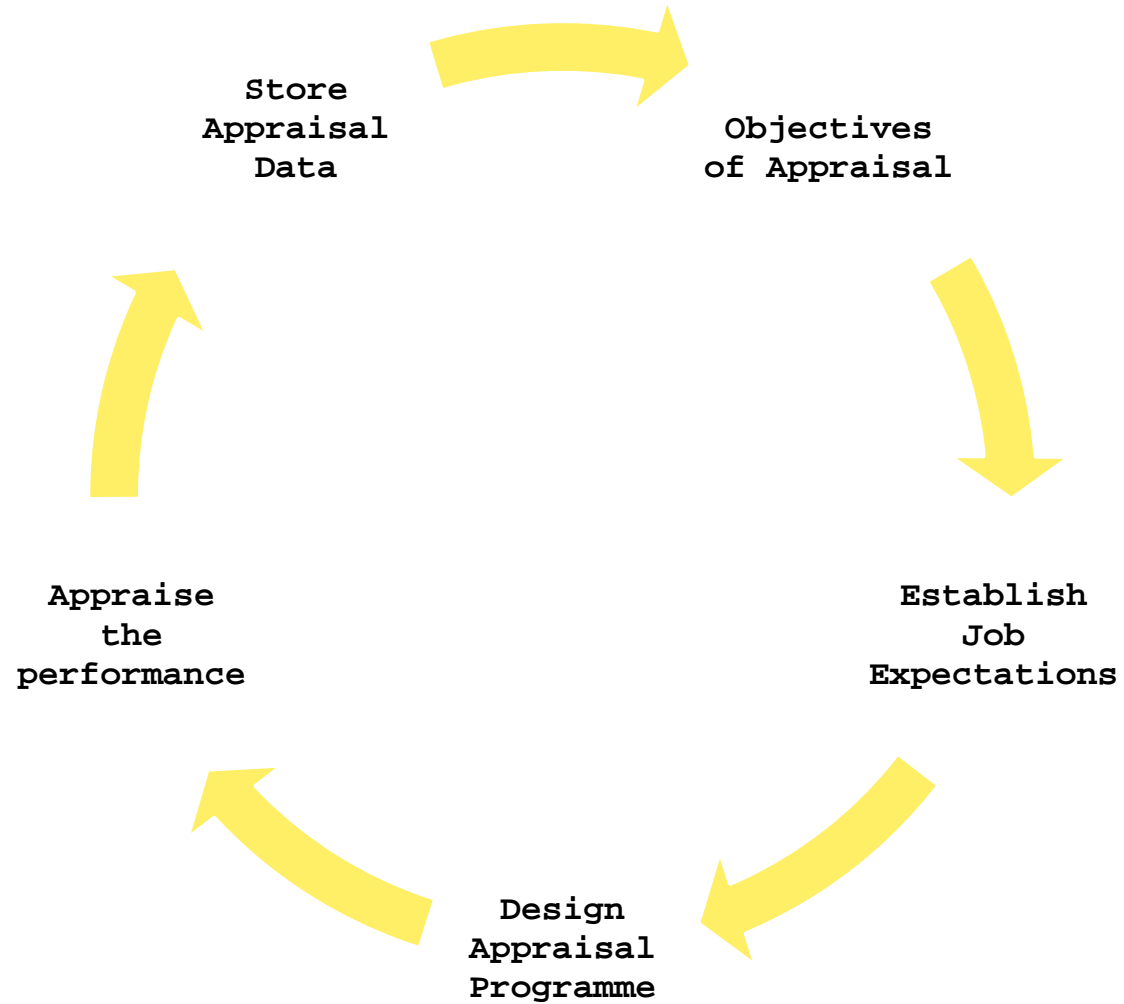
Organizations utilize performance appraisals for promotions, to identify training and development needs, for confirmation on completion of probation, to grant pay rise and to improve communications between employee and supervisor.

Employees benefit from appraisals as they know how they stand compared to their colleagues, department and organization. They also use it to increase their communication with supervisor on past performance and future goals.



Performance Appraisal

7.3 Process of Performance Appraisal



Performance Appraisal

7.3 Process of Performance Appraisal

1. Objectives of appraisal

HR has to decide objectives of appraisal in advance. They could be to lay off or improve poor performers, to effect promotions/transfers or to assess training needs or pay increases.

2. Establish Job Expectations

HR should ensure that employee has been informed about what is expected from him on the job. Usually these expectations are laid down in Job Description. There should be alignment in its understanding between employee and the supervisor.



Performance Appraisal

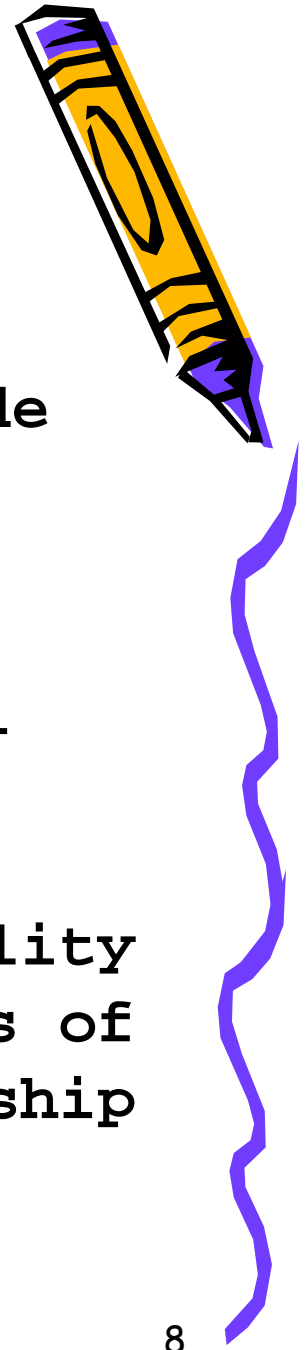
7.3 Process of Performance Appraisal

3. Design appraisal programme

To prepare the programme HR has to decide

- * whose performance is to be appraised
- * who will rate it
- * what are parameters for appraisal
- * when will appraisal take place
- * what will be the methods adopted

Usually employees are assessed on quality and quantity of their output, timeliness of output, job knowledge, leadership abilities, versatility and team spirit.



Performance Appraisal

7.3 Process of Performance Appraisal

4. Appraise the performance

It is the responsibility of HR to ensure that all deserving employees are appraised [usually by supervisors] in a timely manner and appraisals are conducted and completed in the specified time period.

5. Archiving / storing appraisal data

Appraisal data needs to be stored as decisions on pay hikes, promotions, training assessment, confirmation of employees on probation are based on appraisal records.



Performance Appraisal

7.4 Annual Performance Appraisal cycle.

The annual performance appraisal cycle involves four steps.

1. Self Appraisal: The employee himself provides feedback on his performance, normally by completing self appraisal form prepared by the HR. The form requires employee to rate him on several parameters and list his accomplishments, goals met, failures, training needs and expected career growth etc.



Performance Appraisal

7.4 Annual Performance Appraisal cycle.

2. Preparation for performance review:

The review meeting between the appraiser and employee be structured but semi-formal. The appraiser has to prepare for the review by fixing and informing time and place for review, studying employee's job description / goals, collecting evidences of performance through monthly/quarterly reports etc.

Employee should be ready with his self appraisal that has the achievements in quantifiable measures wherever possible.



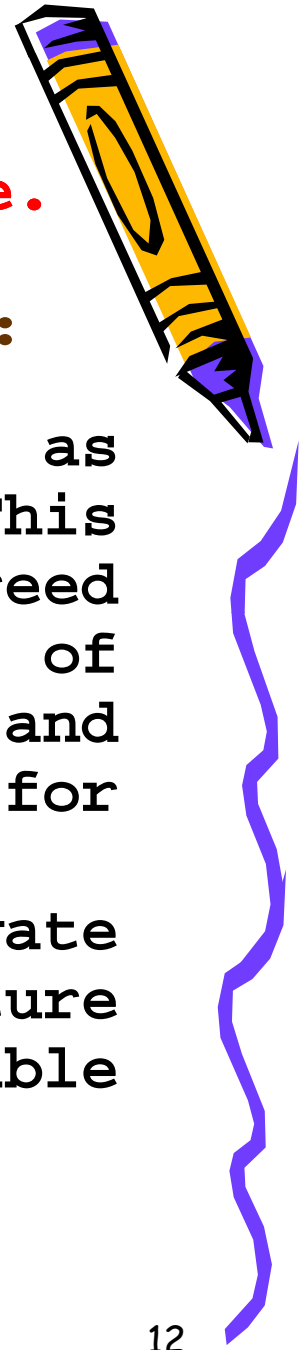
Performance Appraisal

7.4 Annual Performance Appraisal cycle.

3. Performance review - the meeting :

The review meeting is regarded as conversation with a purpose. This purpose is to reach mutually agreed conclusions about the development of the individual and his performance and if applicable, any areas and means for improvement.

The meeting is used to motivate employees to perform better in future or to reinforce current desirable behaviour.



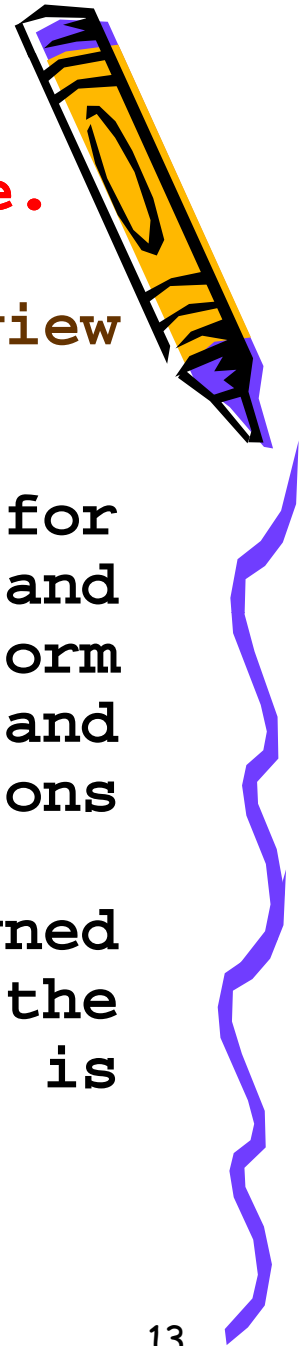
Performance Appraisal

7.4 Annual Performance Appraisal cycle.

4. Completion of performance review form :

The review form provides the basis for the review, feedback to employee, and final rating by the appraiser. The form must be completed with utmost care and objectivity as it is used for decisions on employee's career development.

The form should be approved or signed off by the employee as well as the immediate supervisor so that there is no scope for ambiguity in future.



Performance Appraisal

7.5 Current methods of Performance Appraisal.

Rating Scales:

This is a popular method because of its simplicity. Different parameters on which the employee is to be assessed are listed on the left column of the appraisal form and ratings on the scale of 1 to 5 [poor to excellent] are marked against each parameter in the next five columns. Total score appears at the end of the tabulation.

The method is very suitable when a large number of employees are to be appraised and it is effective if rating is objective and without any bias.



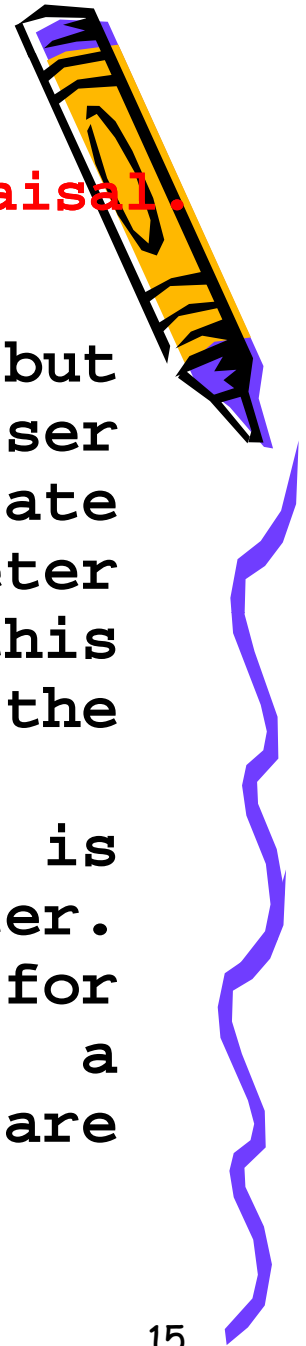
Performance Appraisal

7.5 Current methods of Performance Appraisal.

Checklist:

This method is also popular but differs from rating scales as appraiser simply ticks yes or no as appropriate against questions about each parameter that are prepared by HR. Based on this response from the appraiser HR does the actual assessment.

Since the checklist is standardized, it is easy to administer. Very little training is required for the rater. However, there is a possibility that checklist items are misinterpreted.



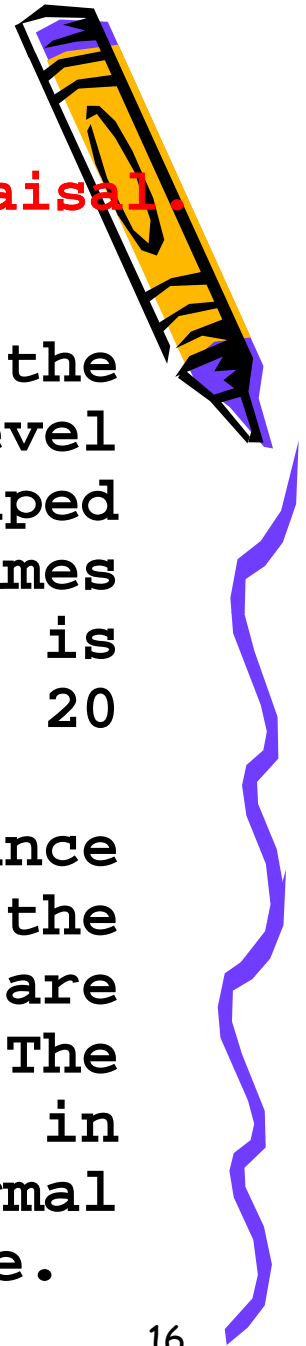
Performance Appraisal

7.5 Current methods of Performance Appraisal.

Forced Distribution Curve Method:

This method assumes that the general employee performance level conforms to a normal bell shaped statistical distribution. This assumes that performance of 10% employees is excellent, 20% good, 40% average , 20 below average and 10% poor.

Employees with poor performance have to quickly improve or leave the job. Promotions and pay hikes are reserved for excellent good scores The method forces appraiser to be strict in rating. Assumption about normal distribution is its disadvantage.



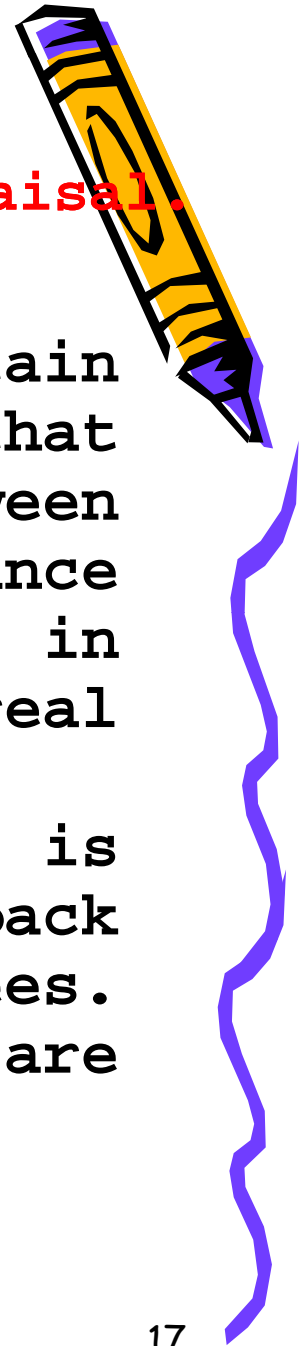
Performance Appraisal

7.5 Current methods of Performance Appraisal.

Critical Incidents Method:

This method focuses on certain critical behaviours of an employee that make all the difference between effective and non-effective performance of a job. Reduction brought about in cycle time of a process is real critical incident.

The method is useful as it is based on actual job behaviour. Feedback can be easily provided to employees. But normally negative incidents are more noticeable than positive ones



Performance Appraisal

7.5 Current methods of Performance Appraisal.

Behaviorally Anchored Rating Scales:

or BARS is a technique which combines the rating scale and critical incidents method. It consists of pre-determined behavioural statements describing important job performance qualities as good or bad. These statements are developed from critical incidents.

Thus employee's actual job behaviour is judged against desired behaviour using BARS. Developing and using BARS needs expert knowledge



Performance Appraisal

7.5 Current methods of Performance Appraisal.

Essay Method:

is used with other methods by raters to describe overall impression of the employee's performance, whether the employee can be promoted, the jobs the employee is able to perform and training and development needed by the employee.

Ranking Method:

Here the supervisor ranks subordinates in the order of their merit starting from the best to the worst. This helps in deciding the merit pay increases, promotions etc.



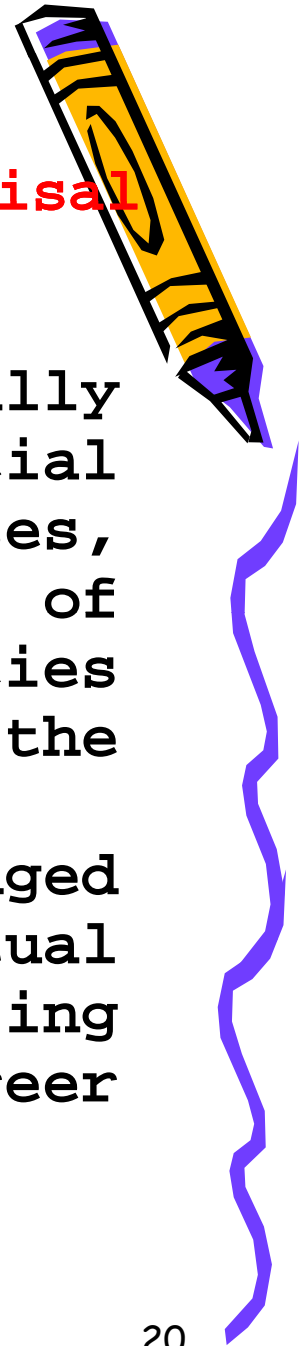
Performance Appraisal

7.6 Future methods of Performance Appraisal

Assessment Centres:

An assessment centre typically involves the use of methods like social / informal events, tests and exercises, assignments being given to a group of employees to assess their competencies to take higher responsibilities in the future.

Major competencies that are judged are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc.



Performance Appraisal

7.6 Future methods of Performance Appraisal

Human Resource Accounting Method:

Human resources are valuable assets for every organization. HR accounting method tries to find the relative worth of these assets in the terms of money. Performance is judged on the basis of cost and contribution of employees.

The difference between cost and contribution is performance of the employee. Ideally the contribution of employees should be greater than the cost incurred on them.



Performance Appraisal

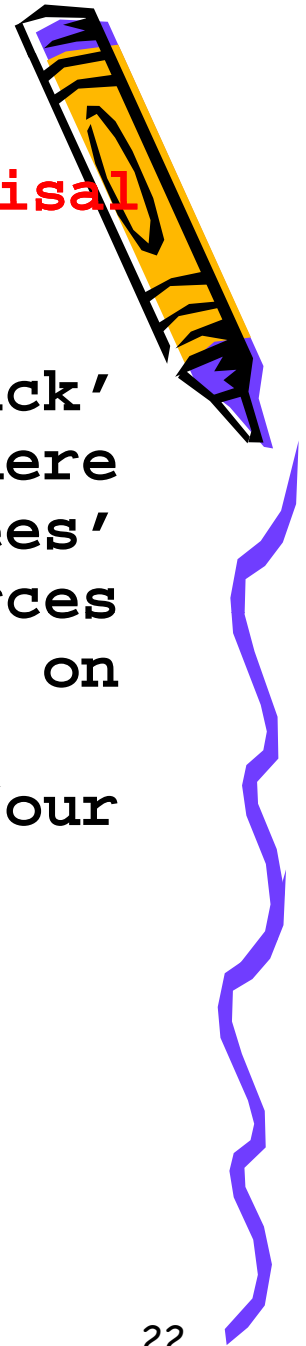
7.6 Future methods of Performance Appraisal

360 Degree Feedback:

Also known as 'multi rater feedback' is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come into contact with employee on the job.

360 degree appraisal has four integral components:

self	}	appraisal.
superior's		
subordinate's		
peer		



Performance Appraisal

7.6 Future methods of Performance Appraisal

360 Degree Feedback:

Self appraisal provides a chance to the employee to look at one's strengths and weaknesses. Superior's appraisal forms the traditional part of 360 degree appraisal. Subordinate's appraisal judges employee on parameters like communication, motivating abilities, ability to delegate and leadership qualities.

Annual 360 degree appraisal is a powerful developmental tool. It is used across the globe.



Performance Appraisal

7.6 Future methods of Performance Appraisal

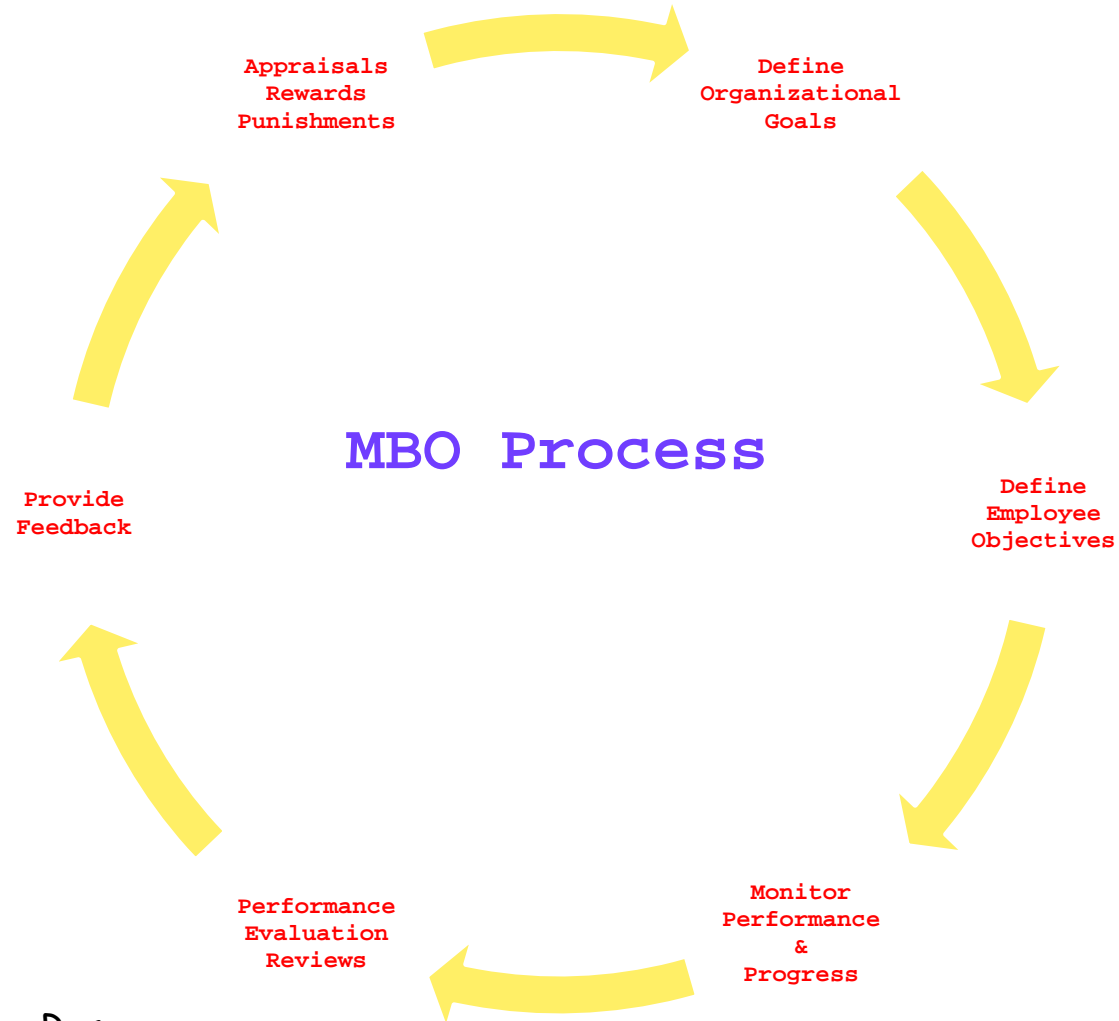
Management by Objectives: [MBO]

MBO can be defined as a process whereby the employees and superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed. The concept was first provided by Peter Drucker.

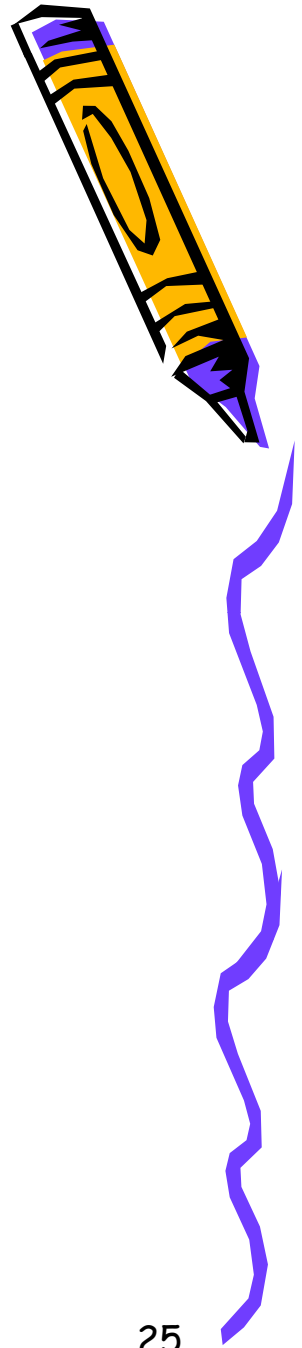


Performance Appraisal

Management by Objectives: [MBO]



Human Resource Management



Performance Appraisal

7.6 Future methods of Performance Appraisal

Management by Objectives: [MBO]

- ✓ Clarity of goals- Goals should be SMART. Specific, Measurable, Achievable, Realistic and Time bound.
- ✓ Focus on future , not past.
- ✓ Motivate employees, empower them and increase job satisfaction & commitment.
- ✓ Better communication and coordination.



Performance Appraisal

7.6 Future methods of Performance Appraisal

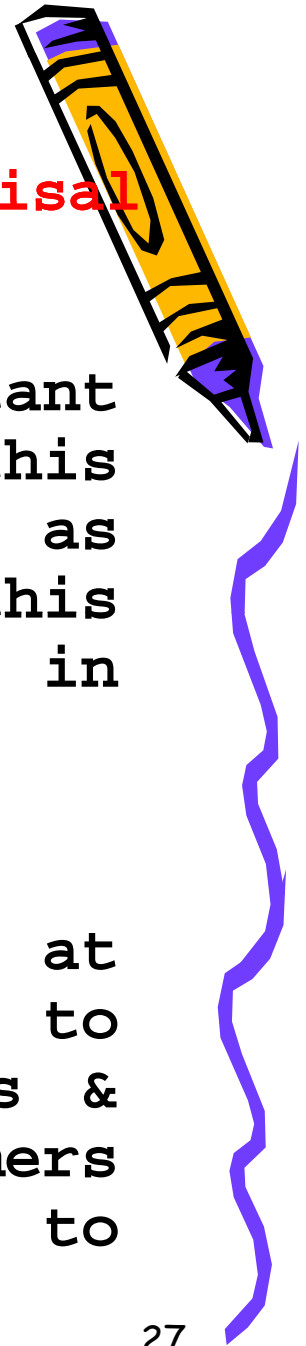
Team Performance Appraisal:

Since teams are playing more important role in today's organizations, this method appraises individuals as well as teams in which they operate. Towards this end team based objectives are included in personal objectives of employees.

Rank and Yank Strategy

Also known as "Up or out policy" aims at use of best-to worst ranking methods to identify and separate poor performers & good performers. Poor performers have to improve in given time to stay in the job.

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Performance Appraisal

7.7 Problems faced in Performance Appraisal

1. Halo effect:

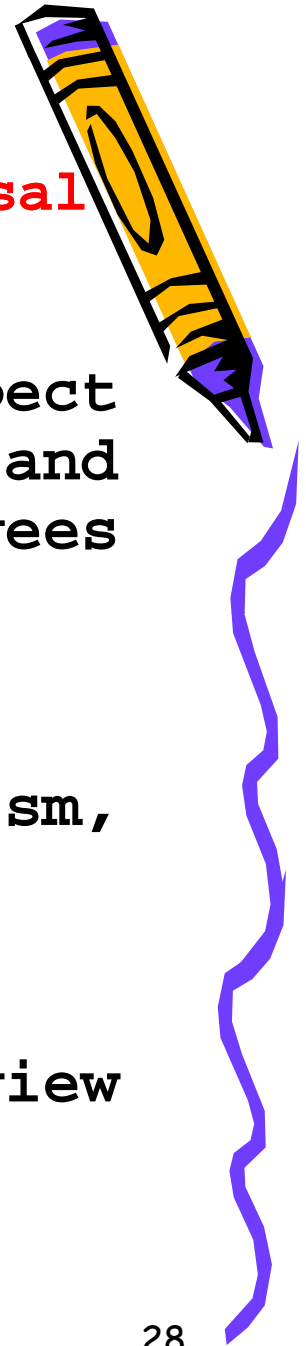
Many appraisers rate only one aspect of the individual's performance and neglect others. Also popular employees are rated high.

2. Rater effect:

This includes favoritism, stereotyping and hostility.

3. Initial and recent efforts effects:

Instead of entire period of review only initial and recent efforts are considered for rating.



Performance Appraisal

7.7 Problems faced in Performance Appraisal

4. Past Spillover effect:

Current performance is ignored and past ratings are used in current assessment.

5. Status effect:

Performance is over rated as rater thinks employee's job is of a high level.

6. Leniency or Severity effects:

Rater is lenient as he thinks rating given by them may reflect on their own performance. Or he can be severe as he is unduly critical.



Performance Appraisal

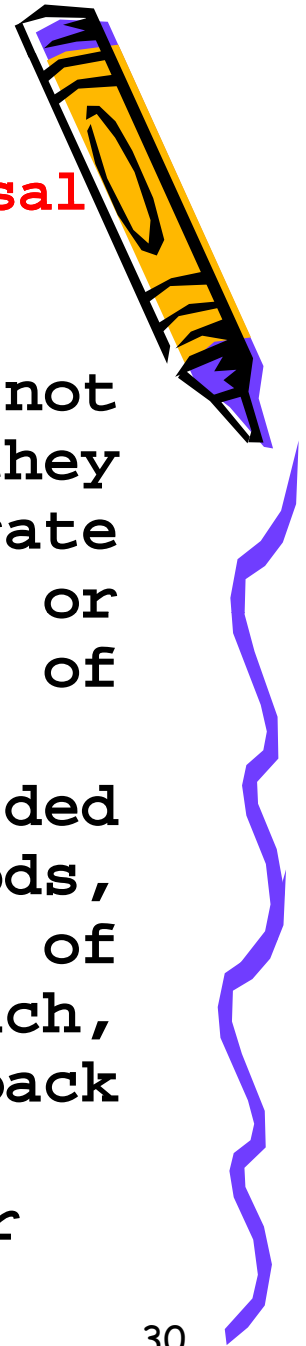
7.7 Problems faced in Performance Appraisal

7. Tendency to play safe:

Raters are not trained and do not know how to appraise employee. So they decide to play it safe and decide to rate each performance as 'satisfactory' or 'average' and defeat the objective of appraisal.

Hence adequate training be provided to raters on appraisal methods, performance documentation, contents of appraisal forms, objectivity in approach, questioning techniques, feedback techniques and interview structure.

Workshops can be arranged for this training.



Performance Appraisal

7.8 Related reading

Negative appraisal report can have demoralizing effects on the employee. They may not be able to focus on their jobs.

Employees need to cultivate self confidence and view the negative feedback as a stepping stone to be a better employee.

They should reflect on the feedback for sometime so that negative feelings are separated.

Then the employee can be crystal clear about what is expected of him and set goals for the future with clear action plans to achieve them.

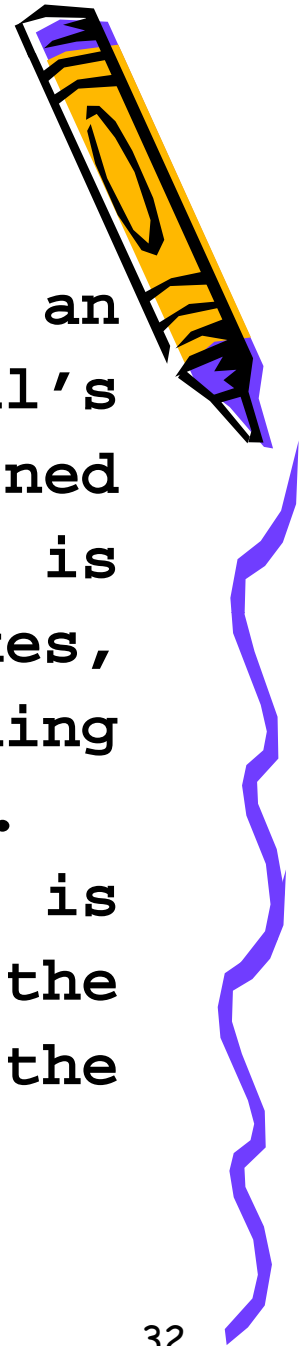


Performance Appraisal

7.9 Summary

Performance appraisal is an objective assessment of an individual's performance against well defined benchmarks. Performance appraisal is useful in determining pay hikes, promotions and the assessment of training and development needs of the employees.

The Human Resource department is instrumental in laying down the performance appraisal process for the entire organization.



7.9 Summary

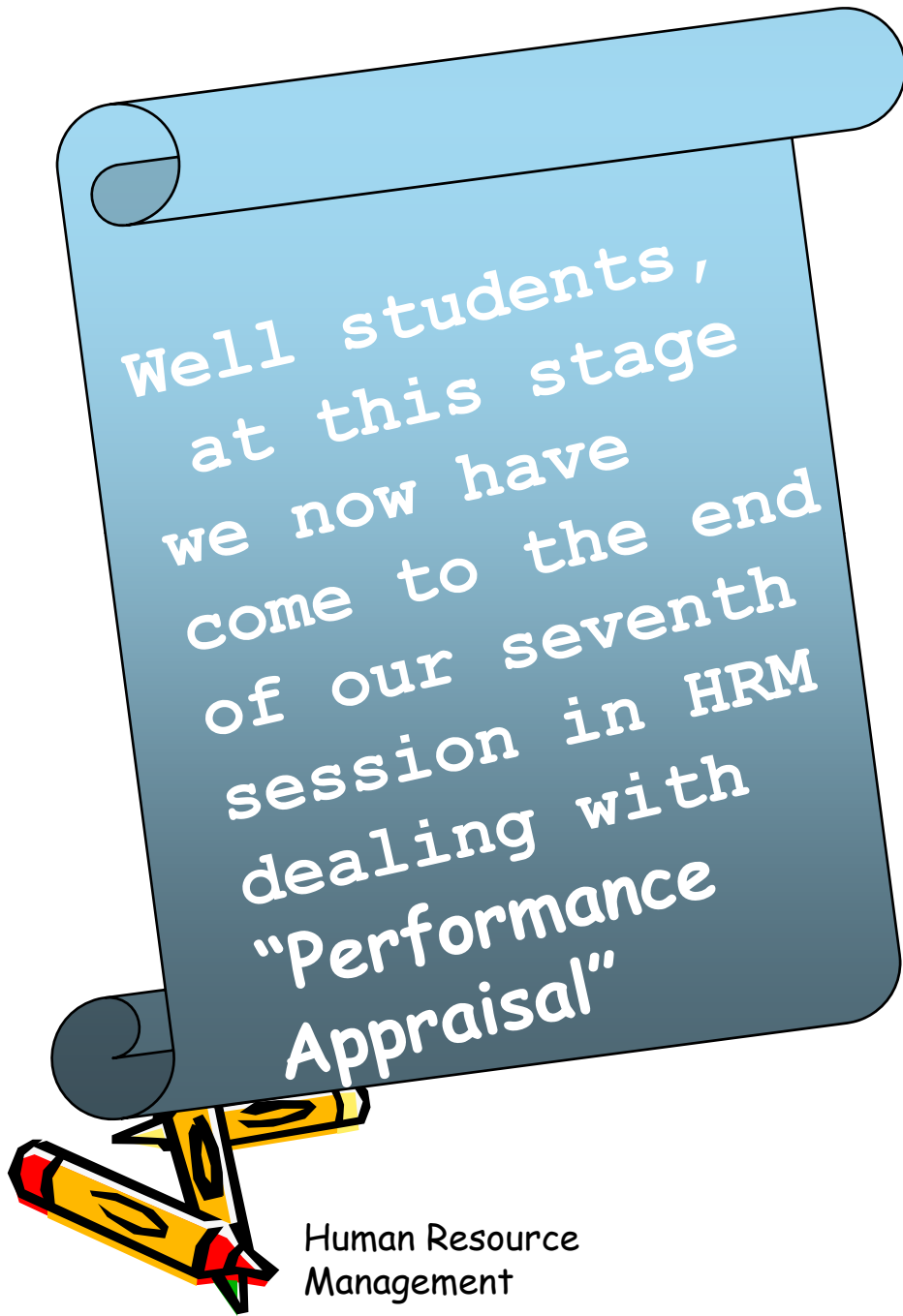
It is also involved in ensuring that the annual performance appraisal cycle is carried out on a timely basis.

There are many methods used for appraising the performance of the employees such as rating scale method, bell curve method etc. In future performance appraisals could include 360 feedback method.

Although performance appraisal suffers from certain drawbacks like the halo effect, status effect and leniency or severity, these drawbacks can be reduced or eliminated by providing training to the raters.


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Well students,
at this stage
we now have
come to the end
of our seventh
session in HRM
dealing with
"Performance
Appraisal"

Human Resource
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Next we move
to session Eight
on
'Employee Welfare'
Good Luck!