

Performance Appraisal: A Benefaction or a Ruination?

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Abstract- This article puts a limelight on the pro's and con's of performance appraisal. It stresses on what is performance appraisal is about? What can be done to improve performance evaluation sessions? What are the expectations of employees in an organization when such achievement measuring sessions are conducted? How do some managers behave during such discussions?

It also focuses on the actual bias and prejudices on the part of the superiors and subordinate managers shown for some employees who are mostly favored. This article includes various some of the common methods which are used by every organization when such systems are conducted. Performance appraisals has many uses it aids in training, motivation , promotions , transfers and assists in other HRM functions. Performance appraisals are considered one of the best sources of evaluating employees. Such appraisals should be objective, free of biases and custom-designed to fit the specific needs of an organization. In addition methods and administration should be same and the entire appraisal system should be easy to operate. It should also be economical and acceptable to users. Finally, the appraisal system should be well documented and should provide procedures for review or appeals.

Index Terms- Performance appraisals, Benefaction, Boon, Bane, HR

I. INTRODUCTION

“Personnel management effectively describes the process of planning and directing the application development and utilization of human resources in employment”.

DALE YODER

A performance appraisal is like a session conducted by every organization within the organization at least annually to tell about strengths and weaknesses of all the employees.

A performance appraisal (PA), also referred to as a performance review, performance evaluation, career development discussion, or employee appraisal is a method by which the [job performance](#) of an [employee](#) is documented and evaluated. Performance appraisals are a part of [career development](#) and consist of regular reviews of employee performance within the [organizations](#).

Competent Human resources who are hard working get good ratings according to their performance in the organization. Weak employees also get ratings where they are told to improve their efficiency. The ratings of different organization may vary as per work patterns.

In one organization '1/10' rating can be for best performer, whereas in other organization '1/10' can be the worst.

Accomplishments of the employees may also vary depending on the work they do and the service they provide towards the company. A performance appraisal is a systematic and periodic process that judges an individual employee's job performance and productivity in relation to certain pre-established criteria and organizational objectives.

II. REVIEW OF THE LITERATURE

As per Review of the '**PERFORMANCE APPRAISAL REPORT FOR ALL INDIA SERVICES**' report it reviews the current Performance Appraisal Report (PAR) used for All India Services. The main problems and the proposed solutions are summarized below:

A.MAIN SHORTCOMINGS :The ineffectiveness of the current PAR system is a result of certain fundamental flaws in its conceptual design. It is further compounded by problems of implementation. This section will discuss these issues in greater details.

A.1 CONCEPTUAL FLAWS: The performance evaluation methodology embedded in PAR system has the following major flaws:

- a. Lack of prioritization
- b. Poor Definitions of Standard Terms
- c. No Ex-Ante Agreement on Deviations from the Targets
- d. Deceptive Façade of Quantification
- e. No Ex-Ante Agreement on Definition
- f. Emphasis on Personality rather than Results
- g. Lack of Linkage between Individual and Organizational Performance

A.2 PROCEDURAL FLAWS:

- a. PARs are filled in Ex-Post
- b. Lack of Proper Training
- c. Lack of discipline in adhering to deadlines

B. PROPOSED REFORMS :

a. Change the Structure of Section Dealing with Results (Tasks and Deliverables) The proposed methodology for the Performance Measurement System consists of seven steps and is consistent with the methodology for Results-Framework .

b. Reduce the Weight for Personal Qualities and Functional Skills The relative weight for Results-Framework should be 80% and the balance of 20% should be assigned to Personal Qualities and Functional Skills. Here too, there should

be a very clear understanding of what is being measured and how it is being measured. In other words, we must reduce outright subjectivity to a minimum.

c. Use more Rigorous Instruments for Assessing Personal Qualities and Functional Skills

d. Use only the Results Framework for Performance Related Incentives

e. Make Departmental Results-Framework Documents a Pre-Requisite for PAR

f. Make the PAR Process Paperless

g. Require Attendance in a Mandatory 2-Week Training Program

h. Develop a Multimedia Self-Help Toolkit for PAR.

Statement of problem:

Awful and presage is the typical feeling anyone has whenever annual performance appraisals are announced every year. Many things depend on a favorable assessment – pay, promotions, increments and sometimes retention. And much as it is difficult to give tough response about the year’s work, it is even less enjoyable receiving it. In worst case scenario, a bad performance appraisal can create unnecessary frictions and disputes between superiors-subordinates and staff, inducing a negative working environment which would have very adverse effects on efficiency and productivity. So, if performance appraisals are really so hard, then why are those still conducted?

Scope of the study:

The scope of any performance appraisal should include the points which provide employees with a better understanding of their role and responsibilities; increase confidence through recognizing strengths while identifying training needs to come over weaknesses; establish, maintain and improve good working relationships and communication between supervisors and subordinates; increase commitment to organizational goals which can lead to achievement of Organizational, Individual and Societal goals; develop employees into future supervisors; assist in HR decisions such as promotions or allocating rewards; and allow time for self-reflection, self-appraisal and personal goal setting.

Performance appraisal was aimed for the betterment of the organization in terms of quality as well as quantity. The scope of the study under mentioned following points are:

1. To increase the productivity by increasing the level of performance.

2. The program will help the employee in their personal group by improving their knowledge as well as skill.
3. The program would help the organization in meeting its future personal need.

Objectives of the study:

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personal decisions in the organization.
- Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.

III. METHODOLOGY

Several techniques or methods are utilized by authors of empirical journal articles. The selection of a particular method is usually determined by the situation in which the study is to be conducted. The methodology used for this study is purely of secondary nature. I have made use of references from already published journals, books and other secondary material.

Strategy appraisal technique –appraiser fit table

There are two types of measures are used in performance appraisal: Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable. Performance Appraisal can be broadly classified into two categories: Traditional Methods and Modern Methods. The following exhibit shows strategies, performance appraisal techniques and who is the immediate appraiser:-

STRATEGIES	PERFORMANCE APPRAISAL TECHNIQUES	APPRAISER
Stability and sustainable growth	Traditional	Superior
Expansion ,Diversification, M&A	Modern	360 degree appraisal
Retrenchment	Traditional	Superior

Low cost leadership, New product differentiation	Modern	360 degree appraisal
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Accenture: One of world's biggest companies to scrap annual performance reviews

As of September, one of the largest companies in the world will do all of its employees and managers an enormous favor: It will get rid of the annual performance review.

Accenture CEO Pierre Nanterme told *The Washington Post* that the professional services firm, which employs hundreds of thousands of workers in cities around the globe, has been quietly preparing for this “massive revolution” in its internal operations.

“Imagine, for a company of 330,000 people, changing the performance management process—it’s huge,” Nanterme said. “We’re going to get rid of probably 90 percent of what we did in the past.”

The firm will disband rankings and the once-a-year evaluation process starting in fiscal year 2016, which for Accenture begins this September. It will implement a more fluid

system, in which employees receive timely feedback from their managers on an ongoing basis following assignments.

Accenture is joining a small but prominent list of major corporations that have had enough with the forced rankings, the time-consuming paperwork and the frustration engendered among managers and employees alike. Six percent of Fortune 500 companies have gotten rid of rankings, according to management research firm CEB.

These companies say their own research, as well as outside studies, ultimately convinced them that all the time, money and effort spent didn’t ultimately accomplish their main goal — to drive better performance among employees.

In March, the consulting and accounting giant Deloitte announced that it was piloting a new program in which, like at Accenture, rankings would disappear and the evaluation process would unfold incrementally throughout the year. Deloitte is also experimenting with using only four simple questions in its reviews, two of which simply require yes or no answers.

Methods of performance appraisals:

PERFORMANCE APPRAISAL METHOD		
TRADITIONAL METHOD	MODERN METHOD	MULTI SOURCES METHOD
<ul style="list-style-type: none"> • Rating Scale • Essay • Ranking • Paired Comparisons • Critical Incident Methods • Confidential Report System • Checklist Method • Forced Distributions 	<ul style="list-style-type: none"> • Assessment Centre • BARS • Human Resource Accounting • Management By Objective • Customer Feedback 	<ul style="list-style-type: none"> • 90 Degree Method • 180 Degree Method • 270 Degree Method • 360 Degree Method • 720 Degree Method

Explanation of some common PA methods:

1. Evaluating the Evaluation:

Keeping in mind people are a company’s greatest asset and resource, the purpose of doing an evaluation at all is to 1) provide reliable information to employers as to the performance of employees and 2) give employees an insight as to how they are perceived in the company. The nature of the scales, measures, and variables are the basis of the different methods.

2. The Unstructured Format:

The unstructured format is a common method where evaluators use an essay or short answer to grade employees. The benefit here is that any and all variables are used, from the most quantitative to the most informal. This is similar to the “essay” format, where appraisals are done through a free form writing of an essay which tries to capture all aspects of employee performance.

Ultimately, all unstructured appraisals are meant to be open ended and all encompassing.

3. The Ranking System:

The ranking system is a more structured approach, where specific performance variables are laid out. A ranking system of any kind must have explicit variables that employers can refer to.

Examples of this might include revenue generated, overtime hours, ability to work with a group or overall attitude.

The purpose here is to provide a quantitative score in areas that are not necessary quantitative, such as “general attitude.” The purpose is to show which employees are performing well relative to a set of variables that an employer finds the most important.

4. The 360 Approach:

The “360 Approach” appraisal system is not just for employers, but is used by and for all employees and managers of a firm. Most appraisal methods are designed using variables that employers find significant, such as total revenue generated.

The 360 approach uses standards that other employees might find important.

In this case, appraisal comes from the overall function of the department, such as sales, rather than just what a boss might find useful. Employees are considered as part of a structure that functions only if all employees are on the same page and work together well.

5. The Mixed Standard Method:

The “mixed standard” deals with complex variables. This is because variables used in employee performance run the gamut from those which can be expressed solely by numbers and those that are more abstract—such as attitude—but cannot easily be translated into quantitative measures.

The Mixed Standard isn’t recommended for [employees who regularly telecommute](#). Instead, they should be measured mostly on objective outputs, such as number and type of projects completed or expert evaluations of project quality.

What will work for a specific firm depends on what the owners or managers find important. Certain high tech firms will be concerned more with precision work than attitudinal measures.

While some employers might only care about cash generated, others might want a tightly structured office that requires many variables of different types. This is the domain of the mixed standard. It uses some open ended techniques, but also uses quantitative ranking standards in a mix that is useful to employers who want a smoothly running office.

In this case, a more formal and structured format will be required.

In legal firms, for example, things like dealing with clients will be imperative, and therefore more attitudinal issues will be stressed. The environment itself will dictate what variables are important and which can be largely ignored.

6. Confidential reports:

This is an old and traditional method of appraising employees. A Confidential report is a report on the subordinates strength and weaknesses. The confidence report is used for a variety of personnel decisions such as transfers , promotions etc. This is poor method of PA.

7. Graphic Rating Scale:

In this method appraisers use a graphic scale to appraise certain specific factors such as quality of work, quantity of work, dependability etc. Following is an example of it:

	Quality of work	Quantity of work	Dependability
Excellent	✓		
Good		✓	✓
Average			
Poor			

Merits of Performance Appraisal:

1. They provide a document of employee performance over a specific period of time.
2. They provide a structure where a manager can meet and discuss performance with an employee.
3. They allow a manager the opportunity to provide the employee with feedback about their performance and discuss how well the [employee goals](#) were accomplished.
4. They provide a structured process for an employee to clarify expectations and discuss issues with their manager.
5. They provide a structure for thinking through and planning the upcoming year and developing employee goals.
6. They can motivate employees if supported by a good [merit increase](#) and compensation system.

7. It helps the supervisors to chalk out the promotion programs for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
8. It helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. PA tries to give worth to a performance. Compensation packages which include bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
9. The systematic procedure of PA helps the supervisors to frame training policies and programs. It helps to analyze strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programs.
10. It helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
11. For an organization, effective communication between employees and employers is very important.
12. It serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.
13. It facilitates transfers.
14. It facilitates HRP.

Disadvantages of Performance Appraisal:

1. **The Halo effect/present effect:** Halo effect is defined as the 'influence of a rater's general impression on ratings of specific rate qualities'. It tends to occur when an evaluation rates an employee high on all jobs criteria, even if he has performed well only in one area.
 2. **The horn effect/past effect:** The rating is always based on performance standards. The contrast error occurs when employee is rated without taking into account the performance standard. This can also occur if a rater compares an employee's present performance with their past performance.
 3. **Problem of Rater being bias:** The rater's prejudices and biasness can also influence rating. For example, a supervisor can underrate an employee based on race, sex, religion, appearance and favouritism.
 4. **Central tendency error:** When the supervisor rates all the employees within a narrow range, thinking all employees are of average level, this type of error occurs.
 5. **Problem of Leniency or strictness:** Performance appraisal demands that the rater should objectively draw a conclusion about employee's performance.
 6. **Sampling error:** If the rater uses a very small sample of the employee's work, it may be subject to sampling error.
 7. **Primary and regency errors:** Behaviour of an employee at the initial stage of rating and at the end of appraisal can affect the rating. For example, a salesman's performance may be very low for some part of the year.

8. Cost factor: PA sessions are expensive as lot of funds are required for conducting it.

9. Spillover effect: The present performance is evaluated much on the basis of past performance. "The person who was a good performer in distant past is assured to be okay at present also.

10. Fear of confrontation: Employees sometimes get average ratings as they are below the average performers, in such a session in front of all they would feel embarrassed , to avoid this superiors sometimes give average ratings.

Measures to improve Performance appraisal sessions:

1. Training Appraisers: Training appraisers are essential for achieving better results with performance appraisal. The training should be designed to improve appraiser's capabilities to: observe, conduct constructive feedback, listen, support, counsel, set objectives and ask appropriate questions. Some benefits that can be achieved by using appraiser training are as:

- Improve understanding of the system, the forms and terminology to be applied.
- Increase accuracy and reduce common judgment errors.
- Enhance appraiser's self confidence about his rating skills and improve the skill level through practice and feedback.

2. Developing a positive culture: Changing culture requires leaders to understand the learning process dynamics and how the learning and unlearning of assumptions and beliefs can be manipulated to modify behavior. Cultural aspects could be one of the areas of training. An organization's leadership has the responsibility to develop a positive culture to facilitate the acceptance of performance appraisal among managers and their employees.

3. Providing performance feedback: Employees naturally like to know how they are performing relative to what is expected from them. Performance feedback lets employees know how well they have performed in comparison with the performance standards. Having day-to-day employee-manager interaction, through which the appraise is provided with constructive feedback.

4. Avoiding unequal performance standards: Effective performance appraisal requires equal standards against which employees are assessed. In the absence of equal standards, employees are assessed with subjectivity, which may destroy the process of appraisal and leave it as a body without soul. Therefore, the problem of unequal standards can be minimized by ensuring that the appraisal criteria are job-oriented, communicating performance expectations to the employees before the appraisal review.

5. Avoiding multi-purpose programme: One performance appraisal programme should not be designed to serve a infinite of purposes, administrative and developmental, as it can be vague and is difficult & results into failure. The

solution is to separate assessment from development in appraising employees.

6. Avoiding faulty communications: Among these assumptions, stated and unstated, are those that are based on personal **prejudices or stereotypes**. Avoid prejudices and stereotypes, no matter how popular or true you may think they are.

An error in reasoning, similar to making an unstated or invalid assumption occurs when a writer employs an **unsupported assertion** to support their idea. An assertion is a declaration stated positively, but with no support or proof.

Other easy ways of having a good PA system can be :

1. Clearly identify your aims;
2. Have the employee a complete self-check;
3. Redefine or reconfirm the purpose of the job, the duties and the responsibilities;
4. Define the priority of and set objectives for each responsibility;
5. Establish specific performance standards;
6. Be specific when addressing areas requiring improvement, (i.e., facts, figures, work records, reports, etc.)
7. Be specific when addressing examples of unacceptable conduct (not general references to 'laziness' or 'bad attitude') find specific examples as much as possible;
8. Present, discuss and agree to a "Performance Improvement Plan" if necessary;
9. Provide the opportunity for feedback, not only during the meeting but by allowing your employee to respond to the evaluation in writing, detailing their disagreement or position;
10. Seek as much feedback as possible not only about the performance at issue but also about what the employee would like to improve, what professional development, training, new assignments and challenges in general he has in mind for himself;
11. Before closing the meeting, be sure to ask if there is anything else the employee wants to discuss, ask for discussions thereby maintaining a conversational rather than confrontational tone.
12. Monetary and non-monetary rewards and awards should be attractive which would attract the staff and motivate efficiency, so that all would work hard to achieve well in PA.
13. Monetary rewards may include bonus, salary hikes, Perks etc for best performers, whereas non monetary awards can be in form of merchandise, certificates , wrist watches, sunglasses who good performers.

Legal issues in Performance appraisals:

Wayne F. Cascio and H. John Bernardin, Barret and Karnam developed following guidelines to develop a legally defensible appraisal system:

- Conduct a joint analysis to ascertain the criteria and standards required for successful job performance.
- Incorporate these criteria and standard into a rating instrument.
- Use clearly defined individual dimensions of PA , rather than undefined, global measures of PA.
- Communicate in writing the performance standards to employees and also to those rating them.

- Avoid abstract trait names when using graphic scale rating, unless they can be defined in terms of observable behaviors.
- Employ subjective superiors ratings as only one component of the overall appraisal process.
- Train supervisors to use the rating instruments properly.
- Allow superiors daily contact with their subordinates.
- Base appraisals on separate evaluation of each of the job per dimensions.
- Include an employer appeal process.
- Document all the information and reasons bearing on any personal decisions.

IV. CONCLUSION

An appraiser can make use of latest technology in such sessions and they should change the approach in performance management. Computer based performance management can be used. Performance management is should be conducted at the individual level and not at the organizational level. The ultimate objective of a performance management process should be aligning an individual performance with organizational performance. Despite the merits and demerits of PA exists today, this subsystem in very important part of Human Resources Management which cannot be skipped. Effective leadership, Competent manpower, Labor efficiency , good superior-subordinate relationships can help to boost Job evaluation methods in an organization and by adopting '[Normalization](#)' process of review the ratings for each group as a whole can be given simultaneously which can help in ensuring the ratings are as per the recommended norms and the percentages are generally decided by management ,where same ratings would help to reduce stress among employees and lead to efficiency in the organization.

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