A Study on Performance Appraisal

T. R. Thiruvenkatraj¹ & Rajalakshmi K²

¹Asst.prof, Dept of Management studies, Bharath Niketan Engineering College, Theni, Tamil nadu.
²MBA Scholar, Dept of Management studies, Bharath Niketan Engineering College, Theni, Tamil nadu.

Abstract: Performance Appraisal is a critical activity for the organizations that are looking for the growth and profit maximization in this ever-increasing competitive environment. The essential components of an effective performance appraisal system consist of understanding its foundations and the essential steps that lay the foundation. Finally, lot of brainstorming is required to be done to devise a sound appraisal system by evaluating available techniques and implementation processes. One must remember that Performance Appraisal (PA) is an inexact, human process and it is quite a challenge to actually implement it successfully. Performance appraisal system has gone through a change over a period of time. In the beginning, the process was non-transparent and the employee was kept in dark about his performance. Systematic exercise was done in the entire process.

Key words: Performance appraisal, Organisation

Introduction

Performance Appraisal is essential to understand and improve the employee's performance. A performance appraisal is a systematic and periodic process. Performance appraisal is a method of evaluating the behaviour and performance of employees in the workplace. This includes appraisal of both qualitative and quantitative aspects of job performance.

Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether the salary or wage of an individual employee was justified or not. The process was firmly linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order.

Meaning

Performance appraisal is an annual review of an employee’s over all contributions to the company by his/her manager. It evaluate an employee’s skills, achievements and growth. It is also known as annual reviews. Performance appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development.

The performance appraisal is the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employees, subsequently providing feedback to employees about their performance as needed by the organisation.

A performance appraisal is a part of guiding and managing career development. It is the process of obtaining, analysing, and recording information about the relative worth of an employee to the organization. Performance appraisal is an analysis of an employee's recent successes and failures, personal strengths and weaknesses, and suitability for promotion or further training.

Generally, the aims of a performance appraisal are to:

- Give employees feedback on performance
- Identify employee training needs
- Document criteria used to allocate organizational rewards
- Form a basis for personnel decisions: salary increases, promotions, disciplinary actions, bonuses, etc.
- Provide the opportunity for organizational diagnosis and development
- Facilitate communication between employee and employer

Definition

“Performance appraisal is the process by which organization evaluate individual job performance”. - William B. Weather

“The process by which an employee’s contribution to the organization during a specified period of time”. J. B. Shaw

“Performance appraisal as the systematic description of an employee’s job relevant strengths and weaknesses”. Wayne F. Cascio

Review of Literature

Mahdieh Darehzereshki (2013) The purpose of this paper is to examine the role of the performance appraisal quality (independent
variable) on one important human resource management outcome which is job satisfaction (dependent variable). Using data from 133 employees of multinational companies in Malaysia, employees’ performance appraisal Experiences were identified. Regression analysis was then employed to examine the relationship between performance appraisal quality of employees and job satisfaction. Employees with high quality performance appraisal experiences were more likely to be satisfied with their job. The challenge for human resource (HR) practitioners is to decide whether the allocation of additional resources to ensure that all employees have a uniformly high quality performance appraisal experience is a worthwhile investment.

Abhinanda Gautam (2014) A study through survey was conducted among executives and managers of Simbhaoli Sugar Limited. It is one of the biggest Sugar Mills in UP, and considered as an icon in the manufacturing capacity of sugar in northern India. A survey questionnaire was administered among 42 managerial and subordinate staff. Data collected were analyzed quantitatively using both descriptive and inferential statistical tools. Z - test was used to understand the impact of PAS on employee motivation and it was revealed that PAS has a significant impact on employees’ motivation at Simbhaoli Sugar Limited.

Neeti and Santosh C (2015) studied that employees have good knowledge of performance appraisal and have a positive attitude towards it as their promotion is purely based on performance appraisal and the ratings help to fix increments. During the course of study performance appraisal and the ratings help to fix increments. During the course of study be made more transparent and rationale.

Ramila Ram Sing (2016) Performance Appraisal is an important for Human Resource Department in an Organization. The Performance Appraisal System has a potential for its further development and growth. The system adopted by the Indian Organization, it reflect the culture and the behavior pattern for the employees in the organization for its effective assessment.

Needs of Performance Appraisal
1. Providing information about the performance rank on which decision regarding salary fixation, promotion etc.,
2. Review of the performance of the subordinates.
3. Providing information that helps to counsel the subordinates.
4. Getting information to diagnose deficiency in employees regarding skills, knowledge, etc.,
5. To prevent grievance and in disciplinary activities.

Methods of Performance Appraisal
The Methods of Performance Appraisal have been developed in to number of methods or techniques. Some of the important among them are;

1) Behaviourally Anchored Rating Scales (BARS)
The Behaviourally Anchored Rating Scales (BARS) method combines elements of the traditional rating scales and critical incident methods. The method employs individuals who are familiar with a particular job to identify its major components and then they rank and validate specific behaviour for each of the components.

2) Human Resources Accounting
Human Resources Accounting deals with cost and contribution of human resources to the organization. Employee contribution is the money value of employee service which can be measured by labour productivity or value added by human resources. Cost of human resources may be taken as standard.

3) Management by objectives
Management by objectives (MBO) is a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual’s major areas of responsibility in terms of result expected of him and use these measures of guides for operating the unit and its members.

Importance of Performance Appraisal
1. Promotion: Performance Appraisal helps the supervisors to chalk out the promotion programmes for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
2. Compensation: Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.

4. **Selection Validation:** Performance Appraisal 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.

5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
   a. Through performance appraisal, the employers can understand and accept skills of subordinates.
   b. The subordinates can also understand and create a trust and confidence in superiors.
   c. It also helps in maintaining cordial and congenial labour management relationship.
   d. It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

6. **Motivation:** Performance appraisal 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.

**Performance Appraisal in Organization**

The performance appraisal is an essential part of the human resources department's contribution to an organization. An effective appraisal may not only eliminate behavior and work-quality problems, it can motivate an employee to contribute more. Often, a company will ask its employees to perform "Performance Appraisal feedback" that assesses peers and subordinates as well as supervisors and management. Regardless, the opportunity to receive and give constructive criticism shouldn't be ignored.

a) **Improving Communication**

All too often, employees and managers don't get along and can't understand why. Problems that stem from a lack of communication can sometimes be resolved with a performance appraisal. If the appraisal is used as an opportunity to describe the criteria on which performance is judged -- using meaningful and relevant examples - then the employee will walk away from the meeting with a better understanding of how to best perform his job. For example, "John, when I say you need to be more customer-focused, what I really want is to see you greet the customers with a smile when they enter the store, and ask how you can help."

b) **Providing a Career Path**

The performance appraisal is the perfect opportunity to address long-term goals that may not be on the everyday to-do list. Not only does this provide the employee with an opportunity to be of greater use to an organization, the employee feels pleased and valued. Lighting the way toward a successful career path inspires loyalty and stability and can improve the bottom line, especially when the employee's first concern is the health of the business, and subsequently, her career.

c) **Encouraging Good Work and Improvement**

Celebrating a job well-done is the easy part of the performance appraisal. Noting areas of improvement is not so easy. Nevertheless, no one is perfect, and the performance appraisal is an ideal time to diplomatically highlight areas that need improvement. Even the most valuable employee could benefit from additional training, while those who are on the cusp of dismissal need the heads-up. Be specific by providing examples and clearly explain what needs to occur to turn things around. Showing an employee that you care enough about them by taking the time to work with them may make even the most hardened employee feel better.

d) **Improving Decision-Making Ability**

When a company has detailed information on employee performance, business decisions become easier. Filling open positions with existing staff strengthens the organization and promotes loyalty. Knowing which employees display what strengths improves the speed with which projects can be assigned. Appraisals also provide a framework when making decisions about compensation -- and layoffs. If the organization becomes the unfortunate party to a lawsuit, the performance appraisal can refute or support claims. As a result, the effective use of performance appraisals helps an organization operate efficiently and with focus.
Present scenario of Performance Appraisal

The Liberalization, Privatization and Globalization of the economy have paved a way to study human relations in the context of MNC’s and Indian organization. Performance appraisal is an ongoing process of identifying, measuring and developing human performance in organizations. It is hoped that data are gathered by systematic observations, not only to measure current performance accurately but also to provide the necessary feedback information for changes that will improve future performance. The purpose is to measure progress, differentiate between levels of performance pinpoint training needs, validate rewards and identify employees for promotion.

Methods followed in the organization

The 360 degree method of performance appraisal is used to make the appraisal process more transparent, objective and participative. It introduced the concepts of self appraisal, subordinates appraisal, peer appraisal and appraisal by customers. It is called a 360 degree method because it involves the evaluation of an employee by persons above him, below him and alongside him. Structured questionnaires are used to collect information from the seniors, subordinates and peers. The employee to be evaluated thus acquires a central position and everyone around him participates in the appraisal process in the 360 degree method. The following four are the main components of 360 degree appraisal:

1) Self appraisal
   It allows an employee complete freedom in accessing his or her strengths objectively and identifying the areas of development. The employees get a chance to share the development areas with their seniors based on their self appraisal and jointly worked out a plan in tune with the organizational realities like the availability of resources and time. It also gives a chance to the employee to express his career plans which is in the interest of the organization as it knows beforehand the aspirations of its employee.

2) Appraisal by superiors
   An appraisal by superiors involves providing constructive, feedback about the performance of any employee as well as his development areas during the review period. It helps in setting goals for the employees that help in achieve the organizational goals and improve the performance of the employee. The career aspirations of an employee are also put in proper prospective.

3) Appraisal by subordinates
   This is a unique feature of the 360 degree method of appraisal. As the subordinates play an important role in the performance of the employee. The feedback by the subordinates gives firsthand account of how they look at their superior in terms of working style. The capability of a superior in motivating, delegating the work, building a team and communicating with them effectively form the basis of appraisal by the subordinates.

4) Peer appraisal
   It also plays an important role in 360 degree appraisal as the role of peers is quite important in life of an employee. Selecting the right peers is very important and peers from the departments that are directly related with the department of the employee should also be included. It mainly focuses on feedback about the style of functioning of the employee under review and can also include his ability to work as team leader besides his co-operation and collaboration.

5) Potential appraisal
   It is different from performance appraisal as it refers to the abilities of the employees that are not being used at the time of appraisal. It searches for the latent abilities of the employee in discharging higher responsibilities in future. The potential of the employees is judged on the basis of his present performance, personality traits, past experience and age and qualification. It also looks at the unused skills and knowledge of an employee. It aims at informing the employee their future prospectus and helps the organization in drawing your suitable successions plan. It also requires updating the training efforts regularly and advised the employees on things which they can do to improve their career prospectus.

Conclusion

Performance appraisal ratings can influence many personnel decisions, and thus care in the development and use of performance appraisal systems is warranted. There is, however, no obvious technical (psychometric) solution to the performance management issues facing the federal government. Further refinements in the technology of performance appraisal (e.g., extensive new job analysis, modifications of existing rating scales or rater training programs) are unlikely to provide substantially more valid and accurate appraisals than those currently in force, particularly for managerial and professional jobs. There is also no evidence that one particular appraisal format is clearly superior to all others. For example, we do not know that the objective-based format for managerial appraisal, so popular in the private sector, yields more (or less) valid appraisals than the supervisory ratings used in the government. There appears to be at least as much effort expended on performance appraisal in the federal government as elsewhere. More generally, the pursuit of further psychometric sophistication in the
performance appraisal system used in the federal government is unlikely to contribute to enhanced individual or organizational performance.

References


