

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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**PERFORMANCE APPRAISAL: A TOOL FOR ENHANCING PERFORMANCE****D.BABJOHN****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****GATES INSTITUTE OF TECHNOLOGY****GOOTY****R.PARIMALA****PG STUDENT****DEPARTMENT OF MANAGEMENT STUDIES****GATES INSTITUTE OF TECHNOLOGY****GOOTY****R.THEJANJALI****PG STUDENT****DEPARTMENT OF MANAGEMENT STUDIES****GATES INSTITUTE OF TECHNOLOGY****GOOTY****ABSTRACT**

*Business performance is the major concern of managers as it indicates success and progress of success of the organization. Rapid change and developments as well as increasing communications and dramatic developments in knowledge management, have made the existence of effective organizational performance evaluation system for the organizations inevitable an organization that wants to be successful should achieve a high level of business performance. Employee's contribution should be aligned with organizational objectives and strategy. Employees are required to generate a total commitment to desired standards of job performance and improved job performance for nourishing profitable growth for the organization and long-term value creation for the customers. PA measures how well and how far employees are performing their jobs within the period being considered for enhancing human performance and business performance of the organization. PA is necessary to understand each employee's abilities, competencies & relative merit & worth for the organization. PA rates the employees in terms of their performance. One of the basic and major needs in any organization is to assess its employees performance continuously to find out whether they improve or not and know their situation in organization. Different models have been provided by the management experts for the performance estimation so that organizations use them according to their type of organization, mission, arrangement and manpower.*

**KEYWORDS**

performance appraisal, performance management, organization, employees, business.

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**INTRODUCTION**

**S**ocio-economic development of India heavily depends on success and progress of success of organizations, and Human Resource Management (HRM), which is one of the most important functional fields of Organizational Management, Performance Appraisal (PA) is one of the most important functions of HRM and the term 'Performance Appraisal' is concerned with identifying, measuring, influencing and developing job performance of employees in the organization in relation to the set norms and standards for a particular period of time in order to achieve various purposes (Opatha, 2009). Employees are required to generate a total commitment to desired standards of job performance and improved job performance for sustaining profitable growth for the organization and long-term value creation for the customers. PA measures how well and how far employees are performing their jobs within the period being considered for enhancing human performance and business performance of the organization.

Business performance is the major concern of managers as it indicates success and progress of the organization. An organization that wants to be successful should achieve a high level of business performance. There are many functions to be carried out in order to achieve expected or higher (compared with previous year or the past) business performance of an organization and, one important function of HRM is PA.

Globally, organizations whether service or manufacturing do everything possible to ensure that all employees are adequately committed to their specialized work in order to attain organizational goals. PA exposes the strength and the weakness of the staff on the job especially in developed world. PA practice is done without the appraisers attaching themselves to the exercise. For every organization to constantly realized its set goals, it is important that PA must become a regular exercise and must occupy central role/or function of the organization. The unbiased practiced of PA will make all organizations to face keen competitions and challenges at local, national and international levels.

PA is necessary to understand each employee's abilities, competencies & relative merit & worth for the organization. PA rates the employees in terms of their performance. One of the basic and major needs in any organization is to evaluate its employees performance continuously to find out whether they advanced or not and know their situation in organization.

PA is vital for the effectual supervision and costing of staff. Appraisal help to enlarge individuals, perk up secretarial routine, and nourish into dealing development. Ceremonial performance judgment is commonly conducted per annum for each and every one workforce in the organization everyone is appraised by their line supervisor. Performance appraisals are also essential for career and succession development. Performance review designed for workforce inspiration, position and conduct improvement, converse directorial aims, along with nurturing optimistic associations between supervision and workforce. Performance appraisals offer's a recognized, recorded, customary assessment of an individual's routine, and a sketch for potential enlargement. In diminutive, performance and career judgment are crucial for administration the performance of natives and organizations.

**RESEARCH METHODOLOGY**

This study is based on the secondary data which has been taken from textbooks, journals, and websites.

**OBJECTIVES OF THE STUDY**

1. To evaluate the components and process of performance appraisal.
2. Distinguish between performance management and performance appraisal.
3. To analyze the importance and limitations of performance appraisal.
4. To know how performance appraisal acts as a tool for enhancing performance.

**REVIEW OF LITERATURE**

PA is a process within the overall performance management process (Dowling et al., 1999), and is defined as “ the evaluation of an individual’s work performance in order to arrive at objective personnel decisions, (Robbins et al., 2000) PA has been defined as the process of identifying, evaluating in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting workers in terms of recognition, getting feedback, catering for work needs and offering career guidance (Lansbury, 1988). Carroll and scheider (1982) described performance appraisal as the process of identifying, observing, measuring, and developing human performance in organization. “The definition is very important, because it comprises all important components needed for the well-performed appraisal process. Identification criteria orientate the appraisal process to the determination of what has to be examined-performance related criteria and not so much performance irrelevant characteristics. Denhardt (1991) defines performance appraisal as an exact valuation with respect to an individual’s progress in carrying out specified tasks. Devries et al. (1981) defines performance appraisal as a process by which an organization measures and evaluates in individual employee’s behavior and accomplishments for a finite period. Moulder (2001) states that performance appraisals are valued for defining chance and measuring the extent to which expectations are met. She goes on to state that having winner and where they need to improve performance. Moulder indicates that appraisal are cooperative in setting goals and in fostering improved communications among work groups and between employees and supervisors. Appraisal involves some divergent stages as identified by Ubeku (1984), Cuming (1994), and Lussier (1997). These divergent stages are job description and job specification by the incumbent’s immediate supervisor; setting of objectives by the job incumbent and his or her supervisor; completion of the appraisal form and finally the appraisal interview. Grobler et al. (2005) are of the view that a variety of appraisal techniques are available to measure employee Performance. In creating and implementing an appraisal system, administrators must first establish what the performance appraisal will be used for, and decide which process to adapt. These decisions are just as important as how the appraisal is conducted or the actual content of the appraisal. From the literature, performance appraisal system is invariably a process. It is systemic and has a criterion that must be measured and communicated to those being evaluated.

**CONCEPT**

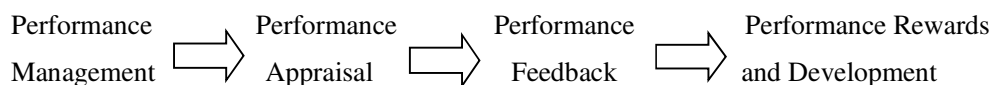
**What is a “Performance Appraisal?”**

An annual review of an employee’s overall contributions to the company by his/ her manager. PA, also called annual review, evaluate an employee’s skills, achievements and growth, or lack thereof. Companies use PA to give employees big-picture on their work and to justify pay increase and bonuses, as well as termination decisions. PA is a process of measuring qualitatively & quantitatively expected role performance the of about his potential for an organization. Evaluation of the performance and personality his immediate superior or some other person trained in the techniques various rating technique for comparing individual employee in a group in terms of personal group are deficiency are of their respective job. PA is a tool which is used to evaluate employee’s performance at the workplace. This is generally includes qualitative and quantitative dimensions of employees job performance. Performance is defined as level of work achievement. It generally represents how successfully an individual satisfies the job requirements. Performance is constantly evaluated on the basis of outcomes.

Randall S. Schuler, PA is format, structured system of measuring and evaluating an employee’s job, related behavior and outcomes to discover how and why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization, and society all benefit. PA is the process of assessing employee performance by way of comparing present performance with already established standards which have been already communicated to employee, subsequently providing feedback to employees about their performance level for the purpose of improving their performance as needed by the organization. Heyel, PA is a 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.

**DIFFERENCE BETWEEN PERFORMANCE MANAGEMENT AND PERFORMANCE APPRAISAL PERFORMANCE**

PERFORMANCE MANAGEMENT	PERFORMANCE APPRAISAL
Processes used to identify, encourage, measure, evaluate, improve and reward employee performance.	The process of evaluating how employees perform their jobs and communicating that information to the employees.



**IMPORTANCE OF PERFORMANCE APPRAISAL**

- The supervisors measuring the pay of employees and compare it with targets and plans.
- The supervisor analyses the factors behind work performances of employees.
- The employers are in position to guide the employees for a better performance.

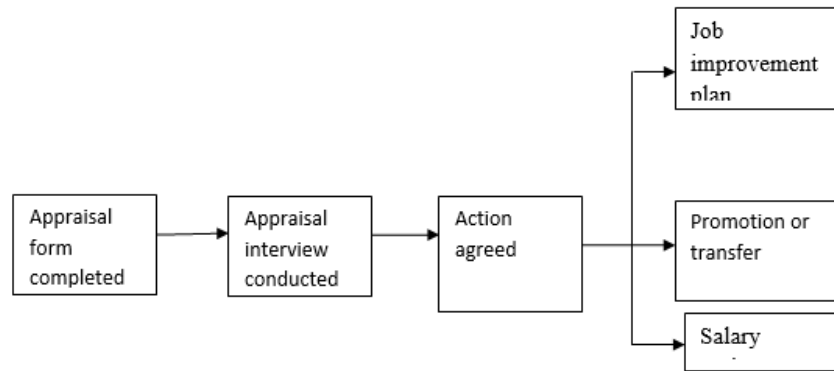
**COMPONENTS OF PERFORMANCE APPRAISAL**

Any effective performance management system includes the following component

- Performance planning is the first crucial component of any performance management process which forms the basis performance appraisal. Performance planning is jointly done by the appraisal in the beginning of a performance session.
- Feedback and counseling is given a lot of importance in the performance management process.
- The employee receives an open and a very transparent feedback and along with this the training and development needs of employee is also identified.
- This is a very vital component, as it will determine the work motivation of an employee. During this stage, an employee is publicly recognized for good performance and is rewarded.
- Potential appraisal provides crucial inputs for succession planning and job rotation.

PROCESS OF PERFORMANCE APPRAISAL

FIG. 1: THE APPRAISAL PROCESS



Source: Cole (2007)

The appraisal process in terms of assessing individual performance against targets set by the organization as depicted in Figure 1 explains that any systematic approach to performance appraisal will commence with the completion of an appropriate appraisal form. The preparatory stage is followed by an interview during that stage the manager discusses progress with the member of staff. The result of the interview may be some form of agreed action, either by the employee alone or jointly with his/her manager. The action generally materializes in the shape of a job improvement plan, a promotion or transfer to another job or a salary increase (Cole, 2007).

METHODS OF PERFORMANCE APPRAISAL

TRADITIONAL METHODS	MODERN METHODS
Paired comparison	Assessment Center
Graphic rating Scale	Appraisal by Results or Management by Objectives
Forced Choice Description Method	Human Asset Accounting
Forced Distribution Method	Behaviourally Anchored Rating Scale
Checklist Method	
Free Essay Method	
Critical Incidents	
Group Appraisal	
Field Review Method	
Confidential Method	
Ranking Method	

TRADITIONAL/PAST-ORIENTED METHOD OF APPRAISAL

- Paired Comparison Method:** In this method, one particular trait is considered to evaluate the employees. Based on this trait, each employee is compared with other on one to one basis in pairs. The possible number of pairs is calculated by the formula:  $N(N-1)/2$ . N is the number of employees to be evaluated.
- Graphic Rating Scales :** It is a popular traditional method of performance appraisal. In this method, a rating scale is created to evaluate the performance of employees against certain parameters. These parameters usually include his attitude, attendance, punctuality & interpersonal skills. The rating scale used in this method ranges from 1 to 10. Low score indicate negative feedback & high score indicate positive feedback.
- Forced Choice Description Method:** This method has an objective of rectifying the biasness of the rater to assign constantly high or low ratings to every employee. It utilizes some sets of combined phrases or statements, where two can be positive and can be negative.
- Forced Distribution Method :** This method was popular in big organizations. It is based on the fact that the performance of employee’s varies greatly in an organization. Some would be more productive.
- Check lists Method:** In this method, a check list is prepared. It is comprise of colorful statements related to behavior of the employee. Each statement has two options, yes & no or true or false.
- Free essay method:** In this method, the rater writes a description about the behavior and performance of the employee.
- Critical Incident Method :** Critical incident method gives emphasis on critical behaviors of employees. Such as the reaction of employee to a certain situation. So in this method, the performance is evaluated against a list of critical behaviors.
- Group Appraisal Method:** It is usually seen that some appraisers use very high level of standards for appraising their subordinates. However, it is not necessary to asses them as per such high standards it is generally seen that where the appraiser himself is excellent, he anticipates his subordinates also to be at the same level. To overcome this problem, a group appraisal method is developed.
- Field Review Method:** This method is based on supervisor’s opinion on the performance, behavior & skills of the employee. The HR specialist asks seniors to answer questions related to employee’s emplacement& appraises the employee on this basis of feedback related from the supervisors.
- Confidential method:** This method is mostly used in government organizations to make decisions regarding promotion and transfer of the employees. The senior prepares the confidential report on the performance, performance and other traits of the employee. The report is supposed not to be revealed to anyone. It is sent in a sealed cover to the concerned officials who appraise the employee on the basis of this report and take decisions consequently.
- Straight Ranking Method:** This is the most traditional and easiest method of performance appraisal. By this method, every employee is provided with a rank starting from ‘best’ to ‘worst’ considering their overall performance.

MODERN/FUTURE-ORIENTED METHOD OF APPRAISAL

- Assessmentcenter’s:** Assessment centres are mainly used for the assessment of managerial or administrative capability.
- Management by objectives (MOB):** concept of MOB was first given by peter F. Drucker. It is an individual appraisal method which determines task-related results than behavior or activities.
- Human resource accounting:** This method adds up some monetary value to the workforce of an organization. This process included the assessment of goodwill value of an organization.
- Behaviorally anchored rating scales (BARS):** BARS are often known as behavioral expectation scale.

### USING APPRAISAL TO ENHANCE PERFORMANCE

Rather than being a means of accurately measuring employee performance, the main benefit of performance appraisal may well lie in using it as a medium for occasional guidance. Some of the roots of the difficulties surrounding the conduct and use of appraisal include:

- An appraiser's tendency to base their judgment on the beliefs about what has been going on, rather than their experience and observation. That is, they work at the belief level and set aside the evidence.
- It is often perceived by appraisees as being primarily about evaluation when, ideally, appraisal should be about change and development.
- It should be about engaging commitment to change on the part of the appraisee among others, not about forcing compliance.
- It should be focused on job performance rather than completing forms.

Appraisal is supposed to be about reviewing work performance and giving feedback in order to facilitate improved performance. The feedback given should include:

- A balanced review of performance, covering both positive and negative aspects.
- Any one interview should involve discussion of not more than two limitations of the appraisee (otherwise self-efficiency may be at risk).
- An opportunity for the appraisee to put across their own views.
- Good communication between the involved parties outside the appraisal situation as well as inside it.

### CHARACTERISTICS OF PERFORMANCE APPRAISAL

- PA is a link between organizations strategy and results
- Appraisal can be beneficial for the organization, the employee and the manager
- Providing an employee with feedback can enhance his performance
- Appraisal all category of employee is a common practice among organizations
- Managers, employees or a combination of raters can conduct appraisal. Employee can also carry out self-assessment.

### ADVANTAGES OF PERFORMANCE APPRAISAL

- It will be useful in improving employee job performance by pinpointing the area or aspects that need improvement.
- PA viewed as a necessary vehicle for assessing management potential.
- PA helps the employee to overcome his weakness and improve his strength and thus enable him to improve his performance.
- It can be used as a basis of sound personnel policy in relation to transfers and promotion; otherwise he may be transferred to another job.
- They can motivate employees if supported by a good merit increase and compensation system.

### DISADVANTAGES OF PERFORMANCE APPRAISAL

- It is very much difficult to compile an appraisal form, which can only and completely assess any employee.
- Merit rating can be subject to many errors. When a rater is positively lenient, an individual's performance is rated higher than actual.
- PA is very time consuming and can be overwhelming to managers with many employees.
- They can create a very stressful environment for everyone involved.

### DRAWBACKS OF PERFORMANCE APPRAISAL

- Business use performance appraisal as tool to determine how effectively employee achieve goals, grow in job scope and communicate with others.
- Evaluators must use these tools properly and fairly to avoid the pitfalls and possible push-back from employees.
- Traditional performance review tools involve only the manager's view of his subordinator's performance.
- The conflict arises because subordinates want the largest pay increase possible, but managers often have limited funds for these increases.

### LIMITATIONS OF PERFORMANCE APPRAISAL

- Bias of appraiser:** The presence of 'Halo Effect' in evaluation of employees is the biggest weakness of this method.
- Ambiguity in standards:** If the standards are not clear, the supervisors may follow different standards for different employees.
- Insufficient evidence:** An employee who can impress the boss may get a positive evaluation though his impression in his own department may be very poor. In such cases, the performance appraisal will be superfluous.
- Several qualities remain without appraisal:** Through performance appraisal, only few qualities of employees can be measured. All individuals differ from each other in terms of background, values and behavior.

### CONCLUSION

Performance appraisal has a beneficial effect on both the persons doing the appraisal and being appraised. The appraisal brings prominently to the attention of supervisors or executives the importance of knowing their subordinates as human resource. The success of an organization depends largely on the performance of its human resources and how they design effective appraisal program. Effective performance system evaluates accomplishment and initiates plan for development, goals and objectives. It is not an end in itself, but rather the means to impact performance. It is an important issue both for companies and for workers with careful design and appropriate use; performance evaluations can support productivity and fair allocation of rewards. Industrial organizational psychologists specialize in making sure that performance evaluations are designed correctly.

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