

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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## PERFORMANCE APPRAISAL ACT AS A MAJOR MOTIVATIONAL SOURCE

**NAILA IQBAL**  
**ASST. PROFESSOR**  
**DEPARTMENT OF MANAGEMENT**  
**RAJIV GANDHI COLLEGE**  
**BHOPAL**

### ABSTRACT

*Performance Appraisal is a continuous process and done annually as a formal exercise before completion of the financial year. Appraisal has tremendous motivational impact on people through meaningful feedback and is a powerful tool for recognition. A performance appraisal is a method by which the job performance of an employee is evaluated typically by the corresponding manager or supervisor. A performance appraisal is a part of guiding and managing career development. It is the process of obtaining analyzing and recording information about relative worth of an employee to the organization.*

### KEYWORDS

performance appraisal, motivational sources.

### INTRODUCTION

In simple terms, appraisal may be understood as the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality, and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility, health, and the like. Assessment should not be confined to past performance alone. Potentials of the employee for future performance must also be assessed.

A formal definition of performance appraisal is:

**"It is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development."**

It is a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development. Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee.

According to Flipppo, a prominent personality in the field of Human resources, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job." Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future.

### OBJECTIVES OF PERFORMANCE APPRAISAL

- 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 and also 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 in order to reduce the grievances of the employees.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.

### PURPOSES OF PERFORMANCE APPRAISAL

Performance appraisal of employees is needed for the following two broad purposes:

(A) Administrative purposes

(B) Self-improvement/Self-development of employees.

#### (A) ADMINISTRATIVE PURPOSES

**(1) Promotion and Placement of Employees:** One major administrative purpose of performance appraisal is to promote employees as per their competence and performance in the previous period. Quality of performance serves as a base for promotion particularly when promotions are given by merits. Appraisal indicates whether the employee can contribute still more at a higher level job and accordingly decision about his promotion is taken. This promotion on appraisal basis is in the *interest* of both-the management and employees. Performance appraisal is useful for the selection of right person for the right type of promotion. This is because it clearly distinguishes between effective and ineffective performers of jobs assigned. Placement of an employee in the right department and also at the right position is possible through performance appraisal as such appraisal suggests the position at which an employee can give his best performance.

**(2) Transfers and Demotions:** In an organization, certain personnel actions such as \ transfers, demotions, disciplinary actions and discharges are required to be taken by the management. Such actions need to be taken in a fair and impartial manner. Here, performance appraisal reports can be used for taking final decisions. A suitable employee for the transfer can be selected by using the performance appraisal reports. Performance appraisal is also useful for the identification of employees for deputation, for allowing an employee to cross efficiency bar and also for the confirmation of the employees in an organization. Finally, performance appraisal is useful as a criterion for validating selection devices and training programmes.

**(3) Wage and Salary Payment:** Wage/salary payment is normally linked with the performance appraisal. Wage increase (yearly increment or special increments) is based on the performance appraisal reports. It also provides the rational foundation for the payment of wages, bonus, etc. Wage payment is normally related to the contribution of employees at the work place. Better performance at the managerial level is normally rewarded by additional salary payment. For judging the performance of executives, periodical appraisal is essential. It is a fact that wages are linked with many other factors such as cost of living and profitability of a business unit. It is also useful for allocating rewards to deserving employees.

**(4) Training and Manpower Development Programmes:** Performance appraisal indicates the strengths and weaknesses of an employee. It acts as a performance feedback of employees which can be used for different purposes. This information can be used fruitfully for formulating a suitable training and manpower development programmes to improve the performance of employees in their present jobs. Such appraisals also suggest the areas of skills where numerous employees are not up to the mark. This enables the management to adjust the training programmed which will be useful to employees for self-

improvement also to the organisation in raising overall efficiency. Performance appraisal also suggests the managers with potentials to learn and develop quickly.

**(5) 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. Various theories regarding incentives to employees, training of employees, selection of employees and motivation of employees developed through such research activities. The appraisal system gives valuable information which can use purposefully in personnel management.

**(6) Favorable Impact on Employees:** Performance appraisal creates a favorable impact on the employees. It serves as an incentive to the employees who feel assured of the management's continued interest in them and of their continuous possibility to grow/develop. Employees feel that they are given attention by the management. They get a feeling that performance appraisal record will be taken into consideration for their promotion, training, etc., and that injustice will not be done to them. Sincere and honest employees get a moral support through such appraisal. Supervisors may be transferred /shifted but the appraisal reports will avoid injustice to employees.

**(7) Miscellaneous Administrative Purposes:**

**(a)** To confirm the services of probationary employees after the completion of probationary period successfully.

**(b)** To improve internal communication. It provides a format for dialogue between the superior and subordinates.

**(B) SELF IMPROVEMENT OF EMPLOYEES:**

Along with the administrative purposes, performance appraisal facilitates self improvement and self development (career development) of an employee. In fact, this purpose is more important as it relates to human resource development in an organization. Such appraisal suggests the weaknesses and shortcomings of the rates. It serves as a feedback to the employee. This is followed by discussion between the rater and the rate in a spirit of co-operation and mutual understanding. Counseling of employees for improving their performance is always through such post appraisal interviews. This gives opportunity to an employee to overcome his weaknesses and to improve his skills, abilities, performance, behavior and so on. Guidance is offered to an employee for his self-development and also for improving his overall performance in the job assigned. Thus, performance appraisal is needed for performance improvement of employees.

## TRADITIONAL METHODS OF PERFORMANCE APPRAISAL

**(1) Confidential Reports:** In this method, superiors are asked to prepare confidential reports on the subordinates assigned to them. Such reports are prepared in the case of supervisory staff and managers. Various aspects such as achievements, weaknesses, major mistakes, merits, good work done, etc. are recorded in such reports. This is an old and popular method of performance appraisal of employees of all categories. It is used even at present in government departments and educational institutions, where superiors prepare confidential reports about their subordinates.

**(2) Ranking Method:** Ranking method is the oldest and also the simplest method of rating of employees. According to ranking method, each employee is compared with all others performing the same job and then is given a particular rank order in the descending scale. It states that A is superior to B; B is superior to C and so on. Ranking method is simple to understand and easy to use. It is less expensive and less time consuming. Trained raters are not essential as it is simple to operate. In order to remove some deficiencies of ranking method, the paired comparison technique of ranking was introduced. In this paired comparison technique, every employee in a job is compared with every other employee to determine who is the better worker.

**(3) Grading Method:** In the grading method, a number of grades or classes are first established and carefully defined. The rater evaluates the performance of an individual employee against these standards and places him in one of these grades. The grades are related to qualities of employees and grades are given to such qualities. The qualities may be like job knowledge, judgment, leadership, cooperative attitude and so on. The grades may be like A (for outstanding), B (for very good), C (for good), D (for fair) and E (for poor). The rater judges the performance of an employee and puts him under suitable category. This method is simple and quick but the rating of employees may not be accurate particularly when the rater has to complete the rating of large number of employees within a short period.

**(4) Graphic Rating Scale Method:** This is one of the oldest and most widely used methods of performance appraisal. Here, four to twelve factors are selected, depending upon the category to which the employee belongs. Some of these factors are quantity of Output, quality of output, initiative, integrity, dependability, etc. These factors and their degrees are marked on a graph paper provided in the appraisal form. The rater has merely to check on the scale where he thinks the employee belongs.

The graph paper used in graphic rating scale method is as shown below:

Factors/Considerations ->	Quantity of Output	Quality of Output	Integrity	Initiative
Excellent				
Very Good				
Good				
Average				
Below Average				

**(5) Checklist Method:** In the checklist method, a list consisting of a number of statements about the qualities of employee and his behavior is prepared. The statements or questions, for example, may be as noted below:

- (a) Does the employee work best under tension? ( )
- (b) Does he make mistakes frequently? ( )
- (c) Does he keep ahead of schedule? ( )
- (d) Does he follow the instructions of his superior? ( )

Each statement on this list is assigned a value depending upon its importance. While rating an employee, the rate is asked to place a plus sign, a minus sign or a question mark in front of each statement, depending on whether he feels the description applies, does not apply, or there is doubt. The worker's final rating is taken as the average of the scale values of all statements that his superior has checked while rating him. The rating of employees, by this method, is impartial as the rater reports only the facts but the j values are assigned separately.

**(6) The Forced Choice Rating Method:** This method aims at reducing if not eliminating the possibility of bias and prejudice in the rating. It requires him (rater) to choose between a numbers of descriptive statements of apparently equal value. He has to select out of four or five statements only the one, which is most characteristic of the employee, as well as the one, which is least applicable to him. His evaluation is then checked by reference to a secret score key. In this way, the personal bias of the rater is sought to be removing from the rating process. As a result, the rating of employees is more accurate, objective, fair and away from partiality by the rater.

**(7) The Critical Incident Appraisal Method/Technique:** The research scientists developed the critical incident method with the American Armed Forces during the Second World War. The theory behind it is that, there are certain key acts of behavior, which make the difference between success and failure in a job. These acts arise out of the incidents, which occur in the performance of a job. The supervisor is required to make note of all such critical incidents and as a rater, examine the performance of the candidate and record his rating. An experienced supervisor knows what type of action or behavior leads to success and which leads to failure. Thus, a study of the actions of a candidate in the critical incidents over a period of time enables the supervisor to rate the employee correctly e.g., an employee who helps a fellow-worker to avoid accident is given positive entry in the critical incident book.



**(8) The Essay Appraisal Method:** In this method, a rater is required to write a small paragraph as regards his subordinate's strengths, weaknesses, and potentials and so on. It need not be treated as rating in an exact manner but a general opinion of a superior in relation to his subordinate. Comparison of performance of one employee against that of another is not possible under this method.

**(9) Group Appraisal:** Under this method, a group of evaluators assess employees. The group is composed of: (a) supervisors (b) head of the department and (c) personnel expert. The group is given free hand to determine the standards of performance, measures actual performance analyses the causes of poor performance and offers suggestions for improved work.

**(10) Field Review Method:** Under this method, a training officer from HRD department interviews line supervisors to appraise the subordinates working under them. The supervisors are expected to answer the questions prepared by the interviewer in advance. The supervisors have to answer about promotion potential, level of performance, progress of work, strengths and weaknesses. The findings are placed in the service file of employees.

## MODERN METHODS

(1) **Human Resource Accounting Method:** Human resource is the most invaluable asset of an organization. This asset can be valued in terms of money. When competent and trained employees leave an organization, it will cost business in many ways. This method assesses performance in terms of costs and contributions of employees. Costs of human resources consist of expenditure on recruitment, selection, training, remuneration, human resource planning, etc. Contribution of human resource is the money value of labor productivity.

(2) **Appraisal by Results or MBO:** It is a modern method of appraisal and has been evolved by Peter Ducker. In this MBO method, (also called goal setting approach) the subordinate employees are required to set their own standards of performance along with their superiors. Thereafter, the actual performance of subordinates is evaluated against such standards. This is how appraisal is not imposed on the employees but is introduced with their cooperation and participation. This method is a participative appraisal method and is a new development based on democratic principles.

(3) **Assessment Centre:** Assessment centre is a group of employees drawn from different work units. The selected employees work together on an assignment similar to the one they would be handling when promoted. They participate in job related exercises evaluated by trained observers. Managers are evaluated over a period of time say one day to three days. Their skills and behavior are carefully observed. The evaluators are experienced managers with ability. They evaluate all participants both individually and collectively by using simulation techniques, role playing, business games, etc. Assessments are done in order to determine employee potential for promotion. The evaluators prepare a summary report.

(4) **Behaviorally Anchored Rating Scales (BARS):** It is a modern method of performance appraisal. Behaviorally anchored scales are rating scales whose scale points are determined by statements of effective and ineffective behaviors. They are said to be behaviorally anchored because scales represent a range of descriptive statements of behavior varying from the least to the most effective. A rater must indicate which behavior on each scale best describes the performance of an employee.

(5) **360 Degree Appraisal method:** It is a system or process in which employees receive confidential, anonymous feedback from the people who work around them. In this raters include: Boss, colleagues & internal customers, Peers – immediate and functional colleagues, direct reporters. Some companies use **rating committees** to evaluate their employees. The committees consist of supervisors, peers and subordinates. The members of the committee have adequate capacity to intelligently evaluate same aspects of employee's performance. This method is better than giving the entire responsibility of rating to one individual.

## CONCLUSION

Performance appraisal is the process of reviewing employee performance vis-à-vis the set expectations in a realistic manner, documenting the review, and delivering the review verbally in a face-to-face meeting, to raise performance standards year over year through honest and constructive feedback. The employees want the improvement in the current performance appraisal system. There is no format to be filled by the employees for their appraisal. They also want that there suggestions should be taken before designing and performing the performance appraisal of the organization. Performance appraisal encourages systematic and regular joint-stocking and planning for the future.

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