

Performance Appraisal : A Tool to Harmonise Fair Promotional Practices in the Organization

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Abstract

There is a deep throat cut competition in the present day scenario no matter that anyone can be hurt but success and ultimate win is the main priority in the organizations. To curb these situations and to restore the fading harmony in the organisational arena, performance appraisal is a good technique to deal. Performance appraisal establishes the fair promotional practices in the organization. It gives motivation to less active personnel as well as boosts the carrier of active personal along with work satisfaction. A particular technique may benefit one organisation, but prove to be completely catastrophic for the other. Thus, a person dealing in the management of human resources and allotted with the task of evaluating employees must keep in mind that he cannot follow what others are doing. Rather, he is required to study various aspects in relation to his organisation, in order to decide the performance evaluation technique best suited for his organisation. Thus, it is imperative for all organisations to see a complete picture through the holistic concept of performance management, rather than sticking to the single element of performance appraisal. Studying the concept of performance appraisal in detail is still of high importance, but in order to reap its benefits, it must be correctly applied and used in the larger process of performance management.

Keywords : Performance Appraisal, Promotional Practices, MSMEs.

Classification-JEL : L 20, M 10, O 15.

1. INTRODUCTION

Performance Appraisal is an important activity in the development of an organization. It gives strength to both employers and employees. There is a deep throat cut competition in the present day scenario no matter that anyone can be hurt but success and ultimate win is the main priority in the organizations. To curb these situations and to restore the fading harmony in the organisational arena, performance appraisal is a good technique to deal. Performance appraisal

establishes the fair promotional practices in the organization. It gives motivation to less active personnel as well as boosts the carrier of active personal along with work satisfaction.

An individual's performance can be evaluated in any field, like sports, education, cooking etc., each field having its own parameters to evaluate the performance. However, this is a curial subject to discuss but the evaluation of the performance of the employees working in an organization is focused here, it basically focuses which is primarily

focused on the assessment of their in-role performance. It is believed that the concept of 'Performance Appraisal' had been adopted during the First World War by Walter Dill Scott, under which the U.S. Army adopted the 'Man to Man' rating system for evaluating the military personnel. With further advancements the system of 'merit rating' emerged during the 1920s under which the hourly paid wage earners (workers) were evaluated. Since the early 1950s the performance appraisal techniques started becoming more technical and sophisticated which made it possible to evaluate the performance of professional and managerial personnel.

The selection of the right technique to measure performance and inculcate healthy competition in an organisation, is very difficult to exercise. There are a number of available techniques to measure the performance of employees in an organization. Each and Every technique has its own pros and cons. There is no best technique to measure an employee's performance and to achieve the desired result. A particular technique may benefit one organisation, but prove to be completely catastrophic for the other. Thus, a person dealing in the management of human resources and allotted with the task of evaluating employees must keep in mind that he cannot follow what others are doing. Rather, he is required to study various aspects in relation to his organisation, in order to decide the performance evaluation technique best suited for his organisation. For example, a particular technique can be suitable to measure the performance of semi-skilled employees, but the same technique cannot be used to measure the performance of the company's knowledge workers. Thus, each organisation can use its own technique of performance appraisal and can also use different appraisal techniques and policies, depending on the level of employees (top, middle or lower level) that it is looking to evaluate.

2. TOOLS TO HARMONISE PROMOTIONAL PRACTICES

In the following lines, various techniques of performance appraisal basically traditional techniques and modern techniques are enumerated. These techniques are largely used present day organizational world-

a) Traditional Methods:

i) Paired Comparisons: This is a modified version of the ranking method. Under this method, the employees are compared with other members of the group, one at a time, i.e. on one-on-one basis. The number of times an employee is rated better than the other helps in determining his overall rank. The number of possible pairs for comparison under this method are determined using the formula: $N(N-1)/2$, where N = number of employees being evaluated.

However, the problem of using this method is that it is subjective as it is not based on specific job related performance and can become quite unmanageable if the number of employees being evaluated is large.

ii) Forced Distribution Method: Under this method the rating is done on a normal frequency curve, so as to remove the evaluator's bias of central tendency, as well as the leniency and strictness error. The method is simple to apply, easy to understand and reduces rater's bias, making it one of the immensely popular method of performance appraisal at many organisations. However, this method is now being substituted with modern methods because of limitations such as the restriction on the freedom of choice and non flexibility.

iii) Graphic Rating scales: It is a numerical scale indicating different degrees of a particular trait. The evaluator is given a printed form for each employee, which contains several characteristics related to the personality and performance of understand and use, making it one of the widely used method of appraisal.

However; for this method to be successful, a mature and experienced evaluator is required. Also, the approach is subjective as specific job related performance criteria are not considered.

iv) Checklist Method: The checklist refers to a list of statements that describes the characteristics and performance of employees. The evaluator is required to indicate the behavior of his subordinate for each statement as positive or negative. For this, an evaluator may use:

- Simple Checklist: Where each statement is given equal importance; or
- Weighted Checklist: Wherein weights are assigned to different statements based on their relative relevance.

However, this method requires a separate checklist for each job, making it relatively costlier and a lengthy method of appraisal.

v) Confidential Report: This traditional form of performance appraisal method is prevalent in Government Organisations, wherein the subordinates are evaluated by their immediate superiors on various parameters, including attendance, leadership, technical ability, personality, etc. It generally follows a structured format, but suffers from the problem of subjectivity as it is based on impressions, rather than data.

vi) Free Form or Essay Method: Under this method, the evaluator writes a narrative description of the employee's strengths, weaknesses, capabilities and potential for improvement. However this method suffers from various limitations as it does not have a specified format, length or content. Also, it is a time consuming method and is likely to be affected by personal bias of the evaluator.

vii) Ranking Method: It is one of the simplest and oldest formal method of appraisal, under which the employees are ranked from best to worst/poorest by their evaluator. For

using this method, the employees working in the same work unit and doing the same job can be evaluated. However, this method too can be affected by personal bias. Also, it can be a cumbersome job for a manager to rank all his employees, if he has a large span of control. Another demerit of this method is that it fails to highlight the degree of difference in performance level of the employees, as it focuses on merely ranking them.

viii) Critical Incidents Method: This method requires the manager to record significant examples of an employee's positive or negative behavior during their job performance. For this method to be used as a useful feedback tool, the statements should include a brief description of the critical incidents that took place, along with the circumstances and settings in which they took place. This method also helps in removing the regency error. This method however suffers from various limitations as it is time-consuming and cumbersome. Also, these critical incidents occur infrequently and what may be critical for one may not be considered as critical for other, because of which a employees (Gupta, 2013). It is economical to design and administer rating scales. Moreover the method is easy to continuous record of performance may not be available.

b) Modern Methods:

i) Management By Objectives (MBO):

The term was first coined by Peter F. Drucker in 1954. It may be defined as a process in which the manager along with his subordinates decide the targets and results to be achieved collectively, keeping in view the overall objectives of the organization, jointly identify the key result areas and periodically evaluate the actual results with the pre determined goals and targets. The process of MBO begins with the identification of organizational goals and objectives. Once the corporate goals and

objectives are defined, goals are set for each organizational unit. After the corporate goals and unit goals are set, the next step is to fix performance targets for each manager involved in the process. The targets are stated in quantitative terms. Periodical performance reviews are conducted to identify the corrective areas. At the year end, results are evaluated and the targets are reviewed.

ii) 360 Degree Appraisal Method: It is a management tool used in organizations where the employee receives feedback on his job performance and behaviour outcomes as well as his potential from a circle of raters as opposed to a single supervisor. The feedback is received from the superior, subordinates, peers, customers, vendors, suppliers and other interested stakeholders with whom the employee interacts in the course of his job performance (Alexander, 2006). Employee's self evaluation completes the circle. Each source can provide a different perspective about the employees' job performance and behavior which may not be viewed by any other method.

iii) Behaviourally Anchored Rating Scales (BARS): This technique looks to combine the graphic rating method with the critical incidents method. Under this method, the critical areas of performance and the most effective behaviour for achieving the desired results are determined in advance. The evaluator then records the behaviour of the employee and compares it with the observations with BARS, to evaluate the actual performance with the desired performance. Developing BARS is a complex and systematic process, involving a series of steps.

iv) Assessment Centres: The concept of assessment centres as a method of performance appraisal is traced back in 1930s in the Germany where it was used to appraise its army officers. The concept gradually spread to the US and the UK in 1940s and to the Britain in 1960s (Chand,

n.d.). The concept has been relatively new in India, with companies like Crompton Greaves, HUL, Eicher and Modi Xerox being some of the companies which have adopted this technique. An assessment centre is a central location where managers come together to participate in well-designed simulated exercises, including role plays, business games and in-basket exercises. They are assessed by senior managers supplemented by the psychologists and the H R specialists over a span of 2-3 days.

3. FINDINGS AND CONCLUSION

Performance Appraisal is not a new concept. It is something integral for an organisation's success. Advancements in the fields of technology and precision, the modern day companies are using a combination of techniques to evaluate their human resources and to identify their training and development needs. With the technological changes, the concepts of computerized and web-based performance appraisal have also emerged as popular techniques to evaluate employee performance. There is another similar word i.e., "Performance Management".

In its very essence, performance management is a broader concept as compared to performance appraisal as it encompasses not only the measurement of performance but also making constant efforts for improvement through various activities. A PMS is broader than a performance appraisal system in the sense that performance management precedes and follows performance appraisal in a virtuous spiral and performance management creates the context for appraisal. Thus, it is imperative for all organisations to see a complete picture through the holistic concept of performance management, rather than sticking to the single element of performance appraisal. Studying the concept of performance appraisal in detail is still of high importance, but in order to reap its benefits, it must be correctly applied and used in the larger process of performance management.

4. SUGGESTIONS TO IMPROVE PERFORMANCE APPRAISALS

There are some measures which can be taken to make performance appraisals more effective. These measures can be considered individually or in combination. Some of the suggestions are as follows:

i) Behaviourally Based Measures. Evidence strongly favours behaviourally based measures over those developed around traits. Many traits often considered to be related to good performance may, in fact, have little or no performance relationship. Traits like loyalty, initiative, and reliability may be prized by managers, but there is no evidence to support that these traits will be adequate synonyms for performance in a large number of jobs. A second weakness in traits is the judgement itself. What is locality? What one person considers as 'loyalty' the other may not. So traits suffer from* weak interrater agreement.

Behaviourally based measures can deal with both of these objections. Because these measures deal with specific examples of performance-both good and bad-we avoid the problem of using inappropriate substitutes. Moreover, since we are evaluating specific behaviours, increase the likelihood that two or more evaluators will see the same thing.

ii) Combine Absolute and relative standards. The appraisal methods that combine both absolute and relative standards should be adopted by evaluators. For example, the evaluators may want to use graphic rating scale and individual ranking method. This dual method of appraisal has been instituted at some organisations to deal with the problem of grade inflation. Employees get an absolute grade-A, B, C, D or E and next to it is a relative mark showing how this employee ranked in the particular department or job circle. In this way, the drawbacks of relative or absolute standards can be removed.

iii) On going feedback. The managers should share with the subordinates both expectation and disappointment on a day to day basis" By providing the employee with frequent opportunities to discuss performance before any reward or punishment consequences occur, there will be no surprises at the time of the annual formal review. In fact, where ongoing feedback is provided, the formal stepping down step should not be particularly traumatic for either party. Moreover, in a MBO system that actually works, ongoing feedback is the critical elements.

iv) Multiple Raters. As the number of increases, the possibility of attaining more accurate information increases. If a person has 10 evaluators, nine having rated him excellent and one poor, the value of one poor evaluation can be discounted. Therefore, by moving employees about within the organization, so as to gain a number of evaluations, the probability of achieving more valid and reliable evaluation increases.

v) Selective Rating. The appraisers should rate in those areas in which: they have significant job knowledge. If appraisers make evaluations only on those dimensions on which they are in a good position to rate, the chances of inter-rater agreement increase and evaluation becomes a more valid process (This approach also recognises that different organisational levels often have - different orientations towards ratees and observe them in different settings. In general, therefore, it is recommended that the appraisers should be as close as possible, in terms of organisational level, to the individual being evaluated. The specific application of these concepts would result in having immediate supervisors or co-workers as the major input into the appraisal and having them evaluate those factors that they are best qualified to judge. Such an approach appears both logical and more reliable since people are appraising

only those dimensions on which they are in a good position to make judgments.

In addition to considering where the appraiser is in the organisation or what he is allowed to evaluate, selective rating should also consider the characteristics of the appraiser. If appraisers differ in traits and if some of these traits are correlated with accurate appraisals while others are correlated with inaccurate appraisals, then it seems logical to attempt to identify effective appraisers. Those identified as effective should be given the sole responsibility for doing appraisals or greater weights should be given to their observations. It has been proved that 17% of the variance in the accuracy of ratings can attribute to the characteristics of the person doing the appraisal.

vi) Trained- Appraisers. Training of appraisers can make them more effective raters- common errors such as halo and leniency can be minimized or eliminated by training the appraisers. The effects of training, however, do appear to diminish over time. Thus, there is a need for regular training refresher sessions.

vii) Peer Evaluations. The appraisers may, sometimes find it difficult to evaluate their subordinates' performance because they are not working with them everyday. Unless and until they have this information, they may not be making an accurate appraisal. If the goal of performance evaluation is to identify deficient areas and provide constructive feedback to their subordinates, the appraisers may be doing a disservice to the subordinates by not having all the information' An easiest way to get all this information is through peer evaluations. Peer evaluations are conducted by employees' co-workers, people who are familiar with the jobs mainly because they are also doing the same thing. They are the ones most aware of their co-workers' day to day work behaviour and should

be given the opportunity to provide the management with some feedback.

However, for peer evaluations to function properly, the environment in the organisation must be such that politics and competition for promotions are minimum' such an environment can be found in the most mature organizations.

viii) Post-Appraisal Interview. There should be a comprehensive system for using the performance appraisal data. The information obtained must serve some purpose. The purpose is to communicate to the employees, how they have performed. For this the appraisers must take the time to schedule a meeting with their subordinates to discuss the results of the performance evaluations' This can certainly be time-consuming, but it will also result in increased productivity and improved performance' Employees need to know how they are doing, be recognised for outstanding achievements and be notified about where there is room for improvement.

ix) Rewards to Accurate Appraisers. Another suggestion which is often overlooked by organisations is-to establish a reward system for accurate appraisers. If the managers doing the appraisals must understand that it is in their personal and .are., interests to conduct accurate appraisals' -If not rewarded prop.rrv for doing the accurate appraisals, the managers would:

- try to avoid the Process entirely.
- if pushed they will complete the appraisals but the appraisals suffer from leniency and low differentiation.
- not provide any feedback to the subordinates.

All these problems can be overcome by encouraging and rewarding accurate appraisers.

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