



## Performance appraisal methods and their aptness

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**Abstract**

Performance Appraisal is the process of assessing the performance and progress of an employee or a group of employees on a given job and his potential for future development. Performance appraisal not only aims to assess the performance of an employee for fixing increments or promotion but also aims to diagnose the strengths and weaknesses of the employee for the development of employees. This paper aims to analyse the different methods of performance appraisal at workplace, importance of appraisal and the practice adopted by leading companies for performance appraisal.

**Keywords:** performance appraisal, techniques

**Introduction**

**Performance Appraisal**

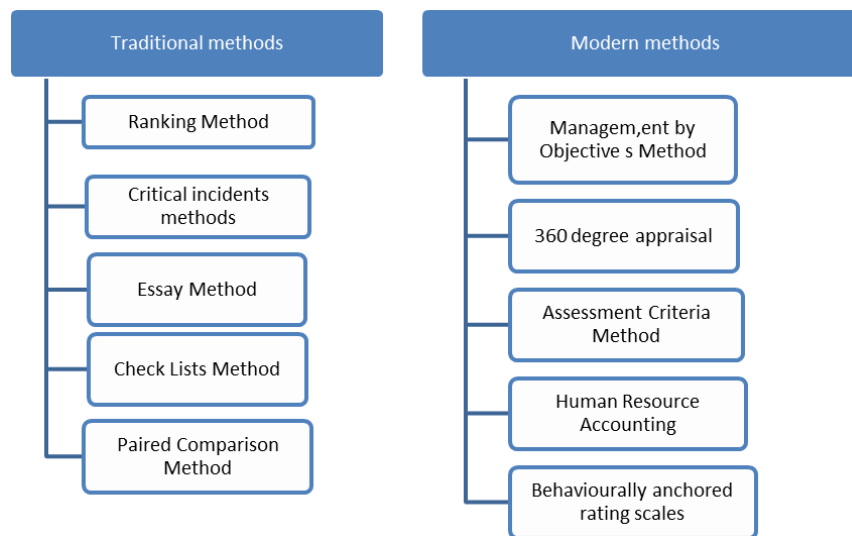
“Performance Appraisal is the systematic, periodic and an impartial rating of employee’s excellence in matters pertaining to his present job and his potential for a better job.” Flippo. Performance appraisal not only aims to assess the performance of an employee for fixing increments or promotion but also aims to diagnose the strengths and weaknesses of the employee for the development of employees. Thus the main objectives behind appraising the performance of employees can be summarized as under:-

1. It aims in taking important decisions concerning promotions, fixing increment in salary, transfer etc.

2. It helps in analyzing the capabilities and weaknesses of employee and helps them in improving the same.
3. It also focuses on requirement of training needs, need for counseling, career planning and related aspects.
4. It promotes and assists research in human resource management.
5. It also assists the manager in framing human resource policy.

**Methods of performance appraisal**

There are two set of techniques for performance appraisal and they are traditional methods and modern methods. The various methods under these two are summarized as under:



**Fig 1**

The above methods differ from each other as under various methods the evaluation criteria related to performance differ. The method is selected according to the opinion and requirement of the management.

**Traditional Methods:** The methods are old techniques of performance appraisal where personal traits and qualities such as attitudes, initiative, loyalty, knowledge of job, punctuality are taken into consideration. The popular methods under

traditional ways are discussed as under

- a. **Ranking Methods: This is the simplest of all methods.** Here employees are ranked on the basis of job performance. Superior ranks his worker based on merit, from best to worst. The best is placed at first and the worst is placed at last. The method fails to justify the degree of differences in assigning ranks. The method can be biased and is based on judgement.
- b. **Critical Incidents Method:** Under this method the appraiser keeps a written record of the critical incidents and how employees behave in such incidents. This method assigns rating on the basis of positive and negative behavior of employees during such critical incidents. The major drawback of this method is that it is quite difficult to keep a written record of critical incidents along with the reactions of individuals associated with the incidents and also that such incidents do not occur frequently.
- c. **Essay Method:** The appraiser writes down the employee description in detail covering a wide range of aspects such as performance, existing capabilities, potentials and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. Though the method takes into account variety of factors but still it is not free of drawbacks such as writing skills of appraiser, personal relationship with the employee and his memory to record all the information.
- d. **Checklist:** Under this method, checklist of statements of characteristics and performance of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting and HR department does the actual evaluation. The method is time consuming and expensive and it is recommended that the technique is successful only when trained raters are appointed.
- e. **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs and accordingly rank is assigned. The number of comparisons may be calculated with the help of a formula as under.

$$N \times (N-1) / 2$$

The method is subjective in nature and is considered to be unmanageable when the employees to be rated are large.

Modern Methods: Now a day's companies are considering the performance appraisal techniques very important and have planned new ways of analyzing the performance of employees which covers wide range of aspects. Some of the popular modern methods of evaluation are discussed as under:

- a. **Management by objectives:** One of the most important and widely used technique is MBO which means employees performance is rated against the achievement of objectives stated by the management. The process involved in performance appraisal includes:
  - Establish goals and desired outcomes for each employee.
  - Setting performance standards.
  - Comparison of actual goals with goals attained by the employee.
  - Establish new goals and new strategies for goals not achieved in previous year.

The method is criticized on the grounds that this technique is not suitable for all types of employees and in very job.

- b. **360-Degree Feedback:** Here the information of an employee is collected from a number of stakeholders like immediate supervisors, team members, customers, peers and self. This technique is highly useful in terms of broader point of view, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills.
- c. **Assessment Centers:** This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Assesses participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc. Disadvantages - Costs of employees traveling and lodging, psychologists, ratings strongly influenced by assessee's inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.
- d. **Human resource accounting method:** It measures personnel management activities and the use of people in an organisation. HR accounting tries to find the relative worth of human resource assets in the terms of cost and contribution of the employees. HRA method treats wages, salary and training expenses incurred for employees as cost of human resources where as total value added by these employees are treated as contributions of these employees. The difference between the cost and contribution are performance of the employees.
- e. **Behaviourally Anchored Rating Scales (BARS):** BARS combine the graphic rating scale and critical incidents method. Behaviourally Anchored Rating Scales (BARS) are designed to bring the benefits of both qualitative and quantitative data to the employee appraisal process. BARS compare an individual's performance against specific examples of behaviour that are anchored to numerical ratings. Behaviorally anchored rating scales (BARS) are scales used to rate performance. BARS are normally presented vertically with scale points ranging from five to nine. It is an appraisal method that aims to combine the benefits of narratives, critical incidents, and quantified ratings by anchoring a quantified scale with specific narrative examples of good, moderate, and poor performance.

The techniques of performance appraisal keep on changing and also the selection of technique depends on variety of factors. For instance Infosys has changed the way

performance management is done, with higher focus on individual performance rather than relative performance. We have moved away from forced ranking curve and given our managers more flexibility and empowerment, while still retaining focus on maintaining a high performance culture," she said. Infosys had in September 2015 bid adieu to the bell curve method that fits categories of performers into a certain bracket depending on whether they have met their targets. Infosys has put in place a new performance appraisal system called iCount for its 193,000-odd employees that seeks to reward individual performers on the basis of specific targets, an overhaul that comes months after India's second-largest software exporter gave up the so-called bell curve assessment tool.

As part of iCount, employees will be offered feedback and subjected to reviews throughout the year rather than just an annual appraisal.

### **Conclusion**

Human resource is the most important resource of an organization. The companies must pay back the sincere employees in the way of increments, promotions, skills enhancement through training and development and it is possible through performance appraisal. It is very important to select the appropriate technique of performance evaluation as it is a way to reward the efforts of employees.

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