

**ESSENTIALS OF AN EFFECTIVE APPRAISAL SYSTEM**

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**ABSTRACT**

*Performance appraisal is important for employees at all levels throughout the organization. The parameters, the characteristics and the standards for evaluation may be different, but the fundamentals of performance appraisal are the same. The performance appraisal has become the heart of the human resource management system in the organizations. Performance appraisal defines and measures the performance of the employees and the organization as a whole. It is a tool for accessing the performance of the organization. It is a common practice among every organization whether big or small, organized or unorganized. Traditionally, performance appraisal has been used as just a method for determining and justifying the salaries of the employees. This approach was a past oriented approach which focused only on the past performance of the employees. This approach did not consider the developmental aspects of the employee performance i.e. his training and development needs or career developmental possibilities.*

## **Introduction**

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In 1950s the performance appraisal was recognized as a complete system in itself and the Modern Approach to performance appraisal was developed. The modern approach to performance development has made the performance appraisal process more formal and structured. The modern approach to Performance appraisal is a future oriented approach and is developmental in nature. In this paper we shall discuss meaning, objectives, process, methods and critical evaluation of performance.

## **Meaning of Performance Appraisal**

Performance refers to degree of accomplishment of the tasks and it is measured in terms of result. Performance appraisal is the process of evaluating the performance and qualification of the employee in terms of the requirement of job, for which he/she is employed. In other words, it is the process of determining and communicating the employees, how well they are performing the job.

A performance appraisal is a part of guiding and managing career development. An appraisal evaluates not only the employee's performance but also his potential for development. It is the process of obtaining, analyzing, 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. Performance Appraisal is an objective system to judge the ability of an individual employee to perform his tasks.

### **Definitions**

A few definitions of performance appraisal are as follows:

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."*

According to **Dale Yoder**, *"Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees."*

According to **Randall S. Schuler**, *"Performance appraisal is a formal structured system of measuring and evaluating an employee's job related behaviour 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, organisation and society will benefit."*

According to **Dale S. Beach**, *"Performance appraisal is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development."*

According to **C. Heigal**, *"Performance appraisal is the process of evaluating the performance and qualifications of the employees in terms of the requirement:, of the job for which he is employed for purposes of administration including placement, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally."*

From the above definitions of performance appraisal, the following **features** are highlighted:

1. Performance appraisal is a systematic process consisting of a number of steps to be followed for evaluating an employee's strengths and weaknesses.
2. It is a systematic and objective description of an employee's strengths and weaknesses in terms of the job.
3. The appraisal is an ongoing and continuous process where the evaluations are arranged periodically according to a definite plan. It is not a one shot deal.
4. The performance appraisal seeks to secure information necessary for making objective and correct decisions on employees.
5. Performance appraisal may be formal or informal. The formal system is more fair and objective.
6. This is an interactive process by which the employee can also speak about his problems to his superior.

## **Objectives of Performance Appraisal**

An effective performance appraisal system should emphasis individual objectives, organizational objectives and also mutual objectives. From the **viewpoint of individual** objective the performance appraisal should talk about

- a) What task the individual is expected to do?
- b) How well the individual has done the task?
- c) How can his performance be further improved?

- d) What is his/her reward for doing well?

**From the organizational view point,** a performance appraisal should generate manpower information, improve efficiency and effectiveness serve as a mechanism of control and provide a rational compensation structure. In short the appraisal system establishes and upholds the principle of accountability in the absence of which organization failure is the only possible outcome.

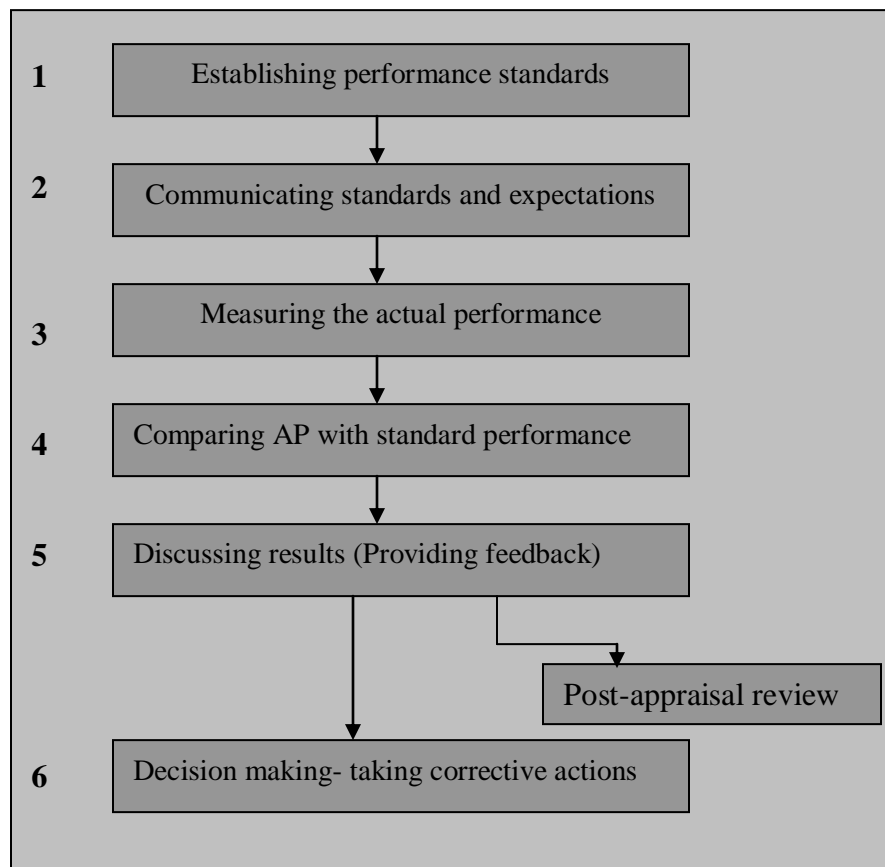
In general, the main objective of performance appraisals is to measure and improve the performance of employees and increase their future potential and value to the company. Other objectives include providing feedback, improving communication, understanding training needs, clarifying roles and responsibilities and determining how to allocate rewards. These are discussed as under:

1. **Measuring and Improving Performance:** The main purpose/objective of performance appraisals is to measure and improve the performance of employees and increase their future potential and value to the company.
2. **Provide Feedback:** The feedback received by the employee can be helpful in many ways. It gives insight to how superiors value your performance, highlights the gap between actual and desired performance and diagnoses strengths and weaknesses as well as shows areas for improvement.
3. **Improve Communication:** The method of performance appraisals helps superiors strengthen relationships and improve communication with employees.
4. **Training Needed:** These appraisals also identify the necessary training and development the employee needs to close the gap between current performance and desired performance.
5. **Clarify Expectations:** Performance appraisals should clarify roles, responsibilities and expectations of all employees.

6. **Allocate Rewards:** Performance appraisals reduce employee grievances by clearly documenting the criteria used to make organizational decisions such as promotions, raises or salary hikes etc.

## **The Performance Appraisal Process**

The performance appraisal is a process which is done on the basis of certain standards or norms. The standards need to be clear and sound and justified. Performance appraisal, infact, is a six step process (figure 1) which is discussed as under:



**Fig: 1: The Performance Appraisal Process**

### **1. Establishing Performance Standards (ESP)**

Performance standards constitute the benchmark against which performance is measured. This is the first step in the process of performance appraisal, which will be used as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees. The criteria may include quantity (output) as well as quality (work quality, honesty, cooperation and team work, job knowledge, initiative, leadership, safety consciousness, attendance, learning ability, adaptability, judgment, sense of responsibility, health and physical condition etc.). These standards should be clear, easily understandable, and in measurable terms. In case the performance of the employee cannot be measured, great care should be taken to describe the standards. In fact, performance standards will depend upon the objectives of the appraisal i.e. to appraise the actual performance on the present job or to judge potential for higher job. These standards will help in setting yardsticks for evaluating performance.

## **2. Communicating the Standards (CS)**

Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators. For standard of performance, we can take help from Job description and Job specification.

## **3. Measuring the Actual Performance (AP)**

The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

Personal observations, written reports and face to face contacts, feedback forms are the means of collecting data on performance. What is measured is more important than how it is measured.

#### **4. Comparing the Actual Performance with the Standard Performance (CSP)**

The Actual Performance is compared with the desired or the Standard Performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

(+ or -) PA = AP (Actual performance) – SP (Standard Performance)	
If AP > SP	(+ve result)
If AP < SP	(-ve result)

#### **5. Discussing Results or Feedback (post-appraisal review)**

Performance review sessions give employees feedback about their past performance or future potential. The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better. There are a few guidelines or precautions that are to be taken to make the performance evaluation system to be effective. These are shown in box-1.

#### **Box-1**



- Emphasize positive aspects of employees performance
- Tell each employee that the evaluation session is to improve performance, not to discipline
- Conduct the performance review session in private with minimum interruptions
- Review performance formally at least annually and more frequently for new employees or those who are performing poorly
- Make criticisms specific, not general and vague
- Focus criticisms on performance, not on personality characteristics
- Stay calm and do not argue with the person being evaluated
- Identify specific actions the employee can take to improve performance
- and reviewing plans to improve performance Emphasize the evaluator's willingness to assist the employee's efforts and to improve performance
- End the evaluation session by stressing the positive aspects of the employee's performance

## **6. Decision Making (DM)**

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc. Training, coaching, counseling etc. are examples of corrective actions that help to improve performance.

## **Conclusion**

Performance appraisal is a powerful tool which provides documented feedback on an employee's level of performance. This in turn, helps the employers in determining promotion, transfer, bonuses, pay raises pertaining to employees. The actual performance appraisal documents become part of an employees' permanent record and can greatly influence lives and careers. If performance evaluation management is poor, it can be used against employer in the court. On the

other hand if performance management is efficient, it will strengthen the organizational structure for greater performance. Thus managing performances in the organizations is a very important issue for the top management of the organizations.

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