

## **Performance Appraisal in HRM**

*Performance appraisal is a systematic evaluation of the employee's present job capabilities and also his potential for growth and development by his superiors. It can be either informal or formal.*

*The informal appraisals are unplanned while formal appraisal system is set up by the organisation to regularly and systematically evaluate employee performance. It reduces the chance of bias and snap judgment but bound to yield better results.*

*As per the views of C. Heyel (1973), "performance appraisal is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for the 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".*

### **Performance Appraisal in HRM: Meaning, Characteristics, Objectives, Process, Methods, Advantages and Other Details**

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#### **Performance Appraisal in HRM – Meaning**

After placed and trained as an employee on the job, the next important and essential step in the management of human resources of an organisation is to evaluate the performance of an employee on the job. The management must be able to recognize the level of an employee's job performance and then they can be rewarded on the basis of their contributions to organizational goals. It is the process of deciding how employees do their jobs and if any problems are identified, then immediately steps are taken to remedy them.

As per the views of C. Heyel (1973), “performance appraisal is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for the 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”. It is organized on the principle of goals and management by objectives.

The performance appraisal of employees has been used for the first time during the First World War when Walter Dill Scott, the US Army adopted the ‘Man-to-Man’ rating system for evaluating the performance of military personnel. During the 1920-30, the merit rating programmes were used for employees of industrial units.

In the early fifties, attention began to the performance appraisal of technical, professional and managerial personnel. According to Wonston Oberg (1972), Common descriptions include performance appraisal, merit rating, behavioural assessment, employee evaluation, personnel review, progress report, staff assessment, service rating and fitness report.

However, the term performance appraisal or evaluation is most widely used. Performance appraisal is a systematic evaluation of the employee’s present job capabilities and also his potential for growth and development by his superiors. It can be either informal or formal. The informal appraisals are unplanned while formal appraisal system is set up by the organisation to regularly and systematically evaluate employee performance. It reduces the chance of bias and snap judgment but bound to yield better results.

“Formal appraisal of an individual’s performance began in the Weidymasty (A.D. 221-265) in China, where an Imperial Rater appraised the performance of members of the official. In 1883, the New York City Civil Service in U.S.A., introduced a formal appraisal programme shortly before First World War”.

A. Monappa and M.S. Saiyadain Douglas Mc Gregor (1957) says – Formal performance appraisal plans are designed to meet three needs, one of the organisation and other two of the individual, namely –

- (i) They provide systematic judgments to back up salary increase, transfers, demotions or terminations.
- (ii) They are means of telling a subordinate how he is doing, and suggesting needed changes in his behaviour, attitudes, skills or job knowledge. They let him know ‘where he stands’ with the boss
- (iii) They are used as a base for coaching and counselling the individual by the superior.

Performance appraisal is the systematic evaluation of employee’s behaviour in the work place which includes employee’s job performance and his potential for growth and development.

Actually the performance appraisal is not the evaluation of performance of job but the evaluation of performance of employee on the job. Its focus is on employee’s development. The performance appraisal system may be formal or informal. The formal system is to be fair and objective while informal system is to be subjective and influenced by personal factors.

**In this system there may be two type of persons involved:**

1. Appraise – The person whose performance is going to be appraised by other person.
2. Appraiser – The person who is going to evaluate the performance of appraise. The appraiser may be a superior, subordinate, peers, self-appraisal, and group.

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**Performance Appraisal in HRM – Characteristics**

**A system which may have the following qualities or characteristics may become sound appraisal system:**

- (1) It should be simple and understandable by the employees. Any complications need to be avoidable.
- (2) It should be suitable to be adopted for appraisal at regular intervals because periodic appraisal enables the employees to improve.
- (3) It should create the atmosphere of mutual understanding and confidence.
- (4) The system should be capable of giving equitable justice to all employees. Therefore it should be objective and free from personal bias.
- (5) The employees should be taken in confidence while preparing performance appraisal.
- (6) The system should be suitable to the organisation from the points of its structure, needs and more essentially based on latest development in the area.
- (7) It should be able to fulfill the desired purpose by locating potential for promotion, increments, placements, transfers etc.
- (8) Special training is given to evaluated” for making him more impartial and free from bias.
- (9) Negative appraisal of any employee should be immediately communicated to him so that he can adopt measures for improvement.
- (10) The employee should be allowed to go in appeal in case his performance appraisal is negative if he is not satisfied. By this the management will win the confidence of the employees.
- (11) The performance appraisal system should not be aimed at harassing the employees who are vital human resources and play very important role in achieving organisational goals. On the other hand the top bosses should be made aware that performance appraisal is aimed at improving performance, organisational effectiveness and to accomplish organisational goals.

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**Performance Appraisal in HRM – 8 Main Objectives**

Performance appraisal plans are designed to meet the needs of the organisation and the individual. It is viewed as core to good human resource management. According to Cummings, “the overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilize the best possible efforts from individuals employed in it. Such appraisals achieve four

objectives including the salary reviews, the development and training of individuals, planning job rotation and assistance promotions.”

**The following main objectives of employee performance appraisal are:**

- i. To identify employee weaknesses and strengths;
- ii. To identify and meet training needs and aspirations;
- iii. To generate significant, relevant and valid information about employee;
- iv. To provide inputs to increments of rewards, transfers, promotion and salary administration.
- v. To help in improving employee’s performance if he is not found to be suitable during the review period;
- vi. To create a desirable culture and tradition in the organisation;
- vii. To help in planning career development and human resources planning based on potentialities.
- viii. To provide ‘deadlock’ and research data for improving overall human resources information system.

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**Performance Appraisal in HRM – Process**

**Performance appraisal is planned, developed and implemented in the following manner:**

**1. Establish Performance Standards:**

The performance standards for each and every job should be developed and discussed with the superiors after thorough analysis of the job. These standards should be clear and not vague. They must be measurable after certain period.

**2. Communicate the Standards:**

After setting the performance standards of job, the next activity is to communicate these standards to all concerned; at least two parties – (a) appraiser (b) appraisee. It is necessary, these standards must be modified. The appraiser must ensure that the information communicated by him has been received by appraisee and understood clearly.

As per opinion De Cenzo and Robbins, “too many jobs have vague performance standards and the problem is compound when these standards are set in isolation and do not involve the employee.”

**3. Measure Actual Performance:**

Now the next activity is to measure actual performance of appraisee on the job after certain period. Generally four common sources are used by appraiser to measure actual performance, personal observation, statistical reports, oral reports and written reports.

**4. Compare Actual Performance with Standards:**

The fourth activity is the comparison of actual performance with standards. Sometimes actual performance may be better than standards and sometimes it may go off the track. Any deviations between actual performance and standard performance may be noted carefully for next activity.

### **5. Feedback to the Employee:**

In this activity the results of stage forth are discussed with employee. The information which is received by appraisee about his assessment has a great impact on his performance. Communicating poor performance is difficult task of appraiser.

### **6. Taking Corrective Action, if Necessary:**

This is the final or last activity of the performance appraisal process. In this stage two types of corrective action may be recommended by the appraiser. One is positive means salary increase or promotion if actual performance of appraisee is up to the mark and second is negative means coaching and counselling may be done if the performance is poor. If necessary appraisee may be deputed for formal training courses.

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## **Performance Appraisal in HRM – Top 8 Methods: Ranking Methods, Graphic Rating Scale Method, Critical Incidents Method, Checklist Method and a Few Others**

There are various methods for conducting performance appraisal to identify areas of performance that should be modified or improved and to provide information to management for specific actions such as promotion, transfers and compensation adjustment.

**Various methods of conducting performance appraisal are explained below:**

### **1. Ranking Method:**

This method requires the evaluator to list all salespeople in order of their performance, beginning with the top performer. A number of ranking methods are used for conducting the performance appraisal of employees.

**Some of the important ones are listed as under:**

#### **(I) Simple Ranking Method:**

In this method all the employees are rated on the same set of factors and ranks as given to them on the basis of their performance in relation to others in the group. They are all rated from the first to the last in order of their performance.

#### **(II) Paired Comparison Method:**

In this method all the employees' performances are compared with other employees but comparison is made with only one member at a time. The number of times each member is preferred over the other is recorded. These numbers determine the ranks of members and obviously the top performers will be those with highest ranks for more number of times.

### **(III) Forced Distribution Method:**

It is a method to evaluate employee performance according to a predetermined distribution scale. Generally the organisations use five grade scales where one end of the scale represents the best job performance and the other represents the poorest job performance. All the employees are rated somewhere on the scale according to their level of performance in comparison to other employees.

The biggest advantage of using ranking method is its low cost, little time and effort, and simplicity. But the ranking method is not considered a very scientific and objective method because there is lots of ambiguity and vagueness involved in ranking the various employees. Chances of personal biasness and favouritism are many in this case as ranks are being assigned by supervisors as per their own opinion and judgment.

### **2. Graphic Rating Scale Method:**

Graphic rating scale method identifies specific desired traits, behaviour factors or performance criteria, such as, quality and quantity of work, cooperativeness, analytical ability, decisiveness, initiative, emotional stability, etc. Employees are rated on a scale based on the extent to which they exhibit the desired behaviour or the extent to which they meet the desired performance criteria.

The rating for each factor will be done on the basis of numbers (1, 2, 3, 4, and 5) or descriptions (excellent, very good, average, poor, etc.) The central idea behind using rating scales is to provide the appraiser with a continuous representation of various degrees of particular qualities or characteristics being present in employees.

The total of the points obtained by an employee on all the rating factors constitutes the overall ratings score of that employee in comparison to other employees in the organisation.

Many organisations use graphic rating scales because they are practical and cost little to develop. As traits are defined in advance, there is less ambiguity in this technique of evaluation. While, unfortunately, rating scales suffer from a major weakness, that is, the uneven interpretation of performance criteria and rating.

Unless each evaluator clearly understands what each criterion means and what the rating means, confusion and dissatisfaction can result.

### **3. Critical Incidents Method:**

Under this method the immediate supervisor tries to make a continuous record of all the good or bad incidents of a person's work-related behaviour. Whenever employees are found doing something good or positive which contribute towards increasing the overall productivity of the organisation or creating a healthy work atmosphere it is recorded as their positive contribution.

At the same time whenever they commit a mistake, a blunder or an error because of which damage has been incurred to machinery or the overall productivity of the organisation gets adversely affected it adds to their negative contributions. At the end of the rating period, these recorded critical incidents whether positive or negative are used in the evaluation of the employee's performance.

The biggest positive feature of this technique is that it measures behaviours which are critical to the effective performance of the job. Using this method facilitates a feedback by providing the employees

with concrete examples of actual behaviours committed by them. If proper records are maintained of these critical incidents it provides the most realistic measurement of an employee's performance on the job.

Although this method is an improvement and it tries to minimise the subjectivity problems associated with other appraisal systems, it also suffers from certain limitations. As employees are aware of the fact that they are being noticed by their supervisors, it might add to their level of anxiety and hostility.

Others tend to hide those behaviours which they feel will adversely affect their performance reviews. In either case, the end results are distorted performance reviews.

#### **4. Checklist Method:**

In this method the employer starts with a list of factors in their checklist, such as, does the employee cooperate with other co-workers, do they keep their work place neat and clean, do they follow their supervisors instructions closely, do they reach on their workplace in time, and are they able to achieve the work targets assigned to them properly.

Each factor or item receives a numerical value based on its perceived importance to successful job performance. Those items that are deemed more important are assigned higher values. The actual performance of all the employees on the job is measured and is compared against the checklist. Their scores on the appraisal are determined by summing the scores of the factors checked by the rater.

One of the biggest advantages of using the checklist method is the convenience to the supervisors as they simply have to say yes or no in front of the statements or the factors provided to them. It saves their time and the same checklist can be discussed with the employees and a feedback can be given to them.

However developing an effective checklist, measuring the performance against the checklist and finally interpreting the results might not be very simple for the supervisors.

#### **5. Essay Method:**

Brief narratives by the manager describe the performance of an employee. A manager may write a detailed write-up on the job knowledge and potential of the employee; employees understanding of the company's programs, policies, and objectives; employees promotability; overall appraisal of the employees performance; and employees relation with their co-workers and superiors; and so forth.

Essay method provides detailed information about the employee's performance by the managers who have seen them closely on the job.

The essay method provides a great deal of information about the employee, which provides a useful feedback to the employee for further improvement in the job performance. Although this method allows more flexibility and appears to be simple, it is not consistent and tends to be subjective as each supervisor has a different writing style and emphasis.

They might evaluate the employee's performance from altogether a different perspective. Sometimes even the problem of halo effect can enter into their subjective evaluation, where the evaluators may be biased by a generalized overall impression or image of the person they are evaluating. If the manager

does not like the way an employee dresses, for instance, that attitude may bias all aspects of the manager's evaluation.

## **6. Management by Objectives Method:**

Management by objectives (MBO) is a comprehensive management approach which is used for conducting performance appraisal. It is considered as one of the most scientific and objective method as a set procedure is followed. The primary focus in this method is on developing a set of objectives which are to be realised by the employees.

These objectives are later used as criteria for measuring the performance of the employees, or in other words the extent to which these objectives have been achieved by the employees. So in this method at the first stage detailed objectives for the employees are clearly set. In the light of these objectives the individual employees' responsibilities and tasks are clearly laid down.

At the time of performance appraisal, a supervisor will measure the actual performance of the employee on the job and the realisation of objectives by them. In case the employees have been able to successfully realise the objectives they are rewarded accordingly and in case they are not able to achieve the objectives, reasons for their shortcomings are identified. Later in the light of these findings the objectives might be redefined for future.

MBO is considered a very objective approach because goals and objectives are clearly determined before the appraisal begins. This gives employees clear-cut directions as to what is expected of them and the standards against which their actual performance will be measured and compared at a later date.

If the objectives are unattainable they are redefined and reset for future. However this method also suffers from the limitation of involving lots of time and effort on the part of the supervisor and the subordinate.

## **7. 360° Feedback Appraisal:**

The term 360° feedback appraisal is also known as multi-rater feedback, multisource feedback, full circle appraisal and group performance review. This concept was developed in the US in the year 1998. This concept involves a process of collecting information about a person's behaviour from the people around him – his boss (es), colleagues, fellow members in the team, suppliers, as well as customers.

The basic assumption underlying this approach is that a person who works closely with an employee sees his or her behaviour in various settings and circumstances that a supervisor might not be able to see. Thus, the term 360° implies that everyone around is involved in evaluating the performance.

Unlike traditional methods, only supervisors do not evaluate the subordinate rather literally everyone around gives the feedback. It tries to eliminate the subjectivity in evaluation, as many people rate an employee on a fairly extensive list of attributes. Companies prefer this method as they receive a broader and more accurate perception on their employees from multiple sources.

This performance appraisal method is a very effective method as it provides an individual an opportunity to learn about others perception of him. It provides a more open culture and an opportunity to resort to self-development for employees. It increases the overall communication networks in the organisation.

The 360° feedback is widely accepted as an effective performance tool, but if it is not managed properly then it does more harm than benefit. As so many people are going to appraise an employee's performance, all of them might not be closely familiar with him and might not be able to give an accurate judgement or opinion about him.

So in order to use this method effectively every organisation must develop an effective system and an appropriate procedure for generating enthusiasm amongst key decision makers and participants, ensuring that all of them have the skills to support the process. This might call for providing an orientation benefiting participants in one-to-one meeting and providing organisational summary data.

### **8. Potential Appraisal:**

This is done to predict whether an employee is capable of taking on more demanding work, and the speed at which he or she is capable of advancing. This appraisal method tries to judge the potential of employees for being promoted to higher positions. In this method it is necessary to inform employees of their future prospects and give them an opportunity to perform to the best of their capacity.

The organisation also might have to modify and update training and development programs and advise employees of what they must do to enhance their career prospects. In the potential appraisal process, attempt is made to match the employee's abilities and aspirations with the organisation's forecast of requirements for higher-level managerial staff.

This aspect of employee appraisal is considered as a highly positive and motivating because this tries to give an employee an incentive to work hard as they can look forward to growing up in their career path. The potential appraisal is concerned with forecasting the direction in which subordinates career can and should go and the rate at which he or she is expected to develop.

The assessment of potential requires an analysis of the existing skills, qualities, and how they can be developed to the mutual advantage of the company and the employee. There is also an important counseling aspect to the review of potential which consists of discussions with the individual about his or her aspirations and how these can best be matched to the future foreseen for him or her. They can also provide employees with additional motivation and encouragement which they need to remain with the company.

Finally, once the employee's performance has been evaluated with the help of any of the methods listed above, the results should be reviewed in a meeting with the manager. This discussion should be viewed as a counselling session, in which the manager explains the person's achievements on each evaluation factors and points out how the results compared with the standards.

Then the manager and the employee together may try to determine the reasons for the performance variations above or below the standards. Based on their review of all evaluation factors, the manager and the employee can then establish goals and an operating plan for the coming period.

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### **Performance Appraisal in HRM – Effective Performance Appraisal Programs: Elements, Steps and Guidelines for Evaluation**

Most of the controversies surrounding performance appraisals are due to lack of certain guidelines in using this system. Some of the common problems in setting up a performance appraisal system are the

establishment of the verifiable standards of performance, the clarity and the communication of those standards to the subordinates, the factors to be measured, the frequency of measurement, the tools of measurement, the scope of the program, the establishment of responsibilities, and so on.

Some of these problems can be overcome if an organization follows certain guidelines pertaining to performance appraisal programs.

**A sound constructive program should include the following elements:**

1. An effective performance appraisal program must have the support of top management.
2. Objectives and standards of performance appraisal must be carefully planned and keyed to the company needs. These objectives and standards of performance appraisal must be visible and understood by the employee and his supervisor. Subordinates should participate in the development of their job objectives.
3. The approach of appraisals and reviews should be different for people of differing occupations. A uniform system may be desirable where applicable.
4. Objectivity of the program is very essential. Acceptance of the program depends on objectivity. The key to objectivity in goal performance is verifiability, that is, the quality that makes it possible to ascertain whether a given goal has been accomplished.
5. The appraisal program should not be permitted to become routine, rather, it should be a flexible management tool.
6. At the time of performance appraisal, estimates of potential can logically be made, and training and development needs should be identified.
7. The post-appraisal interview is an important factor in an effective evaluation system. During this interview, the superior sits down with each subordinate and discusses the review. This interview should stimulate the subordinate to improve his performance. Criticism of poor performance should be timely and it should be accompanied by a discussion of how to improve, not merely what to avoid.
8. The success of the performance appraisal program depends on an effective follow-up procedure.
9. Appraisal records must be kept confidential to ensure an honest and objective evaluation.
10. Individuals making the appraisals must be given training in conducting constructive reviews.

**Steps in Performance Appraisal Programme:**

**Pigors and Myers suggest several steps to develop and administer the programme effectively:**

1. The HR department may attempt to obtain as much as possible the agreement of line management in respect of the needs and objective of the programme. A choice has to be made among different kinds of appraisal methods judiciously.
2. The HR department has to examine the plans of other organisations as well as the relevant literature in the field to formulate the most suitable plan for the appraisal programme.

3. Attempts should be made to obtain the co-operation of supervisors in division of the appraisal form and discuss with them the different factors to be incorporated, weights and points to be given to each factors, and description or instructions to be indicated on the form.
4. The HR or industrial relations manager tends to explain the purpose and nature of the programme to all the supervisors and subordinates to be involved and effected by it. Care should be taken to take into confidence for the representation of the union, if it exists in the company.
5. Attempt is to be made to provide intensive training to all the supervisors with a view to obtaining unbiased and uniform appraisal of their subordinates.
6. Care should be taken to acquire line and staff co-ordination and mutual checking of appraisals with a view to achieving intra and inter departmental consistency and uniformity.
7. There should be an arrangement for periodic discussion of the appraisal by the superior with each of the subordinates where attempts may be made to stress good points, indicate difficulties and encourage improved performance. Explicitly, in this context, the discussion should be in the form of a progress review and every opportunity should be given to the subordinate to express himself, if he feels that the appraisal has been biased and that it should be otherwise.
8. As soon as the appraisal has been duly discussed, attempts may be made to recommend for salary increase or promotion, if there decision seen possible in the light of appraisals.
9. There should be provision for challenge and review of appraisals, if the employees or their union representatives are dissatisfied with the personnel decisions which the management has taken on the basis of these appraisals.

These steps, if followed carefully, are likely to help the superiors to evaluate their subordinates effectively.

**Davis suggests these guidelines for better evaluation:**

1. Use a system of mutual goal setting
2. Discuss performance, not personality during evaluation discussion
3. Relationship in everyday work situation is crucial and employee development is a full- time consideration
4. Praise, if used properly, can be-an effective tool
5. Your role is one of a counsellor in the appraisal process
6. Compensation should not be dealt with in evaluation interviews

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**Performance Appraisal – Uses of Performance Appraisal Data**

**The performance appraisal data are useful in the following ways:**

- (i) It can serve as a useful basis for promotion and job rotation. On the basis of this, the future requirements can be projected or curtailed.

(ii) It helps in determining appropriate salary increase and bonus for workers based on performance measure.

(iii) It can provide suitable information for formulating training and development programmes. If an employee is not performing up to expectations, a training programme may enable him to correct any skill or knowledge deficiencies.

(iv) It can motivate employees by showing them where they stand and establishing a data bank on appraised for rendering assistance in personal decisions.

(v) The data are useful tool for differentiating between good and poor employees performance. "For example, in 1992, IBM set new guidelines to its performance appraisal system with the objective of more strictly enforcing its existing method of ranking employees on a numerical scale of 1 to 4.

Where 1 being the highest. Over the years, it had become established practice to rate employees between 1 to 3 with very few exceptions. Under the new guidelines, managers were forced to rank people as 4 whenever necessary. Industry executive expect about 10% of IBM's U.S. workforce, or about 20,000 people to get this low rating and face pressure to resign.

In the nut shell, the uses of performance appraisal can be categorized into two broad categories. One category concerns for administrative uses such as pay increases, promotions, transfers, and discharges. The other use is for employee development including performance improvement training, coaching and counselling.

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### **Performance Appraisal in HRM – 8 Common Errors: First Impression, Halo Effect, Leniency, Central Tendency, Horn Effect, Contract Error, Recency Effect & Personal Bias Error**

Due to difference in values and perception techniques the possibility of common errors in performance appraisal is unavoidable phenomenon. The appraiser being bias can compromise the credibility of an appraisal.

**Some of the common errors in performance appraisal are:**

#### **Common Error # 1. First Impression:**

The general saying is "First impression is the last impression". The appraiser's opinion about rate is based on first impression and the evaluation is not appropriate although the performance of candidate is up to mark.

#### **Common Error # 2. Halo Effect:**

When appraiser draw a general impression about an appraisee on the basis of a single trait such as sociability, intelligence and attitude etc. then the halo effect is operating. As per Blum, L. Milton, and C. Naylor the halo effect is a tendency to let the assessment of an individual one trait influence the evaluation of that person on other specific traits.

The problem arises when rates the same rating to all other traits regardless of an appraisee's actual performance on these traits. For example, when appraiser rates high performance only on the basis of punctuality of his appraisee ignoring all other traits of the employee.

The elimination of this error is very difficult; only the possibility of minimization is possible if the evaluator appraises all his subordinates on one trait before proceeding to the next traits and providing one hour training to the evaluators.

**Common Error # 3. Leniency or Severity Errors:**

In this type of errors the evaluator develops his own value system which acts as a standard against which he makes his appraisals. Some appraisers consistently assign high values to all subordinates and other times they may assign consistently low values without considering the actual performance of his subordinates. The former is known as positive leniency error while the later as negative leniency error.

In the positive leniency error the distribution curve shifts to the right and in case of negative leniency error the distribution curve of performance ratings shift to the left, this is also called severity error. These errors can be partially overcome by conducting meetings or training programmes for appraisers.

**Common Error # 4. Central Tendency:**

This is most common error that, occurs when the evaluator assign average ratings to all his subordinates and avoids using high or low ratings. This kind of play it safe rating is almost useless because it fails to distinguish between good and poor performance.

**Common Error # 5. Horn Effect:**

In this type of error the appraiser's bias is in negative direction. The tendency is to allow one negative trait of subordinate to colour the entire appraisal.

**Common Error # 6. Contrast Error:**

The evaluation of a subordinate's characteristics are affected by comparisons with other subordinate recently encountered who rank higher or lower on the same characteristics. For example, if the performance of two workers are actually unsatisfactory and a third is average, then the third worker may well be rated outstanding because in contrast of other two, the relating performance of third worker becomes better.

**Common Error # 7. Recency Effect:**

In this case, the appraiser assign ratings only on the basis of recent behaviour or performance. This is possible when appraisals are done over longer periods such as – one year or more. The appraiser is human being and forgot about past behaviour of subordinate for example, an outstanding performance of six to eight months old is forgotten by appraiser during poor rating to an appraisee, which is not good in recent months. The appraiser must be trained to remember whole year performance of appraisee during evaluation of performance to minimize this errors.

**Common Error # 8. Personal Bias Error:**

The personal biasness of supervisor also effect when he evaluate his subordinates. These biasness against subordinates may be on ground of sex, race, religion positions, and age. The removal of this type of error is very difficult.

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## **Performance Appraisal in HRM – Top 5 Suggestions for Improvement**

The fact that managers frequently encounter problems with performance appraisal should not lead you to throw up your hands and give up on the concept. There are things that can be done to make performance appraisal more effective.

**The following are the suggestions in this regard:**

### **(i) Behaviourally Based Measures:**

Many traits often considered to be related to good performance may in fact, have little or no performance relatively. Traits like loyalty, initiative, courage, reliability and self-expression are intuitively appealing as desirable characteristics in employees. But the relevant question is, are individual who are evaluated as high on those traits higher performances than those who rate low?

We cannot answer this question. We know that there are employees who rate high on these characteristics and are poor performers. We can find others who are excellent performers but do not score well on traits such as these. Our conclusion is that traits like loyalty and managers may prize initiative, but there is no evidence to support that certain traits will be adequate synonyms for performance in a large cross-section of jobs.

A second weakness in traits is the judgement self. What is loyalty? “When is an employee reliable?” What you consider ‘loyalty’, I may not. So traits suffer from weak interrater agreement.

Behaviourally derived measures can deal with both of these objectives. Because they deal with specific examples of performance-both good and bad-we avoid the problem of using inappropriate substitute.

### **(ii) Trained Appraisers:**

If you cannot find good raters, the alternative is to make good raters. The training of appraisers can make these more accurate raters. Errors can be minimized through training workers. Training workshops are usually intended to explain to raters the purpose of the procedure, the mechanics of ‘how to do it’, pitfalls or biases they may encounter and answer to their questions. The training may include trail runs evaluating other classmates to gain some supervised experience.

Companies even use videotapes and role playing evaluation sessions to give raters both experience with and insight into the evaluation process. During the training, the timing and scheduling of evaluations are discussed.

### **(iii) Multiple Raters:**

As the number of raters increases, the probability of attaining more accurate information increases. If person has had ten supervisors, nine having rated him or her excellent and one poor, we can discount the value of the one poor evaluation. Therefore, by moving employees about within the organizations so as to gain a number of evaluations, we increase the probability of achieving more valid and reliable evaluations.

### **(iv) Peer Evaluations:**

Periodically, managers may find it difficult to evaluate their subordinates’ performance because they are not working with them every day. Unfortunately, unless they have this information, they may not

be making an accurate assessment. And of their goal of the performance evaluation is to identify deficient areas and provide constructive feedback to their subordinates, they may be providing a disservice to these subordinates by not having all the information.

Yet, how do they get this information? One of the easiest means is through peer evaluations. Employees' co-worker, people explicitly familiar with the jobs involved mainly because they too are doing the same thing, conducts peer evaluations. They are the ones most aware of co-workers' day-to-day work behaviour and should be given the opportunity to provide the management with some feedback.

The main advantages to peer evaluation are that (i) there is a tendency for co-workers to offer more constructive insight to each other so that, as a unit, each will improve and (ii) their recommendations tend to be more specific regarding job behaviour-unless specificity exists, constructive measures are hard to gain. But necessary condition for this method is that the environment in the organization must be such that politics and competition for promotion are minimized. This environment can only be found in the most "mature" organizations.

#### **(v) Evaluation Interviews:**

Evaluation interviews are performance review sessions that give employees essential feedback about their past performance or future potential. Their importance demands preparation. Normally this includes a review of previous appraisals, identification of specific behaviours to be reinforced during the evaluation interview and a plan or approach to be used in providing the feedback.

The evaluator may provide this feedback through several appraisals – tell and sell, tell and listen and problem solving. The tell and sell approach reviews the employee's performance and tries to persuade the employee to perform better. It works best with new employees.

The tell and listen allows the employee to explain reasons, give excuses and describe defensive feelings about performance. It attempts to overcome these reactions by counselling the employee on how to perform better.

The problem solving approach identifies problem that are interfering with employee performance. Then, through training, coaching or counselling goals for future performance are set to remove these deficiencies.

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## **Performance Appraisal in HRM – Advantages and Disadvantages**

### **Advantages of Performance Appraisal:**

- (i) It helps the supervisors to plan out the promotion programs for efficient employees.
- (ii) It helps in planning compensation packages for employees. Compensation packages which include bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal.
- (iii) The systematic procedure of PA helps the supervisors to frame training policies and programs.
- (iv) It helps the supervisors to understand the validity and importance of the selection procedure.

(v) Systematic appraisal helps to identify the ability of the employees.

(vi) It serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

**Disadvantages of Performance Appraisal:**

(i) If not done right, they can create a negative experience.

(ii) Performance appraisals are very time consuming and can be overwhelming to managers with many employees.

(iii) They are based on human assessment and are subject to errors and biases.

(iv) Can be a waste of time if not done appropriately.

(v) They can create a very stressful environment for everyone involved.

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