

Lecture notes

B. Com Hons Sem III, Sub Code – BCH-3.3

Sub – Management Principles and Application

Topic – Performance Appraisal: Meaning, Objectives and Approaches

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Learning outcome from this lecture note

1. Meaning and definition of Performance Appraisal
2. Objectives of Performance Appraisal
3. Advantages of Performance Appraisal
4. Essentials of a good appraisal system
5. Performance appraisal tools and techniques

Performance Appraisal: Meaning, Objectives and Approaches

Meaning of Performance Appraisal

Performance appraisal can be defined as “the systematic description of employee’s job relevant, strength, weakness.” Appraisal means evaluation about the worth of an object or person and performance appraisal means evaluation of employees’ worth in terms of organisational performance.

Judgement of employee performance at work can be done formally and informally. Informally, superiors continuously judge the performance of employees on a subjective basis. It may have an element of bias towards employees.

Performance appraisal may be conducted once in every 6 months or once in a year. The basic idea of the appraisal is to evaluate the performance of the employee, giving him a feedback. Identify areas where improvement is required

so that training can be provided. Give incentives and bonus to encourage employees etc.

The goal of evaluation programme is to make the employees more valuable to the company. A proper evaluation and appraisal system can be valuable to the company. For this, performance evaluation programme should involve the study of employees (their habit, attitude and skill) and their work record (efforts and accomplishment).

In the organisational context, performance appraisal is done in a more formal way through formal appraisal techniques which are objective in nature. Objective appraisal aims at systematic and accurate measurement free of bias and prejudice.

Performance appraisal is, thus, more of a formal exercise where managers evaluate the employees, in terms of their contribution towards organisational objectives. It evaluates their strength and weaknesses in terms of attributes and behaviours to meet the organisational objectives. It appraises the performance of employees on continuous or intermittent basis and provides them feedback about their performance.

“Performance appraisal is the process of defining expectations for employee’s performance; measuring, evaluation and recording employee performance relative to those expectations; and providing feedback to the employee.”

Performance appraisal system involves setting performance standards and comparing actual performance with the standards to know the extent to which employees have contributed towards corporate profits. It also helps in:

1. Developing inter-personal relationships between manager and his team.
2. Motivating employees to achieve their targets.
3. Identifying the need for training the workforce.
4. Improving use of working tools like demonstration, material, working documents etc.

5. Determining and reallocating employees' territories and work assignments.
6. Determining sound compensation and incentives plans for the employees.

Objectives of Performance Appraisal

Performance appraisal has the following objectives:

1. Appraisal is a judgment which requires definite standards. Actual performance is compared with standards and goals. Such standard should be worked out by organisations and conveyed to all the employees, otherwise, judgment will be one way only. In a sound appraisal system, goal setting must be high; an accordingly high performance is expected.
2. Goal setting must be a mutual process and appraisal system should be transparent and known to employees. If there is no system of appraisal, supervisors will waste time in making a decisions. Also in absence of specific knowledge, they will depend upon chance. To avoid this situation, there should be high goals and high Performance Appraisal system.
3. To means to apply a set of values. Value judgements without clear, sharp and public standards are irrational and arbitrary. Such judgment and appraisal will demotivate the manager and subordinates. It should thus be based on sound and objective appraisal standards.
4. Performance appraisal depends on “ Merit Rating”. Merit rating refers to what the employee is. Performance appraisal refers to what the employee does. Appraisal records what is done by the employee. Merit rating gives information about “ Potential”, “ Personality” and “ Promise” but appraisal tells about performance. It thus, helps in deciding employees worthy of promotion or transfer to work areas that meets their skills and capabilities.
5. Standard considers what work was assigned, what resources were gained and what promises were given regarding salary / rewards. They, thus, provide a measure of evaluation.

6. One can only build in strength. One can only achieve by doing. One cannot achieve anything with what one does not do. Appraisal, must therefore, aim at bringing out what a man can do. Only when a man's strengths are known and understood, it makes some sense. Weaknesses, by themselves, are of no interest.
7. Appraisal should refer to knowing more, doing better and behaving differently. If these three things are accomplished, the manager will be better, stronger and effective in managing people.
8. Appraisal should be an integral part of the system of managing. It is an essential element in the whole system of managing and in the sub- system of managerial staffing. Knowing how well a manager plans, organises, staffs, directs, leads and control is the only way to assure that those occupying managerial positions are actually managing effectively. If a business is to reach its goals effectively and efficiently, there should be ways of accurately measuring and implementing management performance.
9. It is human tendency to recall only the latest events or achievements. Appraisal should cover some specific periods where an employee was involved fully, or even in his absence, how the deputy was doing, to what extent there was a delegation of authority and responsibility. It should reflect a whole picture so that corrective measures can be taken.
10. It provides feedback to employees about their performance. Feedback helps in overcoming deficiencies in work, promoting performance and relating his work to organisational objectives.
11. It helps in designing personal improvement plans to overcome the weaknesses of employees on the job and devising training and development programmes to strengthen their capabilities.

Advantages of Performance Appraisal

It is said that performance appraisal is an investment for the company which can be justified by following advantages:

1. **Promotion:** Performance appraisal helps the supervisor to chalk out the promotion programmes for efficient employees. In this regard, the inefficient workers can be dismissed or demoted as the case may be.
2. **Compensation:** Performance appraisal helps in chalk out the compensation package for employees. Merit rating is possible through performance appraisal. Compensation packages which includes bonus, high salary rates, extra benefits, allowance and perquisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
3. **Employees development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyse strength and weakness of employees so that new jobs can be designed for efficient employees. It also helps in framing future development programmes.
4. **Selection validation:** Performance appraisal helps the supervisor to understand the validity and importance of selection procedure. The supervisor come to know the validity and thereby strength and weaknesses of selection procedure. Future changes in selection procedure can be made in this regard.
5. **Communication:** For an organisation effective communication between employees and employer is very important. Through performance appraisal communication can be sought for in the following ways:
 - a. Through performance appraisal, employers can understand and accept skills of subordinates.
 - b. The subordinates can also understand and create a trust and confidence in superiors.
 - c. It also helps in maintaining cordial and congenial labour management relationship.
 - d. It develops the spirit of work and boosts the morale of employees.All the above factor ensure effective communication.
6. **Motivation:** Performance appraisal serves as a motivational 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.

Essentials of a Good Appraisal System

Depending on the need to carry out performance appraisal of employees, i.e., whether work performance has to be evaluated or behaviour is to be evaluated or inter employee comparisons have to be made, the appropriate method of performance appraisal should be selected. Whatever methods is adopted, it should have the following features:

- a. It should be easy understandable.
- b. It is fit for organisations operations.
- c. It takes care of needs of the organisation and its work force.
- d. It should adapt to the size of the organisation.
- e. It should define the responsibility of the manager and the work force.
- f. It should provide support to management to design the compensation plan.
- g. It must maintain balance between efforts and rewards.
- h. It is result oriented and focuses on customers and sales.
- i. It minimizes procedural formalities in designing the appraisal system and compensation plan.
- j. It must pinpoint that aspect of employee performance (behaviour and results) for which it is adopted.
- k. It must be reliable, that is, free from errors.

Performance Appraisal Tools and Techniques

Following are the tools used by the organisations for performance appraisals of their employee:

- Ranking
- Paired comparison
- Forced distribution
- Confidential report

- Essay evaluation
- Critical incident
- Check list
- Graphic rating scale
- BARS
- Forced choice method
- MBO
- Field review technique
- Performance test
