

HUMAN RESOURCE APPRAISAL SYSTEM

An appraisal is the analysis of the performance of an individual, which usually includes assessment of the individual's current and past work performance. Broadly speaking, there are two main reasons for the appraisal process. The first is the control purpose, which means making decisions about pay, promotions and careers. The second is about identifying the development needs of individuals.

Control objective of appraisals

In recent years, there has been a drive towards linking the appraisal of employees to the strategic objectives of an organisation. The idea is that the organisation sets its own goals and performance measures. These goals are then translated into goals for managers and employees. Measurable targets are identified and set for employees, and their performance against the targets will be used as part of their appraisal.

Appraisal is, therefore, seen as part of management control. By measuring the performance of employees against targets, management is seen to be proactively managing the performance of employees and therefore improving the performance of the organization

While such an approach may appear rational, in practice it is very unpopular with employees, who do not like to feel they are being controlled. It can also be criticised for trying to make a complex relationship between employees and managers appear to be too simple. In practice, however, such control models are the most popular models of assessment.

Developmental objectives of appraisals

A second way in which the appraisal system can support performance management is by identifying the development needs of staff and managers. Some organisations use a development centre, where an individual is assessed, often by a qualified occupational psychologist, against the required competencies for his role. Personal development plans are then made to develop the individual in areas where weaknesses are recognised.

Difficulties in appraisal

In assessing employees, managers are required to make judgments about an employee's performance and capabilities. Such judgments are naturally subject to potential bias in favour of some and against others. There are many statistics showing how prejudice may affect the promotional prospects of some groups. In the UK, for example, 40% of the workforce are women, but only 30% of managers are women.

Another difficulty is the effect that negative criticism can have on performance. A study carried out in the 1960s by Meyer, Kay and French (3) investigated the impact of the appraisal process at a factory in the US. The study concluded that where staff are given criticism, they react defensively to the criticism and try to blame others for their shortcomings. They will also become demotivated. Interestingly, praise given during the process had little impact on performance.

One potential solution to the difficulties mentioned above in relation to appraisal is to be aware that, in addition to the formal appraisal process, employees receive continuous informal feedback from their managers on the job. Employees generally accept this informal feedback more readily, and it is more

likely to lead to improvement in their performance. Placing more emphasis on this informal type of assessment, and less on the formal appraisal process, may improve the overall performance of employees.

Performance Appraisal Definition

Performance appraisal or performance review is a systematic process in which employee performance at work is evaluated in relation to the projects on which employee has worked and his contribution to the organisation. It is also known as an annual review or performance review.

It helps the managers place the right employees for the right jobs, depending on their skills. Often, employees are often curious to know about their performance details and compare it with their fellow colleagues and how they can improve upon it. So every company needs a good performance appraisal system.



(source-wisestep)

Performance Appraisal

The basic purpose of performance appraisal is to identify employees worth and contribution to the company. Important factors include – attendance, efficiency, attitude, quality of work, amount of work are just a few important factors.

The physical or objective factors like attendance, amount of work, efficiency can be easily measured by the records maintained by the [Human Resource Department Manager](#).

However, it gets a bit icky, when it comes to measuring subjective factors like attitude, behaviour, friendliness etc. But to properly evaluate an individual's performance, appraisal of both subjective and objective factors needs to be done.

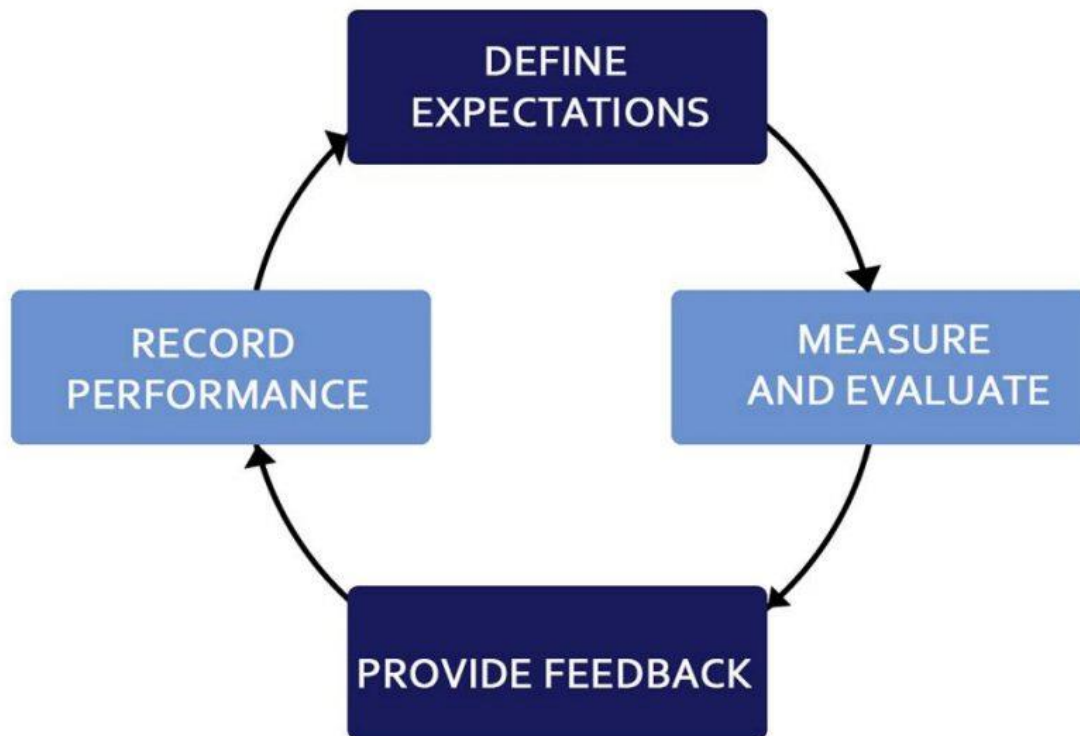
As Dale Yoder said, "Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potential of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees.

Performance Appraisal Methods

There are various methods that are used by managers and employers to evaluate the performance of the employees, but they can be put into two categories:

- **Traditional Methods**
- **Modern Methods**

COMPONENTS OF PERFORMANCE APPRAISAL



Performance Appraisal Components
(source – businesstopia)

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Performance Appraisal Process

1. Setting performance standards
2. Set up measurable goals
3. Measure actual performance
4. Compare with preset standards and goals
5. Discuss with the employee – met the expectations, did not meet the expectations, exceeded the expectations
6. Take corrective actions
7. Set standards for next cycle

Advantages of Performance Appraisal

1. A systematic appraisal system helps the managers to properly identify the performance of employees in a systematic manner and their areas of talent and areas where they are lacking.
2. It helps the management to place the right employees for the perfect jobs depending on their skills in particular areas.
3. It helps employees identify the areas in which they need to improve. The managers can also use this information to provide constructive criticism of the way employees perform their work.
4. Potential employees are often given promotions on the basis of or the results of performance appraisals. People who have high ratings get promotions. They can also transfer or demote employees if they not performing up to the expectations of the managers.
5. An appraisal is also useful in determining the effectiveness and results of training programmes. It can show managers how much employees have improved after taking the training programmes. This will give managers data on how to change and evolve the [training programmes](#).
6. It creates healthy competition among employees as they will try to improve their performance and score better than their colleagues.
7. Managers use appraisal programmes to identify the grievances of employees and act upon them.
8. Keeping extensive records of performance appraisal will give managers a very good idea of which employees have the highest growth rate and are which ones have a declining rate of performance.

Disadvantages of Performance Appraisal

1. If the factors being used in the performance appraisal are incorrect or not relevant, the appraisal will fail to provide any useful or effective data.
2. Sometimes, equal weightage is not given to important factors when performing an appraisal.
3. Some objective factors are very vague and difficult to gauge like attitude and initiative. There is no scientific method to measure these factors.
4. Managers are sometimes not qualified enough to correctly assess the employees and their abilities. Thus, these mistakes can be very detrimental to the growth of the company.

Measurement of performance

When measuring the performance of employees for the purpose of appraisal, three different approaches can be used:

- Measurement of inputs
- Behaviour in performance
- Measurement of results and outcomes.

Measurement of inputs

Measurement of inputs means attempting to assess the traits of an individual. Traits are those skills, knowledge and attitudes that the employee possesses. Assessment aims to identify whether the staff member has the competencies (or traits) for a job, perhaps with reference to a competency framework. Attributes such as leadership, commitment, ability to work within a team and loyalty are traits that are typically desired.

Where assessment is performed by the line manager, the subjectivity of the exercise may well lead to real or perceived bias in the assessment. As a result of this, many organisations now use professionally designed psychometric tests.

Psychometric testing aims to ‘measure’ the abilities and personal skills of an individual. An example of an ability would be the number of words per minute that the individual can type on a keyboard. Personal skills focus on areas such as emotional stability of the individual, whether the individual is introvert or extrovert, and how flexible the employee is.

Some organisations hold ‘moderation meetings’ for bigger teams. The purpose of these meetings is to ensure that the various managers involved in assessing the different members of staff within a team are doing so consistently.

Behaviour in performance

This type of appraisal looks at the behaviour of the employee during work, and at how the employee applies his or her skills. Both quantitative and qualitative data is collected on a continuous basis relating to how the employee displays the expected behaviour for the position – for example, ‘gives praise where it is due to others on the team’ might be one of the behaviours looked for.

A common method for assessing behaviour in performance is the use of behaviour-anchored rating scales (BARS). Descriptions of desired (and undesirable) behaviour are listed, and the appraiser gives a score for each one. A good example of BARS is the course assessment forms used by many ACCA tuition providers, where students are asked to rate the tutor on various attributes, such as ‘clarity of explanations’, and ‘approachability’. Students then give the tutor a grade for each of these attributes – for example, from 1 to 5, where 5 is excellent, and 1 is poor.

Behavioural observation scales (BOS) are where specific actions are listed, and the appraisee is judged on how many times he performs that action. For example, how often does a supervisor provide constructive feedback to colleagues?

An obvious problem with BARS and BOS is the subjectivity involved. BOS are designed to be slightly less subjective as they are based on the number of times behaviour is observed, which is more factual.

Measurement of behaviour in performance generally is beneficial because not only is information about the employee’s performance obtained, but more detailed understanding of the requirement of the job can be ascertained, and this can be used for defining standards in future.

Measurement of results and outcomes

Under these types of appraisals, individuals are assessed on quantifiable outcomes – for example, the amount of sales achieved by a salesman, the volume of production achieved, the number of customer complaints. Where competency frameworks are used, it may also be possible to measure the number of competencies achieved during a period.

Frequently, targets may be set for individuals and their performance will be judged against these. In setting such targets, it is appropriate to consider the principles relating to the setting of standards from the Fitzgerald and Moon building blocks model. In particular, standards should be achievable, or staff will become demotivated; they should be controllable – that is, staff should not be judged on targets that are outside of their control.

Measurement of results and outcomes is usually easy to perform, but suffers from the problem that it does not take into account the differing external factors that may have occurred. It may also lead to measure fixation among staff, such as the famous example in the call centres, where the performance of call centre staff was measured based on the number of calls per day. It was quite common for call centre staff to keep this high by simply hanging up when presented with difficult customers.

Control mechanisms for employees

Ouchi developed a model for helping to determine what types of controls are most appropriate for employees in different situations:

- Personnel controls, also known as clan controls, are based on fostering a sense of solidarity in the people who work for an organisation. If personnel believe in the objectives that the organisation is trying to achieve, then they will be motivated to work towards those objectives and will not require detailed supervision or control. Personnel controls include recruitment of people with the right attitudes, training and job design. These are closely related to appraisal systems based on inputs.
- Behavioural controls involve observing the employee – for example, the foreman on a production line watches the employees to ensure that the work is done as prescribed. Such controls are consistent with appraisal systems that focus on the behaviour of employees.
- Output or results controls that focus on measuring some aspect of work performed. Examples could include measuring the number of defective products. Appraisal systems based on results or outcomes are examples of output controls.

The type of control system that is appropriate depends on two variables – the ability to measure output, and the knowledge of the transformation process. Ouchi forms a matrix from these two that helps to determine what types of control system are most appropriate for a particular organisation:

		Knowledge of the transformation process	
		<i>Perfect</i>	<i>Imperfect</i>
Ability to measure output	<i>High</i>	Behavioural and or output controls	Output controls
	<i>Low</i>	Behavioural measurement	Personnel controls

Knowledge of the transformation process is low in situations where there is no obvious way to do a task. Those performing the task may have to learn on the job, rather than be provided with a detailed

instruction manual showing them how to do it. This may occur in project-based work, for example, where each project brings new tasks and challenges to the project team.

In manufacturing industries, it is likely that it is easy to measure output, and knowledge of the transformation process is high – the tasks have been performed many times before. So behavioural or output controls are appropriate, and appraisal will focus on the behaviour of employees or on results and outcomes.

A situation where the knowledge of the transformation system is imperfect but measurement is easy might be a sales department. Management may not be aware of the exact processes involved by the sales team, and there may not be one ‘right way’ of making sales. However, measurement of sales is easy to do, so output controls may be used. The problem with this approach, however, is that it does not take into account external factors. It may be difficult to make sales in some markets, for example, and so appraising employees on results alone might be deemed unfair.

The ability to measure output may be difficult in certain activities, such as research work. Where people work in teams, measuring the output of the individuals within the team may be difficult. Some individuals may put in more effort than others, for example. If knowledge of the transformation process is also low, then the organisation may have to rely on personnel and clan controls. In such situations, the appraisal process may focus on traits.

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