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PERFORMANCE APPRAISAL



WHAT IS A PERFORMANCE APPRAISAL?

- ✘ A performance appraisal is a regular review of an employee's job performance and overall contribution to a company. Also known as an "annual review," "performance review or evaluation," or "employee appraisal,"
- ✘ A performance appraisal evaluates an employee's skills, achievements and growth, or lack thereof.



WHAT IS A PERFORMANCE APPRAISAL?

- ✘ Companies use performance appraisals _They can be conducted at any given time but tend to be annual, semi-annual or quarterly.
- ✘ CASE STUDY:
- ✘ Case study - PERFORMANCE APPRAISAL.docx
- ✘ <https://www.dentaleconomics.com/practice/article/16393248/case-study-performance-appraisals>



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METHODS OF PERFORMANCE APPRAISAL

- ✘ Six modern performance appraisal methods
- ✘ 1. Management by Objectives (MBO)
- ✘ Management by objectives (MBO) is the appraisal method where managers and employees together identify, plan, organize, and communicate objectives to focus on during a specific appraisal period. After setting clear goals, managers and subordinates periodically discuss the progress made to control and debate on the feasibility of achieving those set objectives.



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(1) MANAGEMENT BY OBJECTIVES (MBO)

- ✘ This performance appraisal method is used to match the overarching organizational goals with objectives of employees effectively while validating objectives using the **SMART** method to see if the set objective is specific, measurable, achievable, realistic, and time-sensitive.
- ✘ At the end of the review period (quarterly, half-yearly, or annual), employees are judged by their results. Success is rewarded with promotion and a salary hike whereas failure is dealt with transfer or further training. This process usually lays more stress on tangible goals and intangible aspects like interpersonal skills, commitment, etc. are often brushed under the rug.



MANAGEMENT BY OBJECTIVES (MBO)

Steps to implement a successful MBO program:

- ✘ Every manager must have 5-10 goals expressed in specific, measurable terms
- ✘ Manager can propose their goals in writing, which will be finalized after review
- ✘ Each goal needs to include a description and a clear plan (list of tasks) to accomplish it



MANAGEMENT BY OBJECTIVES (MBO)

- ✘ Determine how progress will be measured and how frequently (minimum quarterly)
- ✘ List down corrective actions that will be taken if progress is not in accordance with plans
- ✘ Ensure that goals at each level are related to the organizational objectives and levels above/below



MANAGEMENT BY OBJECTIVES (MBO)

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- ✘ Did you know?
- ✘ Retail giant Walmart, uses an extensive MBO participatory approach to manage the performance of its top, middle, and first-line managers.

kissflow

Management by objectives (Process Flow)





(2) 360-DEGREE FEEDBACK

- ✘ 360-Degree Feedback is a multidimensional performance appraisal method that evaluates an employee using feedback collected from the employee's circle of influence namely managers, peers, customers, and direct reports. This method will not only **eliminate bias** in performance reviews but also offer a **clear understanding of an individual's competence.**



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360-DEGREE FEEDBACK





360-DEGREE FEEDBACK

- ✘ This appraisal method has five integral components like:
 - ✘ 1. **Self-appraisals**
 - ✘ Self-appraisals offer employees a chance to look back at their performance and **understand their strengths and weaknesses.** However, if self-appraisals are performed without **structured forms or formal procedures**, it can become lenient, fickle, and biased.



360-DEGREE FEEDBACK

- ✘ 2. Managerial reviews
- ✘ Performance reviews done by managers are a part of the traditional and basic form of appraisals. These reviews must include individual employee ratings awarded by supervisors as well as the evaluation of a team or program done by senior managers.



360-DEGREE FEEDBACK

- ✘ 3. Peer reviews
- ✘ As hierarchies move out of the organizational picture, coworkers get a unique perspective on the employee's performance making them the most relevant evaluator. These reviews help determine an employee's ability to work well with the team, take up initiatives, and be a reliable contributor. However, friendship or animosity between peers may end up distorting the final evaluation results. Bias may creep in.



360-DEGREE FEEDBACK

- ✘ 4. Subordinates Appraising manager (SAM)
- ✘ This upward appraisal component of the 360-degree feedback is a delicate and significant step. Reportees tend to have the most unique perspective from a managerial point of view. However, reluctance or fear of retribution can skew appraisal results.



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360-DEGREE FEEDBACK

- ✘ 5. Customer or client reviews
- ✘ The client component of this phase can include either **internal customers** such as users of product within the organization or **external customers** who are not a part of the company but interact with this specific employee on a regular basis.
- ✘ Customer reviews can evaluate the output of an employee better, however, these external users often do not see the impact of processes or policies on an employee's output.



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360-DEGREE FEEDBACK

Advantages of using 360-degree feedback:

- ✘ Increase the individual's awareness of how they perform and the impact it has on other stakeholders
- ✘ Serve as a key to initiate coaching, counseling, and career development activities
- ✘ Encourage employees to invest in self-development and embrace change management
- ✘ Integrate performance feedback with work culture and promote engagement



360-DEGREE FEEDBACK

- ✘ Ideal for:
Private sector organizations than public sector organizations as peer reviews at public sector organizations are more lenient.
- ✘ Common reason for failure:
- ✘ Leniency in review, cultural differences, competitiveness, ineffective planning, and misguided feedback



360-DEGREE FEEDBACK

- ✘ Did you know?
- ✘ Top private organizations like RBS Royal Bank of Scotland, Sainsbury's, (chain of super markets in UK) and G4S (leading global integrated security company) are using 360-degree, multi-rater performance feedback to measure employee performance.



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(3) ASSESSMENT CENTRE METHOD

During the assessment, employees are asked to take part in social-simulation exercises like in-basket exercises, informal discussions, fact-finding exercises, decision-making, problem-solving, role-play, and other exercises that ensure success in a role. An assessment is make of their abilities.

The major drawback of this approach is that it is a time and cost intensive process that is difficult to manage.



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ASSESSMENT CENTRE METHOD

Time	Exercise	Location
09.00-09.10	Welcome & Introductions	Room 1
09.10-10.30	Competency Based Interview	Room 1
10.30-10.45	Break	
10.45-12.30	Analysis Presentation Exercise	Room 1
12.30-13.30	Lunch	
13.30-14.45	Role Play Exercise	Room 1
14.45-15.00	Break	
15.00-17.00	In-Tray Exercise	Room 1



ASSESSMENT CENTRE METHOD

Stages in a typical assessment centre appraisal

Pre-assessment

- Online objectives of review
- Find competencies and reviewers
- Design simulation exercises
- Choose a rating method

During assessment

- Explain the purpose and policies
- Use competency-exercises matrix
- Conduct exercises and discussions
- Note strengths and weaknesses

Post assessment

- Collect feedback from reviewers
- Evaluate the validity of results
- Share the feedback with employees
- Provide further training if required



ASSESSMENT CENTRE METHOD

Advantages of the assessment center method:

- ✘ Enhance a participant's knowledge, boost his/her thought process, and improve employee efficiency
- ✘ Can be tailored to fit different roles, competencies, and business needs
- ✘ Offer an insight of the employee's personality (ethics, tolerance, problem-solving skill, introversion/extroversion, adaptability, etc.)



ASSESSMENT CENTRE METHOD

Ideal for:

- ✘ Manufacturing organizations, service-based companies, educational institutions, and consulting firms to identify future organizational leaders and managers.



ASSESSMENT CENTRE METHOD

Did you know?

- ✘ Microsoft, Philips, and several other organizations use the assessment centre practice to identify future leaders in their workforce.



(4) BEHAVIORALLY ANCHORED RATING SCALE (BARS)

BARS refers to **B**ehaviourally **A**nchored **R**ating **S**cales. It was developed by Smith and Kendall to provide a better method of rating employees. It differs from "standard" rating scales in one central respect, in that it focuses on behaviors that are determined to be important for completing a job task or doing the job properly, rather than looking at more general employee characteristics (e.g. personality, vague work habits).



(4) BEHAVIORALLY ANCHORED RATING SCALE (BARS)

- ✘ So, rather than having a rating item that says: *Answers phone promptly and courteously*, a BARS approach may break down that task into behaviors: For example:
- ✘ Answers phone within five rings.
- ✘ Greets caller with "Hello, This is the Dinkle Company, how may I help you?"



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(4) BEHAVIORALLY ANCHORED RATING SCALE (BARS)

Example of (BARS)

Performance	Points	Behavior
Extremely good	7	Can expect trainee to make valuable suggestions for increased sales and to have positive relationships with customers all over the country.
Good	6	Can expect to initiate creative ideas for improved sales.
Above average	5	Can expect to keep in touch with the customers throughout the year.
Average	4	Can manage, with difficulty, to deliver the goods in time.
Below average	3	Can expect to unload the trucks when asked by the supervisor.
Poor	2	Can expect to inform only a part of the customers.
Extremely poor	1	Can expect to take extended coffee breaks and roam around purposelessly.



(4) BEHAVIORALLY ANCHORED RATING SCALE (BARS)

Behaviorally anchored rating scales (BARS) bring out both the qualitative and quantitative benefits in a performance appraisal process. BARS compares employee performance with specific behavioral examples that are anchored to numerical ratings.

Each performance level on a BAR scale is anchored by multiple BARS statements which describe common behaviors that an employee routinely exhibits.



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BEHAVIORALLY ANCHORED RATING SCALE (BARS)

- ✘ These statements act as a yardstick to measure an individual's performance against predetermined standards that are applicable to their role and job level.
- ✘ The first step in BARS creation is generation of critical incidents that depict typical workplace behavior. The next step is editing these critical incidents into a common format and removing any redundancy. After normalization, the critical instances are randomized and assessed for effectiveness. Remaining critical incidents are used to create BARS and evaluate employee performance.



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BEHAVIORALLY ANCHORED RATING SCALE (BARS)

- ✘ **Advantages of using BARS:**
- ✘ Enjoy clear standards, improved feedback, accurate performance analysis, and consistent evaluation
- ✘ Eliminate construct-irrelevant variance in performance appraisal ratings by emphasis more on specific, concrete, and observable behaviors
- ✘ Decrease any chance for bias and ensure fairness throughout the appraisal process



BEHAVIORALLY ANCHORED RATING SCALE (BARS)

- ✘ **Common drawbacks of BARS:**
- ✘ High chance for subjectivity in evaluations
- ✘ Hard to make compensation and promotion decisions
- ✘ Time-consuming to create and implement
- ✘ Demands more from managers and senior executives



(5) PSYCHOLOGICAL APPRAISALS

Psychological appraisals come in handy to determine the hidden potential of employees. This method focuses on analyzing an employee's future performance rather than their past work. These appraisals are used to analyze seven major components of an employee's performance such as interpersonal skills, cognitive abilities, intellectual traits, leadership skills, personality traits, emotional quotient, and other related skills.



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(5) PSYCHOLOGICAL APPRAISALS

PSYCHOLOGICAL APPRAISALS:

- ❖ When psychologists are used for evaluations, they assess an individual's potential. The appraisal consists of in-depth interviews, psychological tests, discussions with supervisors and a review of other evaluations.





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PSYCHOLOGICAL APPRAISALS

Qualified psychologists conduct a variety of tests (in-depth interviews, psychological tests, discussions, and more) to assess an employee effectively. However, it is a rather slow and complex process and the quality of results is highly dependent on the psychologist who administers the procedure.



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PSYCHOLOGICAL APPRAISALS

Specific scenarios are taken into account while performing psychological appraisal. For instance, the way in which an employee deals with an aggressive customer can be used to appraise his/her persuasion skills, behavioral response, emotional response, and more.



PSYCHOLOGICAL APPRAISALS

Advantages of psychological appraisals:

- ✘ Extract measurable, objective data about not just an employee's performance but also **potential**
- ✘ Can be deployed easily when compared with other performance appraisal methods
- ✘ Offer introverted or shy employees a platform to shine and prove their potential



PSYCHOLOGICAL APPRAISALS

Ideal for:

- ✘ Large enterprises can use psychological appraisals for an array of reasons including development of leadership pipeline, team building, conflict resolutions, and more.



PSYCHOLOGICAL APPRAISALS

Common reasons for failure:

- ✘ Absence of proper training, lack of trained professionals to administer reviews, and nervousness or anxiety of candidates can skew results.



PSYCHOLOGICAL APPRAISALS

- ✘ Did you know?
- ✘ Ford motors, Exxon Mobil, Procter & Gamble use psychological appraisals to test the personality and performance of their employees.



(6) HUMAN-RESOURCE (COST) ACCOUNTING METHOD

- ✘ Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company. It is obtained by comparing the cost of retaining an employee (cost to company) and the monetary benefits (contributions) an organization has ascertained from that specific employee.



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(6) HUMAN-RESOURCE (COST) ACCOUNTING METHOD

Human resource accounting

COST

- Human resource accounting is measurement of the cost and value of the people for an organization.

VALUE

- Human resource accounting helps management to value its human resource and use them with discretion and wisdom



HUMAN-RESOURCE (COST) ACCOUNTING METHOD

When an employee's performance is evaluated based on cost accounting methods, factors like unit-wise average service value, quality, overhead cost, interpersonal relationships, and more are taken into account.

Its high-dependency on the cost and benefit analysis and the memory power of the reviewer is the drawback of human resources accounting method.



HUMAN-RESOURCE (COST) ACCOUNTING METHOD

Advantages of the human cost accounting method:

- ✘ Effectively measure the cost and value that an employee brings to the organization
- ✘ Help identify the financial implications that an employee's performance has on the organization's bottom line



HUMAN-RESOURCE (COST) ACCOUNTING METHOD

Ideal for:

- ✘ Startups and small businesses where the performance of one employee can make or break the organization's success.



(7) A FUTURE-FOCUSED EMPLOYEE PERFORMANCE APPRAISAL METHOD

- ✘ Choosing the right performance appraisal method is more critical than ever since it reflects what you think of your employees and how much you care about employee morale. Once you've found an ideal performance review method for your needs, the next step is implementing it properly to eliminate critical performance gaps and address pressing issues that impact ROI.



THANK YOU

- ✘ Source: <https://www.objectives-functions-role-and-process/19448>
- ✘ <https://kissflow.com/hr-process/performance-management/employee-performance-appraisal-method/>
- ✘ <https://www.dentaleconomics.com/practice/article/16393248/case-study-performance-appraisals>



END OF SESSION ON JOB ANALYSIS

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