

Performance Appraisal Methods

“It is a systematic evaluation of an individual with respect to performance on the job and individual’s potential for development.”

Definition 2: Formal System, Reasons and Measures of future performance

“It is formal, structured system of measuring, evaluating job related behaviors and outcomes to discover reasons of performance and how to perform effectively in future so that employee, organization and society all benefits.”

Meaning of Performance Appraisals

Performance Appraisals is the assessment of individual’s performance in a systematic way. It is a developmental tool used for all round development of the employee and the organization. The performance is measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility and health. Assessment should be confined to past as well as potential performance also. The second definition is more focused on behaviors as a part of assessment because behaviors do affect job results.

Performance Appraisals and Job Analysis Relationship

Job Analysis à	Performance Standards à	Performance Appraisals
Describe the work and personnel requirement of a particular job.	Translate job requirements into levels of acceptable or unacceptable performance	Describe the job relevant strengths and weaknesses of each individual.

Objectives of Performance Appraisals

Use of Performance Appraisals

1. Promotions
2. Confirmations

3. Training and Development
4. Compensation reviews
5. Competency building
6. Improve communication
7. Evaluation of HR Programs
8. Feedback & Grievances

TECHNIQUES / METHODS OF PERFORMANCE APPRAISALS

Numerous methods have been devised to measure the quantity and quality of performance appraisals. Each of the methods is effective for some purposes for some organizations only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization or an employee.

Broadly all methods of appraisals can be divided into two different categories.

- Past Oriented Methods
- Future Oriented Methods

Past Oriented Methods

1. **Rating Scales:** Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived. Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required. Disadvantages – Rater’s biases
2. **Checklist:** Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and HR department does the actual evaluation. Advantages – economy, ease of administration, limited training required, standardization. Disadvantages – Raters biases, use of improper weighs by HR, does not allow rater to give relative ratings
3. **Forced Choice Method:** The series of statements arranged in the blocks of two or more are given and the rater indicates

which statement is true or false. The rater is forced to make a choice. HR department does actual assessment. Advantages – Absence of personal biases because of forced choice.

Disadvantages – Statements may be wrongly framed.

4. **Forced Distribution Method:** here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution.

Advantages – Eliminates Disadvantages – Assumption of normal distribution, unrealistic, errors of central tendency.

5. **Critical Incidents Method:** The approach is focused on certain critical behaviors of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents. Advantages – Evaluations are based on actual job behaviors, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high. Disadvantages – Negative incidents can be prioritized, forgetting incidents, overly close supervision; feedback may be too much and may appear to be punishment.

Six modern performance appraisal methods

With the right performance appraisal method, organizations can enhance employee performance within the organization. A good employee performance review method can make the whole experience effective and rewarding.

Here's a close look at the six most-used modern performance 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.

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