

---

---

## **8.7 PERFORMANCE APPRAISAL METHODS**

---

This section looks at how management can actually establish performance standards and devise instruments that can be used to measure and appraise an employee's performance. A number of methods are now available to assess the performance of the employees.

### **1) Critical Incident Method**

Critical incident appraisal focuses the rater's attention on those critical or key behaviors that make the difference between doing a job effectively and doing it ineffectively. What the appraiser does is write down little anecdotes that describe what the employee did that was especially effective or ineffective. In this approach to appraisal, specific behaviors are cited, not vaguely defined

personality traits. A behaviorally based appraisal such as this should be more valid than trait-based appraisals because it is clearly more job related. It is one thing to say that an

Pe

employee is "aggressive" or "imaginative or "relaxed," but that does not tell anything about how well the job is being done. Critical incidents, with their focus on behaviors, judge performance rather than personalities. Additionally, a list of critical incidents on a given employees provides a rich set of examples from which the employee can be shown which of his or her behaviors are desirable and which ones call for improvement. This method suffers from following two drawbacks:

- a) Supervisors are reluctant to write these reports on a daily or even weekly basis for all of their subordinates as it is time consuming and burdensome for them
- b) Critical incidents do not lend themselves to quantification. Therefore the comparison and ranking of subordinates is difficult.

## 2) Checklist

In the checklist, the evaluator uses a bit of behavioral descriptions and checks of those behaviors that apply to the employee. The evaluator merely goes down the list and gives "yes" or "no" responses. Once the checklist is complete, it is usually evaluated by the staff of personnel department, not the rater himself. Therefore the rater does not actually evaluate the employee's performance; he/she merely records it. An analyst in the personnel department then scores the checklist, often weighting the factors in relationship to their importance. The final evaluation can then be returned to the rating manager for discussion with the subordinate, or someone from the personnel department can provide the feedback to the subordinate.

## 3) Graphic Rating Scale

One of the oldest and most popular methods of appraisal is the graphic rating scale. They are used to assess factors such as quantity and quality of work, job knowledge, cooperation, loyalty, dependability, attendance, honesty, integrity, attitudes, and initiative etc. However, this method is most valid when abstract traits like loyalty or integrity are avoided unless they can be defined in more specific behavioral terms. The assessor goes down the list of factors and notes that point along the scale or continuum that best describes the employee. There are typically five to ten points on the continuum. In the design of the graphic scale, the challenge is to ensure that both the factors evaluated and the scale points are clearly understood and unambiguous to the rater. Should ambiguity occur, bias is introduced. Following are some of the advantages of this method:

- a) They are less time-consuming to develop and administer.
- b) They permit quantitative analysis.
- c) There is greater standardization of items so comparability with other individuals in diverse job categories is possible.

#### 4) **Forced Choice Method**

The forced choice appraisal is a special type of checklist, but the rater has to choose between two or more statements, all of which may be favorable or unfavorable. The appraiser's job is to identify which statement is most (or in some cases least) descriptive of the individual being evaluated. To reduce bias, the right answers are not known to the rater. Someone in the personnel department scores the answers based on the key. This key should be validated so management is in a position to say that individuals with higher scores are better-performing employees.

The major advantages of the forced choice method are:

- a) Since the appraiser does not know the "right" answers, it reduces bias.
- b) It looks at over all performance.
- c) It is based on the behavior of the employees.

#### 5) **Behaviourally Anchored Rating Scales**

These scales combine major elements from the critical incident and graphic rating scale approaches. The appraiser rates the employees based on items along continuum, but the points are examples of actual behavior on the given job rather than general descriptions or traits. Behaviorally anchored rating scales specify definite, observable, and measurable job behavior. Examples of job-related behavior and performance dimensions are generated by asking participants to give specific illustrations on effective and ineffective behavior regarding each performance dimension. These behavioral examples are then retranslated into appropriate performance dimensions. Those that are sorted into the dimension for which they were generated are retained. The final group of behavior incidents are then numerically scaled to a level of performance that each is perceived to represent. The incidents that are retranslated and have high rater agreement on performance effectiveness are retained for use as anchors on the performance dimension. The results of the above processes are behavioral descriptions, such as anticipates, plans, executes, solves immediate problems, carries out orders, and handles emergency situations.

This method has following advantages:

- a) It does tend to reduce rating errors.
- b) It assesses behavior over traits.
- c) It clarifies to both the employee and rater which behaviors connote good performance and which connote bad.

#### 6) **Group Order Ranking**

The group order ranking requires the evaluator to place employees into a particular classification, such as "top one-fifth" or "second one-fifth." Evaluators are asked to rank the employees in the top 5 per cent, the next 5 per cent, the next 15 per cent. So if a rater has twenty subordinates, only four can be in the top fifth and, of course, four must also be relegated to the bottom fifth.



The advantage of this method is that it prevent raters from inflating their evaluations so everyone looks good or from homogenizing the evaluations for everyone is rated near the average outcome that are usual with the graphic rating scale. It has following disadvantages:

- a) It is not good if the number of employee being compared is small. At the extreme, if the evaluator is looking at only four employees, it is very possible that they may all be excellent, yet the evaluator may be forced to rank them into top quarter, second quarter, third quarter, and low quarter!
- b) Another disadvantage, which plagues all relative measures, is the "zero-sum game": consideration. This means, any change must add up to zero. For example, if there are twelve employees in a department performing at different levels of effectiveness, by definition, three are in the top quarter, three in the second quarter, and so forth. The sixth-best employee, for instance, would be in the second quartile. Ironically, if two of the workers in the third or fourth quartiles leave the department and are not replaced, then our sixth best employee now fit into the third quarter.
- c) Because comparison are relative, an employee who is mediocre may score high only because he or she is the "best of the worst" Similarly, an excellent performer who is matched against "stiff" competition may be evaluated poorly, when in absolute terms his or her performance is outstanding.

#### 7) Individual Ranking

The individual ranking method requires the evaluator merely to list all the employees in an order from highest to lowest. Only one can be the "best." If the evaluator is required to appraise thirty individuals ranking method carries the same pluses and minuses as group order ranking.

#### 8) Paired Comparison

The paired comparison method is calculated by taking the total of  $[n(n-1)]/2$  comparisons. A score is obtained for each employee by simply counting the number of pairs in which the individual is the preferred member. It ranks each individual in relationship to all others on a one-on-one basis. If ten people are being evaluated, the first person is compared, with each of the other nine, and the number of items this person is preferred in any of the nine pairs is tabulated. Each of the remaining nine persons, in turn, is compared in the same way, and a ranking is evolved by the greatest number of preferred "victories". This method ensures that each employee is compared against every other, but the method can become unwieldy when large numbers of employees are being compared.

#### 9) Management by Objectives

Management by objectives (MBO) is a process that converts organizational objectives into individual objectives. It can be thought of as consisting of four steps: goal setting, action planning, self-control, and periodic reviews:-

- a) In goal setting, the organization's overall objectives are used as guidelines from which departmental and individual objectives are set. At the individual level, the manager and subordinate jointly identify those goals that are critical for the subordinate to achieve in order to fulfill the requirements of the job as determined in job analysis. These goals are agreed upon and then become the standards by which the employee's results will be evaluated.
- b) In action planning, the means are determined for achieving the ends established in goals setting. That is, realistic plans are developed to attain the objectives.

This step includes identifying the activities necessary to accomplish the objective, establishing the critical relationships between these activities, estimating the time requirement for each activity, and determining the resources required to complete each activity.

- c) Self-control refers to the systematic monitoring and measuring of performance.

Ideally, by having the individual review his or her own performance. The MBO philosophy is built on the assumptions that individuals can be responsible, can exercise self-direction, and do not require external controls and threats of punishment.

- d) Finally, with periodic progress reviews, corrective action is initiated when behavior deviates from the standards established in the goal-setting phase. Again, consistent with MBO philosophy, these manager-subordinate reviews are conducted in a constructive rather than punitive manner. Reviews are not meant to degrade the individual but to aid in future performance. These reviews should take place at least two or three times a year.

Following are the advantages of MBO:

- a) It is result-oriented. It assists the planning and control functions and provides motivation.
- b) Employees know exactly what is expected of them and how they will be evaluated.
- c) Employees have a greater commitment to objectives that they have participated in developing than to those unilaterally set by their bosses.

#### 10) 360 degree appraisal

The 360 degree feedback process involves collecting perceptions about a person's behaviour and the impact of that behaviour from the person's boss or bosses, direct reports, colleagues, fellow members of project teams, internal and external customers, and suppliers. Other names for 360 degree feedback are multi-rater feedback, multi-source feedback, full-circle appraisal, and group performance review. 360 degree feedback is a method and a tool that provides



each employee the opportunity to receive performance feedback from his or her supervisor and four to eight peers, subordinates and customers. 360 degree feedback allows each individual to understand how his effectiveness as an employee, co-worker, or staff member is viewed by others. The most effective processes provide feedback that is based on behaviours that other employees can see. The feedback provides insight about the skills and behaviours desired in the organization to accomplish the mission, vision, goals and values. The feedback is firmly planted in behaviours needed to exceed customer expectations.

People who are chosen as raters are usually those that interact routinely with the person receiving feedback. The purpose of the feedback is to:

- a) assist each individual to understand his or her strengths and weaknesses.
- b) contribute insights into aspects of his or her work needing professional development.

Following are some of the major considerations in using 360 degree feedback. These are basically concerned with how to:

- a) select the feedback tool and process;
- b) select the raters;
- c) use the feedback
- d) review the feedback; and
- e) manage and integrate the process into a larger performance management system.

#### Features of 360 degree appraisal

Organizations that are using with the 360 degree component of their performance management systems identify following positive features of the process. These features will manifest themselves in well-managed, well-integrated 360 degree processes.

- a) **Improved Feedback from more sources:** Provides well-rounded feedback from peers, reporting staff, co-workers, and supervisors. This can be a definite improvement over feedback from a single individual. 360 feedback can also save managers' time in that they can spend less energy providing feedback as more people participate in the process. Co-worker perception is important and the process helps people understand how other employees view their work.
- b) **Team Development:** Helps team members learn to work more effectively together. Team members know more about how other members are performing than their supervisor. Multirater feedback makes team members more accountable to each other as they share the knowledge that they will provide input on each member's performance. A well-planned process can improve communication and team development.

- c) **Personal and Organizational Performance Development:** 360 degree feedback is one of the best methods for understanding personal and organizational developmental needs.
- d) **Responsibility for Career Development:** For many reasons, organizations per se are no longer responsible for developing the careers of their employees. Multirater feedback can provide excellent information to individuals about what they need to do to enhance their career. Additionally, many employees feel 360 degree feedback is more accurate, more reflective of their performance, and more validating than feedback from the supervisor alone. This makes the information more useful for both career and personal development.
- e) **Reduced Discrimination Risk:** When feedback comes from a number of individuals in various job functions, biases because of varying reasons are reduced. The judgemental errors of the supervisors are eliminated as the feedback comes from various sources.
- f) **Improved Customer Services:** Feedback process involves the internal or external customer. Each person receives valuable feedback about the quality of his product or services. This feedback should enable the individual to improve the quality, reliability, promptness, and comprehensiveness of these products and services to his/her customers.
- g) **Training Needs Assessment:** Multirater feedback provides comprehensive information about organization training needs and thus helps in mounting relevant training programmes. Such programmes add value to the contribution made by the individual employee.

#### **Benefits of 360 degree Appraisal:**

Following benefits of 360 degree Appraisal accrue to the individual, team and organization:

##### **To the individual:**

- a) This process helps individuals to understand how others perceive them
- b) It uncovers blind spots
- c) It provides feedback that is essential for learning
- d) Individuals can better manage their own performance and careers
- e) Quantifiable data on soft skills is made available.

##### **To the team:**

- a) It increases communication between team members
- b) It generates higher levels of trust and better communication as individuals identify the causes of breakdowns
- c) It creates better team environment as people discover how to treat others and how they want to be treated

- d) It supports teamwork by involving team members in the development process
- e) It increased team effectiveness.

**To the Organization:**

- a) It reinforces corporate culture and openness and trust
- b) It provides better opportunities for career development for employees
- c) Employees get growth and promotional opportunities
- d) It improves customer service by having customers contribute to evaluation
- e) It facilitates the conduct of relevant training programmes.

**Activity B:** Review the above mentioned methods of Performance Appraisal and evaluate their advantages and disadvantages in the context of an organisation.

.....

.....

.....

.....

.....

.....

.....