

MODERN METHODS OF PERFORMANCE APPRAISAL



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MODERN METHODS OF PERFORMANCE APPRAISAL

INTRODUCTION

Performance Appraisal is defined as the process of assessing the employees' job performance as per the benchmarks fixed related to his/her work such as technical knowledge, efficiency in completing a task, versatility, teamwork, supervision, leadership, etc. Performance appraisal is the evaluation of employees' performance in which various factors like the results of the project employees have worked, the ability to coordinate with co-workers, willingness to take responsibility, willingness to learn/ update knowledge, etc. are considered.

WHAT ARE PERFORMANCE APPRAISAL

Performance appraisals are an annual process that involves evaluating employee's performance and productivity against the pre-determined set of objectives. It also assists in evaluating employee's skills, areas of strength and weaknesses. The results of the performance appraisal determine the employees' wage fixation, increment and promotion.

Performance appraisal is essential for all firms to increase employee productivity and enhance their outcomes. A comprehensive performance management system is needed to effectively nurture their employees and to get the most out of them.

The objectives of performance appraisal vary from company to company and depending on the industry/company size, the appraisal method also varies. A growing number of HR professionals report that the performance appraisal methods need to internalize and leverage performance results.

Each performance appraisal method has its own strengths and weaknesses which might work perfectly for one organization but might not be suitable for other organizations. Therefore, various organizations use different methods to evaluate their employee performance.

NEED FOR MODERN METHODS OF APPRAISAL

With time and technology, workplaces have evolved drastically and look for better appraisal methods to measure what exactly they want to measure. It is observed that traditional methods emphasize more on rating an individual's personality traits, whereas the modern methods of performance appraisal give more emphasis on the evaluation of job achievements.

The main reason for developing these modern performance management techniques was to address the shortcomings in traditional methods. Several performance management methods depend on the judgments of the raters, which may result in biased evaluation. Traditional methods of performance appraisals mostly emphasize on measuring past performance rather than focusing on improving future potential.

Modern performance appraisal methods provide real-time feedback, enhance employee performance, identify training and development needs, enhance employee engagement and retention, and synchronize individual performance with organizational goals.

Modern methods of performance appraisal have a broader scope and provide a more comprehensive evaluation of a candidate.



Management by Objectives (MBO) is the appraisal method where managers and employees together identify, fix, plan, and communicate goals. After setting clear goals, managers and subordinates periodically discuss the progress made and find out the ways and means to correct any deviations.

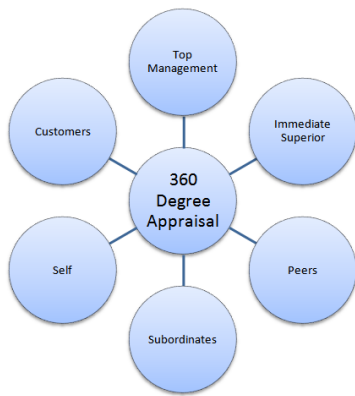
This concept was introduced in 1954, by **Peter Drucker**. In this method, the superior consults his subordinates and identify the organization's common goals. The procedure consists of four steps: identifying goals, fixing performance standards, comparing the achieved results with the goals agreed on, and periodic review to take corrective steps for better performance; firstly the organizational goals are established based on which individual goals are fixed by the employees.

The performance of the employees is then reviewed and compares it with the mutually accepted performance. The unique feature of MBO method of appraisal is, it is results-oriented. It ensures that employees agree upon realistic targets that they could actually achieve. It reduces the role of the manager's involvement and ensures that the employees are fairly evaluated solely based on their achievement against the fixed targets. This leads to higher coordination between managers and subordinates.

However, few experts criticize that this process usually lays more stress on tangible work or career-oriented goals and not evaluated based on their traits. Intangible aspects like interpersonal skills, job commitment, etc. are not given much of importance.

This method is slightly expensive and time-intensive.

MANAGEMENT BY OBJECTIVES (MBO)



Popularly known as multi-rater feedback, 360 degree appraisal is the systematic collection and feedback of performance about an individual or group, obtained from several stakeholders.

It is another staff appraisal method wherein the details of an employee's performance are collected from all stakeholders which include peers, superiors, colleagues and self. It is used to make the appraisal process more objective, realistic, and participative. It is called a 360-degree appraisal because it involves the persons above him, alongside him, below him, external people work with him and self-appraisal. The six parties that are mainly involved in this method are top management, immediate supervisor, peer group, subordinates, customers and the employee himself.

The specialty of this method is that employee is appraised by different people with whom he interacts in his job. In addition to other parties the employee also appraises himself by answering the questionnaire. Employees of any department who are in contact with employees can be a part of this method. Structured questionnaires are prepared to collect feedback from different parties about the performance of the employee. It includes making their organization's feedback process highly transparent, encourages employee engagement and act as an instrument in improving the overall efficiency of the feedback process. Organizations use this to find out Total Employee Involved (TEI) in the appraisal process. Higher TEI denotes better efficiency of the appraisal system adopted in the company.

It has to be handled properly to avoid the subjectivity of the appraiser.

**360 DEGREE
FEEDBACK**

720 DEGREE FEEDBACK

Cadbury introduced '720- degree' feedback in April 2010. Other appraisal methods do not provide guidelines to the employees after the evaluation. 720 Degree Appraisal addresses this gap and it was designed with an aim where employee's performance is measured and analyzed in the first appraisal and after a short period his performance is measured again and proper feedback & guidance are provided to the employees to achieve their target. Hence, 720 degree appraisal is considered double check for 360 degree appraisal: once when the appraisal is done and the targets are set and the second where the feedback is given and the supervisor gives suggestions and ways to achieve the goals.

According to the International Journal of Multidisciplinary Research, a 720-degree performance appraisal carried out when an employee "is appraised from 5 dimensions and feedback or the appraisal conducted twice (pre and post) to ensure the determined performance of the employee. 720-degree performance appraisal has seven phases, including the pre and post feedback.

More holistic and comprehensive feedback leads to greater transparency and higher employee retention

In 720 degree performance appraisal, the performance of an employee is evaluated from 360 degrees (management, colleagues, superiors, self and also customers) and feedback is given and performance is reevaluated again based on the targets fixed.

ASSESSMENT CENTER METHOD

The assessment center method tests employee in a work related and social-related situation by using many procedures and assessors . Employees are evaluated over a period of time; say one or three days, by observing their behaviors across a series of selected exercises or work samples

IN 1930, THE GERMAN ARMY INTRODUCED THIS CONCEPT

EMPLOYEES PARTICIPATE IN IN-BASKET EXERCISES, WORK GROUPS, ROLE-PLAYS, AND SIMULATIONS,



01

TO EVALUATE JOB RELATED SKILLS, MANAGEMENT USES ASSESSMENT CENTER WHERE SEVERAL ACTIVITIES ARE ORGANIZED FOR THE EMPLOYEES

Activities like outbound programs, business games, overnight assignments and role play are used to evaluate interpersonal skills, intelligence, planning and organizing skills. The ability of an employee to adopt himself for a new job, his training needs, and willingness to learn are evaluated by this method

02

EXPERTS SIMULATE WORK RELATED SITUATIONS AND ASK THE EMPLOYEES TO SOLVE THE ISSUES

Personal interview and projective tests are used to assess the intellectual capacity, career orientation, motivation and dependence on others of an employee. The creative thinking and decision making ability are evaluated by this method.

03

THIS METHOD GIVES AN INSIGHT ABOUT THE EMPLOYEE'S PERSONALITY.

Breed abhor and unhealthy competition among the workers and projects adverse effects on low performers.

BEHAVIORALLY ANCHORED RATING SCALE (BARS)

This combines both critical incident method and graphic rating scale method. This appraisal technique emphasizes the work related behaviours of the employees. Various key behaviours related to a job are broke down and listed on the rating scale. The preferred rating for each behavior is determined. Then the actual behaviors of the employee are compared with the predetermined behaviors rated on the scale.

Experts in a company identify predetermined behaviours (based on Benchmarking) that are proved to be the most effective performance indicators. Thus, the employees' behaviour is measured by comparing them with the predetermined behaviour and how much they deviate from that behaviour.

BARS compare employee performance with specific/expected behaviors that are anchored to numerical ratings. For example, in a company the positive behaviors of a customer care executive working in a call center are to receive the call within five seconds, cordially greet the customer. So, the employees who are showing these behaviors will be anchored to excellent numerical ratings on the scale and who is not will be anchored to poor numerical ratings on the scale.

Other examples are; Pharma company representative's expected behaviours are waiting patiently to meet the doctor and explain the latest products developed by the company through brochures, distribute free samples and regular followup calls.



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The Behaviourally anchored rating scale(BARS) is a method used to identify the most critical areas of an employee's performance and how much he needs to improve and in what aspect he needs to mend his behaviour to reach the goals

provides clear standards, improved feedback, accurate and consistent evaluation. Helps employees to identify the specific areas for improvement. The general behavior not related to the job is not considered.

**IDENTIFY THE LATENT
SKILLS OF EMPLOYEES
AND SUGGESTS TO
LEVERAGE THE SKILLS**

FOCUS ON FUTURE PERFORMANCE



Psychological Appraisals

This is widely used by the organizations to assess the employee's potential for future performance rather than the past performance.. This appraisal technique is used to determine the rational, emotional, intellectual, altruism, motivational and other characteristics of an employee which are essential to predict his/her potential for the performance in the future.

An advantage of psychological appraisal is their ability to assess the level of development required within a specific area in the future. Psychological appraisals can be effectively used to determine the hidden potential, strengths and limitations of employees,

However, it is a rather slow and complex process and the quality of results is highly dependent on the psychologist who administers the procedure. Since it is a qualitative prediction, ascertaining the future performance of an employee is difficult.

HUMAN-RESOURCE (COST) ACCOUNTING METHOD

This method is designed around the philosophy that people are valuable resources of an organization and investment on human resources is useful for future growth. Organizations, which want to calculate the net contribution of an employee to the company in terms of monetary aspects, use this performance evaluation method. Cost of retaining an employee (cost to company) and the monetary benefits (contributions) a firm has received from that employee is calculated.

Factors like unit-wise average service value, over-head cost, interpersonal relationships, quality, are taken into consideration while an employee's performance is evaluated based on cost accounting method. This method aims to find out the net contribution of employees to the company in monetary terms.

The cost of an employee is calculated by adding the expenses incurred on the employee like his compensation, cost of recruitment, training and development. After this, the monetary contribution of employee is found out.

HUMAN RESOURCE ACCOUNTING



The difference between contribution and cost of employee indicates the performance of an employee. Ideally, the contribution part should be greater than the cost incurred on them.

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