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Short Communication

Importance of performance appraisal: A short communication

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ABSTRACT

Background in 1950s Peter Drucker comes with the novel idea of management by objectives (MBO) method and at the same time Douglas McGregor's book *The Human Side of Enterprise*, famous for Theory X and Theory Y, gained a lot of attention. Following this few companies started moving from the mere trait assessment method to the development of a procedure that concentrates more on goal setting and made the appraisal process a shared responsibility between the individual and the manager. From the work of Drucker and McGregor, the performance appraisal procedure has now become a valuable part of a hrn strategy in any organization.

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1. Introduction

The history of performance appraisal goes back over a century in America. The federal Civil Service Commission's merit rating system was first put in place in 1887. Performance appraisal was introduced for the first time by Lord and Taylor in 1914 following which many companies get influenced by Frederick Taylor's "scientific management" efforts in the early twentieth century. Before World War II, very few organizations conducted any formal performance appraisal procedures. Only a handful of companies and the military were the ones using the procedure regularly during that time. Most appraisals that were done during that period concentrated more on an individual's personality and traits than on actual achievements against goals and formal analyses of the behaviors that produced those results.¹

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Enterprise, famous for Theory X and Theory Y, gained a lot of attention. Following this few companies started moving from the mere trait assessment method to the development of a procedure that concentrates more on goal setting and made the appraisal process a shared responsibility between the individual and the manager. From the work of Drucker and McGregor, the performance appraisal procedure has now become a valuable part of a hrn strategy in any organization.²

1.1. Benefits of performance appraisal system

A performance appraisal system evaluates the efficiency and effectiveness of other human resource functions of the organization such as recruitment, selection, training and development, it also diminishes the grievances of the employees, it can help an organization identify the strengths and weakness of the individuals which can help the organization to plan out a suitable training and development for its employees, performance appraisal compares the actual performance with the required performance, it helps to strengthen the relationship and communication between

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subordinates and higher management, not only does it help in human resource management but also it gives information to aid decision making in other areas of the organization and it also gives clearness of expectations and responsibilities of the functions to be performed by the employees.³⁻⁷

1.2. Reasons why appraisals fail

“Time is the scarcest resource and unless it is managed, nothing else can be managed.” (Peter Drucker).

The primary reasons for the failure of performance appraisal programs includes lack of top-management information and support, unclear performance standards, rater bias (too many forms to complete), and use of the program for conflicting purposes. The administrative and developmental purposes of the appraisal when used together may result in a conflict in the appraisal process. For e.g. If an appraisal process is used to provide a written appraisal for salary action and at the same time to motivate employees to improve their work, the appraisal interview may become a discussion about salary in which the top management seeks to justify the action taken and the discussion then have very little influence on the employee’s future job performance.

2. Performance Appraisal Methods

2.1. Traditional methods

1. Essay Appraisal Method – This is also known as free form method which involves description of the employees’ performance by his superior. The description involves evaluation of individuals’ performance often based on facts and examples and evidences that support the description. The method major drawback of this method is that it brings in the element of biasness into the method. The appraisal method is also too much subjective and it does not focus on all relevant aspects of job performance.
2. Straight Ranking Method – This method is the oldest and also the simplest way of appraising. In this method the ones who are appraising rank the employees from best to poor on the basis of overall performance
3. Paired Comparison – This is a much better way as compared to straight ranking method as it compares each employee to every other employee in the organization and after the comparison he is given a final ranking on the basis of how many positive or –negative he has got.
4. Critical Incident Method – In this method all the employees are made to face some practical situations and their behaviors are noted down as positive or negative and on the basis of that they are ranked. The main advantage of the critical incident method is that it covers the entire appraisal period. And because the behavioral incidents are specific, they can facilitate employee feedback and development. But caution must

be taken as the employees also may have negative feelings about the appraisal process.

5. Field Review – In this method a senior member of the HR department for e.g. Human resource manager interviews the supervisors to evaluate and rate the performance of their respective employees. Though this is a time consuming method but eliminates the personal bias issues.
6. Check List - The rater is given a checklist of the descriptions of the behavior of the employees on job. The checklist contains a list of statements on the basis of which the rater describes the on the job performance of the employees.
7. Graphic Rating Scale - In this method, an employee’s quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular trait. The factors taken into consideration include both the personal characteristics and characteristics related to the on-the-job performance of the employees. For example a trait like Job Knowledge may be judged on the range of average, above average, outstanding or unsatisfactory.
8. Forced Distribution - This method is quite controversial. In this method first the individuals are ranked according to graphic rating scale process then the total points are added to come up with an overall ranking. Then the employers are categorized into various categories, that is, 20 percent as high performers etc. This process often leads to sacking of low performance individuals in major companies. This is more useful when bonuses are tied with performance and helps the authority to identify those who are performing well to give them proper rewards.⁸⁻¹¹

2.2. Modern methods

1. Management By Objective – This method was first proposed by Peter Drucker in 1954. MBO judge the performance of employees on the basis of their success in achieving the goals they established through consultation with their superiors. The employees and the superiors come together to identify common goals, the employees set their goals to be achieved and decide the course of action to be followed. There are six steps involved in this method are set organization goals, set departmental goals, discuss departmental goals, define expected results, performance reviews, and provide feedback. The major advantage of this method is that it helps in the setting of employee-established goals which continuously improve employee performance, leading to increased productivity. However MBO is a lengthy and costly appraisal system as the performance data are designed to measure results, they may be affected by factors out of an individual’s control

which raises the issue of criterion contamination. MBO systems also encourage employees to “look good” on a short-term basis, while ignoring the long-term goals.

2. Data source: Fleenor and Jeffrey (1997) 360° Appraisal Method – This is a multi-rater feedback method. It is one of the best appraisal methods as it involves everyone from superior to self who come in contact with the employee. 360-degree assessments offer new ways by which an individual's skills, behaviors, abilities, or performance can be judged thoroughly.

3. Conclusion

The following study tried to illustrate to show importance of appraisals. Limitations of this research indicated several aspects that were tough to handle and acted as an obstacle in some situations. The time allocated during the course of data collection was too short as compared to the depth of the aim; it required sufficient time for detailed analyses to draw out firm conclusion. Another aspect that could be considered as a limitation was the inability to access the concerned organizations internal resources as students, which is only possible if someone is working or attached to the organization in any other manner. Another drawback that was faced during the study was the vast geographical distance between the target population country and the researcher. The questionnaires could not be distributed in person and the interviews could not be conducted face to face. Finally, the last limitation of the study was the uncertainty and puzzlement faced in assorting the secondary data out of the massive collection of previously written data and findings on the same topic.

The findings of this study justify the importance of human resource strategies i.e. appraisals and incentives in NHS to motivate the employees. Both the employees and the management of the other organizations can get benefited by understanding the significance of human resource strategy within the organization and the importance of appraisal and incentive schemes to motivate the employees.

4. Source of Funding

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5. Conflict of Interest

None.

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