CHAPTER-4

DETERMINANTS

OF

EFFECTIVE PERFORMANCE

APPRAISAL SYSTEM
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TERMINANTS OF EFFECTIVE PERFORMANCE APPRAISAL SYSTEM

Performance appraisal is a formal management system that provides for the evaluation of the

quality of an individual’s performance in an organization. Effective performance appraisal processes

employees’ learning about themselves, employees’ knowledge about how they are doing,

employees’ learning about ‘what Management values’ (Beer, 1981).

Developing an appraisal system that accurately reflects employee performance is a difficult task.

Performance appraisal systems are not generic or easily passed from one company to another, their

and administration is tailor-made to match employee and Organizational characteristics and

styles (Henderson, 1984). In the words of Stephan and Dorfman, 1989 outcomes of effective

performance appraisal are improvement in the accuracy of employee performance and establishing

relationships between performance on tasks and a clear potential for reward.

In the words of Dobbins, Cardy and Platz- Vieno, 1990 there are five outcomes of effective

performance appraisal system i.e. use of evaluations as feedback to improve performance, reduced

employee turnover, increased motivation, existence of feelings of equity among employees, linkage

between performance and rewards.

Performance Appraisal is an objective system to judge the ability of an individual employee to

perform his tasks. A good performance appraisal system focuses on the individual and his

development, besides helping him to achieve the desired performance. Almost all organizations

practice performance appraisal in one form or another to achieve certain objectives. The objectives

may vary from organization to organization or even within the same organization from time to time.

It has been found that there are two primary objectives to use performance appraisal system. One is

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as it as an evaluation system and second, to use it as a feedback system. The aim of the evaluation system is to identify the performance gap. This means that it helps determine the gap between the actual performance of the employee and that required or desired by the organization. The aim of the feedback system is to inform the employee about the quality of his work or performance. This is an interactive process by which the employee can also speak about his problems to his superior.

Basic Elements of Effective Performance Appraisal System:- An effective performance appraisal system that accomplishes an organization's goals should have essentially four elements:-

1. Performance Appraisal Criteria Should Based on Observed Job-Related Behavior:- Performance criteria should be based on some form of observable behavior related to the duties of the job. The criteria for evaluation should communicate to employees, goals and objectives should be reached through consultation between the manager and employee.

2. Should be Conducted by Trained Superior:- Persons conducting the appraisals, usually immediate supervisors, should be trained in how the system works and how to deliver effective feedback on performance.

3. Should be Based on Written Policy and Guidance: -Written guidelines for administering the appraisal system should be up-to-date and should be communicated to every employee in the organization.

4. Should Provide Employee Feedback and Input:- Employees who disagree with a rating should be given an opportunity to challenge the rating and should give further explanation of how the rating is derived. These broad guidelines provide the general elements that can be applied to any number of appraisal systems. Application of the guidelines can be applied on a decentralized and flexible basis that will allow various employee groups to adapt performance appraisal to their own special needs.
There are five outcomes of effective performance appraisal system i.e. use of evaluations as a tool to improve performance, reduced employee turnover, increased motivation, existence of sense of equity among employees, linkage between performance and rewards. There are various factors that affect performance appraisal system such as: Ability, Effort, Motivation, Equity & Internation and Environmental factors (Dobbins, Cardy and Platz-Vieno, 1990).

Determinants of Effective Performance Appraisal System:-

Performance appraisal is an important process for any organization, large or small. The success of a company performance appraisal efforts depends on a number of factors, including how well documented and communicated the process is, training for managers and supervisors, the collection and analysis of results and ongoing improvement efforts.

Conducting the Performance Appraisal:-

In many systems, the front-line supervisor is responsible for conducting the performance review. However, a multiple rater system should be considered. Multiple rater systems provide a form of regulation that results in ratings in which employees and managers have greater confidence. It may also be necessary to restrict the number of employees rated by any one individual especially in today's new, flatter organization in which spans of supervision may be 60 people or more (Gall, 1990). It is particularly important where an organization is keen to avoid real or perceived bias with respect to race, gender or age. Another advantage of multiple rating systems is that they shift the supervisor's role from that of judge to performance coach. An individual supervisor no longer be responsible for a single employee's review.

Employee self-appraisals should be encouraged. Self-appraisals can lead to self-improvement. The employee's self-appraisal can also be helpful for the supervisor in opening a communication link
allowing for comparison of performance results. Self-appraisals gives the supervisor helpful insights to how the employee views his/her performance (Goff and Longenecker, 1990).

Documented Process:-

New performance appraisal is formal and not left to chance. More than just asking supervisors to evaluate staff, effective systems provide step-by-step guidance and standardized evaluation forms for all managers to evaluate all employees. This not only lends to consistency, but allows the results of the evaluations overall to be reviewed and compared to identify areas of strength and areas where there may be opportunities for improvement. Making the process as easy possible for managers will help to ensure that performance appraisal is effective.

Pay For Performance:-

Performance appraisal systems attempt to relate pay to performance. When pay is not directly tied to performance, it is possible that employees will discount the appraisal process. In order for appraisal system to be truly effective in a pay for performance environment, adjustments to pay schedule as close in time as possible to the conducted performance review.

Measurement System:-

Actual measurement or grading system used to rate employee's performance needs to be graded carefully. Performance appraisal system which ranks employees according to a numerical grid tends to lead to a great deal of average performers. For example, if a 1-5 scale is used, five best a majority of employees will be rated a three. While this may be reflective of their actual performance, few people take gratification in being called average. Another problem arises when it extremely difficult to perform at a level greater that a three or average.

Frequency of Appraisal:-
Employee reviews should be performed on a frequent and ongoing basis. The actual time period varies in different organizations and with different aims but a typical frequency would be bi-annually or quarterly. By conducting reviews frequently two situations are eliminated; selective memory by the supervisor or the employee; surprises at an annual review. People generally tend to remember what happened within the last month or high profile situations good or bad. Frequent performance appraisals eliminate surprise element and help to modify performance prior to any need for review.

There is a good relationship between supervisor and employee, informal reviews of an employee's performance may be undertaken almost continually. Frequent reviews also allow for clarification and revision of objectives. This leads to better informed employees who are better equipped to perform their job satisfactorily. In addition frequent reviews give supervisors more opportunity to ensure that progress is being made in developmental objectives (Sahl, 1990).

Training:-

Supervisors and managers automatically should know how to conduct performance appraisals. Training should take place regularly to provide refreshers and updates on any changes to the process or evaluation forms.

A major aspect of developing an effective performance system is training for those individuals designated as raters. This training should start with a focus on providing the manager with a systematic approach to the practice of effective people management (Goff and Longenecker, 1990). Training should need to focus on the process of managing, motivating and evaluating employee performance. Training should begin those levels of management that will be involved in mastering the programme and providing training for lower levels of supervision. Once these junior managers have bought into the system, skills training are needed for junior managers and
This specific training should include at least the following such as coaching and conflict resolution, setting performance standards, linking the system to pay, providing feedback (Evans, 1991). Once an individual rater has been through the necessary training, refresher courses will be required to help the rater to maintain necessary skills in assessment. Raters involved in the appraisal process should also be evaluated on how effective performance appraisals. This will help to make sure that evaluations are performed in an consistent manner throughout the organization. Some training is required for all this training should include how to set objectives, how to keep accurate records, and communicate all aspects of performance.

Training Records:-

To ensuring the effective use of a performance appraisal scheme is keeping and accurate records of employee’s performance. Well maintained records are essential if necessary to discipline, demote or dismiss an employee. It is particularly helpful if employees are responsible for part of the process of record-keeping, this helps reinforce the fact that part of the process is devoted to employee development and that employees have a role for their own development. Such an approach helps in the elimination of surprises.

Communication:-

Integrating the performance appraisal process, not only to new managers but on an ongoing basis remind all supervisors that the process exists, what it is, how it works and where to go for assistance if needed. In addition, business leaders and human resources staff should ensure supervisors and managers understand why performance appraisal is important for managers and the organization.

Conclusion of Results:-
Performance appraisal generally focuses on one individual, looking at the aggregated results. Performance appraisals also help in assessing the general level of performance of its staff, areas where there may be training or development needs and trends within and between departments.

**Follow-Up and Performance Improvement:**

The greatest affect on performance appraisal effectiveness is how the business uses the results. Employees both individually and across the organization should use the appraisal system as a tool to improve performance.

**Legal Issues Regarding Development of Effective Performance Appraisal System:**

The basic intent of developing an effective performance appraisal system is to make an organization more productive, profitable and to let employees know their level of performance, there are also legal reasons for developing an effective performance appraisal system. Failure to conduct a proper and adequate records may result in employee taking legal action.

An employer states annual performance reviews will be conducted and then fails to do so, the employee could find him/herself liable for breach of an implied promise. Employers must ensure, foresee, that they adhere to their commitments to conduct such reviews (Nobile, 1991). It is extremely important that all strengths and weaknesses be clearly documented in the performance and follow up action on unsatisfactory performance pursued. This is especially important in the use of termination of an unsatisfactory employee.

An effective performance appraisal system should emphasize individual objectives, organizational lives and also mutual objectives. Performance appraisal evaluates an employee’s current and performance relative to the employee’s performance standards. It is a process which involves setting work standards, evaluate employee’s actual performance relative to those work standards.
Giving Feedback to employee so as to motivate him or her to improve the job performance or to eliminate performance deficiency (Dessler, G, 2000).

1. Absence of Effective Performance Appraisal System:-
   
   Determine how the job of each employee can contribute to achieve the overall goals of the organization.

   Determine each employee as an individual to evaluate the employee’s strength and weaknesses.

   Identify and reward good employees, in order to foster loyalty and motivate employees to continue achieving.

   Keep employee morale high through continuous feedback.

   Pay on top of the needs of workforce to ensure employee retention, increase productivity and innovation.

   Reduce the risk of complaints by ensuring that employees’ are treated fairly and are not surprised by management decisions.

   Identify and deal with problem employees’ to either turn those employees in to valuable resource.

   All of this translates into a better employee performance, which leads to improve departmental performance as well as lead to the success of the organization (Delpo, 2005).

2. Roadblocks In Effective Performance Appraisal:- Managers and supervisors are reluctant or lack the skills to provide performance feedback, the appraisal system is awkward or bureaucratic and appears to not produce results.

3.1 Ways To Overcome Obstacles In Effective Performance Appraisal:- Keep the performance appraisal system very easy to use so that it should Ensure that all employees have an understanding of what’s expected of them and how they’ll be evaluated, performance appraisal
Employees should also consider ways to fulfills their own
needs.

Evaluation: Too often appraisal documentation is complex and inacessible. It should be put in a
format and made simple and user friendly as possible.

Evaluation of Effectiveness of Performance Appraisal Program:- Assessing the value and
success of an appraisal program is necessary for determining how to improve it. For this;

Designing Evaluation into the Program:-

As program designers develop new appraisal programs, they should also plan for
evaluation. As program designers develop new appraisal programs, they should also
plan the criteria they will use to determine whether the program is successful. They should Plan
the program after the first appraisal period is completed. Ongoing program evaluation
be a part of the program design and should be planned for, not only because is required by
mission but to improve program effectiveness.

Appraisal programs can be evaluated from two broad perspectives:

Implementing Strategy:- it includes Are we doing things right or are the process and the rules
followed and Are we doing the right things Or what effect does the program have.

Compliance:- Evaluators should attempt to determine if the organization is in Compliance with
system and program requirements. These types of questions can be:- By asking question
of doing things right, Were appraisals done on time, Did everyone who was supposed to
have an appraisal get one ,Were employee performance plans issued timely ,Were progress
s conducted, Does management devote appropriate resources and give priority to the
Kediveness, Maintenance and operation of the performance appraisal program.
and improve individual, team, and organizational performance- Is appraisal used for measuring individual and group performance as it's Supposed to be or is it used to threaten and employee or is it used for some other reason.

appropriate measures of performance as the basis for recognizing rewarding accomplishments- measures credible. Are awards based on valid and accepted criteria.

the results of performance appraisal as a basis for appropriate personnel actions- Are appraisal used appropriately as a factor that is considered when making other personnel decisions within-grade increase determinations, promotion decisions, etc.

employees and managers satisfied with the equity, utility and accuracy of the program- The perceptions of managers and employees are important to the success and Effectiveness of a plan. Employees need to feel they get enough feedback on their performance and that their scores and standards are current and fair. Measures should be perceived as accurate and reliable.

the benefits of the program outweigh the costs-Costs could include the cost of developing the program as well as the cost of using it. Examples of measurable costs are the costs of developing using an automated appraisal process, the amount of time taken to develop employee performance plans or the amount of time taken by raters, ratees, reviewers, and other users to raise performance. But costs must be compared against the benefits.

there been an improvement in employees', unit or organizational performance-One of the purposes of performance management is to improve organizational effectiveness in the accomplishment of mission and goals.

the attitude or the behavior of employees or managers changed as desired-Appraisal programs are used as tools to support initiatives, such as focusing on results, improving customer service,
Developing teamwork. These initiatives often require a change in organizational culture and employee attitudes to be successful. Determining that there have been desired attitude and behavior changes may be an indication that the appraisal program has had some effect.

Where signs of different treatment in the results of performance appraisal processes-Statistics on distribution of performance ratings should be gathered and analyzed. If different treatment is noted, designers should attempt to determine if appraisal design features are causing the lack of balance in the ratings or if there is a larger problem in the organization that is surfacing through the appraisal process.

Have there been an improvement in the efficiency or the effectiveness of related human resources programs- The appraisal of elements and rating of record, be used as a basis for training, rewarding, assigning, promoting, reducing in grade, retaining, and removing employees. Evaluators may look at the relationships between performance appraisal and other human resource programs. For this purpose evaluators might want to determine:-

1. Summary levels are used as a reference point in promotions or if ratings are so inflated that they are meaningless to the process.

2. Training needs are determined through the appraisal process or if supervisors and Employees fail to talk about ways of improving performance during appraisal interviews.

3. Supervisors receive support from the organization when a performance-based action is necessary, and poor performance is tolerated.

Checklist:- Once a list of possible topics and questions has been developed for evaluating the program. The checklist can be used to help ensure that the right questions are being asked in the right way, Do decision makers feel they need the information. If no one will use the information,
There is no reason to gather it. The results of evaluations are much more useful when people want information.

**Evaluating Performance Appraisal Program**: A periodic, well-designed evaluation of the process of performance appraisal programs will provide the information. Managers and employees need continually improve their appraisal processes. As program designers or evaluators design evaluation tools, they should find out what difference would it make to have this information and how would it be useful.

**Barriers in Effective Performance Appraisal System**: -

1. **Assuming Interaction**: In order for a performance appraisal to be productive for the employee and manager, it's important that both parties give input and work together to create the final solution. By ignoring the interactive aspect of the appraisal, the opportunity for the manager and employee to both feel involved in the employee's career is lost.

2. **Assuming Proficiency**: Manager assumes an employee is proficient at a task because the employee shows efficiency in a related activity. For example, since the employee is effective at communicating with his peers, a manager may assume that he is also good at communicating with customers. This can turn the performance appraisal into a set of assumptions on good or bad performance that may not be accurate. To create an effective performance review, all aspects of an employee's performance need to be taken into account separately.

3. **Lack of Preparation**: An employee and a manager need to spend time preparing for a performance appraisal. Managers should spend time reviewing the job duties of the employee. Compare the employee's performance to their job duties and review past job evaluations to see if the employee has made any progress toward stated goals. Employees should spend time in completing their self-