CHAPTER - 1

INTRODUCTION
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INTRODUCTION

Wonders are many; and none is more wonderful than Man

----- Sophocles (495-406 BC)

1.1 General

In his ‘Republic’, Plato wrote ‘In the first place, no two persons are born exact alike, but each differs from each in natural endowments, one being suited for one occupation and another for another.’ Plato was then concerned with much the same problem as is faced by almost all the organisations, that of evaluating its personnel. Significantly, it is said that ‘there is something that is much more scarce, something finer for, something rather than ability. It is the ability to recognise ability’ (S Kulkarni, 1988).

Employee appraisal techniques are said to have been used for the first time during the world war - I, when, at the instance of General Walter Dill Scott, the US Army adopted a ‘man to man’ rating system for evaluating military personnel. During 1920-30 period, relational wage structures for hourly paid workers were adopted in industrial units. Under this system, the policy of giving graded wage increments on the basis of merit were accepted. The early employee plans were called ‘merit rating programmes’, which continued to be called so upto the mid 50s. By then most of these plans were of the rating scale types, where emphasis
was given to factors, degrees and points. In the early fifties, however, attention began to be devoted to the performance appraisal of technical, professional and managerial personnel. Since then, as a result of experiments and a great deal of study, the philosophy of performance appraisal had undergone tremendous changes. (Memoria CB, 1980)

Performance appraisal is considered to be the most difficult and complex of the man-management activities. As Berkley Rice (1985) puts it:

Performance appraisal is often a difficult and emotion-laden process. Some have likened it to candidly telling someone “Here’s what I think of you baby”.

Performance appraisal has become an inevitable part of every manager in the organisation. As Peter Drucker (1954) aptly puts it:

To appraise a subordinate and his performance is part of the manager’s job. Indeed, unless he does the appraising himself, he cannot adequately discharge his responsibility for assisting and teaching his subordinate.

To appraise the performance of another person, may be a subordinate, is by no means, an easy task. All the same, performance appraisals have become a part of organisational life. As per Locker HA and Teel KS (1988), all large organisations employ some form of systematic appraisal and review. Bernardin HJ and RW Beatty (1984) feel that this widespread use can be attributed to human resource specialists, academics and consultants who proclaim that performance appraisal is a critically needed tool for effective human resource management. WF Cascia (1987) feels that, this in turn is based on the belief that
an effectively designed, implemented and administered performance appraisal system can provide the organisation, the manager, and the employee a myriad of benefits.

The literature on performance appraisals generally suggests that the appraisal process can:

(a) increase employee motivation and productivity.
(b) provide solid basis for wage and salary administration.
(c) facilitate discussions concerning employee growth and development.
(d) provide data for human resource decisions, and
(e) provide managers with useful communication tool for employee goal setting and performance planning.

(AM Morhman, 1989)

Performance appraisal is a critical and effective tool in the development and optimisation of human resources in an organisation. It helps people in the organisation to consciously aim at and improve upon individual performance and thus organisational effectiveness. It also facilitates developing an organisational culture of mutuality, openness and collaboration towards realisation of individual and organisational goals. Udai Pareek and TV Rao (1981) mention that performance appraisal is a matter of importance and concern to every employee. This is mainly because most personnel decisions that are of tremendous significance to the personal and professional life of employees are made on the basis of appraisal reports. At least these are perceived to be so.
1.2 Definition

Dr S.B.L. Bhardwaj, Bureau of Public Enterprises, while discussing the results of his research project on managerial appraisal in India, has defined appraisal as:

An ongoing evaluation of the quality, quantity, styles and determinants of the present performance and behaviour and the growth potential of an employee with a view to providing control information to the organisation, leading to an action programme and enabling feedback to the individual, aimed at his performance improvement, personal growth and satisfaction.

Mihir K Basu, erstwhile Personnel Manager of the Indian Airlines and a management consultant has defined it as:

a formal exercise in which an organisation makes an evaluation, in a documented form, of its managers, in terms of contributions made towards achieving organisational objectives and/or their personnel strengths and weaknesses, in terms of attributes and behaviour demonstrated, for meeting whatever objectives the organisation may consider relevant.
1.3 Appraisal Concept

To appraise means to estimate, to value or to judge. Performance denotes what a person has done and how he has done. So in a simple way, performance appraisal is a formal managerial exercise in organisations to value or estimate or judge what a person has done and how he has done. The data so collected serves the needs of the organisation in a variety of decisions in the human resource management.

Organisational Effectiveness depends upon the level of performance of its employees; higher the performance, higher the effectiveness and vice versa. Hence the levels of performance need to be ensured. Periodic stock taking of the qualitative state of this manpower indicates its value and potential in achieving the goals of the organisation. The value of the manpower wealth is known from the periodic appraisal reports. (Appraisal Manual issued by Directorate of Personnel - Officers, Air Headquarters).

Perhaps one of the most important roles of a manager is to 'motivate, encourage, build, train, reinforce and modify behaviour of subordinates'. (Yager E, 1981). This can happen only if there is regular and frequent interaction between the superior and his subordinates. If the interactions are based on acknowledgement, there should be ample praise, corrections, comments and suggestions by the superior on the tasks performed by the subordinate. This interaction process can be seen as performance appraisal because in each interaction process some comments are exchanged on the tasks in hand.
Wayne F Cascio (1986) describes performance appraisal as the systematic description of an employee’s job - relevant strengths and weaknesses. The feedback is important in appraisal.

The appraisal system is meant to serve the needs of the organisation, as well as, those of the individuals. For organisations, it provides a periodic stock taking of the quality of manpower and generates valid data to facilitate decisions regarding operational and administrative requirements of the organisation. For the individual it is meant to provide a feedback on his performance and to serve as an incentive for his development as a professional and a human being. (Appraisal Manual issued by Directorate of Personnel - Officers, Air HQ).

FJ Landy, JL Farr and RR Jacobs (1982) emphasise that ‘performance appraisal is fundamentally a feedback process’. And research indicates that feedback may result in increase in performance varying from 10% to 30%. This is fairly inexpensive way to improve efficiency; but to work effectively, the feedback programs require sustained commitment. The challenge for managers then, is to provide feedback regularly to all their employees.

1.4 Objectives of Performance Appraisal

Organisations practise performance appraisal in one form or the other to achieve one or more objectives. These objectives vary from organisation to organisation and also in the same organisation, from time to time. Patz AL (1975) interviewed 70 top and middle managers in one Canadian, one Dutch and 17 American Companies and asked them to indicate their understanding of the
functions of performance appraisal. He concluded on the following two objectives of appraisal:

(a) Performance Appraisal is considered as a development technique in the hands of managers, aimed at calling attention to a subordinate’s behaviour/ flaws in order to improve his administrative ability.

(b) Performance appraisal was viewed as a necessary vehicle for assessing management potential.

Monga ML (1983) stresses that all appraisal systems should emphasise individual objectives, organisational objectives and mutual objectives. Diagram 1.1 shows in detail these objectives. The organisational objectives may contain such areas as personal development, satisfaction and involvement of the individuals and the perceptions of fair and just compensation. As far as organisational objectives are concerned performance appraisal should generate manpower information, help in human resource development, improve efficiency and effectiveness, as well as, employee relations, serve as a mechanism of control, and provide a rational compensation structure. Talking of mutual goals, such items as growth and development, harmony, effectiveness and profitability were emphasised.

A comparative study of six Indian Public Sector Companies and 14 Private Sector Companies by Rudrabasavaraj MN (1969) showed that the two sectors differed in their emphasis on the objectives of performance appraisal. The data as tabulated is given in Table 1.1.
Diagram 1.1: Appraisal Objectives

GOALS: GROWTH AND DEVELOPMENT

ORGANIZATIONAL GOALS:
- Human Resource Development
- Efficiency and Effectiveness
- Developing Harmonious Employee Relations
- Control Rational Compensation Structure

PERSONAL DEVELOPMENT:
- Satisfaction
- Involvement
- Fair and Just Compensation

GROWTH AND DEVELOPMENT:
- Harmony
- Effectiveness
- Profitability

INITIAL GOALS
Table 1.1: Emphasis on the objectives of Performance Appraisal

<table>
<thead>
<tr>
<th>Objective</th>
<th>Public Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Promotion and Transfer</td>
<td>100%</td>
<td>79%</td>
</tr>
<tr>
<td>2. Determining Wage increase</td>
<td>83%</td>
<td>79%</td>
</tr>
<tr>
<td>3. Training and Development</td>
<td>83%</td>
<td>78%</td>
</tr>
<tr>
<td>4. Informing Employees where they stand</td>
<td>83%</td>
<td>64%</td>
</tr>
<tr>
<td>5. Follow-up Interviews</td>
<td>17%</td>
<td>21%</td>
</tr>
<tr>
<td>6. Supervisors know their employees</td>
<td>83%</td>
<td>71%</td>
</tr>
<tr>
<td>7. Personnel Research</td>
<td>-</td>
<td>50%</td>
</tr>
</tbody>
</table>

The Govt of India is the largest employer in the country. There are very elaborate procedures for evaluating the performance of all employees at the end of the year. The objectives of the appraisal are manifold. They are seen as below:

(a) To identify employees for deputation to other organisations.
(b) To determine the upward mobility of the employees.
(c) To decide whether the employees should be allowed to cross the Efficiency Bar.
(d) To decide whether to confirm the employee or not.

(e) To assist in taking decisions on his premature retirement.

(f) To transfer and redeploy, particularly when the skills that he/she possesses are required elsewhere.

(g) To determine the quantum of punishment in case of disciplinary action.

(h) To maintain discipline and awareness that Government system functions on an hierarchical basis.

(i) To nominate for training programmes.

According to Monappa and Saiyadin (1979) the broad objectives of Performance Appraisals are:

(a) Identifying the employees for salary increase, promotion, transfer, lay-off and termination of service.

(b) Identifying training needs.

(c) Motivating employees by showing them where they stand, and

(d) Establishing a data bank on appraisal to help take personnel decisions.

In a survey Chakraborty SK and Chatterjee S (1975) specifically tried to find out what the appraisers and appraisees among 25 managers from the Public Sector expect from the appraisal. They also got the data from 36 managers of a
private sector organisation but their responses were not divided by the sample. According to their results, the appraisers looked for the following:

(a) Develop subordinates into better managers 39.0 % (47.2)
(b) Evaluate subordinates correctly 27.6 % (36.0)
(c) Opportunity to openly discuss the job 22.7 % (14.0)
(d) Make subordinates see point of view 4.4 % (2.8)
(e) Understand subordinates adequately 3.5 %
(f) Improving relationship with subordinates 2.8 %

The figures in brackets are the percentages indicated by 36 private sector managers. The largest number of managers in both private and public sector endorsed developing subordinates as better managers as the main expectation from the performance appraisal. This was followed by the correct evaluation of subordinates by managers from both the Sectors. On the other hand, the expectations of appraisees in public sector, seem to suggest a different view as given below:

(i) Contribution to precise and clear understanding of expectations from me 49.5 %
(ii) Awareness of high managerial skills 26.0 %
(iii) Follow-up on Training and Development 16.0 %
(iv) Contribution towards reward 8.5 %
Voltas Limited has developed its current performance appraisal system in the belief that 'the strength of an organisation ultimately depends upon its capacity to develop people. The objectives of their managerial appraisal system are stated to be as follows:

(a) To evaluate performance against established objectives and job accountability.

(b) To provide feedback and counselling for self-improvement with supportive training and development programmes.

(c) To strengthen working relationship through personal effectiveness and developing an understanding of expectations.

(d) To identify people with potential who can be groomed for higher positions.

(e) To provide data for organisational development and improved managerial processes which will sustain a productive and satisfying work culture.

The Performance Appraisal system for Executives of Rashtriya Ispat Nigam Ltd (a giant public sector undertaking) mentions that the system has to be used as one of the most important tools available for the evaluation of managerial performance, identification of the strengths and weaknesses of the executives and initiation of suitable developmental measures at every stage. Their annual performance appraisal system has the following objectives:
(a) To increase awareness of and accountability for targets set/tasks assigned and the responsibility of executives at all levels to ensure fulfilment of the aims and objectives of the company.

(b) To provide an effective tool for performance monitoring and feedback.

(c) To link growth and development of executives to performance.

(d) To provide for objectivity and fairness in evaluation.

(e) To determine the strengths and weaknesses of executives, plan for required coaching, counselling, training and development.

(f) To use it as an effective tool for assessing reward, punishment, job-orientation, career and succession planning and to assess the organisational support required to improve individual performance.

The main purpose of the appraisal system in Larsen & Toubro Ltd is to help an employee improve his performance and develop himself. The objectives are as follows:

(a) To obtain data, as free from bias as possible, in order to; identify strengths and weaknesses of the employee so as to contribute to his growth and development by self-appraisal, feedback and guidance from the superior; and training; and provide inputs for administration of rewards such as salary, promotions and additional responsibilities.
(b) To have the employee set objectives for the year in consultation with the superior for the purpose of setting realistic goals and improving performance, helping the employee plan his activities and work for the year and enabling the employee to see how his individual goals are derived from and contribute to overall departmental/organisational goals.

1.5 Evaluation Criteria

According to the Appraisal manual issued by Directorate of Personnel (Officers), Air HQ (1983), appraisal of the subordinate must be based on the demonstrated performance and manifested behaviour exhibited in relation to the job he is performing. To facilitate this the appraisal form for the Indian Air Force (IAF) provides a list of attributes which are required to be possessed and manifested by the officer for effective performance of his duties as a professional, as a leader and as an individual member of the officer cadre.

On the surface the decision regarding what should be evaluated in performance appraisal may appear to be straightforward. According to Gary P Latham and Kenneth N Wexly (1971), performance appraisal criteria are commonly based on individual traits, cost-related outcome and behavioural criteria. In the IAF, the Officers’ Performance Appraisal system is based on job performance factors and behavioural factors.

However, two major problems pertaining to the criteria used to measure employee performance must be addressed. Firstly, it is assured that the criteria
included in a performance appraisal system are strictly job related and within the control of the individual employee. Care should be taken to avoid assessing job performance factors on a single criterion. Job Analysis is the major guide to be in delineating performance criteria for a specific position. The criteria will depend upon the level of appointment in the organisational hierarchy and type of function. If a criteria is not relevant for a job, it should not be part of the performance appraisal. Second, once the criteria have been selected for assessing performance, an accurate means of measurement must be found.

Humble (1967) sees a performance standard as “a statement of the condition which exist when the required result is being satisfactorily achieved”. He suggests that in setting standards, it may help to look for standards which relate to:

(a) Quantity (how much ?)
(b) Quality (how well ?)
(c) Time (by what time ?)
(d) Cost (at what cost ?)

When measurement in quantitative terms are not feasible, qualitative standards can be utilised. Indeed theorist-managers such as Wilfred Brown (1960) insist that they are inescapable. He states :-

I cannot wholly assess the work of a General Manager ....on figures of output....etc. I must come to difficult intuitive judgements on the relationship of actual to optimum performance.
Performance appraisal is usually the last element of a three-part sequence.

Job Analysis identifies the components of a particular job. It is a description of a job, not of the person in that job. The goal in performance appraisal, however, is distinction among people, especially among people in the same job. Criterion development is the critical intermediary process. In criterion development, the important job components identified in job analysis are transformed into a number of performance criteria which may be used to measure the proficiency of an employee. P C Tripathi (1997) classifies these criteria into the following two main categories:

(a) **Objective Criteria** - Amount and quality of production, work sample tests, length of service, amount of training necessary, absenteeism, accidents etc are all examples of objective criteria.

(b) **Subjective Criteria** - Rating of employees' job proficiency by superiors, peers, subordinates, extend of upward communication of ideas, degree of knowledge of corporate goals, contribution to socio-cultural goals etc are all subjective criteria.

Although objective measures of performance are intuitively attractive they often suffer from several glaring weaknesses, the most serious of which are performance unreliability and modification of performance by situational
characteristics. Objective indices can easily be laid down at the lowest level of an organisation where the jobs are generally specific and clearly defined but they are difficult to specify further up in the hierarchy where jobs become more complex and vague. The limitations of objective measures had led researchers and managers to place major emphasis on subjective measures of job performance. However, since subjective measures are dependent upon human judgement, they are prone to certain kinds of errors associated with the rating process.

Mirza Saiyadin S (1988) also emphasises that appraisal has to be against certain criteria. If a discrepancy between expected and actual performance is pointed out, the question is whether the expected was fully defined and communicated to the employees. The issue basically refers to job description. It is true that jobs can be clearly defined at the lower levels in the organisational hierarchy. However as one goes up in the hierarchy it becomes more and more difficult to clearly specify the tasks one is supposed to perform. Hence, in many cases the focus for higher position shifts from tasks to abilities or job related attributes and overall responsibility of the department/unit etc. To some extent the problem of criteria is not so acute in engineering, production or process industries as compared to service industry. Similarly it is difficult to identify clear-cut criteria for the white-collar employees as compared to blue-collar ones.

1.6 Rater Selection

According to P C Tripathi (1997), it is possible for the appraisal to be done by one or a combination of the following :-
(a) The immediate manager
(b) Other managers familiar with the employee’s work
(c) A high level manager
(d) Personnel Department Specialist
(e) The employee’s peers
(f) The employee himself
(g) The employee’s subordinates

In most cases, the appraisal is done by employee’s immediate superior. Surveys show that upto 93% of performance appraisal programs ask the immediate supervisor to take the sole responsibility for doing the appraisal (De Vries & others, 1981). It is believed that being closest to his employees, the superior is in the best position to know them and their work. Moreover, being generally responsible for feedback of appraisal to the employees and for recommendation or approval of personnel actions (which may depend upon the appraisal), it is usually desirable to have him as a party to the performance appraisal. However, there is always the risk of some innocent or purposeful bias entering into the appraisal done by the immediate superior. This risk is reduced by getting the appraisals reviewed by a higher level manager or supplemented by other appraisals.
Sometimes personnel department specialists are included in the appraisal process. They serve as advisers to the managers who are doing the appraisal. These specialists probe and question each manager as he goes through the appraisals for individuals, forcing the manager to think about how much evidence he actually has in which to make appraisal judgement.

Appraisal by employee’s peers is done on the belief that a group of employees can more reliably identify its outstanding and poorest performers than managers who are not part of the group. It is also hoped that the outcome of the appraisals by peers will be more acceptable to employees than the outcome of the appraisal done by others.

Where the performance appraisal is done for the purpose of improving individual performance, there may be value in having the individual himself do the appraisal. According to Carl R Rogers, external evaluations do not make for personal growth. An employee grows and becomes a self-responsible person only when he recognises that the locus of evaluation lies within him and not outside.

Appraisal by subordinates find their chief usefulness in selection process for promotions. For example, the foreman of a plant can be asked to rate the Superintendents for being promoted as a Plant manager. The Foreman’s ratings might agree or differ from that of the present Plant Manager (who would also be rating the Superintendents to determine who would succeed him), but these ratings would add another dimension to help in the final selection. According to HJ Bernardin and Richard W Beatty (1984), for subordinate evaluation to be
accepted the supervisor must not feel threatened or intimidated by them and they must provide useful information. IBM, RCA, Syntex and Libby-Owens-Ford have all successfully incorporated subordinate appraisals into their evaluation of management personnel.

The usefulness of self-evaluations or self-appraisals have been debated in the professional personnel literature for many years. According to GC Thornton (1980), some feel that self appraisal data are self-serving and as such, do not present a valid picture of employee performance. These individuals point to the sometimes significant differences between superior and self-appraisals as evidence of the inaccuracy of self-appraisals. Assuming agreement on relevant aspects of performances, differences between self and superior's appraisal can be the basis for a very useful dialogue regarding employee performance.

Emphasis is now shifting from appraisal to analysis which is considered a positive approach. No longer the subordinate is being examined by a superior alone, rather he is made to examine himself to see his strengths, weaknesses and potential. The assumption is that, it is the Self more than anyone else, who knows, learns about his own self. It is felt that it would be a sounder approach to place the major responsibility on the subordinate for establishing performance goals and apprising the progress towards these goals which in turn benefits the organisation by stimulating development of the subordinate. Thus self appraisal has now become an essential part of the executive performance appraisal in most civil organisation and PSUs.
1.7 Frequency of Appraisals

According to P C Tripathi (1997) appraisals can be either summative or formative. In a summative appraisal system an individual’s performance is evaluated at the end of a specified period of time by summing his total achievement of stated goals, objectives, strategies etc. Formative appraisals system, on the other hand, sees appraisal as an ongoing, almost daily process in which individuals receive a constant feedback on their performance to be inputted to their continued development. Under this system, managers assume that the situation of constant change necessitates a continuous process of appraisal rather than a time specific process.

According to Edwin B Flippo (1980) the usual schedule in the timings is twice yearly. New employees are rated more frequently than older ones. A practice recommended by a consulting organisation is that each employee be rated three months after being assigned a job, after the six months on the job and every six months thereafter. In this way, ratings of all employees will not fall due on the same day and it will enable adequate time for the supervisor to attend to the appraisal.

In the behavioural approach, the time periods must be long enough to enable accomplishment of specific goals. This could well mean, no specific standard time period, the appraisal interviews, however, occurring as necessary. Traditionally formal appraisals are done once or at best twice a year. Research
over last 20 years has indicated that once or twice a year is far too infrequent (Meyer, Kay and French, 1965).

1.8 Appraisal Process

C A Cole (1988) depicts the appraisal process which is given in Diagram 1.2. According to him, any systematic approach to performance appraisal will commence with the completion of an appropriate appraisal form. This preparatory stage will be followed by an interview in which the manager discusses progress with the members of staff. The result of interview is some form of agreed action, either by the staff member alone or jointly with his manager. The action generally materialises in the shape of a job improvement plan, promotion to another job or to a salary increase, for example. However, the above depiction of CA Cole appears to have limited perspective.
TV Rao (1984) outlines the following sequence of activities in appraisal process after the appraisal form has been suitably designed:

(a) In the beginning of the year every employee sits with his reporting officer and identifies his individual KPAs and sets challenging tasks for the period.

(b) At the end of the year, the employee appraises his performance on the KPAs and targets, as well as, pre-identified behaviours included in the appraisal format. He also completes his performance analysis.

(c) He then passes the form to his reporting officer. The reporting officer reflects about the performance of the appraisee and makes his own notes and comments. He then calls the appraisee for a discussion.

(d) During the performance discussion, they exchange notes, comments etc. and try to understand and help each other. They also identify the development needs of the appraisee and set goals for the next period.

(e) The reporting officer then gives his final ratings and recommendations about developmental needs. He shows these to the appraisee and takes his comments, if needed.

(f) The reporting officer then passes the form to his superior who will be the reviewing officer, for his comments.

(g) After review by reviewing officer, the form is passed on to HRD Department who uses it for training, rewards and other activities.
1.9 Appraisal Methods

There are two definable approaches in making appraisal. These are:-

(a) The work-centred approach.

(b) The Person-centred approach.

The Work-centred Approach. In this approach, the content of the appraisal is limited to the way in which the person actually performs the significant functions of the job. The items to be evaluated consist of concrete job elements, such as the ability to meet the scheduled deadlines. Some of the advantages of the approach are as follows:-

(i) Focuses on concrete and observable behaviour.

(ii) Appraiser can cite observable behaviour.

(iii) Supplies an objective basis for discussion between the appraiser and appraisee (in open appraisal systems).

(iv) Likely to arouse less resentment and be less damaging to an appraisee’s ego than a discussion of appraisee’s personality deficiencies and shortcomings.

(v) Amenable to definite plans for corrective action.
The Person-centred Approach. In this approach, the content of the appraisal concerns the personal characteristics of the appraisee. The items to be evaluated consist of personality traits such as an ability to cooperate. It is important to evaluate the behaviour trait as well as personality characteristics of an individual to satisfy the organisational and personal requirement.

There are a number of appraisal methods being used by various organisations. However, there is not one standard method which can be most accurate or produce more accurate results. The known methods are discussed in the subsequent paragraphs.

1.9.1 Essay Appraisal

In its simplest form, this technique asks the rater to write a paragraph or more, covering an individual's strengths, weaknesses, potential and so on. In most selection situations particularly those involving professionals, sales or managerial positions, essay appraisals from former employees, teachers or associates carry significant weight. The assumption seems to be that an honest and informal statement - either by word of mouth or in writing from someone who knows a man well, is fully as valid as formal method. The biggest draw back to essay appraisal is their variability in length and content. Moreover, since different essays touch upon different aspects of a man's performance or personal qualification and it is a matter of expression in English language, essay ratings are difficult to combine, compare and compile.
1.9.2 Forced Choice Rating

A forced choice form consists of a number of statements which describe an individual on each attribute being rated. These statements are grouped appropriately. The rater has to choose the best fit statements in respect of the appraisee. This technique was developed to reduce bias and establish objective standards of comparison between individuals. Although there are many variations of this method, the most common one asks the rater to choose from among groups of statements those which best fit the individual being rated and those least fit him. The statements are then weighted and scored very much the way a psychological test is scored. People with high scores are considered better employees. Rater does not know the scoring weights for each statement and thus cannot play favourites. However, according to Winston Oberg (1973) a clever rater can find ways to beat the system. An additional drawback is the difficulty and cost in developing the form. Finally forced choice forms tend to be of little value and probably have a negative effect when used in performance appraisal interviews.

1.9.3 Field Reviews

When there is reason to suspect rater bias or when raters appear to be using higher standards than others, the ratings are combined with a systematic review process. The field review is one of the several techniques for doing this. The personnel officer meets small groups of raters from each supervisory unit and goes over each employee's rating with them to :-
(a) identify areas of inter-rater disagreement
(b) help the group to arrive at a consensus
(c) determine that such rater conceives the standards similarly.

This method is not widely used because supervisors generally resent what they consider the staff interference. The process is also time-consuming.

1.9.4 Critical Incidents method

In this method the first step is to draw up for each job a list of critical job requirements, that is, those requirements which are vital for success or failure of the job. Once all the critical factors of a job are identified, they are assigned values by a group of experts. The supervisor or appraiser may then observe and record instances and events of on-the-job behaviour falling under any of these factors as they take place. In this way a concrete performance record of an individual - objectively observed and recorded - comes into being for his future evaluation. The supervisors need not depend on the recall which may be incomplete and subject to moods. The objections to this method are :-

(a) It is difficult to identify critical factors.
(b) It requires the supervisor to jot down incidents regularly. This may become an additional chore for him.
(c) It is hardly desirable to confront an employee with a misdeed or mistake which he committed six months or one year ago.
1.9.5 Check List Method

Sometimes, the method used for performance appraisal is a list consisting of a number of statements about the worker and his behaviour. Each statement on this list is assigned a value depending upon its importance. Both statements and their values are derived from preliminary research. In rating a person, the rater is asked to place a plus sign, minus sign or a question mark in front of each statement, depending, respectively, on whether he feels the description applies, does not apply or there is doubt. The worker's final rating is taken as the average of the scale values of all statements that his supervisor has checked with a plus sign. The method has the advantage of requiring only a reporting of facts from rater. He has no idea about relative values of statements. The objections to this method are:-

(a) It is difficult to construct a good check list.

(b) A separate check list would be required for each job.

(c) As rater does not know the value given to different statements, he may resent the system and may not give his whole-hearted support.

1.9.6 Ranking Method

In this method, the supervisor evaluates all his subordinates under him on an overall basis and then rank orders them from 'Exception' to 'Poor'. Each rank indicates the position of the employee in relation to others under the same supervisor. In case these employees have worked under several supervisors,
each of these supervisors ranks them according to his own assessment and finally all the ranks are grouped to see which one of the employee is rated best. There are two variations to this method:

(a) **Paired Comparison Method.** In this method the supervisor compares each employee with every other employee working under him on the overall efficiency aspect. The supervisor is provided slips containing two names and he is requested to tick the one he considers better. The names are clubbed in all possible permutation and combination so that everyone is compared with each other. The total number of pairs that the supervisor has to compare are worked out using the following formula :-

\[
\frac{N(N-1)}{2}
\]

where \(N\) refers to all the employees under the supervisor. The final order of merit is in the form of ranks assigned to each employee by the number of times each employee is identified as better than the other.

(b) **Forced Distribution Method.** In this method the supervisor has to rank all the employees working under him on a 5 point scale from Poor to Excellent according to a percentage. For example, 10% Poor, 20% Below Average, 40% Average, 20% Above average and 10% Exceptional. The difference between this method and paired comparison is that in the former, group of individuals are ranked, whereas, in the latter individuals are ranked.
The advantages of the ranking method is simplicity, no forms, non time-consuming and not much of training required for supervisors. But the limitations are that it can only be used for small number of subordinates, error-prone, weightage not being given for employees performing different tasks requiring different talents and abilities, etc.

1.9.7 Rating Scales

Rating scales provide some kind of scale for measuring absolute differences in job performance and related behaviour between individuals. The scales used are of two types:

(a) **Discrete.** Where two or more employees are provided scales representing discrete amounts of ability or degrees of characteristics, the rater can tick mark the category which he feels best describes the person being rated. Thus for example the characteristic ‘Job knowledge’ may be divided into five categories on a discrete scale: ‘Exceptionally Good’, ‘Above the Average’, ‘Average’, ‘Below the Average’ and ‘Poor’.

(b) **Continuous.** Where just above, the category notation and uninterrupted line is provided, the rater can tick at any point along the length as shown below:

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| Exceptionally Good | Above the Average | Below the Average | Poor |
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The advantages of the ranking method is simplicity, no forms, non time-consuming and not much of training required for supervisors. But the limitations are that it can only be used for small number of subordinates, error-prone, weightage not being given for employees performing different tasks requiring different talents and abilities, etc.
There are three popular types of rating scales viz numerical, descriptive and Behaviour Anchored Rating Scale (BARS):-

(a) **Numerical Standards.** In this a series of numbers is provided which is supported to indicate varying amounts of characteristics being rated. The scale may be picked up from numbers 0 to 10, 0 indicating the worst performer and 10 indicating the best. The popular scales used are 1 - 5 (mostly in private organisations), 1 - 7 (mostly in Govt organisations and PSUs) and 1 - 9 (mostly in Defence Services). In some organisations similar to numerical standards, Alphabets are used. For example, in a five step scale, the highest category may be A and the lowest E.

(b) **Descriptive Adjective Standard.** In this method a series of descriptive adjectives are selected among Exceptional, Excellent, Average, Ordinary, Fair, Weak, Poor, Below the Average, Unsatisfactory etc. and are put in a graphic rating scale to indicate the varying amounts of characteristics being rated.

Though simple and commonly used in many organisations, both the above standards of scales (viz the numerics and descriptive objectives) which are meant to describe the various categories of a characteristic, do not convey the same meaning to all raters.

(c) **Behaviour Anchored Rating Scale (BARS)** The BARS add an additional dimension to the graphing rating scales. In this method a series of actual description of the behaviour is employed which is supposed to
indicate varying amounts of the characteristic being rated. The use of actual graded description or the dimension of the behaviour reduces some of the differences in interpretation usually found among different raters. BARS reduce the semantic problem that plague graphic rating scales. Presumably, this should alleviate difficulties due to rating patterns. BARS are easy to use and minimise many of the errors found in performance appraisal systems. A major weakness of BARS is the time and expense involved in the design and implementation. If the job related performance or behaviour criteria are not carefully selected and the narrative grades description carefully drafted, then BARS may not accurately portray the subordinate’s true performance and behaviour. One study indicated that BARS was superior to graphic scales in reducing Halo errors and leniency, but differences were small (Walter C. Borman and Marvin D Dunnette, 1975). Another study found that more cognitively complex raters do better with BARS (Craig Eric Schneler, 1977).

1.9.8 Management by Objectives (MBO)

This method of appraisal was introduced by Peter Drucker (1961). In this method, the subordinate in consultation with the supervisor sets out short term objectives followed by specific action that he has to carry out. The goals are jointly set and action-oriented. Since they are verifiable, appraisal becomes easy. During the period as well as at the end of the specific time period, the activities are jointly reviewed both by the subordinate and supervisor, and depending on the performance of the subordinate the goals are modified or
redesigned for the next period of time. MBO, thus is a performance oriented system and permits frequent evaluation, and perhaps more importantly, enables the rater to become involved in the appraisal process. MBO may be less useful if rewards such as pay rise and promotion are made using appraisal results. This is because employees may be less likely to establish challenging goals, in favour of goals they are confident that they can accomplish. Further as per Jeffrey S Kane and Kimberly A Freeman (1986), the allocation of merit pay on semi-annual basis may encourage the setting of goals with short term horizons to the disadvantage of long term goals.

1.9.9 Choice of Method of Appraisal

The choice of method of appraisal depends upon the organisational ethos, its objectives, size, product, technology, etc. A survey conducted by the Bureau of National Affairs, Inc in America in 1985 indicated that the most common approaches to performance appraisal are the rating scales, essay evaluation, weighted checklist and MBO. MBO is less likely to be used in non-managerial or other jobs where employee goal setting is not feasible, says the above survey report. The following are the reported figures from the survey :-

(a) Rating scales - 65%
(b) Essay evaluation - 57%
(c) MBO - 36% (higher percentage use among managerial and professional employees)
In India, studies by Sawalapurkar (1967), Dayal (1969), Malati Bolar (1978), Dwivedi (1978 & 81) and by Singh, Naggu and Warrier (1981) indicated that graphic rating scales were commonly used. The MBO system was introduced in 71-72 in ITC and while there is no published account, it is generally believed that system has worked well in that Company (Mirza S Saiyadain, 1988). Perhaps the largest user of MBO in India is the Public Sector Undertakings (PSUs) though without much success. One of the reasons for the failure of MBO in PSUs in India is the lack of an appropriate performance appraisal system. One of the reasons why MBO is not widely practised in India has to do with setting of goals. The exercise becomes time consuming and often a sore point in discussions. It has been suggested that MBO may function as an alternative to performance appraisal. This does not seem to be true. As pointed out by Dayal (1969) experience has proved that performance appraisal is necessary inspite of the efforts to replace it by MBO. There is basic difference between the two -- MBO relates, primarily, to organisational tasks while appraisal refers to individual’s contribution. As per Mirza S Saiyadain (1988) MBO measures performance of an employee and not his personality. Bolar (1978) mentioned that ‘MBO is primarily a corporate performance system and unless one has ensured that the system as such works efficiently, to link up individual efforts with it, has proved, so to say, the least fool-hardy’.
T V Rao (1984) suggests that the performance appraisal system should have assessment of managerial and behavioural capabilities as an integral part on a rating scale. According to him rating scales such as BARS are useful to the extent they provide clarity on the behaviours associated with the different dimension. In the defence services of India, the graphic rating scale (BARS) supplemented with an essay evaluation method is used for performance evaluation of the officers.

A comparison of strengths and weaknesses of various methods of appraisal is placed as Appendix 'A'

1.10 Appraisal Interviews

The appraisal interview is the formal face-to-face meeting between the superior and the subordinate at which the information on the appraisal form is discussed. TV Rao (1988) describes this activity as Performance Discussion. Judging from research studies into appraisal, the majority of managers do not like conducting annual appraisals of their staff. McGregor (1957) in an article on appraisal interviews commented that ‘Managers are uncomfortable when they are put in the position of playing God’.

Thomson GF (1981) summarises the situation concerning appraisal interviews as follows :-

The appraiser feels... put on the spot in carrying out plans of this type. He is required, whatever his own perception of the subordinate's expectations, to
confront the individual in an authoritarian setting and to prescribe courses of action
.... on the basis of judgements which he may or may not understand or accept.

According to GA Cole (1988) appraisal interviews can serve several purposes:

(a) to evaluate the subordinate’s recent performance.
(b) to formulate job improvement plan.
(c) to identify problems and/or examine possible opportunities related to the job.
(d) to improve communication between superior and subordinate.
(e) to provide feedback on job performance to the employee.
(f) to provide a rationale for salary reviews.
(g) to identify potential performance/possible link for promotion/transfer.
(h) to identify training and development needs.

Maier (1968) identified three basic approaches to the appraisal interview. These were:

(a) TELL and SELL approach in which the manager tells his subordinate how he is doing and endeavours to persuade him to accept what has been decided for him in terms of improvement.
(b) **TELL AND LISTEN** approach, where the manager tells his subordinate how he is doing, but then sits back and listens to the individual's point of view both about the appraisal and about any follow-up action required.

(c) **PROBLEM SOLVING** approach in which the manager effectively puts aside the role of judge in order to join the subordinate in mutual reflection on progress and mutual discussion about required actions.

A comparison of the three types of appraisal interviews is given in Appendix 'B'.

Maier has in effect described a continuum of interviewer behaviour ranging from a relatively autocratic style to one that is fully participative. The continuum is graphically described in Diagram 1.3.

The likely success of the varying styles judging from research into appraisals can be summarised as follows:

(a) **TELLING**. This approach could be counter-productive. Meyer H and others (1965) found in General Electric that praise had little effect one way or the other on appraisees. Criticism, however, had a negative effect on subsequent achievement. At least this approach does give the employee some idea of his or her progress.
(b) 'TELLING / SELLING.' Unless the manager is very persuasive it is unlikely that the employee will accept his version of what is required to be done.

(c) 'TELLING / LISTENING.' This approach has the merit of informing the employee of his progress, but then goes further by actively involving him in the process of deciding what ought to be done, which is much more likely to produce a positive response.

Diagram 1.3: Appraisal Interview: Interviewer Behaviour
(d) 'SHARING.' This is generally considered to provide the best basis for an appraisal owing to its joint problem-solving approach, in which the manager and his subordinate work together more or less as equals.

1.11 Managertal Performance Appraisal

Organisations have managerial personnel and it is essential that their performance is also evaluated. GA Cole (1988) states that the expression 'Performance Appraisal' usually related to the assessment of staff or managerial performances and not that of a manual worker. According to PC Tripathi (1997) the success or failure of a manager in accomplishing his goals may at times be accidental also. Certain factors beyond his control may unduly help or hinder him and may account for his meeting or missing the goal. Hence it is not enough to appraise a manager simply against verifiable objectives. He should be appraised for his performance as a manager. In other words, a manager's performance should be evaluated both in achieving results and in carrying out the tasks of a manager in the fine areas of planning, organising, staffing, directing and controlling. Harold Koontz (1978) has drawn a list of 73 questions to assess a manager's ability in the managerial areas, which become relevant in assessing his performance. Koontz, who considers managerial performance appraisal as the very key to management itself, says that 'Managerial appraisal should measure performance as a manager in meeting goals for which the manager is responsible.'

In designing any system of appraisal, managerial preferences should be taken into consideration, which seems to be lacking in many organisations.
According to TV Rao (1988) some evidence is available from unpublished surveys conducted on the reactions of managers to the existing systems of appraisals in industry, as well as, from appraisal workshops and training programmes conducted by him. Surveys conducted seeking the opinions and preferences of managers indicate that managers themselves are interested in open appraisal system. When TV Rao was engaged in designing a new performance appraisal in a large private sector company, a number of managers expressed their dissatisfaction uniformly to the closed system. Almost all the managers wanted to know what their boss thought of them and their strengths and weaknesses in performing various tasks. They wanted more communication from their reporting officers to help them improve their performance. In another survey conducted by T V Rao in 1978 in a large public sector company having a confidential report forms of performance appraisal, of the 588 officers surveyed, about 98 % of them felt that the appraisal system should help them to recognise their strengths and weaknesses.

Successful managerial performance required certain specific skills. Organisational adoption to environment requires appropriate managerial responses to both the stable and shifting aspects of environment. Therefore, managerial tasks often tend to be non-routine and unprogrammed over and above its routine programmed components. This will need qualitatively different abilities for managerial work. These different abilities can be classified into two categories : skills (overt behaviour sequences specific to the tasks) and competencies (mediational, cognitive self regulation). Skills refer to abilities to engage in overt behavioural system or sequences, whereas, competencies refer to intelligent functioning and abilities to engage in cognitive activities. The former
is required to handle routine and programmed tasks with set procedures whereas competencies are required for non-routine and unprogrammed tasks. Possession of competencies are conceptualized as managerial resourcefulness. Identification and assessment of the various components of resourcefulness have practical implication in managerial performance appraisal.