CHAPTER III

AN OVERVIEW OF PERFORMANCE APPRAISAL AND TRAINING PROGRAMMES

3.1 INTRODUCTION

Organizations are run and steered by people. It is through people that goals are set and objectives realized. The performance of an organization is thus dependent upon the sum total of the performance of its members. According to Peter Drucker, ‘An organization is like a tune; it is not constituted by individual sounds but by their synthesis.’ The success of an organization will therefore depend on its ability to measure accurately the performance of its members and use it objectively to optimize them as a vital resource.

The performance of an employee is his resultant behavior on the task which can be observed and evaluated. It refers to the contribution made by an individual in the accomplishment of organizational objectives. Performance can be measured by some combination of quantity, quality, time and cost. People do not learn unless they are given feedback on the result of their action. For learning to take place, feedback must be provided regularly and should register both success and failures, and should follow soon after the relevant actions. Performance appraisal system provides the management an opportunity to recall as well as give feedback to people as to how they are doing, so that they can correct their mistakes and acquire new skills.
Performance Appraisal (PA) refers to all those procedures that are used by firms to evaluate the personality, the performance and the potential of its group members. Evaluation is different from judgement – the former being concerned with performance, the later with person. While, evaluation deals with achievement of goals, judgement has an undercurrent of personal and is likely to evoke resistance.

Performance Appraisal could be informal or formal. Informal performance appraisal is a continuous process of feedback information to subordinates about how well they doing their work in the organization. The informal appraisal is conducted on a day-to-day basis. For example, the managers spontaneously mention that a particular piece of work was well performed or poorly performed. Because of close connection between the behavior and feedback on it, informal appraisal quickly encourages desirable performance and discourages undesirable performance before it becomes permanently ingrained therefore, informal appraisal must not be perceived merely as a casual occurrence but as an important activity, an integral part of an organization’s culture. The formal performance appraisal occurs usually annually on a formalized basis and involves appraisee and appraiser in finding answers to the following questions:

a) What performance was set out to be achieved during the period?
b) Has it been achieved?
c) What has been the shortfall and constraints?
d) What kind of feedback can be expected?
e) What assistance can be expected to improve performance?
f) What rewards and opportunities are likely to follow from the performance appraisal?
When the employees have this type of information, they know what the organization expects from them, what assistance is available, and what can they expect when the required level of performance is achieved. This will increase employee assistance of the appraisal process and result in the trust that the employee has in the organization. The environment that affords an opportunity for further growth while minimizing stressful situations will certainly enhance appraisal assistance. Establishing this type of environment goes far beyond the performance appraisal process. Every aspect of managing people and their work relates to the improvement of their quality of work life. Performance appraisal is an integral part of a trustful, healthy, and happy work environment that goes a long way in promoting the same.

Performance appraisal has been used for basically three purposes – remedial, maintenance, and development. A performance appraisal needs to cover all these three purposes with the same focus. If any purpose predominates, the system will become out of balance. For instance, if remedial purpose is foremost, then the performance appraisal may become a disciplinary tool, a form of a charge sheet, a tool of power instead of instrument of evaluation. If maintenance is the main objective, then the process may become a short, skimped, and per functionary ritual. If there is too much emphasis on development, then the focus falls on the future assignment rather than the current job.

3.2 ORIGIN OF PERFORMANCE APPRAISAL

The history of performance appraisal is as old as human civilization as the evaluation of performance has been in existence either in one form or the other. The origin of the performance appraisal scheme can be attributed to
the relationships between masters and servants or between employers and employees. The methods and techniques used for appraisal varied during the different stages of human history. The traits, relied upon for appraisal were mainly personal loyalty and allegiance to the employers, while the emphasis on each of these traits varied under different work cultures. The traditional approach has been to judge employees on the basis of their personality or activity traits.

According to known sources, the appraisal of managers began in the Wei dynasty (221-265 AD) in China when the emperor had an ‘Imperial Ratter’ whose task was to evaluate the performance of the official family. Centuries later, Ignatius Loyola established a system of formal rating of the Jesuit Society.

Perhaps formal appraisal was used for the first time in USA in the year 1883 by the Federal Government for New York City Civil Services and by certain city administrators. During the latter part of the nineteenth century, the real impetus to appraisal in business came as a result of the work measurement programme of Frederick Winslow Taylor and his followers before World War I. Similarly, with widespread awareness of human relations factors in management in the early 1930s and 1940s, behavioural traits such as the ability to get along with others obviously tended to become dominant in performance appraisal systems.

In the USA, the early appraisal systems were almost inevitably aimed at the evaluation of hourly workers rather than managers. The concept of performance appraisal for evaluating performance was introduced during World War II. The appraisals were subjective and covered areas such as the
quality of work, quantity of work, adaptability, job knowledge, dependability, safety and cooperative attitudes, etc. Three reasons can be attributed to the emergence of trait approach appraisal, namely (i) the increased influence of behavioral sciences, (ii) the drift towards personality centered appraisal as many managerial tasks could not be given quantitative measurements and qualitative factors were difficult to measure, and (iii) the fact regarding the factors related to the managers’ role, practically every study has found successful managers to be strong leaders, which highlighted the importance of human relations skills. During World War I, Walter Dill Scott of the US Army rated the military personnel by evaluating them ‘man-to-man’. It was during the period 1920 – 30 that a rational wage structure for hourly payment of wages to the workers was introduced in industrial units. The wages were decided on the basis of a rating scale. This system continued till the 1950s when it was realized that a system is needed for evaluating the performance of technical people and other professionals.

Traditionally, the approaches to performance appraisal have been based on almost exclusively unilateral and subjective judgment, which have ignored the importance of relationships between appraisers and the appraisee.

**Historical Development and Trends in Performance Appraisal:**

The authors, DeVries, Morrison Shullman and Gerlach have summarized how PA methods and uses have evolved over the past 80 years. The PA system has undergone a lot changes over the years as shown below.

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<tr>
<th>Year</th>
<th>Description</th>
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<tbody>
<tr>
<td>1900</td>
<td>Subjective appraisals</td>
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<td>1940</td>
<td>Increased Psychometric Sophistication</td>
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1950 : Management By Objectives (MBO)
1960 : Behaviorally Anchored Rating Scales (BARS)
1970 – 1990 : Hybrid system and approach

**FIG : 3.1 HISTORICAL EVENTS AND TRENDS IN PERFORMANCE APPRAISAL**

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PA methods subjective appraisal
(essays, traits)

Increasing Psychometric Sophistication

MBO

BARS

Hybrids Systems and Approaches

PA purposes

Administrative

Counseling and development

Planning

Legal

**Source:** DeVries, Morrison Shullman & Gerlach in Performance appraisal on the line (Chapter 2), New York; John Wiley & Sons, 1981:12
3.3 METHODS OF PERFORMANCE APPRAISAL:

Decenzo and Robbins (1998) denominate that there are three existent approaches for measuring performance appraisal. These are (1) absolute standards (2) relative standards and (3) objectives.

1) Absolute Standards:

One group of appraisal methods use absolute standard. This means that employees compare to a standard, and their evaluation is independent of any other employee in a week group (Dessler, 2000). Included in this group are the following methods:

- the essay appraisal,
- the critical incident appraisal,
- the checklist,
- the graphic rating scale,
- forced choice and behaviorally anchored rating scales.

The essay appraisal: It is the simplest evaluating method in which the evaluator writes an explanation about employee’s strength and weakness points, previous performance, position and suggestion for his /her improvement at the end of evaluation term. This kind of evaluations usually includes some parts of other systems to cause their flexibility. This method often combines with other methods. Essay appraisal, focuses on behaviors (Mondy, 2008).
The critical incident appraisal: It focuses on key factors which make difference in performing a job efficiently. This method is more credible because it is more related to job and based on individual’s performance than characteristic. The necessity of this system is to try to measure individuals’ performance in terms of incidents and special episodes which take place in job performance. These incidents are known as critical incidents. In this method, the manager writes down the positive and negative individuals’ performance behavior in evaluation terms (Mondy, 2008).

The checklist: In this method, the evaluator has a list of situations and statements and compares it with employees. The checklist is a presentation of employee’s characteristics and performance. The results can be quantitative and give weight to characteristics. Answers of checklist are often “Yes” or “No” (Decenzo, 2002).

The graphic rating scale: This is the most commonly used method of performance appraisal because they are less time consuming to develop and administer and allow for quantitative analysis and comparison. It is a scale that lists some characteristics and range of performance of each individual. Therefore, employees are ranked by determining a score which shows their performance level. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique (Mondy, 2008).

Forced choice: This method evolved after a great deal of research conducted for the military services during World War II. It is a method in which the evaluator should rank individual work behavior between two or more states, each state may be favorable or unfavorable. The activity of
evaluator is to determine which state has an explanation of employee most (Mondy, 2008).

Behaviorally anchored rating scales (BARS): This method replaces traditional numerical anchor tools with behavioral prototypes of real work behaviors. BARS lets evaluator to rank employee based on observable behavioral dimensions. The elements of this method are the result of a combination of major elements of critical incident and adjective rating scale appraisal methods (Wiese, 1998). BARS has five stages (Decenzo, 2002): 1) generate critical incidents, 2) develop performance dimensions, 3) relocate incidents, 4) rating of level of performance for each incident and 5) development of the final instrument.

2) Relative Standards

In the second general category of appraisal methods, individuals are compared against other individuals. These methods are relative standards rather than absolute measuring devices. The most popular of the relative method are group order ranking, individual ranking and paired comparison.

Group order ranking: In this method, employees are placed into a particular classification, such as “top one-fifth”. For example, if a rater has 20 employees, only 4 can be in the top fifth and 4 must be relegated to the bottom fifth (Decenzo, 2002).

Individual ranking: In this type of appraisal, individuals are ranked from the highest to the lowest. It is assumed that the difference between the
first and second employee is equal to the difference between 21\textsuperscript{st} and 22\textsuperscript{nd} employee. In this method, the manager compares each person with others than work standards (Dessler, 2000).

\textit{Paired comparison:} In this method, employees are compared with all others in pairs. The number of comparison is followed as $N(N-1)/2$ in which $N$ shows the number of employees. After doing all comparisons, the best person is determined for each characteristic (Mondy, 2008).

3) Objectives

The third approach to appraisal makes use of objectives. Employees are evaluated on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job. This approach is frequently referred to as Management by Objectives (MBO). Management by objectives is a process that converts organizational objectives into individual objectives. It consists of four steps (Ingham, 1995): goal setting, action planning, self-control and periodic reviews.

4) 360 Degree Feedback Appraisal

360 degree evaluations are the latest approach to evaluating performance. It is a popular performance appraisal method that involves evaluation input from multiple levels within the firm as well as external sources. There are numerous authors who propose definitions of the 360 degree feedback process. “Feedback from multiple sources or ‘360 degree feedback’ is a performance appraisal approach that relies on the input of an
employee’s superiors, colleagues, subordinates, sometimes customers, suppliers and/or spouses” (Yukl and Lepsinger, 1995). In a special edition of Human Resource Management on 360 degree feedback, Tornow (1993) observes that in 360 degree feedback programmes, feedback about a target individual is solicited from significant others using a standardized instrument. Jones and Bearley (1996) refer to 360 degree feedback as the practice of gathering and processing multi-rater assessments on individuals and feeding back the results to the recipients. Hoffman (1995) explains that 360 degree feedback is an approach that gathers behavioral observations from many layers within the organization and includes self-assessment.

The 360-degree evaluation can help one person be rated from different sides, different people which can give the wider prospective of the employee’s competencies (Shrestha, 2007). It has been used for human resource development, appraisal and pay decisions (Armstrong, 1998; Stone, 2002).

3.4 FEATURES OF PERFORMANCE APPRAISAL

(1) Advantages of Performance Appraisal:

a) To enable each employee to understand his role better and become more effective on the job.

b) To understand his own strengths and weaknesses with respect to his role in the organization.

c) To identify the development needs of each employee.
d) To improve relationship between the subordinate and the superior through the realization that each is dependent on each other for good performance and success.

e) To provide an opportunity to the employee for introspection, self-evaluation and goal setting so that he remains on the path of development.

f) To prepare employees for higher jobs by continuously reinforcing development of behavior and qualities for these higher-level positions.

(2) Format:

A comprehensive format for performance appraisal should contain the following components:

a) Identification of Key Performance Areas (KPA) and target setting through periodic discussions between the superior and the subordinate.

b) Identification of attributes required for the present and future jobs in the organization.

c) Self appraisal by the appraisee.

d) Performance analysis to identify factors that have facilitated and factors that have hindered the performance.

e) Performance counseling and discussions.

f) Identification of training needs.

g) Action setting and goal planning for the next year.

h) Final assessment by the superior for training and development as also rewards and punishment.
3.5 PERFORMANCE APPRAISAL PROCESS

The performance appraisal process follows a set pattern and it consists of the following steps.

1. Establishing Performance Standards:

The appraisal process begins with the setting up of criteria to be used for appraising the performance of employees. The criteria are specified with the help of job analysis which reveals the contents of a job. This criteria should be clear, objective and in writing. It should be discussed with supervisors to ensure that all the relevant factors have been included. Where the output can be measured the criteria is clear. If work performance cannot be measured, the personal characteristics which contribute to employee performance must be determined. These characteristics include work quality, honesty, and reliability, cooperation and teamwork, job knowledge, initiative, leadership, safety consciousness, attendance, learning ability, adaptability, judgement, sense of responsibility, health and physical condition, etc. These standards should be indicated on the appraisal form. Appraisal forms should be carefully designed and printed. In addition, who is to do the appraisal and how frequently appraisal is to be done should also be decided. In fact, performance standards will depend on the objectives of the appraisal, i.e., to appraise actual performance on the present job or to judge potential for higher jobs.
2. **Communicating the Standards:**

The performance standards specified in the first step are communicated and explained to the employees so that they come to know what is expected of them. The reactions of employees to the standards should be obtained. If necessary the standards may be revised or modified in the light of feedback obtained from the employees and the evaluators.(Dr.C.B.Gupta, ”Management- Theory and Practice” 13th Edition, 2009 Sultan Chand & Sons printers)

3. **Measuring Performance:**

Once the performance standards are specified and accepted, the next stage is the measurement of actual performance. This requires choosing the right technique of measurement, identifying the internal and external factors influencing performance and collecting information on results achieved. Personal observations, written reports and face-to-face contacts are the means of collecting data on performance. The performance of different employees should be so measured that it is comparable. What is measured is as important as how it is measured.

4. **Comparing the Actual with the Standards:**

Actual performance is compared with the predetermined performance standards. Such comparison will reveal the deviations which may be positive or negative. Positive deviations occur when the actual performance exceeds the standards. On the other hand, excess of standard performance over the actual performance represents negative deviation.
5. **Discussing the Appraisal:**

The results of the appraisal are communicated to and discussed with the employees. Along with the deviations, the reasons behind them are also analyzed and discussed. Such discussion will enable an employee to know his weaknesses and strengths. Therefore, he will be motivated to improve himself. The impression the subordinate received about his performance has an impact on his subsequent performance. The impact may be positive or negative depending how the appraisal feedback is presented and discussed with the employee.

6. **Taking Corrective Action:**

Through mutual discussions with employees, the steps required to improve performance are identified and initiated. Training, coaching, counseling, etc., are examples of corrective actions that help to improve performance.

**Stages of Appraisal:**

The appraisal will consist of the following stages:

1. Appraisal rating of the employee on performance factors. (Job knowledge, Efficiency(output), Quality of work, Mental Ability, Attitude, Leadership, Attendance, Punctuality, Conduct, etc.)
2. General comments and overall assessment including development needs of the appraisee leading to the final assessment.
3. A Review discussion between the appraiser and appraisee.
4. Follow up action, if any, to be taken.
FIG: 3.2 MODEL OF INITIATIVE WHEN PERFORMANCE DISCREPANCY IS IDENTIFIED

Performance Discrepancy

\[ \downarrow \]

YES

Is it worth fixing?

\[ \downarrow \]

YES

KSA Deficiency

\[ \downarrow \]

YES

Choose Appropriate Remedy

- Job Aid
- Training
- Practice
- Change the Job
- Transfer or Terminate

Reward/Punishment Incongruence

\[ \downarrow \]

YES

Change Contingencies

Obstacles in the System

\[ \downarrow \]

YES

Remove Obstacles

Inadequate Feedback

\[ \downarrow \]

YES

Provide Proper Feedback

FIG. 3.3 PERFORMANCE APPRAISAL SYSTEM FLOW CHART

Personnel Department to send the Performance Appraisal Forms to the Departmental Heads/MD & IMD (where MD & IMD are the Reporting Officers) before August and 1st week of September.

Department Heads to send the forms to the Reporting Officers for 1st rating before Mid-September.

Reporting officer to send the Forms to the Reviewing Officer before 15th October. If the Reviewing Officer is at a different station, Review Discussion can be conducted in advance.

Reviewing Officer to send the forms back after 2nd rating to the Reporting Officer for Review Discussion before 25th October.

Reviewing Officer conducts the Review Discussion with the Appraisee before 30th October.

The completed forms to be sent back to the Departmental Heads before 5th November.

Departmental Heads to send back the completed forms for all staff cadres to the Personnel Department before 10th November for further follow up as prescribed in the policy.

Note: The responsibility for initiating the action, co-ordination with the Reporting Officers/Reviewing Officer and obtaining the Appraisals complete in all respects for further follow-up action shall be of the Personnel Department.
3.6 TRAINING PROGRAMMES

Performance appraisial and training needs analysis

Some organizations use performance appraisal as a source for analyzing training needs. Skill weaknesses or development needs are entered on the performance appraisal form or noted in the managers’ assessment memo. Training managers then use these forms to determine what kind of courses the company should offer and who should attend them. Even if the company does not have a formal program for assessing such needs, individual managers often find that training programs can be used to help an employee overcome a performance deficiency. So when a need to improve is discovered during performance appraisal, the manager looks for a program to help the employee overcome the problem.

Performance Analysis

Performance analysis is “the process of identifying the organization’s performance requirements and comparing them with its objectives and capabilities” (Rothwell, 1996). It involves the identification of gaps, or discrepancies, in performance. A discrepancy can be thought of as the difference between current and desired performance levels.

Desired Performance – Current Performance = Performance Gap or Discrepancy.
FIG: 3.4 PERFORMANCE GAP OR DISCREPANCY

Desired Performance Level
(“what should be”)

Performance Gap or Discrepancy

Current Performance Level
(“what is”)

IDENTIFYING TRAINING NEEDS

All training activities must be related to the specific needs of the organization and the individual employees. A training programme should be launched only after the training needs are assessed clearly and specifically. The effectiveness of a training programme can be judged only with the help of training needs identified in advance. In order to identify training needs, the gap between the existing and required levels of knowledge, skills, performance and aptitudes should be specified. The problem areas that can be resolved through training should also be identified.
FIG: 3.5 A SYSTEMATIC APPROACH TO TRAINING

Identifying Training Needs

Job

Present Performance

Desired Performance

Gap

Setting Training Objectives and Policy

Designing Training Programme

(Company’s Training Plan)

Conducting the Training

Follow up and Evaluation

3.7 PERFORMANCE APPRAISAL PRACTICES IN MNCs

The growth of multinational companies (MNCs) has played a key role in the evaluation of role-cum-result-oriented appraisal system. In the USA, the need for effective managerial appraisal was felt because of the provisions of Title VII of the Civil Right Act of 1964, and due to the regulations of the Equal Employment Opportunity Commission. The provisions made by the office of Federal Contract Compliance compelled the organizations to have such a system. These agencies were monitoring discrimination in performance evaluation on the basis of race, age and sex. The courts also supported the federal agencies for ensuring the practice of valid and reliable appraisal programmes based on standards. In the USA, the coverage of employees at all levels is more than that in the UK and other developed countries.

A good performance appraisal system must be valid, reliable and practical. Companies have realized that business is not just about individual work. They are putting increasing emphasis on team work. It is not just the MNCs who are stressing on group performance. The concept is moving across company sizes and sectors. The way an employee gets along with his colleagues and superiors reflects in performance of the group, and at the end in the performance of the organization.
3.8 PERFORMANCE APPRAISAL AND TRAINING PROGRAMME PRACTICES IN INDIA

In India, the scheme was formally introduced during the colonial regime and was known as ‘Character Rules’, with the main emphasis being on personality traits such as loyalty, integrity, obedience, etc. to suit the specific requirements of the government of the day. Under the country’s national government, the same is known as ACR (Annual Confidential Reports). However, with the emergence of professional management in both the public and private sectors, the focus has been more on performance and the results achieved, and the scheme is known as ‘Performance Appraisal’.

Accountability for improving both current performance and the career of subordinates is assuming greater significance.

Large companies in India have their own training and development centres like Hindustan Lever, ITC, Tata group, Larsen & Toubro. ACC, ICI, etc., in the private sector; BHEL, Rashtriya Chemicals and Fertilisers, SAIL, Bharat Electronics, most of the scheduled commercial banks, financial institutions, etc. in the public sector. A basic advantage of having in-house development centres is that large number of personnel can be developed through regular in-company programmes. Further, the programmes can be tailor-made to suit the specific requirements of managers. (L.M. Prasad, “Human Resource Management”2001 Sultan Chand & Sons pg.no.387)

In a few progressive organisations, the performance appraisal system has lately moved from the personality/behavioural traits approach to that of linking up performance with either goal-setting or management by
objectives. But in both the approaches-old and new- there is a need for skills of a new order, viz. how to give the subordinate feedback as well as how to prepare him to receive the feedback. In spite of the best intentions of supervisors to give feedback, many executives honestly confess that the dangers with which the process is fraught have not allowed them to do so adequately.

Companies in the public sector, which are often ruled by civil servants brought up and trained in a system different from the one required in a business enterprise, generally follow one of the following three bureaucratic approaches to managerial appraisal.

3.9 CONCLUSION

Over a period of time, the performance appraisal system has started working as a feedback mechanism wherein the viewpoint of employees is being considered as a powerful management tool for integrating the goals of employees with organizational goals. The system is now being used with adequate foresight and care. The performance appraisal becomes not only a means of knowing if the employees’ behavior is consistent with the overall strategic focus, but also a way of bringing to the fore any negative consequence of the strategy- behavior fit. And the performance appraisal system serves many organizational objectives and goals. Besides encouraging high level performance, the evaluation system is useful in identifying employees with potential, rewarding performance equitably, and determining employees’ needs for development.