CHAPTER 7

7.1) DIFFERENCE IN METHODS OF PERFORMANCE APPRAISAL

7.1.1 Methods of Performance Appraisal:

It looks that how managements can actually establish performance standards employees’ performance. A number of methods are available to assess the performance of the employees:

a. critical incident method

b. checklist

c. graphic rating scale

d. forced choice method

e. behaviourally anchored rating scales

f. group order ranking

g. individual ranking

h. paired comparison

i. management by objectives

j. 360 degree performance appraisal system.
Different Methods:

Most appraisal methods used throughout the world today are based, to some extent at least upon the following techniques - Graphic Rating Scale, Mixed Standard Rating Scales, Behaviourally Anchored Rating Scales (BARS), Behaviourally Observation Scales (BOS), and Management By Objectives. Most commentators agree that goal-based appraisal systems in which an employee’s work performance is measured against specific goals, are the most satisfactory.

Lastly, in the past few years, there has been growing interest in the practice community for what has been termed “non-traditional” appraisal systems. These systems are less structured than the more traditional systems, with less emphasis on ratings or rankings and more emphasis on developmental meetings between supervisors and employees are needed. The study indicates that these approaches have been growing in popularity, put some firms that have moved in this direction have developed hybrid models, which still retain some aspects of the traditional systems.

According to Muezyk and Gahle (1987), “An organisation’s success or failure may be determined by the ways in which performance is managed”.

Katsonis et al. (1996) provide several recommendations on the basis of their research for the development of performance appraisal methods:

- Gain support of both human resources and top management.
- Use qualitative vs. quantitative criteria.
- Allow for input when developing performance standards and criteria.
- Make sure the performance appraisal system is not dated.
- Ensure managers take ownership of the performance appraisal system.
- Attempt to eliminate internal boundary spanning by creating direct reporting relationships where possible.
- Utilise performance targeting to appraise performance management’s.
- Be aware and act on environmental forces as they affect the organisation.
7.1.2 PERFORMANCE MANAGEMENT CENTRE:

*How to create a performance Management process in your organisation?*

Managing employee’s performance starts before a new person walks through your door. Your applicants and candidates from opinions of your organisation- for better and for worse- all though the application and interview process. Who apply to your company and never receive a response from an opinion about you, as an employer. This public relations experience can colour the interaction the ignored applicant has with many other people about your organisation.

Need one stress more the importance of your first interactions-or lack thereof – with potential employees? Not when the goal is to hire and keep the best people. With the best people, you can develop and manage their performance to focus their critical contribution on accomplishing your purpose.

Your manager manages employee performance from the person’s first day on the job. A functioning work station, a prepared, positive orientation experience, initial job expectations and a training plan have lasting impact on the employee’s attitude about performance.

Clarity about goals and direction, frequent feedback, the chance to grow and develop skills create what the Gallup organisation calls an “engaged” employee, and the “engaged” employee is hard to find in organisations these days. Gallup research indicates,” 70% of U.S employees are not engaged at work, as measured by the Question 12, Gallup’s 12 Question survey of employee engagement.

7.1.3 Major Methods and Movements to Increase Organisational Performance:

- **Major methods and movements:**

  There are numerous, major methods and movements to increase organisational performance. The following can be organisational improvement programs, depending on how they are used:
One of the major questions that are often asked is what is benchmarking.

*Here, in the box below you will find an answer.*
“Benchmarking is a tool to help you improve your business process. Any business process can be benchmarked.”

“Benchmarking is the process of identifying, understanding and adapting outstanding practices from organisations anywhere in the world to help your organisation improve its performance.”

“Benchmarking is a highly respected practice in the business world. It is an activity that looks outward to find best practice and high performance and then measures actual business operations against those goals.”

One of the biggest mistakes people make when beginning their benchmarking endeavour is that they only look to benchmark someone within their industry. Although this doesn’t hurt, you probably already know enough about your industry to know what works and what doesn’t. Worse yet, same people think they must benchmark their competitor. What if the competition is worse than your company? Seems like a pretty big waste of time and energy. Instead how about benchmarking a company that is well known for being a good model. Sometimes referred to as best practice. Exemplary practice business excellence.

By benchmarking you will find out:

- Who performs the business process very well and has process practices that are adaptable to your own organisation.
- Who is the most compatible for you to benchmark with.
- If you need to conduct a comprehensive benchmark study or if you can obtain 80-90% of what you need from just using the telephone, e-mail or an electronic survey to communicate your needs with other members on the benchmarking Exchange.

Most business process are common throughout industry. For example- NAEA has the same fundamental Human Resource requirements for hiring and developing employees and does American Express; British Telecom has the same customer satisfaction survey process as Brooklyn Union Gas. These processes, albeit from different industries, are all common and can be benchmarked very effectively. It’s called “getting out of the box.”
7.1.4 Performance Management: A GLOBAL VIEW POINT

The performance important and indeed the truly unique, contribution of management in the 20\textsuperscript{th} century was the fifty-fold increase in the productivity of the manual in manufacturing. The most important contribution management needs to make in the 21\textsuperscript{st} century is similarly to increase the productivity of knowledge work and the knowledge worker.

Peter E. Drucker – The wealth of nations is increasingly based on the creation and exploitation of knowledge. The best possible advantage must be taken of this new form of progress available to community firms since it is an area in which the community enjoys a substantial lead.

ICIMS News-
Current global developments required a keen, pleasant and ethical way of working within organizations. In turn, organisations should be characterised by vision, self-guidance, learning and a balanced relationship between personal ambition of individuals and the shared organisational ambition.

It has been noticed that many companies have not yet comprehended the importance of these aspects. In most cases, improvement and development projects are handled with the traditional methods previously mentioned and the result are usually temporary and cosmetic. Subsequently, many opportunities for the achievement for durable competitive advantage are missed. I need a more inspiring approach to organisational development and learning.

Total Performance score Card TPS:
The total performance scorecard concept is an “inside out” approach, one that has as its point of departure personal identity.
The TPS concept:
You cannot teach a man anything; you can only help him discover it in himself.

<table>
<thead>
<tr>
<th>Focus on customer satisfaction</th>
<th>Consistent personal and organisational objectives</th>
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<tbody>
<tr>
<td>▪ Customer orientation is an essential part of personal and organisational balance scorecard.</td>
<td>▪ Managers and employees have formulated their own personal balanced score cards and use them as a compass for personal improvement, development and learning.</td>
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<tr>
<td>▪ Customer-oriented behaviour is one of the competences by which employees are judged.</td>
<td>▪ A shared and inspirational organisational ambition is developed and propagated decisively at all levels of the organisation.</td>
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<tr>
<td>▪ Employees and customers are natural partners.</td>
<td>▪ Critical success factors, objectives and performance measures are formulated and communicated to all associates.</td>
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<tr>
<td>▪ We are acquainted with and understand our customers.</td>
<td>▪ Manager’s behaviour about the formulated balanced scorecards is consistent.</td>
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<td>▪ Customer needs are integrated into daily activities.</td>
<td>▪ Guidance is provided for performance improvement.</td>
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<tr>
<td>▪ More is done for the customer than the customer expects.</td>
<td>▪ Top management is committed to change and improvement.</td>
</tr>
<tr>
<td>▪ Satisfied customers are our number one priority.</td>
<td>▪ Managers act as coaches are action-oriented and encourage a fundamental learning attitude.</td>
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<td>▪ Changes in customers needs are systematically collected and improved upon.</td>
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<tr>
<td>Passion and enjoyment</td>
<td>Ethical and fact-based behaviour</td>
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<tr>
<td>▪ The organisational environment is characterized by passion, enjoyment, motivation, commitment, inspiration and enthusiasm.</td>
<td>▪ The shared organisational ambition is guided by ethics.</td>
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<tr>
<td>▪ Fear and distrust have been chased out.</td>
<td>▪ The organisation cares about ethics and corporate social responsibilities.</td>
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<tr>
<td>▪ The voluntary and active involvement of everyone is a priority.</td>
<td>▪ The behaviour of people is based on high moral standards.</td>
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<tr>
<td>▪ Teamwork, open communication and mutual trust are valued.</td>
<td>▪ Performance measures are linked to targets.</td>
</tr>
<tr>
<td>▪ Investment in people (training) is emphasized.</td>
<td>▪ Work is done based on facts and performance indicators.</td>
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<tr>
<td>▪ Employees are empowered.</td>
<td>▪ The causes and consequences of problems are analysed based on the principle that “measuring is knowing”.</td>
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<tr>
<td>▪ Entrepreneurship and leadership is encouraged in all business units.</td>
<td>▪ Data is purposefully gathered and correctly interpreted.</td>
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<tr>
<td>▪ People are open to change, improvement and renovation.</td>
<td>▪ Measurements are based on figures and targets.</td>
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<tr>
<td>▪ Making mistakes is permitted, for we learn constantly from our mistakes.</td>
<td>▪ The assessment of individual associates is based on concrete competences and results, which, in turn, are related to performance measures and targets.</td>
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<tr>
<td>▪ Feedback is given regarding the improvements actions accomplished by employees.</td>
<td>▪ The organisational culture is characterised by simplicity, self-confidence, team work and personal involvement.</td>
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<tr>
<td>Process orientation</td>
<td>Focus on Durable improvement, development and learning</td>
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<tr>
<td>▪ Processes are guided based on performance measures.</td>
<td>▪ Formulation of performance balanced scorecard results in the personal well being and successes in the society.</td>
</tr>
<tr>
<td>▪ Internal customers are also satisfied.</td>
<td>▪ Formulation of the OBSC results in improvement and control of the business processes and is aimed at achieving competitive advantage of the organisation.</td>
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<tr>
<td>▪ The effectiveness of business processes is measured.</td>
<td>▪ Formulation of the competence profiles and performance plans of individual employees results in job–related competence development and is focused on job fulfilment.</td>
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<tr>
<td>▪ Suppliers are seen as long-term partners.</td>
<td>▪ Employees improve themselves and their work and help others improve themselves and the organisation.</td>
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<td>▪ Process variation reduction takes place continuously.</td>
<td>▪ Emphasis is on continuous improvement based on Deming’s PCDA learning cycle.</td>
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<td>▪ Errors are regarded as an opportunity for improvement.</td>
<td>▪ Emphasis on the continuous development of human potential based on the development cycle and 360 degree feedback.</td>
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<tr>
<td>▪ Improvement, development and learning are seen as continuous and gradual processes.</td>
<td>▪ Emphasis is on continuous learning that’s based on self-knowledge.</td>
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<tr>
<td>▪ Knowledge is constantly implemented and incorporated in new product, services and processes.</td>
<td>▪ Emphasis is on prevention instead of correction.</td>
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<tr>
<td>▪ Improvements teams are created in which different learning styles are represented.</td>
<td>▪ Improvements are based on cross-functional approach and continuously documented.</td>
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<td></td>
<td>▪ A working climate exists where routine improvement, development and learning are a way of life.</td>
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**Galileo Galilei:**

Total performance scorecard TPS encompasses an amalgamation and expansion of the concepts of balanced scorecard, Total Quality Management, Performance Management and Competence Management.
7.1.5 Form Performance Appraisal Management - RECENT DEVELOPMENTS

The last decade has seen a great change in approaches to performance appraisal systems across the world. There has been a great realisation that it is more important to focus on designing, planning and managing performance than merely appraising performance. While the interest in measuring performance and linking with rewards remains the same, the need to develop it, hither to neglected, has gained recognition. Most of organisations prefer to call their systems as performance management systems rather than performance appraisal systems. This is the most welcome change of the last decade.

It is very rare to come across any manager saying “we have a good performance management system and it is working well”. Surveys after surveys of fortune 500 or 1000 companies indicate high degree of dissatisfaction than satisfaction with performance appraisal systems. Probably the nature of performance appraisal management is such that it can never elicit a satisfying response from its users or implementers. It is mostly the HR people who claim that their performance management systems are excellent and they are working well.

How are performance management systems different from appraisal systems?

First, it is important distinguish between performance appraisal systems and performance management systems. In a way, we may say that both are same. The main difference between the performance management and appraisal systems is their respective emphasis and spirit. Good organisations in the past have used essentially their performance appraisal systems as performance management systems. They may have used the traditional title. The title seems to mean a lot in communicating the appropriateness of the systems and its emphasis.
When can we say that the system is working well?

Rao (2001) has identified the following criteria for the system to work well:

1. Line managers take it seriously the performance plans are completed on time for 80% of the cases in any given year. Completing on time means within two weeks of the stipulated time by the organisation.

2. Line managers spend adequate time in performance planning and review discussions. Adequate time may mean about 1 day or 8 to 10 hours per employee per year of which 4 hours should be individual time. This include group performance planning, individual planning, attending any performance briefing sessions, identification of developmental needs, etc. This excludes any seminars and workshops used for introducing the performance management system.

3. The performance plans are of good quality and achieve the objectives of clarifying the goals, roles and time frame, and performance standards for each department and individual. They differentiate the work to be done by each employee from that of his/her boss and subordinates.

4. Performance review of discussions conducted are of quality and the employees (80%) look forward to these with enthusiasm and treat them as learning opportunities.

5. Organisational support is planned in the form of removing bottle necks, arranging training programs, job rotation and the like, after performance planning session’s performance improvements are taken seriously and all the employees try their best to assist each other in performance improvements.

6. There is a performance culture generated in the organisation and the performance management system is a part of it and may even be one of the reasons for its generation.
Design Mistakes:

Mistake 1: Not having the right emphasis

Most performance managements systems pretend that they are performance managements systems but in reality emphasis performance appraisals or ratings. This is the most potential source of trouble. The moment ratings take precedence over performance improvements the atmosphere generates an unhealthy competition. Ratings are deceptively subjective. It is a misnomer to think that by having appropriate rating system, objectivity can be achieved. For example- a rating of 7 on a 10 point scale given by a conservative materials manager to his well performing subordinate and the rating of 7 given by linnet It manager to his average programmer, and the rating of 7 given by the HR. Manager who is new to the organisation to his only subordinate officer, and a rating of 7 given by the production manager to a well performing assistant manager whose section met all the production are all treated alike because the rating is 7. It is the most subjective way of handling numbers. Hence, the over emphasis on the number is the first problem in performance management systems. The emphasis should be on the process and performance improvements. What are the activities well done? What are the activities not so well done? What are the activities not done at all? What are the activities that need not be done? What is a better way of doing these activities? Could they be done more cost effectively? Are the competencies of the employee put to the best use? Are there better ways of putting them to use? How does one improve work improvement?

Mistake 2: Poorly designed management system and formats

Poorly designed management systems may take many forms ranging from lengthy formats which are not looked at by any one else ones they are done to inadequately designed formats and systems. In some cases their pages after pages to be filled and it becomes a form filling exercise. In other cases the format is very simple with no guidelines and accompanying instructions. For any performance
management system to be implemented well the system as well as its format which symbolises the system should be well designed, the process should be clear, explained to people and understood by people. The format only symbolises the system and should contain the minimum required reminding points or details. The format should be accompanied by guidelines, which may be available online or in a private form at any time for all employees. In fact, it should form a part of the employee hand book or induction material for new-comers. While the format should be simple, the accompanying manual should give all details and instructions for a new entrant.

The poverty of the design is also reflected some times in the spacing and such other layout of the format. The space provided for writing KPA’s or KRA’s and objectives, competencies and their assessment, recording of summary of discussions, developmental needs etc, should be appropriately designed and should be based on expectations. The layout may keep changing as the time passes with experience.

- **Mistake 3: Multiple objectives make a mess**

Performance management systems have a lot of potential to achieve many objectives. The author has identified at least 12 objectives ranging from role clarity to gaining insights into strengths and weaknesses, identification of developmental needs, competency development, increasing upward and downward communications promoting mutuality, promotion decision, culture building, value promotion, to performance rewarding and monitoring, enhancing accountabilities etc. Integrating individual and organisational goals, discriminating employee performance are the other additional objectives aimed at. While designing their appraisals, a number of organisations have aimed at achieving multiple objectives. Aiming at multiple objectives creates an impression that performance management systems are magic wands and they have an internal strength in them to solve all performance related problems of employees and the organisation. Unfortunately it is not true. It is not the system which solves problems. Systems set directions, enhance predictability and, if implemented well, ensure that certain things will happen.
Multiple objectives seem to raise the expectations of line managers and bring subsequent disappointment.

One of the lessons from the past therefore is that it is more practical and useful to focus on 1 or 2 most important objectives and promote their achievement. The other objectives could be left for the process to take over. The most important objective of performance management system may be performance improvements. Some organisations could make them as specific as enhancing internal customer satisfaction, improving quality of products and services, or could aim at as specific a goal as reducing costs.

➤ **Mistake 4: Multiple components may make it a sophisticated system**

Just like objectives, performance management systems can have a number of components. There are at least 10 components identified in the past: - KPAs or KRAs, goal setting, attributes or competencies, self appraisal, performance analysis, review discussion, performance ratings, identification of developmental needs, potential appraisal, review by a committee or reviewing officer etc. While all these could be a part of the process, after some time they should become part of the process and need not be overplayed. They should be internalised.

☞ **IMPLEMENTATION PROCESS MISTAKES:**

Most mistakes and problems in performance management systems have to do with implementation process.

**The common problem areas are:**

- Over criticism of the past and over projection of the new or changed system as a panacea for all past problems.
- Big fan for with which systems are introduced and not even half that effort being put subsequently to help the employees in implementing.
- Lack of organisational support.
- Lack of competencies in HR department.
- Image of the HRD department and inability to promote a sense of ownership of the system among the line managers.
- Lack of follow up on the part of HR department.
- Top management commitment.
- Past experience with all the systems.
- Nature of the system.

➤ Mistake 5: Over criticism of the past and over projections of the new or changed system as a panacea for all past problems

Most corporations at the time of introducing a new system introduce the same by pointing out all the problems of the previous system and indicating how the new system is meant to take care of the problems. Most of the time the previous system has not worked well more because of the implementation problems rather than design problems. However very little is done to tackle the implementation problem. For example - the most important implementation issue may be lack of managerial time, or inadequate commitment of the top management, or lack of guidance available for employees in performance planning. If these issues are not understood and tackled, the employees get a feeling that by merely changing the system; everything could be taken care of. Over criticism of the previous system raises expectations from the present system. It may facilitate the introduction of the new subsystem but increases the chances of cynicism later. It is necessary to find out 1 critical difference either in terms of objectives or in terms of the process and emphasise the same while introducing the new system. Such single point focus and sensitivity to implementation issues enhances the success.

➤ Mistake 6: Big fan fare with which a system is introduced and inadequate effort put subsequently to help the employees in implementing

This is another common mistake made by most organisations. The HRD departments build good budgets for introducing a new systems or changing the old systems. Consultants, internal task forces, workshops, manuals, new formats,
education program or skill building workshops – all are over and everything is forgotten. A lot more effort is required in initial years to make the system work. No system works by merely introducing it.

A lot of hand holding guidance and help is required. A constantly working helpline is needed for a human. Performance related systems like the performance management system we are talking of performance, which is the most important objective of any organisation. It is therefore necessary to pay adequate attention to the post – initiation work. Implementation needs to be monitored more rigorously and may take more time than the initiation workshops. It is important and may even be necessary to have at least one person for every 100 managers to guide and monitor performance management. The help may be required in performance planning, or in review, or in preparing a performance improvement program at the individual or the group levels.

Mistake 7: Lack of organisational support

In many cases the performance management system fails to take off due to lack of organisational support. Such a lack of support not as much for the system as it is for individual employees to enable them to do better. In a competitive world, if any employee has to deliver results, he needs to have competencies, motivation and organisational support. Organisational support may be in terms of basic work conditions, resources, facilities, inputs from internal customers etc. These get highlighted in any performance management system. It is not right for organisation to say that every employee has to work all the time with in the limitations. It goes without saying but the organisation should demonstrate that it is willing to listen to the difficulties faced by employees and are willing to try their best to remove the bottlenecks. They should remove the same and communicate their efforts. It is therefore important to built credibility on a continuous basis. Hr department should act here like an OD facilitator. They should device special mechanisms to keep collecting data, feeding to the respective agencies and creating problem solving conditions.
Mistake 8: Lack of competencies in HR department

In my experience, I have time and again found the competencies or lack of competencies of HR department as the biggest bottleneck in effective implementation of performance management system. The most important competencies they need are the following:

- Business and involvement in the main business of the organisation.
- Knowledge of all the departments and appreciation for each of them and their roles.
- Interpersonal sensitivity.
- Performance planning competencies specially like identifying KPAs or KRAs, and conducting performance review discussions.
- Organisational diagnosis skills.
- Perseverance.
- Ability to set a personal example by first implementing all that they are asking others to implement in their own department.
- Consulting skills.
- Performance orientation.
- Initiative and pro action.
- System building and monitoring skills.
- Credibility to carry on the line staff.
- In addition to all these, they need to have time, aptitude and role clarity that effective implementation is their business as much it is of the line managers. In organisations where the PMS have not taken of it is mostly due to shifting priorities of the HR department coupled with their lack of competencies in monitoring and implementing the system.
Mistake 9: Image of the HRD department and inability to promote a sense of ownership of the system among the line managers

Another major hurdle is the image of HR department the mistake is to assign this task to a department, which does not have credibility and is perceived as promoting subjectivity in the past. Organisations may not think of alternatives, as it is the legitimate role of the HR department. It may not have competent and trained people. It is therefore necessary to recruit some Hr staff or alternatively outsource the same. The HR staff should have competencies in implementing PMS.

It is also important to create a sense of ownership among line managers. Task forces to monitor the implementations and open reviews are a good mechanism to promote ownership. One of the ways of promoting ownership is a decentralised implementation of the system. Heads of department should take responsibility to collect, gather, analyse and use the data emanating from the PMS. HR could act as an internal consultant.

Mistake 10: Lack of follow up on the part of HR department

Where competencies may be available, if the HR department does not follow up it may be neglected by default. Hence, it is necessary for HR department to have an effective follow up put in place. The follow up could take the form of quarterly. Performance review meetings, implementation review meetings, survey feedback, upward appraisers by their subordinates on the time spent, extent to which they listen and understood the problems of their juniors etc. The follow should be done both at individual level and at this primary group level.

Mistake 11: Top management commitment

The most important hurdle in effective implementation of PMS is lack of time for top level or senior managers to do their own or their subordinates performance planning. One unit head not doing it sends wrong signals all through the unit and defeats the purpose of PMS. The last thing for any top level or senior level managers to say is that performance planning or review can wait and more important is
performance. Such statements send wrong signals all through the company on the other hand the top management should integrate performance management system into all their other intervention, as this is the main system of planning and managing performance.

➢ **Mistake 12: Past experience with all the systems**

In some of the corporations, performance management system has not worked because most of the systems introduced earlier were disasters. For example- if a budgeting system has been introduced and abandoned or a new MIS has been introduced and was given up and the company has a culture of introducing and giving up. Already cynicism may be in place. In such organisations there are inherent difficulties in making the system work.

➢ **Mistake 13: Nature of the system**

It must be recognised here that the performance management system has some inherent issues, which make it difficult for all people to appreciate. People who perform and do not get rewarded are likely to blame the system for not being recognised. For every 10 persons there will be at least a few who feel that they deserved to be rewarded and the company did not notice? If rewards are delinked there is one type of problem and if they are linked then there is another type of a problem. The nature of the system we are talking is by itself a problem as it’s bound to dissatisfy at least a few every year. Hence it needs a continuous reinforcement, reassurance and renewal to keep it alive and productive.

7.1.6 **Performance Management: FROM SYSTEMS**

For several years and definitely in the last two decades we have taken a systems approach to performance management. The systems approach consisted of asking the individuals, teams, their supervisors and organisations to define performance (identify key performance areas) , plan performance (set targets), review performance ( performance coaching), identify developmental needs, assign
performance ratings, moderate ratings, debate and link or delink with rewards. The systems approach was fairly logical, commonsensical, predictive and performance driven. Unfortunately it did not work the way it should have worked. In our eagerness to promote system approach and due to our over commitment to professionalism we have ignored answering more fundamental questions on performance management.

We focused on the performance equation alright but we over focused on the scientific, predictable and tangible part of performance equation and ignored the spiritual, dynamic abstract and unpredictable part of the performance equation. While the former part is defining performance identifying competencies and competency gaps, the spiritual and the neglected part is the motivational part and the unpredictable (environmental or fluctuating organisational role part of it).

There is a technology available and there are systems but these were not implemented the way they are supposed to be. When they failed, we did not ask the question, why are they failing? Why is such a useful system not being implemented? Why do line managers, top managements as well the HR heads pay lip sympathy to the PM systems and failed to implement them. When systems fail probably what was needed was another system by a spirit that can enforce the implementation of the system. It is this spirit, which has not been searched, focused and found till date.

As a result the PMS happens to be a powerful and at the same time the most ill implemented of the systems.

**Spiritual approach focuses on the understanding that:**

- Performance management is not an event. It is a process and a continuous process.
- Performance management requires an understanding, a desire and a discipline.
  - Understanding of oneself, motives, interests, responsibilities.
  - A desire to discover and apply oneself.
- Understanding of the limitations of organisations as well as opportunities provided by organisation to discover and apply one’s self.
- Values of self discipline, desire to improve, OCTAPACE and learning.
- Organisational culture and cantered people.

Spiritual approach requires spirit and sprinted people. Systems do not provide spirit. It is people who provide spirit. Systems provide opportunities. It is people who have to make one of these opportunities.

🔗 **Our experiences from PMS:**

We have worked in the last few years with a number of organisations on the PMS. Some of these include – geologist, FAG bearings, Tata finance, Tital industries, EDI parry, Mahindra and Mahindra, Bharat Petroleum, national stock exchange, etc. Our experience with working with these companies we are convinced that a good performance management system can go a long way in ensuring performance improvements at all times including in times of difficulty.

We wonder on why such an important tool goes improperly attended and inadequately focused. We have the following lessons to add from the experiences so far.

“**There is no change in the fundamentals**”.

The fundamental includes the following:

- Performance planning is necessary for performance improvements.

A good performance plan gives a sense of direction and utilizes human potential and enhances individual and organisational performance.

Imagine the case of a general manager of a manufacturing unit who discovers that 60% of his time goes for meetings and communication skills and meeting management are important skills he needs to acquire. He further found on doing a KPA exercise that a 30minutes Saving in his daily 2 hours meeting would mean a
saving of Deputy General Manager position or scope for appointing an additional Deputy General Manager. With 2 hours a quarter spends on KPAs and planning your work in term you can give right direction to the remaining 600 hours of work. Looked at in another way that if you are working for 2400 hours in a year you can use time and effort properly if you spend just about 0.5% of that time (12 hours of time) in a year. With this time you can give right direction to yourself and your subordinate and ensure performance improvements and efficiencies.

Imagine a Branch Manager of a IT company discovering after a good performance planning exercise that about 40% of his time is going in the follow up of 7 bad payment cases and the follow up time is increasing over a period of time in the last few years than coming down. It is resulting in the decline of his time spent on business development.

- There is no great technology in identification of KPAs or in designing performance management systems. It is common sencical and any one can acquire in a short time, experts are not required to the extent to which some organisations make it out to be.

Various terms are being used KPAs, KRAs, tasks and targets, responsibilities, etc. They all mean the same or at least the difference is so little that one may not spend any time trying to find out how they differ. Irrespective of how they differ they are tools of performance planning and role clarity. They are intended to give a sense of directions and help in performance improvements.

- Performance planning done in a participative way using the organisational context (vision, mission, goals long and short term) will enhance commitment to the performance, enhance communication and joint problems solving and hence result in better performance or performance with joy.
This is time and again demonstrated through our workshops etc. In one of the innovative designs we have introduced in training people in PMS or in implementing PMS we have begun to call juniors- senior (or boss subordinate pairs – we don’t wish to call them appraiser- appraise pairs as the purpose of PMS is not appraisal) pairs and ask them to actually plan and review their last year/ half year/ quarter performance. The training programs or training workshops are mean more to identify KPAs and also to conduct PRD, (performance review discussions) rather than to learn about how to do them.

- Linking with rewards may be fine but making it a primary purpose will dilute or even nullify the focus on performance improvements and development goals’.

Time and again experience has demonstrated that there is no way to ensure objectivity or the satisfaction of every one. 25 years in this field has shown beyond doubt our conviction and proved what we said in 1974 itself in L& T. Discussions on rewards is so absorbing and emotions generating the performance improvements go the back ground and arguments and disputes came to the for front. Hence, it is important to keep them away as much as possible. Appraisal is a subjective process and their can never be objectivity of the kind people would like to have. Rewards to be kept away and declined as much as possible from the PMS process as possible. It has been our experience that when rewards are discussed or announced there is more pain than joy. They have more de motivating values to many and motivating value only to a few. Today even these few are becoming fewer.

- Developmental needs should be identified along with performance planning in the beginning of the year and there after continuously rather than at the end of the performance period.

This is in an away new discovery of the last few years. Identification of training and development needs at the end of the year has led to postponement and continued poor performance for the entire period. Developmental needs therefore, should be
identified along with performance plans. A number of organisations today ask the individual himself to plan his own development.

- The individual should own performance management more than his boss and his boss more than the HRD department.

This is an important fundamental that seems to have been forgotten over the last few years. As HRD managers are in the business of designing and introducing Performance Management Systems there has been a mistake notion that they are the owners of the system. This has done a lot of damage than good. Today, in quite a few companies line manager think that they have to carry an PMS exercises more as requirement of the HRD department rather than as a need of the manager and as an opportunity for the line manager to improve himself and his performance. This notion needs to broken. Organisations have perpetuated this notion by getting the HRD department to distribute and collect forms, send reminders. The HRD departments have even maintained the inventory of PMS forms. Many organisations have now recognised what Pareek and Rao have recommended in 1974 to L&T that these forms are owned by the line managers themselves and some parts of it should not even go beyond the reviewing officer. Now-a-days the forms are available on-line for any interested manager to download and use them when ever they like.

- Performance coaching or mentoring and counselling is a very useful tool for HRD or performance improvements.

It has been established beyond doubt that performance improvements will came if the senior helps the junior through periodic review and discussions. Wherever coaching or PRD exercises have been done there has been an increased mutuality, communication, understanding problem solving ability and many more things. But fewer people seem to take the time and effort to do these things.
What is New?

The PMS Field has very little new things. Some of these include the following:

✔ Move away from appraisal. These are performance management systems and not appraisal systems. The focus is improvements and developments rather than appraisals.

✔ Move away from members to qualitative assessment. Numbers in performance appraisal whether they are 5 points scales or 7 point scales or 10 point scales, they mislead a lot more than provide any objective assessment.

✔ Innovate process is more important than formats. Formats put the process in a shape and a systematic way. They have the danger of making themselves more important than the process. When the format becomes more important than the process it kills the main objective of development.

✔ Emphasize learning and development, empowerment and growth and problem solving more than assessment, objectivity, measurement etc.

✔ Don’t insist on quantitative targets. Our inability to quantify seems to be so high that the effort to understand is being given up due to our inability to quantify. Where you cannot quantify doesn’t even attempt. Higher level roles are sometimes difficult to quantify. How do you quantify has much of a leadership and role modelling one should show?

✔ Use multi ratter assessment as a supplement.

✔ Use technology to facilitate learning from each other.

✔ Publicize the KPAs, performance plans etc. on the local networks so that any one can assess and use for each other.

✔ Synergies with other systems wherever you have already spent your time and energies. For example if you have already conducted a competency mapping exercise use the results and integrate them as a part of the PMS.

✔ Use selectively internal task forces and other review mechanisms.
✓ Encourage employees to their own performance management. Monitor the process and not the filling of formats.

✓ Follow up actions must be taken and taken on time. It may be training or job rotation or removing blocks or any other things they must be attended to.

7.1.7 Methods of Performance Appraisal:

Strauss and Sayles have classified performance appraisal into 3 groups:

a) Traditional performance rating
b) Newer rating method
c) Result oriented appraisal.

A brief description of each is as follows:

a. Traditional performance rating:

Traditional rating involves a completion of a form by the immediate supervisor of the individual who is being evaluated. In some cases, attempts are made to accomplish the rating by a committee consisting of the immediate supervisor, the supervisor’s supervisor and 1 or 2 more officers of the company who are familiar with the rates. Although ratings by the committee bring several viewpoints together and overcome the superior’s bias, if any, they are highly time-consuming. The conventional rating scale form incorporates several factors, such as, job knowledge, judgement, organising, and ability, and dependability, creativity, dealing with people, delegation and leadership. The rating is assigned by putting a tick mark horizontally. Frequently, descriptive phrases are given in the form to guide the rater while evaluating the rates. This method is very simple to understand and easy to apply. On the basis of ratings on specific factors, it is possible to identify areas in which the individual requires further development. The ratings on specific factors can be summated to obtain a composite performance score.

The merit-rating scales are frequently criticised from the standpoints of clarity in standards, differing perceptions, excessive leniency or strictness, the central
tendency, the halo effect, and the impact of an individual’s job. The basic criticism of the traditional performance rating is concerned with its emphasis on personality traits instead of job performance. Such rating is highly subjective in the absence of objective standards.

Other criticisms of traditional performance rating relates to: - first, there is a divergence of opinion among raters as to what is meant by such standards as “unsatisfactory”, “good” and so on. Second, there may be divergent perceptions and accordingly, different standards of judgements among the raters. Third, the raters may be susceptible to excessive leniency or strictness error. Fourth, there is an error of central tendency involving a cluster or ratings near the middle of the scale. Fifth, there is a chance of the occurrence of a halo effect. Sixth, there is a tendency on the part of the raters to assign high ratings to individual holding high-paid jobs.

b. Newer-Rating Methods:

Because of several inadequacies in the traditional rating scale, attempts have been made to devise new procedures while are less susceptible to the above weaknesses. Among these are included rank order, paired comparison, forced distribution, forced choice, critical incident and field review.

These methods are discussed below:

1) The rank order procedure: It is effective where 10 or lesser number of individuals are to be evaluated. According to this procedure, each individual is assigned such ranks as 1st, 2nd, and 3rd and so on. If the evaluation process involves several traits, the ranking is made separately for each trait. Although this method is simple to understand and easy to apply, this technique becomes cumbersome and difficult when a large number of employees are to be evaluated in the organisation.

2) Paired-comparison System: Under this, each individual is compared with every other individual. The appraiser is required to put a tick-mark against the name of the individuals whom he considers better on the traits in question. The final ranking is determined by the number of times he is judged better than the other.
This method becomes complicated when the number of individuals for evaluation is large.

3. The forced distribution procedure: It is a form of comparative evaluation in which an evaluator rates subordinates according to a specified distribution. Here judgements are made on a relative basis, he, a person is assessed relative to his performance in the group he works. This procedure can be used for numerous traits if required by evaluating the individuals separately on each trait. The forced distribution method is primarily used to eliminate rating errors such as leniency and central tendency.

4. The forced choice technique: It forces the rater to select from a series of several statements or traits, the one which best fits the individual and one which least fits, and each of these statements is assigned a score. Since the appraiser does not know the score value of statements, this method prevents the rater from deliberately checking only the most favourable trait. Moreover, the appraiser is unable to introduce personal bias into the evaluation process because he does not know which of the statements is indicative of effective performance. This enhances the overall objectivity of this procedure. However, it is a costly technique and also difficult for many raters to understand.

5. The critical incident method: This technique of performance appraisal was developed by Flanagan and Burns. Under this procedure, attempts are made to devise for each job a list of critical job requirements. Superiors are trained to be on the lookout for critical incidents on the part of the subordinates in accomplishing the job requirements. The superiors enlist the incidents as they happen and in the process, tend to build up a record of each subordinate with debit on the minus side and credit on the plus side. The merit of this procedure is that all evaluations are based on objective evidence instead of subjective rating.

6. The field review: It is an appraisal by someone outside the employee’s own department, usually someone from corporate office or from the employee’s own human resource department. The field review process involves review of employee’s superior. Field review as an appraisal method is used primarily in
making promotion decisions at the managerial level. Field reviews are also useful when comparable information is needed from employees in the different units or locations.

c. Result-oriented Appraisal:

The result oriented appraisals are based on the concrete performance targets which are usually established by superior and subordinates jointly. This procedure has been known as Management By Objective (MBO).

☞ Management By Objective (MBO):

The definition of MBO, as expressed by its foremost proponent, Dr. George S.Odorine, is: “Management By Objectives is a process where by the superior and subordinate managers of an organisation jointly identify its common goals, define each individual’s major areas of responsibility in terms of the results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members”.

Much of the initial impetus for MBO was provided by Peter Drucker (1954) and by Douglas Mc Gregor (1960). Drucker first described management by objectives in 1954 in the practice of management. Drucker pointed the importance of managers having clear objectives that support the purposes of those in higher positions in the organisation. Mc Gregor argues that by establishing performance goals for employees after reaching agreement with superiors, the problems of appraisal of performance are minimised. MBO in essence involves the setting out clearly defined goals of an employee in agreement with his superior. Carroll and Tasi (1973), in an extensive account of MBO, note its following characteristics:

1. The establishment of organisational goals.
2. The setting of individual objectives in relation to organisational goals.
3. A periodic review of performance as it relates to organisational goals.
4. Effective goal setting and planning by top management.
5. Organisational commitment.

6. Mutual goal setting.

7. Frequent individual performance reviews.

8. Some freedom in developing means of achieving objectives.

MBO is, thus, a method of mutual goal-setting, measuring progress towards the goals, taking action to assure goal attainment, feedback and participation. It is a result-oriented philosophy, enabling an employee often has helped to set. In the goal-setting phase of MBO, a superior and subordinate discuss job performance problems and a goal is agreed upon. Along with mutual goal-setting, a major component of MBO is the performance review session between the superior and subordinate, which takes place regularly to evaluate progress towards specified goals.

➢ The key features of Management By Objective are as under:

1. Superior and subordinate get together and jointly agreed upon the list the principal duties and areas of responsibility of the individual's job.

2. The subordinate sets his own short term performance goals or targets in cooperation with his superior.

3. They agree upon criteria for measuring and evaluating performance.

4. from time to time, as decided upon, the superior and subordinate get together to evaluate progress towards the agreed upon goals. At those meetings, new or modified goals are set for the ensuring period.

5. the superior plays a supportive role. He tries, on a day-to-day basis, to help the subordinate achieve the agreed upon goals. He counsels and coaches.

6. in the appraisal process, the superior plays less of the role of a judge and more of the role of one who helps the subordinate attain the organisation goals or targets.

7. the process focused upon results accomplished and not upon personal traits.
There are 4 main steps in MBO:

1. Define the job. Review with the subordinates his or her key responsibilities and duties.
2. Define expected results (set objectives). Here specify in measurable terms what the person is expected to achieve.
3. Measure the results. Compare actual goals achieved with expected results.
4. Provide feedback, appraise. Hold periodic performance review meetings with subordinates to discuss and evaluate the latter’s progress in achieving expected results.

MBO as a mutual goal setting exercise is most appropriate for technical, professional, supervisory and executive personnel. In these positions, there is generally enough latitude and room for discretion to make it possible for the person to participate in setting his work goals, tackle new projects, and discover new ways to solve problems. This method is generally not applied for lower categories of workers because their jobs are usually to restricted in scope. There is little discretionary opportunity for them to shape their jobs.

MBO may be viewed as a system of management rather than an appraisal method. A successful installation of MBO requires written mission statements that are prepared at the highest levels of top management. Mission statements provide the coherence in which top down and bottom up goal setting appear sensible and compatible. MBO can be applied successfully to an organisation that has sufficient autonomy, personnel, budget allocation and policy integrity. Managers are expected to perform so that goals are attained by the organisation. Too often MBO is installed top-down in a dictatorial manner with a little or no accompanying training. If properly implemented, it serves as a powerful and useful tool for the success of managerial performance.

MBO is a tool that is extricable connected with team building so that the work commitment of team members can be increased and their desire to excel in
performance can be inspired. It is important to have effective team work among a group of managers or a group of subordinates. The group of employees or subordinates must be looked upon as a team that needs to be brought together. Goals should be set by manager-subordinate pairs and also by teams. The basic superior-subordinate relationship in an organisation is in no way undermined in this concept of team goal setting. Lines of responsibility, authority and accountability remain clear.

➤ **MBO has many benefits, since it:**

1. Provides a way for measuring objectively the performance of subordinates.
2. Coordinates individual performance with company goals.
3. Clarifies the job to be done and defines expectations of job accomplishment.
4. Improves superior-subordinate relationships through a dialogue that takes place regularly.
5. Fosters increased competence, personal growth and opportunity for career development.
6. Aids in an effective overall planning system.
7. Supplies a basis for more equitable salary determination, especially incentive bonuses.
8. Develops factual data for promotion criteria.
10. Serves as a device for integration of many management functions.

➤ **MBO has certain potential problems, such as:**

i. It often lacks the support and commitment of top management.
ii. Its objectives are often difficult to establish.
iii. Its implementation can create excessive paperwork if it is not closely monitored.
iv. It concentrates too much on the short run at the expense of long range planning.
v. It may lead to excessive time consuming.
Traditionally, in most performance evaluations a superior evaluates the performance of subordinate. Recently, a new approach has been enunciated by the western management gurus, which is known as 360 degree appraisal- a performance management in which people receive performance feedback from those on all sides of them in the organisation- their boss, their colleagues and peers, and their own subordinates and internal and external customers. The list can grow to include vendors and consultants, human resource professionals, suppliers and business associates, even friends and spouses. The 360 degree feedback refers to the practice of using multiple raters often including self-ratings in the assessment of individuals. Thus, the feedback comes from all around. It is also a move towards participation and openness. Many American companies are now using this 360 degree feedback. Companies that practice 360 degree appraisals include Motorola, Semco Brazil, British Petroleum, British Airways, and Central Televisions and so on. Barring a few multinational companies, in India this system of appraisal is uncommon.

This form of performance evaluation can be very beneficial to managers because it typically gives them a much wider range of performance-related feedback than a traditional evaluation. That is, rather than focusing narrowly on objective performance, such as sales increase or productivity gains, 360 degree often focuses on such things as interpersonal relations and style. Of course, to benefit from 360 degree feedback, a manager must have thick skin. The manager is likely to hear some personal comments on sensitive topics, which may be threatening. Thus, a 360 degree feedback system must be carefully managed so that its focus remains on constructive rather than destructive criticism.

360 degree feedback:

360 degree feedback is also known as multi source assessment and feedback system (MAFS). It is defined as the systematic collection and feedback of performance data on an individual or group derived from a number of stakeholders on their performance. 360 degree appraisal is a multi-rater appraisal and feedback
system. Almost every fortune 500 company is using this in some form or the other. In this system, the candidate is assessed periodically (once in a year and, sometimes, even half yearly) by a number of assessors including his boss, immediate subordinates, colleagues, internal customers and external customers.

The 360 degree appraisal involves the use of the following methods, i.e., the questionnaire, rating, data processing, feedback and action.

- The steps involved in developing 360 degree appraisal are:
  
  a. Defining the objective of the feedback.
  b. Deciding who is the recipient of the feedback?
  c. Deciding who will give the feedback?
  d. Deciding the behaviour and areas of work on which feedback is given.
  e. Deciding the methods of collecting data.
  f. Deciding the data analysis and presentation.
  g. Evolving plan for initial implementation of programme.
  h. Analysing the outcome of pilot scheme.
  i. Planning and implementing full programme monitoring and evaluation.

- Advantages of 360 degree appraisal:

  The 360 degree appraisal method has certain advantages. These advantages are not substitutes for those of tradition tonal appraisals but in addition them. Normally, 360 degree feedback is viewed as supplements to the regular key result area (KRA) based appraisal systems rather than as replacement of the same. Besides these, it has the following advantages. It adds objectivity and supplements the traditional appraisal system.

  a. it is more objective than a personal assessment of traits and qualities.
  b. It provides feedback which is more acceptable to the employees.
  c. It helps to focus on internal customer satisfaction.
d. It is a good tool for enhancing customer services and quality of inputs and service to internal customer.

e. It is more participative and enhances the quality of the HR decisions.

f. It can serve all the purposes which the traditional appraisal system serves, i.e., identifying the development needs, rewards management, performance development, etc.

540 degree feedback:

The latest method of performance appraisal is 540 degree feedback. The range of feedback on the performance of an employee is generated from stakeholders- superiors, subordinates, peons, internal and external customers, clients or suppliers is known as 540 degree appraisal. In this, the customers and suppliers also evaluate the performance. This being the difference between 540 degree and 360 degree appraisal, general electric company, USA is the first company to adopt this method in early 1990.

Companies using 540 degree feedback-
Voltas, Godreg, Reliance, Tata steel, Infosys, American Express, Wipro, Telco, Trenmark and Thomas Cook.
> **Balanced score card:**

The Balance Score Card (BSC) creates a template for measurement of organisational performance as well as individual performance. It is a measurement based management system, which enables organisations to clarify vision and strategy before initiating action. It is also a monitoring system that integrates all employees at all levels in all departments towards a common goal. BSC translates strategy into performance measures and targets, thus making it operational and highly effective. It helps cascade corporate level measures to lower level so that the employees can see what they must do well to improve organisational effectiveness and help focus the entire organisation on what must be done to create breakthrough performance. BSC was introduced in 1992 by Dr. Robert Kaplan and David Norton and has been successfully adopted by numerous companies worldwide.

**Assessment centre:** experts from various departments are brought together to evaluate individuals or groups specially their potentials for promotions.

### 7.1.8 Errors in Performance Appraisal:

Differences in perception and value systems influence evaluations. For instance, two raters observe an employee disagreeing with a supervisor. One perceives this as insubordination, but the other sees it as a willingness to stand up for what he believes in. Individual rater bias can seriously compromise the credibility of an appraisal.

Some of the common syndromes are:

- **Halo effect:** This is a tendency to let the assessment of a single trait influence the evaluation of the individual on other traits too.

- **Horns effect:** This is a tendency to allow one negative trait of the employee to colour the entire appraisal. This results in an overall lower rating than may be warranted.
Leniency or constant Error: Depending upon the appraiser’s own value system which acts as a standard, employees may be rated leniently or strictly. Such ratings do not carry any reference to actual performance of the employees. Some appraisers consistently assign high values to all employees, regardless of merit. This is a leniency error. The strictness tendency is a reverse situation, where all individuals are rated too severely and performance is understated.

Central tendency: This is the most common error that occurs when a rater assigns most middle range scores or values to all individuals under appraisal. Extremely high or extremely low evaluations are avoided by assigning “average ratings” to all.

Spill over effect: This refers to allowing past performance to influence the evaluation of present performance.

Personal Bias: Perhaps the most important error of all arises from the fact that very few people are capable of objective judgements entirely independent of their values and prejudices.

The above errors have evoked concerns about performance appraisal. McGregor (1960), with his concern for the human side of enterprise, appraisal represented a judgemental and de motivating process. Similar concerns were voiced by Deming (1982) who suggested that appraisal was “a deadly disease” which blamed individuals for problems systematic to organisations. Margerison(1976) went as far as to predict that appraisal would ‘fall apart at the seams’ due to a combination of managerial indifference, employee ambivalence and union opposition. This theme was reiterated by Fletcher (1993), who suggested that the days of standardised appraisal were numbered. But, despite these gloomy predictions, the use of performance appraisal has flourished.
7.1.9 Potential Appraisal:

In consonance with the philosophy of human resource development that has replaced the erstwhile personnel management in many organisations, more emphasis is been laid on the appraisal of the employees potential in addition to their performance. Performance is a thing of the past, while potential includes the possible knowledge. Skills and attitudes the employees may possess for better performance.

The purposes of a potential review are:

i. To inform employees of their future prospect.

ii. To enable the organisations to draft a management succession programme.

iii. To update training and recruitment activities.

iv. To advise employees about the work to be done to enhance their carrier opportunities.

The following are some of the requirements and steps to be followed when introducing a potential appraisal system:

➢ Role description: A good potential appraisal system would be based on clarity of roles and functions associated with the different roles in an organisation. This requires extensive job description to be made available for each job. These job descriptions should spell out the various functions involved in performing the job.

➢ Qualities required: Besides job descriptions, it is necessary to have a detailed list of qualities required to perform each of these functions. These qualities may be broadly divided into 4 categories:

a. Technical knowledge and skills

b. Managerial capabilities and qualities.

c. Behavioural capacities.

d. Conceptual capabilities.
Indicators of Qualities: A good potential appraisal system besides listing down the functions and qualities would also have various mechanisms for judging these qualities in a given individual. Some of the mechanism for judging these qualities is:

a. Rating by others.

b. Psychological test.

c. Simulation games and exercises.

d. Performance appraisal records.

Organising the system: Once the functions, the qualities required to perform these functions, indicators of these qualities, and mechanism for generating these indicators are clear, the organisation is in sound position to establish and operate the potential appraisal system. Such establishment requires clarity in organisational policies and systematisation of its efforts.

Feedback: If the organisation believes in the development of human resources it should attempt to generate a climate of openness. Such a climate is required for helping the employees to understand their strengths and weaknesses and to create opportunities for development. A good potential appraisal system should provide an opportunity for every employee to know the result of assessment. He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanism used by the organisation to appraise his and the results of such an appraisal.

A good potential appraisal system provides opportunities continuously for the employees to know his strengths and weaknesses. These are done through periodic counselling and guidance sessions by either the personnel department or the managers concerned. This should enable the employees to develop realistic self perceptions and plan his own career development.
7.1.10 **Self Appraisal:**

Development or change takes place only if the appraise is interested in development or change. Such a desire is normally an outcome of self-review or reflection. It is an opportunity for the appraisee to recapitulate and list down his accomplishments and failures. The most important part of self-appraisal is the process of review and reflection through performance analysis. A thorough performance analysis done prior to the review discussion helps in making the review discussion fruitful. Review discussions aim at making the appraiser and the appraisee understand each other better by communicating the performance analysis of the appraiser’s performance. It is in this discussion that the appraiser should:

i. Complement the appraisee for his accomplishments and good qualities.

ii. Understand and appreciate his difficulties and make action plans to help him in the future.

iii. Understand the appraisee’s perceptions of the situation and correct the perceptions if necessary.

iv. Help him to recognise his strong points and weak points.

v. Communicate the expectations of the appraiser from appraisee.

vi. Identify developmental needs of the appraisee and chalk out a course of action for meeting these needs.

7.1.11 **Performance Appraisal System:**

The quality of an appraiser is much more crucial than the appraisal methods. It is desirable to make the immediate superior a party to the appraisal programme. The assessment can be accomplished by an individual or by a combination of the immediate superior, other managers acquainted with the assessee’s work, a higher level manager, a personnel officer, the assessee himself and the assessee’s subordinates. Training of appraisers has been largely stressed as a measure to
improve performance appraisals. Appraisers can be trained with a view to improving their ability to evaluate subordinates and discuss evaluation with them effectively.

The following questions can provide an assessment of performance appraisal system:

i. What purposes does the organisation want its performance appraisal system to serve?
ii. Are the appraisal forms designed to minimise errors and ensure consistency?
iii. Does the process of appraisal serve the purpose of effective communication between the appraiser and the appraisee?
iv. Do the appraisal forms really get the information to serve the purposes?
v. Are superiors rewarded for correctly evaluating and developing their employees?
vi. Are the evaluation and developmental components separated?
vii. Are superiors relatively free from task interference in doing performance appraisal?
viii. Are the appraisals being implanted correctly?

The following questions serve as guidelines for assessing the end-product of performance appraisal:

i. Did the appraisal session motivate the subordinate?
ii. Did the appraisal built a better relationship between the supervisor and the subordinate?
iii. Did the subordinate come out with a clear idea of where he or she stands?
iv. Did the superior arrive at a fair assessment of the subordinate?
v. Did the superior learn something new about the subordinate?
vi. Did the subordinate learn something new about the superior and pressures he or she faces?
vii. Does the subordinate have a clear idea of what corrective actions to be taken to improve his/her own performance?
Executive Performance Contents and Criteria:

EXHIBIT

Contents:
- Job knowledge
- Quality of work
- Leadership
- Problem solving and decision making
- Planning and organising
- Responsibility and accountability
- Customer service
- Business judgement
- Ability to work with others
- Motivating others
- Creativity
- Initiative and enthusiasm
- Interpersonal competence
- Communication skills
- Integrity and courage
- Honesty and sincerity

Criteria:

Periodicity of appraisal (tick any 1):
Quarterly    half yearly    yearly

Performance criteria (tick any 1):
Exceeds performance    meets performance
below performance    Standards
7.1.12 Performance Appraisal Guidelines:

- Keep the system simple and keep the paper work burden down.
- It is a managerial tool to be used for improving results under the manager’s province. But it should not be used punitively and unjustly.
- Establish and maintain two entirely different performance appraisal systems: one geared to making pay decisions and the other designed to yield information about employee development.
- Once a system has been decided upon, apply it for several years; in other words don’t tinker with the system annually.
- Do not rely on formal performance appraisals to do the entire job in communicating on performance; day-to-day informal contacts must do the bulk of the job.
- Review performance formally at least once in a year and also whenever there has been a repetition of negative employee behaviour.

7.1.13 Performance Appraisal in Practice:

Traditionally appraisals are carried out by the supervisors of the employees. Some companies do follow self appraisal and compare the same with the traditional appraisal of the supervisors. A new approach has been recently enunciated by the western management gurus, which is known as 360 degree appraisal whereby appraisals are required to be carried out not only by the supervisors, but also by the supervised (subordinates) and peers. This approach also needs a re-look in the context of leadership concepts being practiced universally. If one requires to be appraised on how well he performs the leadership role, the appraisal should originate from the followers (bottom to top approach) and not from their supervisors alone.

While the supervisors can appraise, on the performance standards, goals, targets, achievements, the leadership attributes need to be appraised only by those being
supervised. This argument is quite valid for higher level executives including CEOs. Therefore, all the three approaches, top-bottom, bottom-top and peer level appraisal will be very relevant. Perhaps, appropriate weight age is required to be assigned for appraisals being carried out in the 360 degree system, which is yet to take off seriously in many organisations.

It is quite disappointing to note that appraisals are not being carried out with the due importance and seriousness they deserve though the systems provide scope for periodic and timely appraisals. Normally appraisals are being carried out once a year or at the most twice a year as per the existing practice. Many organisations do follow monthly and quarterly appraisals for management trainees till they are confirmed, and follow the by-annual or annual appraisal system thereafter. Appraisal is a continuous process, to be scientifically carried out day in day out, if one has to seriously carry out appraisals.

7.1.14 Performance Review and Feedback:

Performance review or evaluation interview is necessary with a view to communicate effectively with each employee on his performance. The main thrust of the system is to effectively develop the communication process between the appraiser and the appraise so that individual strengths and weaknesses are identified and necessary corrective actions taken. If the performance of the employee falls short of the standards set in the process of goal setting, the employee is encouraged to improve his performance. Similarly, if the employee has exceeded the standard he is encouraged to accept a higher goal.

Evaluation interviews are not easy to conduct, and if they are poorly handled they may lead to hostility and greater misunderstanding. Performance review can be quite beneficial to the organisation and to the individual involved if done properly. Consequently, many companies have spent a great deal of time and effort on training their supervisors to handle evaluation interviews more effectively. To ensure that no
essential part of the interview is left out, supervisors are often encouraged following a standardised outline.

For example:

a. The supervisor tells the subordinate the purpose of the interview and that it is designed to help him do a better job.
b. The supervisor then presents the evaluation, giving the strong points first and then the weak points.
c. Next supervisor asks for general comments on the evaluation.
d. The superior then tries to encourage the subordinate to give his own picture of his progress, the problems he is meeting, what he can do to solve them, and how his supervisor can help him.

The interview ends with a discussion of what the subordinate can do by himself to overcome his weak points and what the supervisor can do to help. The supervisor tries to accept any criticism or aggression on the part of the subordinate without argument or contradiction.

Feedback is important in letting your employees know how they are doing. Without feedback, employees tend to assume that their performance is acceptable. If they make the wrong assumption for an extended period of time, a serious performance problem can develop—one that may be hard to correct. There are 2 types of feedback—positive and corrective. Providing regular feedback is important if you want to demonstrate to your employees that you care about them. It is also another way to make the human–touch appraisal process an ongoing activity.

Giving feedback on performance requires an intelligent and diplomatic approach. Overwhelming negative feedback often causes genuine stress, demotivation, demoralisation, and even depression, all of which can have a serious impact on how someone does his job. Positive feedback strengthens performance. There are some managers who think that, as long as you don’t tell an employee there’s a problem, the employee should assure that everything is okay. Some of these managers think that giving positive feedback is a sign of weakness. But the fact is, most people are
motivated by the desire to achieve specific results-especially established goals. And generally, employees will work to achieve these goals as long as they believe that what is recognised and appreciated.

In his all-time best-seller, the one-Minute Manager, Dr. Ken Blanchard introduces the philosophy of “catching” your employees doing something right.

7.2)  **DIFFERENCE IN NUMBER OF EMPLOYEES**

Century Pulp and Paper Mill - Lalkua (Uttrakahnd)
Number of employees: 2,687

West Coast Paper Mills Ltd.- Dandeli (Karnataka)
Number of employees: 2,620

Orient Paper Mills and Industries Ltd. - Amlai (Madhya Pradesh)
Number of employees: 1,896

Emami Paper Mills Ltd. – Kolkata (West Bengal)
Number of employees: 2,500

7.3)  **DIFFERENCE IN WORKING CONDITIONS**

7.3.1 Working conditions of Century Pulp and Paper Mill - Lalkua (Nanital), Uttrakhand:

Century Pulp and Paper, a unit of century Textiles and Industries Ltd. Is flagship company of B.K Birla group of Industries. The company is an ISO-9001:2000 and ISO-14001 certificated unit and has established its brand very well in the domestic and overseas market; with excellent quality of its products i.e. writing printing papers and dissolving/ paper grade pulp. The company has the following installed capacities:
Energy conservation commitment policy and set up:
Mill has accorded high priority for energy conservation from the inception. Accordingly for energy conservation, a cell consisting of all energy producers and consumers is formed. The objective of the cell is to coordinate the steam and power requirement of the mill, study the causes of variance in consumption figure with targets on daily basis and take corrective measures. The cell also identifies energy conservation schemes and monitors their progress. Energy conservation is the part of Mill’s environment policy. Some of the major energy saving projects implemented by us are-

✓ Capacity utilisation continuously increased.
✓ Fine tuning of pumps.
✓ Installation of VFD’S.
✓ Optimization of voltages and frequency of own generation.
✓ Optimization of operating procedures for Agitator, Depithers.
✓ Energy efficient lightening practices.

This Mill also believes that apart from energy conservation lot of savings can be generated by effective utilization of plant capacities. The thrust is on continuous plant operation without any unscheduled stoppages.

Achievements:
90 schemes have identified and implemented in the last 3 years with an investment and resulting into savings. The specific energy has a reducing trend.

Environment and safety:
Preserving and protecting the environment is a top priority at century. Mill is always sensitive to Mills biodiversity of the soil, water and air around us. The power plant features an efficient system for reducing Air emissions. Electrostatic
precipitator has been installed to remove particles from recovery boilers, coat-fired boilers and lime kiln flue gases.

In strict adherence to the standards and guidelines, the effluent is modern ETP which is recognised as a model plant for its efficiency and performance. Company’s adoption of a systematic approach to the environment matters including waste minimization, water- recycling and re-use programs of the by-products has facilitated the company in getting the ISO14001 certification for its environment management system company’s friendship with environment has also reflected in its bagase based papers being licensed.

Century’s socio forestry venture, to scientifically grow large scale plantation to meet the future raw material requirement reflects company’s commitment towards sustainable development. The company’s maintains and distribute quality saplings to farmers and offers technical support. Massive plantation and green belt has been developed within and around the company premises. The employees are very conscious about the safety aspect of the mill and strive to achieve zero accidents. For this departmental safety commitments operate under the control of central safety committee. Work permit system exists for all jobs. Analysis is done for each accident, root causes identified and counter measures are taken. As a proactive approach, frequent safety patrols are carried out to identify unsafe acts and conditions in the plant. There is continuous thrust for training of employees and regular training and awareness programs are conducted.

Definition of working condition:
The conditions in which an individual or staff works, including but not limited to such things as amenities, physical environment, stress and noise levels, degree of safety or danger, and the like.

Working conditions refers to the working environment and all existing circumstances affecting labour in the work place, including job hours, physical aspects legal rights and responsibilities. For example congress has explained that the purpose of the
federal occupational safety and health Act, which IOSHA implements in Indiana, is to
assure so far as possible every working man and women in the National safe and
healthful working conditions.

7.3.2 Monitoring and Evaluating Performance Appraisal:

It is not only important to monitor the introduction of performance appraisal
very carefully, but it is equally vital to continue to monitor and evaluate it regularly,
so that any drawbacks can be corrected. The ultimate test, of course, is analysing
organisational performance to establish the extent to which improvements can be
attributed to performance appraisal. It may be difficult to establish a direct
connection but more detailed assessment with managers and staff on the impact of
the process may reveal specific areas in which there have been improvements.

Constraints of performance appraisal:
An interaction with over 100 managers of various backgrounds in BHEL highlighted
the following common constraints in implementing performance feedback as
perceived by them:

- A work culture not so conducive to proper giving and receiving of feedback.
- Lack of appreciation about the philosophy and benefits of performance
  feedback.
- Lack of willingness of superiors’ management in adopting this practice.
- Fears and apprehensions about the use of performance feedback outcomes.
- Confidentiality in the existing performance appraisal system.
- Interference by the trade unions in case of workers.
- Lack of proper system.
- Lack of accountability.
- Lack of clarity on role, goals, job demands.
- No direct linkage of performance feedback system with rewards or
  punishments.
- Lack of proper skill in performance analysis and giving feedback.
- Constraint of time availability.
- Personal bias and subjectivity.
- Non-uniformity in the criteria of performance appraisal.
- Lack of trust and openness in people and conservativeness.
- Heterogeneous interest.
- Low motivation.
- Target achievement oriented system.
- Non-recognition of the effort in subordinate development.

7.3.3 Approaches to performance appraisal:

Generally speaking 3 approaches are used in making performance appraisal:

a. A casual, unsystematic and often haphazard appraisal:
   This method was commonly used in the past, but now it has given place to a more formal method, the main basis being seniority or quantitative measures of quantity and quality of output for the rank and file personnel.

b. The traditional and highly systematic measurement of:
   1. employee characteristics and
   2. Employee contributions or both.
   It evaluates all the performance in the same manner, utilising the same approach. So that, the ratings obtained of separate personnel are comparable.

c. The behavioural approach, emphasising mutual goal setting:
   According to Mc Gregor, in the traditional approach, the supervisor is placed in the position of “playing gods”. He judges and at times criticises the personal worth of his men. Therefore, emphasises been laid upon providing mutual goal-setting and appraisal of progress by both the appraiser and the appraisee. This approach is based on the behavioural value of fundamental trust in the goodness, capability and responsibility of human beings.
Pepsi cola international (PCI), with operations over in 150 countries, has devised a common performance appraisal system that focuses on motivating managers to achieve and maintain high standards of performance. Administrative consistency is achieved through the use of a performance appraisal system of 5 feedback mechanisms- instant feedback, coaching, accountability based performance appraisals, development feedback, and a human resource plan. The common system provides guidelines for performance appraisal, allows for modification to suit cultural differences. For example- the first step of instant feedback is based on the principle that any idea about any aspect of the business or about an individual’s performance is raised appropriately and discussed in a sensitive manner. The instant feedback message can be delivered in any culture; the important thing is not how it is done but that it is done. The purpose of instant feedback is always to improve business performance, not to criticise cultural styles. Using this system, PCI tries to balance the cultural and administrative imperatives of successful managing the performance of a diverse workforce.
7.4) Difference in Performance Ratings / Grades

7.4.1 Need of Rating System:

Because employers promote the fact that “what” is achieved in the job is just as important as “how” it is achieved. Employers should consider a system that simultaneously rates both job competence and job behaviours. The advantage of using a dual rating system is that it can more accurately reflect the actual performance contributions of the individual being rated.

Case in point:

The highly competent employee who accomplishes all of their job responsibilities yet treats their colleagues like second-class citizens. In other words, the work gets done but their behaviour towards co-workers is deplorable. On a rating scale of 1-5, five being the highest, the manager might be apt to give the employee a 4. Discounting the rating by one point to account for the employee's lousy treatment of colleagues. In reality, the job competence really is a 5, the highest rating and the behaviour rating should be a 1 or 2 at most.

Determining the overall rating:

The final rating for the significant performance categories will determine the overall rating employer give to the employee. To help in determining the Final Ratings for the significant categories, consider:

- The employee’s performance during the entire rating period.
- The ratings for each of the fixed categories and any optional categories, and
- Any supervisor’s discussion notes.

These should support the overall performance rating.

7.4.2 Rating System Method:

It is the method of appraisal where employees are rated on a scale against certain characteristics such as excellent, very good, good, satisfactory, fair and poor.
Rating methods of appraisal often ends to cluster in the middle that is between excellent and poor. Rating method also has a halo impact that is, on graded characteristics is likely to influence another. This is because any performance factor considered by management to be acceptable, the manager reiterates the required standards and agreement is reached on steps to improve performance or if an appraisal rates work knowledge as very good, it will be difficult for him to rate work output as poor. The rating has thus been found to be an inappropriate method unless the rating characteristics have been adequately explained.

❖ Essay Evaluation Method:

It means that the evaluator describes strengths and weaknesses of an employee’s behaviour.

❖ Graphic Rating Scale:

It is currently the most widely used rating method, which is based on assessing a person or the quality and quantity of his work. (ex- outstanding, above average, average, unsatisfactory). When supplemented by a few essay questions, it should be suitable for many purposes.

❖ Forced Choice Rating:

It was developed to reduce bias and establish objective standards of comparison (appraiser chooses among groups of statements those which best/ least fir a rated individual). The technique is usually limited to middle and lower management levels where jobs are similar enough to make common forms.

❖ Work Standards Approach:

It has evolved from MBO method, where organisation set measured daily work standards. When realistically used, it can make an objective and accurate appraisal for the work of both employees and supervisors.

Performance effectiveness levels for- Job Competence (job responsibilities, skills and goals) and Behaviours (organisational values):
<table>
<thead>
<tr>
<th>Job Competence</th>
<th>Behaviours</th>
<th>Ratings</th>
<th>Rating Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding or Exceptional</strong></td>
<td>✓ Individual in this category demonstrated exceptional ability to exhibit organisational values. ✓ All job competence requirements, planned goals and objectives were achieved well above expectations. ✓ Accomplishments were made in unexpected areas.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exceeds exceptions</strong></td>
<td>✓ Individuals in this category consistently exceeds expectations in most of the organisational values. ✓ All requirements were met and goals and objectives were achieved above the established standards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Solid Performer</strong></td>
<td>✓ Individual in this category meet expectations at times exceeds them in demonstrating organisational values. ✓ The requirements of performance were met and goals and objectives were achieved.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Developing Performer</strong></td>
<td>✓ A rating at this level reflects that individual is in a growth and learning mode in terms of organisational values. ✓ Greater growth and development in the role can and are in the process of being achieved. ✓ Developmental goals and skill development support will help this individual continue to learn and grow their capabilities. ✓ New employees, newly promoted or transferred employees tend to fall into the growth and development mode.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Improvement Required</strong></td>
<td>✓ Performance is some what below expectations for full competence, but some elements of satisfactory Performance are exhibited. ✓ A rating at this level anticipates that improvement is achievable. ✓ This rating requires that a Performance support plan be written.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unsatisfactory</strong></td>
<td>✓ Performance is consistently below expectations. ✓ A rating at this level requires that a performance plan be written. ✓ Requires excessive time and attention by supervisor.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
- **Exceptional:**
  Performance is consistently exceptional and universally recognised as supervisor. Employee regularly takes on stretch goals beyond the scope of the position and has exceptional command of the company’s performance factors. Accomplishments were made in unexpected areas.

- **Exceeds Expectations:**
  Performance is consistently and significantly above what is required for the position. All goals and objectives were achieved above the established standards. Employee consistently exceeds expectations across most of the company’s performance factors.

- **Meets expectations:**
  Performance is dependable and meets the requirements of the position and at times will exceed same requirements. Employee meets expectations across most of the company’s performance factors. Appraisal rating at this level may also reflect the individual is in a growth and learning mode in terms of the Job Performance. Greater growth and development in the role can and are in the process of being achieved. New employees newly promoted or transferred employees generally fall into this category. Areas for growth are noted within this document.

- **Improvement required:**
  Performance occasionally meets the requirements of the position and same assignments, but is somewhat below expectations. Employee is not meeting minimum expectations across several of the company’s performance factors.
- **Unsatisfactory:**

  Performance fails to meet the minimum requirements of the job. Employee is consistently below expectations across most of the company’s performance factors. Specific improvements are required in significant areas.

### 7.4.3 Advantages of Using Different Rater for a Performance Appraisal:

Using a multiple rater system for employee Performance Appraisal should provide more consistency, relative to a single-rater system, while offering a broader perspective as an employee’s performance. These benefits are of such value to many organisations that they use what’s referred to as a 360 degree feedback system.

### 7.4.4 How to Prevent Rating Errors in Performance Appraisal:

Performance Appraisal tells employees if they’re meeting their job standards and how to improve the quality of work, if applicable. Many types of Performance Appraisal use a rating system based on Performance standards. Some of these rating systems use a numbered scale that lists attributes. The more of an attribute the employee possesses, the higher he/she ranks on the scale. For example-on a scale from 1 to 5, an employee could have a friendliness rating of 4 or an organisation level of two.