

# Emerging Trends and Practices in Employee's Performance Appraisal System

**James Pal, Head, Human Resources**  
Money4Drive Advertising Pvt. Ltd., India

**Dr. P. K. Gupta, Retd. Professor**  
Institute of Management Studies, Devi Ahilya University, India

**Dr. Kapil Jain, Assistant Professor**  
International Institute of Professional Studies, Devi Ahilya University, India

**Dr. Jyoti Jain, Lecturer**  
International Institute of Professional Studies, Devi Ahilya University, India

**Mayura Kemkar, Assistant Professor**  
Dept. of Management Studies, Shri G S Institute of Technology and Science, Indore, M.P

## ABSTRACT

Effective Performance Appraisal System is the key to promote performance-oriented work culture. The job of human assets in organizations has been quickly developing in the most recent decade. HR has been progressively getting abundant consideration as a basic vital accomplice by accepting transformational jobs and duties. The present paper is aimed to highlight recent trends and practices of employee performance appraisal. The study also focuses on the different traditional and modern methods of performance appraisal system. All method of performance appraisal has its own strengths and weaknesses. Depending upon the type of organization and suitability, one of the methods is adopted. As such, there is no single method that is the best or widely accepted by every organization. Traditional methods lay emphasis on rating of the individual's personality traits, like intelligence, integrity, initiative, dependability, leadership potential etc. Modern methods focus more on the evaluation of work results, achievements more than the personal traits. Modern methods are more objective and work best in assessing an employee's performance.

*Keywords: Employee's Performance Appraisal System, Human Resource and Performance Management.*

## INTRODUCTION

Performance appraisal system is an efficient and systematic process in which an employee is awarded on the basis of his contribution to the organization or on the number of projects he worked upon. Another name for performance appraisal is annual review or performance review. Effective Performance Appraisal System is the key to promote performance-oriented work culture. The job of human assets in organizations has been quickly developing in the most recent decade. HR has been progressively getting abundant consideration as a basic vital accomplice by accepting transformational jobs and duties. Overseeing human resources is a hugely significant need for organizations and incorporating all human asset performance is the achievement key. Today organizations performance is followed all the more every now and again, for example, month to month/quarterly instead of the yearly promise. The present business needs profoundly capable and submitted representatives.

The 21st century has introduced progressed mechanical developments that brought about expanded utilization of innovation in all circles of individuals' lives. The centre focal point of any organization is client-driven or client charm is inferred through superior conveyance by workers. Vital HRM is the connection between worker performance and hierarchical performance. Progressive organizations are concentrating on "key HR," adjusting HR activities to the general objectives of the organization to improve business achievement. Adjusting Employee Performance Management (e-Performance Management) with

Corporate Performance Management (C-Performance Management) is basic to business achievements. Senior's expectations can be accomplished by having the right performance framework, planned and actualized in the organizations. In the quickly creating financial part, the financial business requests great client reaction and this is conceivable just by executing the right performance on the board frameworks. The significant objective of any powerful organization is to guarantee that its people can do the assortment of undertakings related to their job/position in the organization. A portion of these assignments may not be all that unmistakable and representatives themselves may need to distinguish them. Thus, the organization must understand the job prerequisites and the worker capacities too. This affectability may prompt identification of development of needs of representatives and prerequisites of their occupations. The present paper is aimed to highlight recent trends and practices of employee performance appraisal. The study also focuses on the different traditional and modern methods of performance appraisal system.

## COMPONENTS OF PERFORMANCE APPRAISAL

**Define expectations:** The first thing to do is setting expectations. In any kind of performance appraisal system, expectations are set. Employees must know what is expected out of them. What goals they need to achieve or what are the monthly targets they are required to meet. These targets work as a standard tool against which their performance will be measured and their report will be made by the human resource manager.

**Measure and Evaluate:** The employers check the performance of an employee and compare it with the predetermined standards or expectations. This involves checking how much work he has done. What efforts he has made in order to achieve the targets. This not only involves evaluating the amount of work he has done, but also the quality of work he provided to the management.

**Provide feedback:** It is an important process wherein the employer gives feedback to the employee and motivates him to work more efficiently. After assessing his performance, the employer tells him how he has performed, if he was able to achieve the targets and where he lacks. Employees often look forward to the feedback given to them after the evaluation. It helps them improve their performance and work on their weaknesses. A constructive feedback is essential for the employees which shows that where they actually stand. It praises good performance, modifies poor performance, and guides the employees towards the right path in achieving their goals.

**Record performance:** After giving the feedback, the employer must maintain the record of an employee's performance. It helps the employer in measuring the effectiveness of his feedback. On the basis of this record, an employee is rewarded or given an increment in his salary.

Based on the Annual Performance Appraisal of employee, the employee will get the following types of Annual rewards:

### Intrinsic rewards

The satisfaction one gets from the job comes under intrinsic rewards. An employee feels confident and worthy when he is given challenging job or work, which can bring a good learning for him. Job rotation gives an employee a feeling of self-motivation and having pride in his work. The techniques of flexi time, job rotation, shorter work weeks, job enrichment and others like these offer intrinsic rewards to the employees.

### Extrinsic rewards

It includes promotions, money and fringe benefits. These rewards are given by the management in contrast to intrinsic rewards self-experienced by an employee. Management decides the promotion and increment that should be given to the employee on the basis of his annual performance. Some of the extrinsic rewards are-

### Rise in Salary as a result of Performance Appraisal:

- Normal Increment
- Special Increment
- Exceptional Increment

**Salary Corrections:** These corrections are made to bring the salary commensurate with job responsibility and market rates.

**Promotions:** Promotions are based not only on the performance of the employee but also on the capability and potential of an Employee to accept higher responsibilities attached to the position to be promoted to. Some employees are average performing while some are immensely hard-working as a result of which they can make a huge difference in the company's profits and status. Such employees are given higher responsibilities in an organization. Promotions are directly related to increment in status, power and money.

**Performance Award:** Performance award is given only on High Performance.

**Bonus:** a bonus is basically a lump sum, short term monetary reward. Bonus system depends on organization to organization. Some organizations give bonuses to all employees after a fixed amount of time, say after every 6 months. And some organizations give it on a performance basis. Employees work harder for the bonus and are motivated to give their best.

**Fringe Benefits:** it includes things outside the basic pay, for example pension plan, house rental, furniture maintenance, a company car, grocery card, shopping cards, health insurance and many others. These things attract the employees and they get motivated towards working harder. Also, it keeps them happy. Now a day's more emphasis is given on keeping the employees satisfied and happy at the workplace. According to a research, happy employees are more dedicated and loyal towards their job and contribute to their fullest.

## **PERFORMANCE APPRAISAL METHODS**

Each method of performance appraisal has its own strengths and weaknesses. Depending upon the type of organization and suitability, one of the methods is adopted. As such, there is no single method that is the best or widely accepted by every organization. Performance appraisal methods can be classified into two categories- traditional and modern methods. Traditional methods lay emphasis on rating of the individual's personality traits, like intelligence, integrity, initiative, dependability, leadership potential etc. Modern methods focus more on the evaluation of work results, achievements more than the personal traits. Modern methods are more objective and work best in assessing an employee's performance.

### **Traditional Methods**

**Ranking method:** This is the oldest method of performance appraisal in which an employee is rated after comparing him to other employees in the organization. His worth is decided with respect to other employees. Rating is given from highest to lowest or from best to worst. In this, the employee who has been rated high on the characteristic being measured and the employee who is rated low are noted down or indicated. Then the next highest and next lowest is indicated. Likewise, the process continues until no employee is left. This method has limitations like it gets difficult to rate the employees when they are large in number, also it does not tell how much better or worse an employee is; as compared to others.

**Grading method:** In this, specific categories are established in advance and defined carefully. For example, three categories have been defined for its employees in an organization- outstanding, satisfactory and unsatisfactory. These are called grades. Employees are then allocated the decided grades on the basis of their performances. Such type of grading can be seen in the selection of candidates in the public sector.

**Forced distribution method:** This method was evolved by Tiffen. It eliminates the central tendency of rating most of the employees at a higher end of scale. The method assumes that the employee's performance level conforms to a normal statistical distribution- 10, 20, 30, and 40 percent. It becomes useful when the number of employees is large in number, it reduces bias. It is a very simple method and adopted widely by organizations.

**Forced choice method:** It contains a group of statements and the employees are rated according to how well a statement describes them. There are two types of statements- positive and negative. An example of a positive statement would be- gives good and clear instructions to the subordinates. On the other hand, a negative statement would be- makes promises beyond his limits.

**Checklist method:** In this method, the HR manager prepares a series of questions with their answers as YES or NO. This checklist is then given to the rater so that he ticks the answers relevant to the employee's performance. Each question carries a weightage. After the check list is filled for all the employees, it is sent

to the HR department for the preparation of final scores. However, if there is more number of job categories in an organization, then a checklist of questions will be required for each category, resulting in wastage of time, money and efforts. So, from a cost standpoint, this method becomes ineffective.

**Essay method:** This method is probably the simplest of all the traditional performance appraisal methods available. In this method, the rater writes a description of every employee's strengths, weaknesses, achievements, potentials and suggestions for improvements. It's very easy to use as it does not require any extensive formats or training. However, it depends on the writer's writing skills. If the rater is not able to describe the performance of the employee correctly, then this method may go wrong. Also, there is no proper structure or format to be followed, so the length and content may vary.

**Field review method:** This method is used when there is a doubt in the ratings given by the rater. If there is biasness involved, a review method is used. If his or her rating appears to be higher than everybody else, a field review method is conducted by the officers in the HR department. It involves;

- Identification of the areas of inter-rater disagreements
- Help the group arrive at a consensus.
- Ensure that each rater conceives of the standard similarity.

**Confidential report:** It can be seen mostly in the government departments wherein an immediate supervisor evaluates the employees for promotion. It's a traditional way of appraising the employees. The report contains the employee's strengths, weaknesses, intelligence, attitude, character, discipline and attendance.

### Modern Methods:

**Management by objective:** Most of the traditional methods are subject to the antagonistic judgments of the raters. So, to overcome this problem, MBO (management by objectives) was propounded by Peter F. Drucker in 1954. In this method, managers and subordinates in an organization decide its objectives, define each one's area of responsibility and later on using these measures in assessing the contribution of each of its employees. It is a system to compare the actual performance or achievements of an employee with the defined objectives.

Generally, objectives are set with the help of employees. They should be achievable, yet challenging. It generates a feeling of motivation in employees. In MBO, focus is more on rewards, not on punishment. Personal growth and development are emphasized. There are certain limitations of this method-

**Time consuming:** The steps involved in MBO like setting up objectives, measuring performance and providing feedback takes a lot of time and effort.

**Tug of war:** Objectives are set with the help of subordinates. Managers try to set higher objectives, but subordinates go for lower ones. This results in quarrel between them and ultimately ends up in setting unrealistic objectives.

**Immeasurable objectives:** MBO results in setting up unmeasurable objectives sometimes. The objectives set are unrealistic and cannot be measured, for example- "will provide better training" is immeasurable. On the other hand, having five subordinates promoted this year is a measurable one.

**Lack of Trust:** Management by objectives can get tricky in an environment where the management doesn't trust its employees and take decisions without asking the employees. In such an autocrat system, MBO can get ineffective.

**360-degree appraisal:** In this method, various attributes like employee's skills, abilities, behaviour is collected about an employee, from his subordinates, peers, supervisors and clients. In short, an employee is rated 360degree by everyone whom he interacted with in the course of his job performance. All these appraisers fill survey questionnaires related to the employees and provide their feedback.

**Behaviourally anchored rating scales (BARS):** In traditional methods, there was a problem of judgmental evaluation of employees, which gave rise to BARS. It is a description of various degrees of behaviour with regard to specific performance dimensions. It has benefits of narratives, critical incidents and quantified ratings. It typically involves five steps-

**Generating critical incidents:** Critical incidents or behaviours are essential for any job to be done effectively. Senior most persons or who have a good knowledge of the job in question are asked to describe specific critical incidents of effective and ineffective performance. These critical incidents can take the form of a short paragraph or few sentences.

**Developing performance dimensions:** The critical incidents as described by people are clustered into small sets of performance dimensions, usually five to ten. Each cluster or dimension is then defined.

**Reallocating incidents:** Some critical incidents are reallocated dimensions by another set of people who are also knowledgeable of the job in question. The critical incidents that are reallocated to dimensions are clustered into various categories, each cluster having similar critical incidents.

**Scaling incidents:** The same second group as described in step 3 rates the behaviour described in each incident in terms of effectiveness or ineffectiveness on the appropriate dimension by using a 7 to 9 points scale. Then average effectiveness ratings for each incident are determined to decide which incidents will be included in the final anchored scales.

**Developing final BARS instrument:** A subset of the critical incidents is used as a behavioural anchor for the final dimensions of performance. After this, an instrument is developed having vertical scales called the BARS instrument, and is used for performance appraisal.

**Cost accounting method:** It takes into account the monetary benefits an employee yields to the organization. This is measured by establishing the relationship between costs involved in retaining and employee, and the benefits an organization derives from him/her. While evaluating an employee's performance using this method, following factors are taken into consideration:

- Quality of the product or service delivered.
- Overhead cost incurred
- Relationship with others in the company
- Unit wise average value of production or service.
- Cost of time supervisor spent in appraising the employee.

**Assessment centres:** This concept was started in Germany and was used for the performance testing of army officials. Later on, business adopted this technique from the army. Business giants like Eicher, Hindustan Lever, Crompton Greaves and Modi Xerox have adopted the assessment centres for evaluating an employee's performance. An assessment centres is a central location where managers come together to participate in well-designed simulated exercises. Then they are evaluated by senior managers supplemented by the psychologists for some days. The managers who came to the assessment centres are asked to participate in work groups, in-basket exercises, simulations and role play which are considered to be essential for the successful performance of any job. Their behaviour is recorded and the rating need to discuss their pooled information and observations, and based on it, they give their assessment.

#### **Probation Period Appraisal Assessment after completion of probationary period:**

Probation Period in a company has been for Six Months/One Year for the category like Manager/Asst. Manager/Support Engineer (as applicable). There would be a requirement to assess a person through appraisal so as to arrive at a sound decision about retention of an individual after completion of his probation period.

**Mid Term Special Appraisal:** There would be a requirement in the organization wherein an individual may have performed exceptionally well, required to be rewarded with a special increment of annual schedule or promotion offered.

**Annual Appraisal:** Annual Appraisal is an important document which will cover summary of all aspects of an individual's performance. The personality traits which he displayed while carrying out his job with the team, his professional competence etc.

**Legal and ethical issues in the performance management system:** The performance appraisal system must follow some laws. In the eyes of the law, performance appraisal is a kind of employment test for the employee. It is thus compiled in such a manner that is similar to that of other standards of the employment

process. This system must not be used to discriminate employees on the premise of race, religion, sex, age or any kind of inability.

All the records must be carefully maintained by the organization. If there are any legal issues that arise because of the poor performers, then these records can be of help. Also, if the employees feel they have been treated unfairly, they can be shown these records. Their record of poor performance will save the employer in case the employees raise any question.

## GLOBAL TRENDS IN MODERN METHODS OF APPRAISAL

The rise of following ideas and the accompanying patterns identified with performance appraisal can be found in the worldwide situation:

**360 Degree Appraisal:** The German military initially started assembling criticism from various sources so as to assess performance during World War II (Fleener & Prince, 1997). Others additionally investigated the utilization of multi-rater criticism during this time span by means of the idea of T-bunches Known as 'multi-rater input', is the most exhaustive appraisal where the input about the workers' performance originates from all the partners. Because of the ascent of the Internet and the capacity to direct assessments online with reviews, Multi-rater criticism consistently expanded in ubiquity (Atkins & Wood, 2002). Today, contemplates recommend that more than 33% of U.S. organizations utilize some sort of multi-source criticism (Bracken, Timmreck, & Church, 2001). Others guarantee that this gauge is nearer to 90% of all Fortune 500 firms (Edwards & Ewen, 1996).

**Group Performance Appraisal:** According to a divider road diary feature, "Groups have gotten typical in all Companies". A comprehension of the connection between group procedures, results and performance is a fundamental essential to the improvement of group preparing forms. Coovert et al. (1990) recommend that group forms identify with the exercises, techniques, reactions, and practices utilized in task achievement inside groups. Group results, then again, relate to the result of the different group forms. Any group performance measure or TPerformance Management (Cannon-Bowers & Salas, 1997) must address the procedure just as result measures in a suitable way. Checks et al. (2002) contend that cooperation or group forms are the intervening connections that interface the connection between group preparation and comparing group performance inside the setting of information process-result models.

**Rank and Yank Strategy:** Known as the "Up or out approach", the position and yank methodology alludes to the performance appraisal model in which best-to-most exceedingly terrible positioning strategies are utilized to recognize and isolate the poor entertainers from the great entertainers. Murray, (2009) draws out that Jack Welch's imperativeness model has been portrayed as a "20-70-10" framework. The "best 20" percent of the workforce is generally profitable, and 70% (the "fundamental 70") work satisfactorily. The other 10% ("base 10") are non makers and ought to be terminated. Ex: General Electric, Microsoft, Infosys, Wipro etc follow this strategy.

**Competency based appraisals:** Many organizations are moving towards incorporation of competency estimation. Fletcher (1993) noticed that an expanding number of organizations utilizing competency based appraisal joined with an outcomes situated appraisal, which he finished up as a positive path forward. Capabilities are significant elements which add to elevated levels of individual performance and along these lines hierarchical adequacy Armstrong, (1998). As Redman & Wilkinson (2001) propose that the appraisal of skills has various advantages towards conduct improvement. There must be a solid connect to the skills staff have and their capacity to accomplish their set objectives. Worker capabilities prerequisites can conveniently be incorporated into appraisal frameworks Rees & Porter, (2003).

Armstrong & Baron (2005) had the option to presume that practices, for example, group appraisal and 360-degree appraisals had increasingly well known, and it gave the idea that more organizations had gotten progressively modern in their methodology and in the incorporation of performance board with other HR rehearses. Most by far still depended intensely on the attempted and tried acts of target setting and survey joined by advancement plans and performance appraisal.

## CONCLUSION

The performance appraisal system should be used for the learning and future growth of the employees. It should be used to optimize their performance rather than to promote, demote, increment or transfer of the employees. Appraisals should be written in a formal and decent language. Abusive language and emotional harassment should be avoided in any case. The results of the performance appraisal system should be fair, accurate and supported by all the evidence. Results should be kept securely and private. The information should be confidential and record storage should be controlled by a trustworthy official. Every employee should be given the permission to request for a review of their performance appraisal, in case they disagree. This review can be done by up-line supervisors. Employees should be given the opportunity to comment on the results of their appraisals. Some of the important factors that are considered in performance appraisal are attendance, efficiency, attitude, quality of work and amount of work done. The factors like attendance, amount of work and efficiency can be easily measured as these records are maintained by the human resource manager. But the quality factors like behaviour, attitude, or perception cannot be measured by any company or any manager. It becomes tricky to measure them. However, every factor should be measured as each one is important in generating the annual report for the employee and rewarding him on the basis of it.

## REFERENCES

- Aguinis, H.(1999) "Performance Management ", Edinburgh Business School, Heriot watt university, Edinbargh, U.K.
- Armstrong, M., & Baron, A. (2005). Managing performance: performance management in action. CIPD publishing.
- Atkins, P. W., & Wood, R. E. (2002). Self-versus others'ratings as predictors of assessment center ratings: validation evidence for 360-degree feedback programs. *Personnel Psychology*, 55(4), 871-904.
- Bisht, N.S. and Singh, L.K. (2012). Understanding Antecedents to Attrition for Employees with Varying Levels of Experience in Indian Software Industry Professionals. *Global Business and Management Research: An International Journal*, Vol. 4, No. 1, pp. 99-111.
- Boswell, W.R., Boudrea, J.W. and Tichy, J. (2005). The relationship between employee job change and employee satisfaction: The honey moon-hangover effect. *Journal of Applied Psychology*, Vol. 47, pp. 275-301.
- Bracken, D. W., Timmreck, C. W., & Church, A. H. (Eds.). (2001). *The handbook of multisource feedback*. John Wiley & Sons.
- Cannon-Bowers, J. A., & Salas, E. (1997). A framework for developing team performance measures in training. In *Team performance assessment and measurement* (pp. 57-74). Psychology Press.
- Coover, M. D., Salas, E., Cannon-Bowers, J. A., Craiger, J. P., & Takalkar, P. (1990, November). Understanding team performance measures: application of Petri nets. In *1990 IEEE International Conference on Systems, Man, and Cybernetics Conference Proceedings* (pp. 387-393). IEEE.
- Edwards, M. R., & Ewen, A. J. (1996). How to Manage Performance and Pay With 360-Degree Feedback: Multisource assessment can work for both performance and pay management when participants know the system is fair. But doing it right requires a commitment. *Compensation & Benefits Review*, 28(3), 41-46.
- Fleenor, J. W., & Prince, J. M. (1997). Using 360-degree feedback in organizations. Center for Creative Leadership, Greensboro, North Carolina.
- Flippo, E. B. (1968). Integrative schemes in management theory. *Academy of Management Journal*, 11(1), 91-98.
- Mazonra, C., Bruce, M., Bell, J. G., Davie, A., Alornd, E., Jordan, N., ... & Bromage, N. (2003). Dietary lipid enhancement of broodstock reproductive performance and egg and larval quality in Atlantic halibut (*Hippoglossus hippoglossus*). *Aquaculture*, 227(1-4), 21-33.

- Murphy, K. R., & Cleveland, J. N. (1995). Understanding performance appraisal: Social, organizational, and goal-based perspectives. Sage.
- Nystrom, D. C. (2001), “360-Degree Feedback – A Powerful Tool for Leadership Development and Performance Appraisal” McDowall A & Kurz R (2008), “Effective Integration of 360 Degree Feedback into the Coaching Process”.
- Redman, T., & Wilkinson, A. (2001). In search of human resource management. Contemporary human resource management, 3-23.

