



## Employees Performance Appraisal and its techniques: A Review

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**ABSTRACT:** Performance appraisal important, because it play a vital role in any organization human resource framework. There are clear benefit from managing individual & team performance to achieve organizational objectives. Performance appraisal is an important tool in the hands of personal management because this technique accomplishes the main objective of the department of the development of people by appraising the worth of the individual. The performance management process provides a vehicle through which employees and their supervisors collaborate to enhance work results and satisfaction. This process is most effective when both the employee and the supervisor take an active role and work together to accomplish the objectives of organization. Appraisal takes place annually between the manager and the employee. However there are number of trends that are changing the style and relationship of the appraisal. In this paper we present the review of some unstructured appraisal technique, traditional technique & modern techniques of performance appraisal.

**Keywords:** Rating scale, checklist, critical incidence, BARS, MBO, Assessment centre, Psychological Appraisal, 360 degree feedback, 720 degree and HR Accounting.

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### INTRODUCTION

The concept of performance appraisal was first time used during the First World War. At the instance of Water Drill Scott the U.S Army adopted the Man to Man rating system for evaluating military personnel. This concept came for industrial workers during 1920-30 under which efficient workers used to be identified and paid wages incentives and that scheme was popularly known “merit rating programmes”. In the early fifties, performance appraisal techniques began to be used for technical, professional and managerial personnel. Performance appraisal also known as merit rating, performance appraisal, employee’s evaluation, progress report, staff assessment and fitness report. Performance appraisal is a management tool which is helpful in motivating and effectively utilizing human resources. Performance appraisal (or evaluation) is the HRM activity used to determine the extent on which the employees are performing the job effectively. Performance appraisal can be either Informal, when supervisors think about how well the employees are doing and Formal, when there is a system set up by the organization to regularly and systematically evaluate employee performance. Some researchers have expressed doubts about the validity and reliability of the process. On the other hand, there are advocates of performance appraisal who claim that it may well be the most critical of all human resource management tools.

It is a powerful tool to calibrate refine and reward the performance of the employees. It helps to analyze his achievements and evaluate his contribution towards the achievement of overall organizational objectives. Performance Appraisals is the assessment of individual’s performance in a systematic way. It is a developmental tool used for all round development of the employee and the organization. The performance is measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility and health. Assessment should be confined to past as well as potential performance also. The second definition is more focused on behaviors as a part of assessment because behaviors do affect job results.

**1.1 Characteristics of an Appraisal System:** Performance appraisal cannot be implemented successfully unless it is accepted by all concerned. There should be a common and clear understanding of the distinction between evaluation and appraisal. As Patten (1982) argues, evaluation aims at 'objective' measurement, while appraisal includes both objective and subjective assessment of how well an employee has performed during the period under review. Thus performance appraisal aims at 'feedback, development and assessment.' The process of performance appraisal should concentrate on the job of an employee, the environment of the organization, and the employee him- or herself. These three factors are inter-related and inter-dependent. Therefore, in order to be effective, the appraisal system should be individualized, subjective, and qualitative and oriented towards problem-solving. It should be based on clearly specified and measurable standards and indicators of performance. Since what is being appraised is performance and not personality, personality traits which are not relevant to job performance should be excluded from the appraisal framework.

**1.2 Objectives of Performance Appraisals:**

General Objectives	Specific Objectives
Developmental Use	<ul style="list-style-type: none"> <li>➤ Individual needs</li> <li>➤ Performance feedback</li> <li>➤ Developing professional proficiency</li> <li>➤ Transfers and Placements</li> <li>➤ Identification of efficiencies and potentials</li> <li>➤ Identification of deficiency &amp; shortcomings</li> <li>➤ Strengths and Development needs</li> </ul>
Administrative Decisions / Uses	<ul style="list-style-type: none"> <li>➤ Wages &amp; Salary administration</li> <li>➤ Promotion/ Demotion</li> <li>➤ Retention / Termination</li> <li>➤ Recognition</li> <li>➤ Lay offs</li> <li>➤ Poor Performers identification</li> <li>➤ Transfer</li> <li>➤ Training &amp; development</li> <li>➤ Personnel research</li> </ul>
Organizational Maintenance	<ul style="list-style-type: none"> <li>➤ HR Planning</li> <li>➤ Training Needs</li> <li>➤ Organizational Goal achievements</li> <li>➤ Developing the spirit of competitiveness</li> <li>➤ Goal Identification</li> <li>➤ HR Systems Evaluation</li> <li>➤ Reinforcement of organizational needs</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>➤ Validation Research</li> <li>➤ For HR Decisions</li> <li>➤ Legal Requirements</li> </ul>

**1.3 Performance Appraisal Process:**

- Objectives definition of appraisal
- Job expectations establishment
- Design an appraisal program
- Appraise the performance
- Performance Interviews
- Use data for appropriate purposes
- Identify opportunities variables

Using social processes, physical processes human and computer assistance.

## **MATERIAL AND METHODS**

**2.1 Unstructured appraisal:** under this old classical methods the appraiser is require to write down his impression about the employee performance in a constructive manner in form of ACR: Annual confidential report”. Normally while writing performance report some aspect like job performance & personality traits are taken into consideration.

- Sense of responsibility
- Sense of Involvement
- Sense of Cooperativeness
- Sense of Judgment
- Sense of Initiative
- Sense of Regularity & punctuality

### **2.2 Traditional Methods:**

**Rating Scales:** Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived. Advantages–Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required.

**Checklist:** Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and HR department does the actual evaluation

**Graphic Rating:** Graphic rating scales are one of the most common methods of performance appraisal. Graphic rating scales require an evaluator to indicate on a scale the degree to which an employee demonstrates a particular trait, behavior, or performance result. Rating forms are composed of a number of scales, each relating to a certain job or performance-related dimension, such as job knowledge, responsibility, or quality of work. Each scale is a continuum of scale points, or anchors, which range from high to low, from good to poor, from most to least effective, and so forth. Scales typically have from five to seven points, though they can have more or less. Graphic rating scales may or may not define their scale points.

#### **Content of appraisal:**

- Quantity of work. Volume of work under normal working conditions.
- Quality of work. Neatness, thoroughness and accuracy of work Knowledge of job.
- Dependability. Conscientious, thorough, reliable, accurate, with respect to attendance, relief, lunch breaks, etc.
- Judgment.
- Attitude exhibits enthusiasm and cooperativeness on the job.
- Cooperation Willingness and ability to work with others to produce desired goals.
- Initiative.

#### **Rating scales:**

Rating scales can include 5 elements as follows:

- Unsatisfactory
- Fair
- Satisfactory
- Good
- Outstanding

**Paired comparison analysis:** This form of performance appraisal is a good way to make full use of the methods of options. There will be a list of relevant options. Each option is in comparison with the others in the list. The results will be calculated and then such option with highest score will be mostly chosen.

**Steps to conduct paired comparison analysis:**

- List the options you will compare (elements as A, B, C, D, E for example).
- Create table 6 rows and 7 columns.
- Write down option to column and row; A to row second, cell first from left and A to row first, cell second from left; B to row third, cell first from left and B to row first, cell third from left etc; column seventh is total point.
- Identify importance from 0 (no difference) to 3 (major difference).
- Compare element “A” to B, C, D, E and place “point” at each cell.
- Finally, consolidate the results by adding up the total of all the values for each of the options. You may want to convert these values into a percentage of the total score.

**Forced Distribution Method:** Here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution. Forced distribution is a form of comparative evaluation in which an evaluator rates subordinates according to a specified distribution Advantages–Eliminates Disadvantages–Assumption of normal distribution, unrealistic, errors of central tendency. Unlike the field review method, the forced-choice rating method does not involve discussion with supervisors. Although this technique has several variations, the most common method is to force the assessor to choose the best and worst fit statements from a group of statements. These statements are weighted or scored in advance to assess the employee. The scores or weights assigned to the individual statements are not revealed to the assessor so that she or he cannot favor any individual. In this way, the assessor bias is largely eliminated and comparable standards of performance evolved for an objective. However, this technique is of little value wherever performance appraisal interviews are conducted.

**Table 1:**

<b>Five Point scale</b>	<b>Forced Distribution of Employees (%)</b>
Outstanding	10
Very Good	20
Above Average	40
Below Average	20
Poor	10
<b>Total</b>	<b>100</b>

**Critical Incidents Method:** The approach is focused on certain critical behaviors of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents. This format of performance appraisal is a method which is involved identifying and describing specific incidents where employees did something really well or that needs improving during their performance period. Under this method, a supervisor describes critical incidents, giving details of both positive and negative behavior of the employee. These are then discussed with the employee. The discussion focuses on actual behavior rather than on traits. While this technique is well suited for performance review interviews, it has the drawback that the supervisor has to note down the critical incidents as and when they occur. That may be impractical, and may delay feedback to employees. It makes little sense to wait six months or a year to discuss a misdeed, a mistake or good display of initiative.

**Behaviorally Anchored Rating Scales:** statements of effective and ineffective behaviors determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behavior describes the employee performance. Behaviorally anchored rating scales (BARS) are rating scales whose scale points are defined by statements of effective and ineffective behaviors. They are said to be behaviorally anchored in that the scales represent a continuum of descriptive statements of behaviors ranging from least to most effective. An evaluator must indicate which behavior on each scale best describes an employee's performance.

BARS are constructed by the evaluators who will use them. There are four steps in the BARS construction process:

- Listing of all the important dimensions of performance for a job or jobs
- Collection of critical incidents of effective and ineffective behavior
- Classification of effective and ineffective behaviors to appropriate performance dimensions
- Assignment of numerical values to each behavior within each dimension (i.e., scaling of behavioral anchors)

**Field Review Method:** This is an appraisal done by someone outside employees' own department usually from corporate or HR department. Advantages – Useful for managerial level promotions, when comparable information is needed, Disadvantages – Outsider is generally not familiar with employees work environment, Observation of actual behaviors not possible. Since individual assessors differ in their standards, they inadvertently introduce bias in their ratings. To overcome this assessor-related bias, essay and graphic rating techniques can be combined in a systematic review process. In the field review method, 'a member of the HRM staff meets a small group of assessors from the supervisory units to discuss each rating, systematically identifying areas of inter-assessor disagreement.' It can then be a mechanism to help each assessor to perceive the standards uniformly and thus match the other assessors. Although field review assessment is considered valid and reliable, it is very time consuming

**Performance Tests & Observations:** This is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Tests must be reliable and validated to be useful. Advantage – Tests may be apt to measure potential more than actual performance. Disadvantages – Tests may suffer if costs of test development or administration are high.

**Confidential Records:** Mostly used by government departments, however its application in industry is not ruled out. Here the report is given in the form of Annual Confidentiality Report (ACR) and may record ratings with respect to following items; attendance, self expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential. Feedback to the assesses is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.

**Essay Method:** In this method the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promote ability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. In this style of performance appraisal, managers/ supervisors are required to figure out the strong and weak points of staff's behaviors. Essay evaluation method is a non-quantitative technique. It is often mixed with the method the graphic rating scale. The essay method involves an evaluator's written report appraising an employee's performance, usually in terms of job behaviors and/or results. The subject of an essay appraisal is often justification of pay, promotion, or termination decisions, but essays can be used for developmental purposes as well The assessor writes a brief essay providing an assessment of the strengths, weaknesses and potential of the subject. In order to do so objectively, it is necessary that the assessor knows the subject well and should have interacted with them. Since the length and contents of the essay vary between assessors, essay ratings are difficult to compare.

**Cost Accounting Method:** Here performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee, and benefit the organization derives is ascertained. Hence it is more dependent upon cost and benefit analysis.

**Comparative Evaluation Method (Ranking & Paired Comparisons):** These are collection of different methods that compare performance with that of other co-workers. The usual techniques used may be ranking methods and paired comparison method.

- **Ranking Methods:** Ranking methods compare one employee to another, resulting in an ordering of employees in relation to one another. Rankings often result in overall assessments of employees, rather than in specific judgments about a number of job components. Straight ranking requires an evaluator to order a group of employees from

best to worst overall or from most effective to least effective in terms of a certain criterion. Superior ranks his worker based on merit, from best to worst. It is easy to administer and explanation. Here an employee is compared with other employee & than is placed in straight ranking from highest to lowest based on their overall performance. In this way the best is placed in first rank and poorest occupies the last rank.

- **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs. The number of comparisons may be calculated with the help of a formula as under. This form of performance appraisal is a good way to make full use of the methods of options. There will be a list of relevant options. Each option is in comparison with the others in the list. The results will be calculated and then such option with highest score will be mostly chosen.

### **2.3 Modern Methods:**

**Management by Objectives:** The concept of management by objective (MBO) was developed by Peter Drucker in 1954. He called it management by objectives and self control. it is also known as work planning and review or goal setting approach to appraisal and under that an employee is not appraised by his individual qualities , but his performance with respect to the agreed goals and objectives. MBO is a method of performance appraisal in which managers or employers set a list of objectives and make assessments on their performance on a regular basis, and finally make rewards based on the results achieved. This method mostly cares about the results achieved (goals) but not to the way how employees can fulfill them. It means management by objectives and the performance is rated against the achievement of objectives stated by the management. In 2000, Wehrich suggested a new model: the system approach to MBO (SAMBO). SAMBO comprises seven elements: strategic planning and hierarchy of objects, setting objectives , planning for action , implementation of MBO ,control and appraisal , subsystems and organizational and management development. Management by objectives (MBO) involves setting specific measurable goals with each employee and then periodically discussing his/her progress toward these goals.MBO processes goes as under.

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

**Psychological Appraisals:** These appraisals are more directed to assess employees' potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly and may be useful for bright young members who may have considerable potential. However quality of these appraisals largely depends upon the skills of psychologists who perform the evaluation.

**Assessment Centers:** This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Assesses are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc.

**360-Degree Feedback:** As the name implies, this method uses multiple appraiser, including supervisor, subordinates and peer of the targeted persons. The appraisal is 360 degree in that information is collected & feedback is provided in full circular fashion top to bottom & back to top. It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders

like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback. The style of 360 degree performance appraisal is a method that employees will give confidential and anonymous assessments on their colleagues. This post also information that can be used as references for such methods of performance assessments of 720, 540, 180...

**What are 360 degree measures?**

- 360 degree measures manners and capacities.
- 360 degree improves such skills as listening, planning and goal-setting.
- 360 degree concentrates on subjective areas, for example efficiencies of teamwork, character, and leadership.
- 360 degree supplies on the way others think about a specific staff.

**Human recourse method:** Human resource is valuable asset for every organization. Human resource accounting method tries to find the relative worth of this asset in term of money. In this method the performance appraisal of employees is judged in term of cost & contribution of employees. The cost of employee include all the expenses incurred on them like their compensation, recruitment & selection cost. Induction & training cost etc , whereas their contribution include the total value added (in monetary term). The difference between the cost & contribution of employee should be greater than the cost incurred on them.

**720 Degree:** Gal breath started using the 720 degree and defined it as a more intense, personalized and above all grater review of the upper level managers that brings in the perspective of their customers or investors, as well as subordinates. 720 degree review focuses on what matter most, which is the customer or investors perception of their work. 720 degree approach gives people a very different view of themselves as leaders and growing individual.

## CONCLUSION

This brief historical review of the development of performance appraisal over the past 100 years leads to a curious conclusion. Despite all research, there is still widespread displeasure with performance appraisal systems, most notably in the United States and the United Kingdom. Notwithstanding decades of trial and error, overall “the outcome has been disappointing; a small incremental increase in what we know with respect to the performance appraisal process.” Even internal and external HR consultants may be dubious about the usefulness of performance appraisal systems and often find themselves “in the awkward position of fiercely promoting performance management processes while privately fretting about their failure to work.” Organisations need some means of ensuring performance standards are being achieved and objectives are being met. They also need to plan for the future by setting organisational objectives. These should be achieved through personal objectives agreed at the appraisal. This is vital for all employees in order to maintain a competitive position, and it is important that the method for doing this is successful. All the material in the ‘Skills of Appraisal and Performance Review’ resource is dedicated to that end. However, underlying the methods, practices and techniques there must be crucial managerial thoughts, attitudes and activities. As an introduction to the training activity, the participants work in groups to discuss what an effective performance review scheme needs. Their suggestions for a successful scheme are discussed and they are then given a list of requirements for comparison and discussion. Next, the participants review what an appraiser should do to make sure a performance review scheme is successful. The training activity closes with a review of key learning points and a final observation of performance review appraisal. An employee’s growth, personnel development, satisfaction on the job is dependent on his performance. Similarly an organisational growth future planning and employee’s development are contingent of employee’s performance. The process of appraisal usually involves

comparing the performance with standards. An employee's performance against these standards is judged by using different methods.

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