

PERFORMANCE APPRAISAL

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Abstract:

Performance appraisal is the step where the management finds out how effective it has been at hiring and placing employees. Performance appraisal involves an evaluation of actual against desired performance. It also helps in reviewing various factors which influence performance. It involves Establishing standards and measure, Communicating job expectation, Planning, Monitoring performance, Appraising, Feedback, Decision making, Development of performance. Essay appraisal method, Management by Objectives (MBO), Critical incident method, field review, Graphic rate scale, Forced distribution and ranking methods can be used to evaluate employees. It helps to motivate employees by providing feedback about their work and provide employee with recognition for accomplishments. But it can be biased sometimes so the methods must be carefully selected.

Key Words: Appraisal, MBO, Forced Distribution, Critical incident

Definition: -

According to Newstrom, “it is the process of evaluating the employees, sharing that information with them and searching for ways to improve their performance.”

Meaning of performance appraisal:

Performance appraisal is the step where the management find out how effective it has been at hiring and placing employees.

A “performance appraisal” is a process of evaluating an employee’s performance of a job in terms of its requirements.

Objectives

1. To provide an opportunity for reflection and feedback on work performance and the work environment for a given period of time between and employee and supervisor.
2. To acknowledge and encourage appropriate above standard performance.
3. To identify and remove distracters, dissatisfiers and obstacles as well as ineffective behaviors.
4. To identify areas of growth for employees and organizations.

Purposes

- Individual can provide useful evaluations of their coworkers on the basis of working contacts and relationships.
- Such evaluations have enough validity to justify the practice and use of results.
- These evaluations are assumed to provide information which cannot be gained in any other feasible manner.
- An individual's immediate superior is the most promising rater
- Every individual in a working organization wants and need to know how well i9s doing, and performance appraisal satisfies this need.
- The appraisal process can and will improve performance.

Principles

Assess performance in relation to behaviorally stated work goals. The employee's evaluation should be based on behaviorally stated performance standard for the position occupied, e.g. keep job description of nursing personnel.

1. Observe a representative sample of employee's total work activities. An adequate representative sample of the nurse's job behavior should be observed to provide a basis for evaluation.
2. Compare supervisors evaluation with employee self evaluation. The nurse should be given a copy of her or his job description, performance standards, and performance evaluation form to review before the evaluation conference
3. Cite specific examples of satisfactory and unsatisfactory performance while documenting nurses' performance appraisal. The manager/supervisor should cite specific instance of satisfactory and unsatisfactory behavior to substantiate evaluative statement.
4. Indicate which job areas have highest priority for improvements.
5. Purpose of evaluation is to improve work performance and job satisfaction.

Process of Performance appraisal system:

Performance appraisal involves an evaluation of actual against desired performance. It also helps in reviewing various factors which influence performance. Performance appraisal is a multistage process in which communication plays an important role.

Craig, Beatty and Baird (1986) suggested an eight-stage performance appraisal process:

(i) Establishing standards and measures

The first step is to identify and establish measures which would differentiate between successful and unsuccessful performances. These measures should be under the control of the employees being appraised. The methods for assessing performance should be decided next. Basically, management wants to:

- know the behaviour and personal characteristics of each employee; and
- assess their performance and achievement in the job.

(ii) Communicating job expectations:-

The second step in the appraisal process is communicating to employees the measures and standards which will be used in the appraisal process. Such communication should clarify expectations and create a feeling of involvement.

(iii) Planning:-

In this stage, the manager plans for the realization of performance expectations, arranging for the resources to be available which are required for attaining the goals set. This is an enabling role.

(iv) Monitoring performance

Performance appraisal is a continuous process, involving ongoing feedback. Even though performance is appraised annually, it has to be managed 'each day, all year long.' Monitoring is a key part of the performance appraisal process. It should involve providing assistance as necessary and removing obstacles rather than interfering. The best way to effectively monitor is to walk around, thus creating continuous contacts, providing first-hand information, and identifying problems, which can then be solved promptly.

(v) Appraising

This stage involves documenting performance through observing, recalling, evaluating, written communication, judgment and analysis of data. This is like putting together an appraisal record.

(vi) Feedback

After the formal appraisal stage, a feedback session is desirable. This session should involve verbal communication, listening, problem solving, negotiating, compromising, conflict resolution and reaching consensus.

(vii) Decision making

On the basis of appraisal and feedback results, various decisions can be made about giving rewards (e.g., promotion, incentives, etc.) and punishments (e.g., demotion). The outcome of an appraisal system should also be used for career development.

(viii) Development of performance

The last stage of performance appraisal is 'development of performance,' or professional development, by providing opportunities for upgrading skills and professional interactions. This can be done by supporting participation in professional conferences or by providing opportunities for further study. Such opportunities can also act as incentives or rewards to employees.

Characteristics

The following characteristics are essential elements of effective performance appraisal:

1. The philosophy, purpose, and objectives of the organization are clearly stated so that performance appraisal tools can be designed to reflect these.
2. The purpose of performance appraisal are identified, communicated, and understood.
3. Job descriptions are written in such a manner that standards of job performance can be identified for each job.
4. The appraisal tool used is suited to the purposes for which it will be utilized and is accompanied by clear instructions for its use.
5. Evaluators are trained in the use of the tool.
6. The performance appraisal procedure is delineated, communicated, and understood.
7. Plans for policing the appraisal procedure and evaluating appraisal tools are developed and implemented.
8. Performance appraisal has the full support of top management.

- Performance appraisal is considered to be fair and productive by all who participate in it.

Tool for performance appraisal

- Free response reports:** provides narrative description of quality of quality of overall performance. Here, the evaluator is asked to comment in writing on the quality of nurses' performance in a special position over a specified period' e.g. annual confidential reports.
- Ranking:** Ranks quality of workers' total performance against that of coworkers. Some evaluation tools ask the evaluator to rank the employee against coworkers with respect to quality of her/his performance in several areas.
- Checklists:** checks statements of desired behavior that are exhibited by worker. A performance checklist should contain a list of performance criteria for the most important tasks on the job description, with blanks beside each, in which the evaluators indicate, whether the nurse does or does not exhibit the criterion behavior.
- Graphic rating:** checks numerical to indicate quality of performance of each task. The graphic rating scale includes in an listing of several activities included in an employee's job description. Here the supervisor indicates the quality of the employee's performance of each activity by checking the appropriate point on a numerical scale or by selecting the appropriate phrase from several. For example, using 5 point scale.

Statement of activities	1	2	3	4	5
For example					
Using phrases	1	2	3	4	5
Statement of activities	usually	occasionally	usually	always	Not always

Methods of appraising performance

Organizations use a variety of methods for evaluating employee performance. There are so many types of performance management methods, understanding how each of them works will help determine the best one to use within your organization.

1) *Essay appraisal method*

This traditional form of appraisal, also known as "Free Form method" involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts and often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator.

2) *Management by Objectives (MBO)*

Management by objectives, or MBOs, is a type of performance management system that requires the manager and employee to identify employee goals as they relate to the overall business. For example, a sales representative's objectives may include increasing revenue by 25 percent in 12 months. The employee determines how best to achieve this goal and establishes a timeline for the tasks she needs to accomplish to increase revenue: improve sales and decrease costs. Often, MBOs track progress on a quarterly basis, which is one of the benefits of using this method. Regular feedback is an effective motivator for many employees.

3) Critical incident method

In this method of [Performance appraisal](#), the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. The drawback of this method is that the supervisor has to note down the critical incidents and the employee behavior as and when they occur.

4) Field review

In this method, a senior member of the department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias.

5) Graphic rate scale

In this method, an employee's quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular trait. The factors taken into consideration include both the personal characteristics and characteristics related to the on the job performance of the employees. For example a trait like Job Knowledge may be judged on the range of average, above average, outstanding or unsatisfactory. A simple graphic rating scale is shown in the sample table below:

	Quality of Work	Quantity of Work	Dependability
Excellent			
Good			
Average			
Poor			

6) Forced distribution

To eliminate the element of bias from the rater's ratings, the evaluator is asked to distribute the employees in some fixed categories of ratings like on a normal distribution curve. The rater chooses the appropriate fit for the categories on his own discretion.

Checklist Method

First a checklist is prepared. it contain some statements about the employs behavior on the job. For e.g. check the following sample of the simple checklist.

(a) Does the employee work best under tension ?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
(b) Does he make many mistakes ?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
(c) Does he follow the instruction of his superior?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The main advantage of checklist method is:

1. It is simple.
2. It is convenient.
3. it take less time
4. It is very economical.

The main disadvantage of checklist method is that the statements are structured, and it does not have depth like the critical incident method and the essay method.

7) *Ranking methods*

Some of the important forms of ranking for performance appraisal are given below, based on Oberg, 1972; and Monga, 1983:

(a) *Alteration ranking method*: The individual with the best performance is chosen as the ideal employee. Other employees are then ranked against this employee in descending order of comparative performance on a scale of best to worst performance. The alteration ranking method usually involves rating by more than one assessor. The ranks assigned by each assessor are then averaged and a relative ranking of each member in the group is determined. While this is a simple method, it is impractical for large groups. In addition, there may be wide variations in ability between ranks for different positions.

(b) *Paired comparison* :The paired comparison method systematizes ranking and enables better comparison among individuals to be rated. Every individual in the group is compared with all others in the group. The evaluations received by each person in the group are counted and turned into percentage scores. The scores provide a fair idea as to how each individual in the group is judged by the assessor.

(c) *Person-to-person rating*: In the person-to-person rating scales, the names of the actual individuals known to all the assessors are used as a series of standards. These standards may be defined as lowest, low, middle, high and highest performers. Individual employees in the group are then compared with the individuals used as the standards, and rated for a standard where they match the best. The advantage of this rating scale is that the standards are concrete and are in terms of real individuals. The disadvantage is that the standards set by different assessors may not be consistent. Each assessor constructs their own person-to-person scale which makes comparison of different ratings difficult.

(d) *Behaviourally anchored rating scales (BARS)*: This is a relatively new technique. It consists of sets of behavioural statements describing good or bad performance with respect to important qualities. These qualities may refer to inter-personal relationships, planning and organizing abilities, adaptability and reliability. These statements are developed from critical incidents collected both from the assessor and the subject.

(e) *Assessment centres*: This technique is used to predict future performance of employees were they to be promoted. The individual whose potential is to be assessed has to work on individual as well as group assignments similar to those they would be required to handle were they promoted. The judgment of observers is pooled, and paired comparison or alteration ranking is sometimes used to arrive at a final assessment. The final assessment helps in making an order-of-merit ranking for each employee. It also involves subjective judgment by observers.

Benefits

It has several benefits that are following:

1. To provide back-up data for management decisions concerning salary standards, merit increases, selection of qualified individuals for hiring, promotion, or transfer and demotion or termination of unsatisfactory employees.
2. To serve as a check on hiring and recruiting practices and a validation of employment tests.
3. To motivate employees by providing feedback about their work.
4. To discover the aspirations of employees and to reconcile them with the goals of the organization.
5. To provide employee with recognition for accomplishments.
6. To provide communication between supervisor and employee, and to reach an understanding on the objectives of the job.
7. To help supervisors observe their subordinates more closely, to do a better coaching job, and to give supervisors a stronger part to play in personnel management and employee development.
8. To establish standards of job performance.
9. To improve organizational development by identifying training and development needs to employees and designing objectives for training programs based on those needs.
10. To earmark candidates for supervisory and management developments.
11. To help the organization determine if it is meeting its goals.

Problems of performance appraisal

While evaluating the performance of the employees, experts have been identified four types of bias/problem that are following:

- 1) **Halo effect**: it is the tendency to over rate a person's performance or over emphasize a positive event, i.e. rating the person higher than deserved, for various reasons.
- 2) **Horn effect**: it is the tendency to rate an employee lower than that performance, for various reason or over emphasize a negative event and underrate total performance.
- 3) **Central tendency error**: in this performance a person is not observed and medium rating given for all tasks.
- 4) **Self aggrandizing effect**: Rate worker so as to create favorable view of manager.

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