

## 8. Performance Appraisal

**1. Performance Appraisal** is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

### Objectives of Performance Appraisal

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. It serves as a basis for influencing working habits of the employees.
6. To review and retain the promotional and other training programs.

### 2. Advantages of Performance Appraisal

It is said that performance appraisal is an investment for the company which can be justified by the following advantages:

- **Promotion:** Performance Appraisal helps the supervisors to chalk out the promotion programs for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case.
- **Compensation:** Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which includes bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority.
- **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programs. It helps to analyse strengths and weaknesses of employees so that new jobs can

be designed for efficient employees. It also helps in framing future development programs.

- **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
- **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, communication can be sought for in the following ways:
  - a. Through performance appraisal, the employers can understand and accept skills of subordinates.
  - b. The subordinates can also understand and create a trust and confidence in superiors.
  - c. It also helps in maintaining cordial and congenial labour management relationship.
  - d. It develops the spirit of work and boosts the morale of employees.

All the above factors ensure effective communication.

- **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This very well motivates a person for better job and helps him to improve his performance in the future.

3. **How to conduct a performance appraisal:** Yearly performance reviews are critical. Organization's are hard pressed to find good reasons why they can't dedicate an hour-long meeting once a year to ensure the mutual needs of the employee and organization are being met. Performance reviews help supervisors feel more honest in their relationships with their subordinates and feel better about themselves in their supervisory roles.

Subordinates are assured clear understanding of what's expected from them, their own personal strengths and areas for development and a solid sense of their relationship with their supervisor. Avoiding performance issues ultimately decreases morale, decreases credibility of management, decreases the organization's overall effectiveness and wastes more of management's time to do what isn't being done properly. Conduct the following activities.

**1. Design a legally valid performance review process** Patricia King, in her book, *Performance Planning and Appraisal*, states that the law requires that performance appraisals be: job-related and valid; based on a thorough analysis of the job; standardized for all employees; not biased against any race, color, sex, religion, or nationality; and performed by people who have adequate knowledge of the person or job. Be sure to build in the process, a route for recourse if an employee feels he or she has been dealt with unfairly in an appraisal process, e.g., that the employee can go to his or her supervisor's supervisor. The process should be clearly described in a personnel policy.

**2. Design a standard form for performance appraisals** Include the name of the employee, date the performance form was completed, dates specifying the time interval over which the employee is being evaluated, performance dimensions (include responsibilities from the job description, any assigned goals from the strategic plan, along with needed skills, such as communications, administration, etc.), a rating system (e.g., poor, average, good, excellent), space for commentary for each dimension, a final section for overall commentary, a final section for action plans to address improvements, and lines for signatures of the supervisor and employee. Signatures may either specify that the employee accepts the appraisal or has seen it, depending on wording on the form.

**3. Schedule the first performance review** for six months after the employee starts employment and then schedule another six months later, and then every year on the employee's anniversary date.

**4. Initiate the performance review process and upcoming meeting.** Tell the employee that you're initiating a scheduled performance review. Remind them of what's involved in the process. Schedule a meeting about two weeks out.

**5. Have the employee suggest any updates to the job description and provide written input to the appraisal.** Have them record their input on their own sheets (their feedback will be combined on the official form later on in the process). You and the employee can exchange each of your written feedback in the upcoming review meeting. (Note that by now, employees should have received the job descriptions and goals well in advance of the review, i.e., a year before. The employee should also be familiar with the performance appraisal procedure and form.)

**6. Document your input -- reference the job description and performance goals.** Be sure you are familiar with the job requirements and have sufficient contact with the employee to be making valid judgments. Don't comment on the employee's race, sex, religion, nationality, or a handicap or veteran status. Record major accomplishments, exhibited strengths and weaknesses according to the dimensions on the appraisal form, and suggest actions and training or development to improve performance. Use examples of behaviors wherever you can in the appraisal to help avoid counting on hearsay. Always address behaviors, not characteristics of personalities. The best way to follow this guideline is to consider what you saw with your eyes. Be sure to address only the behaviors of that employee, rather than behaviors of other employees.

**7. Hold the performance appraisal meeting.** State the meeting's goals of exchanging feedback and coming to action plans, where necessary. In the meeting, let the employee speak first and give their input. Respond with your own input. Then discuss areas where you disagree. Attempt to avoid defensiveness; admitting how you feel at the present time, helps a great deal. Discuss behaviors, not personalities. Avoid final terms such as "always," "never," etc. Encourage participation and be supportive. Come to terms on actions, where possible. Try to end the meeting on a positive note.

**8. Update and finalize the performance appraisal form.** Add agreed-to commentary on to the form. Note that if the employee wants to add attach written input to the final form, he or she should be able to do so. The supervisor signs the form and asks the employee to sign it. The form and its action plans are reviewed every few months, usually during one-on-one meetings with the employee.

**9. Nothing should be surprising to the employee during the appraisal meeting.** Any performance issues should have been addressed as soon as those issues occurred. So nothing should be a surprise to the employee later on in the actual performance appraisal meeting. Surprises will appear to the employee as if the supervisor has not been doing his/her job and/or that the supervisor is not being fair. It is OK to mention the issues in the meeting, but the employee should have heard about them before.

#### **4. Why We Hate the Performance Review**

Most employees in companies today are all too familiar with the concept of the performance review. Just the mention of this often dreaded occurrence of discussion with one's supervisor where they get to critique every move you've

made during the year while you sit idly by is sure to send negative feelings throughout the minds of employees everywhere. A few of the reasons are listed below.

**Employees - Why They Hate the Performance Review Process:** They have no control in the situation. Managers get to provide ratings and comments on multiple areas of performance that are most often subjective in nature. If an employee disagrees, they might get a small “employee comments” area to provide their rebuttal all the while knowing that if they push too much the person controlling their future still has control.

Reviews sheets are completed before the actual discussion occurs. Therefore bringing up comments has little effect on the actual rating which is most often tied to their annual increase which is usually only a few cents different from the person with the next highest or lowest rating.

Employees are often forced to write a self evaluation prior to the meeting as well. Unfortunately, these usually only serve as annoyance to employees because the majority of the time it is ignored by the supervisor any way.

**Managers - Why They Hate the Performance Review Process:** Managers often dread the discussion of the employee performance review assuming the discussion will turn into a battle with the manager left to convince the employee that their ratings are accurate. Managers usually assume employees think they perform better than they actually do.

Managers are busy with tasks and goals of their own. Taking the time to thoroughly review a whole year's worth of performance is time consuming. They often rush through the forms because the HR department has a deadline they are struggling to meet? The forms are too complicated, long, short or don't cover what is really important to success in this department.

### **So, What's the Answer to Overcoming Negativity Around the Performance Appraisal?**

Here's a few tips to get you started:

1. Set clear expectations. Provide them on the first day of employment.
2. Provide feedback all year. Create a culture where performance discussions are a regular part of the work day and review meetings are held at frequent intervals such as monthly.

3. Ask first, tell later. Begin a performance discussion by asking the employee to rate their performance. Have them provide examples of where they have met and exceeded the expectations.
4. **Do not** complete the form until you have the discussions. Do monitor performance all year and have examples ready to discuss.
5. Guarantee no surprises at the annual meeting. If you are waiting for annual meeting to discuss performance, you lost your chance to be effective.