



PERFORMANCE APPRAISAL & PERFORMANCE MANAGEMENT

HUMAN RESOURCE MANAGEMENT

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PERFORMANCE APPRAISAL

- 1) DEFINITION
- 2) MEANING
- 3) OBJECTIVES
- 4) IMPORTANCE



PERFORMANCE APPRAISAL DEFINITION

According to **Edwin B Flippo**,

“Performance appraisal is a systematic, periodic and so far as humanly possible, an impartial rating of an employee’s excellence in matters pertaining to his present job and to his potentialities for a better job.”



PERFORMANCE APPRAISAL MEANING

Performance appraisal refers to the systematic process of evaluating and documenting the employee's performance at work against the requirements and expectations of their role. The manager or the supervisor offers constructive feedback to the employee to aid their professional development.

Performance appraisal helps understand the employee's strengths and weaknesses while identifying the scope for improvement. Companies use performance appraisals to evaluate employees' skills, capabilities, and achievements and make crucial decisions like bonuses, increments, termination, etc.



OBJECTIVES OF PERFORMANCE APPRAISAL

1.Help Employees Set Goals

One of the most important objectives of performance appraisals is to help employees set goals. Employees need to know what you expect them to do or improve upon — whether the goals are geared toward customer service, operations, or professional development. It's also beneficial to write a game plan to help your employees meet and exceed their objectives.

2. Providing Feedback

Providing feedback is the most common justification for an organization to have a performance appraisal system. Through its performance appraisal process the individual learns exactly how well he/she did during the previous twelve months and can then use that information to improve his/her performance in the future. In this regard, performance appraisal serves another important purpose by making sure that the boss's expectations are clearly communicated.



OBJECTIVES OF PERFORMANCE APPRAISAL

3. Provide Support for Raises and Promotions

Almost everyone in an organization wants to get ahead or get promoted. How should the company decide who gets the brass rings (success or rewards)? Performance appraisal makes it easier for the organization to make good decisions about making sure that the most important positions are filled by the most capable individuals. Performance appraisals also enable you to identify which team members are typically outperforming others in terms of consistent, high-quality work, and the desire to continuously improve.

4. Create a Paper Trail

Terminated or transferred employees could legally challenge your decision. A performance appraisal can be evidence that the employee was treated fairly, particularly if they complain about discrimination. If the performance appraisal notes that they hadn't been meeting sales quotas, for instance, that can help the company's lawyer defend a claim if the employee sues the organization.



OBJECTIVES OF PERFORMANCE APPRAISAL

5. Rightsizing or Downsizing Decisions.

If promotions are what everybody wants, layoffs are what everybody wishes to avoid. But when economic realities force an organization to downsize, performance appraisal helps make sure that the most talented individuals are retained and to identify poor performers who effects the productivity of the organisation. (India's largest software services provider TCS axed 1,000 jobs in the country due to non-performance by its employees. Jan 15, 2015, PTI)



IMPORTANCE OF PERFORMANCE APPRAISAL

1. Training

Performance appraisal tries to identify the strengths and weaknesses of an employee in his present job. This information can be used for devising training and development programs appropriate for overcoming the weaknesses of the employees. In fact, many organizations use performance appraisal as means of identifying the training needs of their employees.

2. Pay Increase

Performance appraisal plays a significant role in making decisions about pay increases. The salary increase of an employee depends on how he is performing his job. There is continuous evaluation of his performance either formally or informally. In a small organization, since there is a direct contract between the employee and the one who makes decisions about salary increases, performance appraisal can be an informal process.



IMPORTANCE OF PERFORMANCE APPRAISAL

3. Feedback

The person who gets feedback about his performance and may try to overcome his deficiencies will lead to better performance. Performance appraisal provides feedback to employees about their performance. It tells them where they stand. A person works better when he knows how he is working; how his efforts are contributing to the achievements of organizational objectives.

4. Promotion

Most organizations often use a combination of merit and seniority for promotion. Performance appraisal discloses how an employee is working in his present job and what are his strong and weak points. In the light of these, it can be decided whether he can be promoted to the next higher position and what additional training will be necessary for him. Performance appraisal can be used for transfer, demotion and discharge of an employee.



IMPORTANCE OF PERFORMANCE APPRAISAL

5. Pressure on Employees

Performance appraisal puts psychological pressure on people to improve job performance. If the employees are conscious that they are being appraised in respect of certain factors and their future largely depends on such appraisal, they tend to have positive and acceptable behavior in this respect.



PERFORMANCE MANAGEMENT

- 1) DEFINITION
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PERFORMANCE MANAGEMENT DEFINITION

According to **Michael Armstrong** and **Angela Baron**,

‘Performance management is a process which contributes to the effective management of individual and teams in order to achieve high levels of organisational performance.’



PERFORMANCE MANAGEMENT MEANING

Performance management is a continuous process focusing on various aspects, such as planning, tracking, and assessing the employee's performance against the organizational goals. It is not a one-time process, rather a continuous process that can yield long term results.

Performance management also analyzes an employee's overall performance and commitment to the organization, and it is meant to boost employees' efficiency and effectiveness. Both employees and managers are actively involved in the process of performance management.



OBJECTIVES OF PERFORMANCE MANAGEMENT

1. Setting and Defining Goals to Fulfill Company Objectives

Goal setting is the most lucrative way for initiating better performance among employees. It has been constantly indicated that practical goal setting: Allows employees to focus on what's important, Aligning individual objectives with the business objectives, Optimizes employees' individual performance, Helps to identify the key result areas and work upon improving them.

2. Setting the Right Expectations for Managers and Employees

An efficient performance management system sets clear expectations from both managers and employees. As a manager, you must place achievable expectations from your employee.

Don't expect a poor performer to give good results right away. Or a star performer to stay consistent every other week. Similarly, holding managers to high expectations will only bring in poor management decisions.



OBJECTIVES OF PERFORMANCE MANAGEMENT

3. Setting Performance Standards and Metrics to Measure

Once the goals are set and communicated, there have to be set standards for deliverables. There should be metrics to measure the objectives defined and keep it simple. They have to be realistic and in line with the industry practice and most importantly ensure the deliverables are adding to the company objectives.

4. Effective Communication between Individuals and Teams

Good communication practices result in employees who are engaged and happy. It also ensures a smooth alignment of individual objectives with business objectives. Team members must know their peers' goals, succession planning, and ideas—to work well together.

A team that lacks communication among its team members lacks the bonding needed in a high-performing team. Therefore, the team leaders or managers should take out the time to indulge in one-on-one interactions with the team members.



OBJECTIVES OF PERFORMANCE MANAGEMENT

5. Determining Individual Training and Performance Plans

Another vital objective of performance management systems is to identify the training and development needs of its workforce. It promotes personal growth and advancement in the employees' careers by helping them acquire the desired knowledge and skills. A successful performance plan offers personal growth opportunities for your people. Your people will be more confident and contribute better.



IMPORTANCE OF PERFORMANCE MANAGEMENT

1. It Provides a Look into the Future

By consistently monitoring and managing workplace performance, leaders can see potential future problems. Like with any type of issue, early detection is key. The earlier problems are confronted the less effect that they will likely have.

For instance, if the company notices that a certain employee is not a team player, they can either move that employee to a position that does not require teamwork, provide training to that employee revolving around teamwork, or let that employee go before it becomes a problem.

2. Helps Create Development and Training Strategies

As mentioned above, the earlier a problem is detected, the better. One of these problems could be that employees do not know how to perform certain processes correctly. If this continues, the organization might fall apart due to oversight. However, with performance management, this would probably be detected. The organization could then create training programs to change the issue into an opportunity for improvement.



IMPORTANCE OF PERFORMANCE MANAGEMENT

3. Provides Clarity in the Organization

It is a common problem that many employees are unsure of what exactly their role entails, what is expected of them, and who they are to report to. Through performance management, the company can make all of this very clear. A lack of understanding often leads to a lack of productivity. Therefore, by providing clarity for employees, the result will often be increased productivity and confidence.

4. Increases Employee Retention

Performance management also encourages organizations to reward and recognize their employees. Lack of recognition is a big reason some employees leave a job and look for another. They want to be appreciated for their hard work. In addition to the clarity, the ability to share feedback, and the additional training when needed, rewards and recognition can play an important role in employee retention.



IMPORTANCE OF PERFORMANCE MANAGEMENT

5. Boosts Employee Engagement

Performance management, when it truly involves employees, will boost employee engagement. When there is a disconnect between management and employees, it is almost as though employees are just going through the motions of the day. Their position becomes merely a job as opposed to a rewarding career. However, performance management has the capability of engaging employees fully and making them feel invested in the company. This leads to job satisfaction and employee loyalty, all of which increase productivity.

DIFFERENCE BETWEEN

PERFORMANCE APPRAISAL

Performance appraisal evaluates previous performances and effectively communicates how an employee has worked in a current task. It does not provide a [strategy for future growth](#).

Performance appraisal only evaluated employee's performance objectively for the year and gave final feedback.

Performance appraisal takes place not more than twice a year.

Performance appraisal typically uses a quantitative approach.

PERFORMANCE MANAGEMENT

Performance management, on the other hand, focuses on expending time and resources on employees for the growth of the company.

Performance management ensures that the employee has accomplished the set goals or not. It also guides them with blockers on the way.

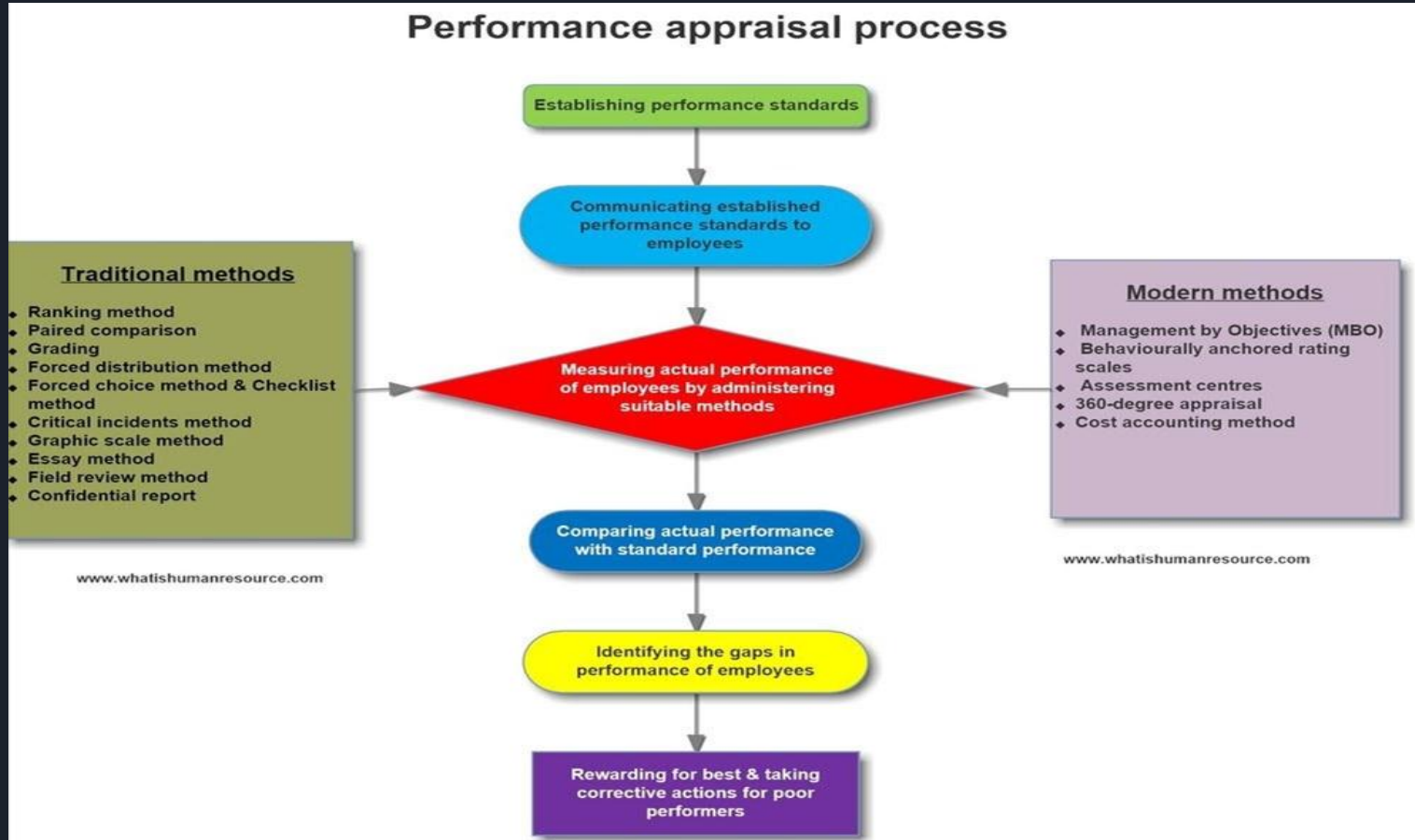
Performance management contrastingly is a continuous process that might be a part of day-to-day conversations between managers and employees.

Performance management, however, uses a mix of both qualitative and quantitative approaches to enhance employee performance.



PERFORMANCE APPRAISAL PROCESS

PERFORMANCE APPRAISAL PROCESS





1.Establishing Performance Standards

The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees.

This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms.

In case the performance of the employee cannot be measured, great care should be taken to describe the standards.

2.Communicating the Standards

Once set, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to the employees. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.



3.Measuring the Actual Performance

The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

4.Comparing Actual Performance with Desired Performance

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.



5. Discussing Results [Feedback]

The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. Performance appraisal feedback by managers should be in such way helpful to correct mistakes done by the employees and help them to motivate for better performance but not to demotivate. Performance feedback task should be handled very carefully as it may leads to emotional outburst if it is not handing properly. Sometimes employees should be prepared before giving them feedback as it may be received positively or negatively depending upon the nature and attitude of employees.

6. Decision-Making

The purpose of conducting employee performance appraisal is for making decisions about employees without any bias by the HR manager. Decision-making by HR managers about employees rewarding, promotions, demotions, transfers and sometimes suspensions/dismissal of employees are depended upon the employee performance appraisal. The decision taken by HR manager should match exactly with performance appraisal results of employees to avoid grievance or disturbances in between them, as they affects overall performance of the organisation.



PERFORMANCE APPRAISAL METHODS

1. TRADITIONAL METHODS
2. MODERN METHODS



PERFORMANCE APPRAISAL TRADITIONAL METHODS

1. Ranking Method

It is the simplest and oldest method of performance appraisal in which the employees are ranked from the highest to the lowest or from the best to the worst.

2. Paired Comparison

In paired comparison method, employees are compared in pair to judge who is preferable for the job. Example, A-B, A-C, A-D.

3. Forced Choice Method

Rater is forced to answer the ready-made statements as given in the blocks. Example, MCQ's.



PERFORMANCE APPRAISAL TRADITIONAL METHODS

4. Grading Method

Three categories are established for employees :-

A. Outstanding

B. Satisfactory

C. Not Satisfactory

Employees get the grade according to his/her performance.

5. Check-List Method

In this method, a series of statements i.e, questions & answers in yes or no are prepared by HR department.

Each question carries a weightage.



PERFORMANCE APPRAISAL MODERN METHODS

1. Management by Objective (MBO)

This process involves the employee and manager working as a team to identify goals for the former to work on. Once the goals are established, both parties discuss the progress the employee is making to meet those goals. This process concludes with the manager evaluating whether the employee achieved the goal.

2. 360-Degree Feedback

360-degree feedback is a multidimensional performance appraisal method that evaluates an employee using feedback collected from the employee's circle of influence namely managers, peers, customers, and direct reports. This method will not only eliminate bias in performance reviews but also offer a clear understanding of an individual's competence.



PERFORMANCE APPRAISAL MODERN METHODS

3. The Assessment Center Method

This method consists of exercises conducted at the company's designated assessment center, including computer simulations, discussions, role-playing, and other methods. Employees are evaluated based on communication skills, confidence, emotional intelligence, mental alertness, and administrative abilities. The rater observes the proceedings and then evaluates the employee's performance at the end.

4. Human-Resource (Cost) Accounting Method

Human resource (cost) accounting method analyses an employee's performance through the monetary benefits he/she yields to the company. It is obtained by comparing the cost of retaining an employee (cost to company) and the monetary benefits (contributions) an organization has ascertained from that specific employee.



PERFORMANCE APPRAISAL MODERN METHODS

5. Behaviourally Anchored Rating Scale (BARS)

The BARS (behaviourally anchored rating scale) is a scale that assesses the performance of new employees or trainees based on well-defined behavioural patterns. These patterns are used to rate each individual employee. A behaviourally anchored rating scale is an essential component of any structured interview. It provides the advantages of narratives, quantified ratings, and critical incidents, as well as both qualitative and quantitative data. It was created with the goal of reducing rating errors that are common when using traditional rating scales.



PERFORMANCE APPRAISAL CASE STUDY



PERFORMANCE APPRAISAL CASE STUDY

Topic

A doctor discharged a staff member who had been working for him for nine months. She then claimed that her civil rights were violated and that she was discriminated against because of her age.

Explanation

A doctor discharged a staff member who had been working for him for nine months. She then claimed that her civil rights were violated and that she was discriminated against because of her age. She was 46 years old. During an investigation, the doctor was asked to provide copies of her performance evaluations to justify the contention that the discharge was based on her performance, not her age. No performance evaluations had been given to any employees. This claim led to an out of-court settlement.



PERFORMANCE APPRAISAL CASE STUDY

Considerations

The employee had been with the doctor for nine months and had not received a performance appraisal. She claimed that she was not aware that her performance was not satisfactory and was surprised when she was terminated. She alleged that the sole reason for her discharge was her age, that the doctor wanted to hire a younger person. The doctor said she had been warned on several occasions, but nothing had been documented.

This is not an isolated incident; such claims are made against doctors every day. What can you do to prevent this from happening?



PERFORMANCE APPRAISAL CASE STUDY

Solutions

Make sure that a discharge does not come as a surprise to an employee. One way to prevent this is to conduct written performance appraisals on a regular basis and provide ongoing, constructive feedback as close to the notable work behavior as feasible.

Source of this Case Study

<https://www.dentaleconomics.com/practice/article/16393248/case-studyperformance-appraisals>

**Thank
You**

