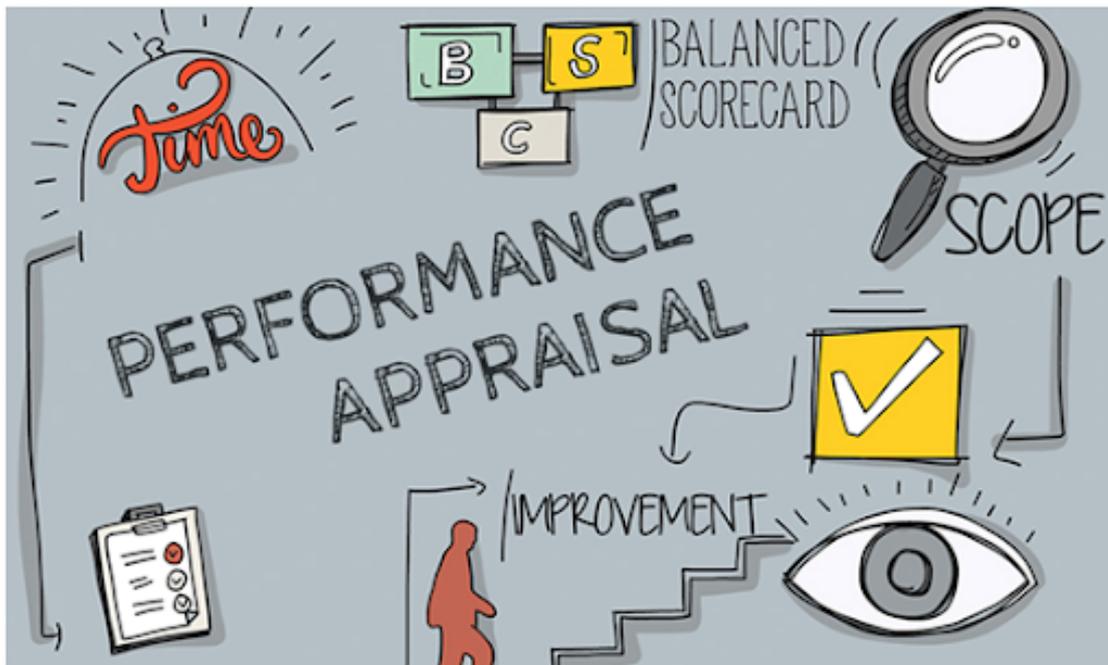


Performance appraisals: What works and why?

Author: Milton Jack . February 2021

The performance of organizations and their resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. The inability of an organization to install an effective performance appraisal strategy hinder them from achieving competitive advantage which they require more now than ever before (Obisi, 2011). Appraisal processes are not systematic and regular. These are often characterized by personal influences occasioned by the organization's preoccupation to use a confidential appraisal system which hinders objectivity and fairness. This is retrogressive as it affects the overall performance of the individual. Thus organizations should begin to consider performance appraisal methods that are transparent and objective.



Performance appraisal defined

Performance appraisal is also known as employee evaluation, merit rating, employee assessment, etc. It is a systematic process of appraising an employee's current and past performance relative to his/her performance parameters (Bhullar, 2018). The employee's performance should be based on organizational expectations and the employee's actual performance (Bhullar, 2018). The idea that performance evaluation improves employee's performance is not a new one but it is seen in the roots of the development of humankind. Each person is motivated when he is told about his actual performance and accepts what were his/her previous mistakes. The performance appraisal process may be held annually or monthly as needed.

Flippo (1976) defines *performance appraisal* as, “*performance appraisal* is the systematic, periodic and impartial rating of an employee’s excellence in the matters about his present job and his potential for a better job.” Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period and planning for his future.

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic interview (annual or semi-annual), in which the work performance of the subordinate is examined and discussed, to identify weaknesses and strengths as well as opportunities for improvement and skills development.

Concept of Performance Appraisal

Virtually all organizations have some sort of means of appraising their employees. *Performance Appraisal* is one of the oldest, natural, and most universal practices of Management (Bhullar, 2018). The basic purpose of *performance appraisal* is to ascertain the behaviour of an employee anchored to performance and integrate it with organizational performance. It helps both the employers and employees to understand the responsibility in the organization. The *performance appraisal* system is focused to integrate the expectations i.e., performance, which gives total clarity between the appraiser and appraisee (Bhullar, 2018). It is an instrument to create a conducive atmosphere in the organization. The purpose of any management is to build a very competitive and congenial work culture, which builds healthy competition, gives a sense of achievement to the employees and the stakeholders.

A *performance appraisal* system is the right instrument that plays a vital role directly or indirectly in achieving the above. It improves the interpersonal relationship among the employees and employers in the organization. It reflects an evaluative judgment of the traits, characteristics, and work performance of the employees on jobs (Bhullar, 2018). It is a continuous process to reach the desirous goal of not only the organization but also the employees.

According to Levinson (1996), *Performance Appraisal* has three functions:

- a. It seeks to provide adequate feedback to each individual for his or her performance.
- b. It purports to serve as a basis for improving or changing behaviour toward some more effective working habits.
- c. It aims at providing data to managers with which they may judge future job assignments and compensation.

Types of appraisal

Truly speaking, there are three types of appraisal. These include a confidential or secret appraisal, open appraisal and we also have semi-open and semi-secret. However, Mamoria (1995) and Ryars and Rue (1979) identified two types of appraisal, confidential and open appraisal.

- a. *Confidential Appraisal*

In confidential appraisal, Murthy (1989) writes that the individual is not involved in the appraisal exercise as the appraisal outcome is not at all communicated to the person being appraised. In essence, the person's strengths and weaknesses are not communicated to him or her. Obisi (1996) adds that some managers and supervisors involved in performance appraisal ignore periodic counselling after an incident has taken place.

b. *Open Appraisal*

The open appraisal system reveals to the appraisee his or her strengths and weaknesses, his contributions, and failures which are discussed with him or her during a performance counselling interview. Mukundan (1989) writes that an open appraisal method would reveal and create self-awareness, which is a process of giving insight into one's performance. It helps the employee become more reflective and objective about himself and future planning, which establishes an action plan for the coming year in terms of fixing targets, activities, responsibilities, etc. It also makes the employee aware of his key performance areas and the contribution that he is making to the organization.

c. *Semi-Open and Semi Secret Appraisal*

This is an appraisal process whereby the performance appraisal procedure would be made open at the beginning and later made secret. For instance, if an appraisee is asked to fill an appraisal form and the superior rates the subordinate and returns his rating to the subordinate to sign and after signing, the subordinate would not hear anything again about his final performance outcome. In some cases, the subordinate would be given the form to fill and after filling and returning the form, the subordinate receives no further communication

Objectives of performance appraisal

In the words of Cummings as quoted by Bhullar (2018), "the overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilize the best possible efforts from individuals employed in it. Such appraisals achieve four objectives including the salary reviews, the development, and training of individuals, planning job rotation and assistance promotions."

The major objectives of *performance appraisal* are summarised below:

- i. To assist in promotions, transfers, and lay-off decisions.
- ii. To make aware to the employee about his actual performance.
- iii. To meet organizational expectations with employees' objectives.
- iv. To assess the training and development needs of the employees.
- v. To plan job rotation.
- vi. To improve communication between managers and subordinates.
- vii. To assist in decisions regarding salary increases.
- viii. To provide feedback and guidelines for employees for better performance.
- ix. To instil activeness and inspiration or higher goals in employees.
- x. To determine HR programs for selection, training, and development and to evaluate their

effectiveness.

Constituents of Performance Appraisal

The followings are the main constituents of *performance appraisal*:

1. **Job Description:** It involves the listing of essential functions and the tasks to be done under each job. It is a process of systematically collecting, analyzing, and documenting important facts about a job. It also provides a basis for job-related selection procedures and performance standards. It specifies:

- The specific job functions and tasks.
- The functions and tasks are essential.
- The percentage of time typically spent performing each function.
- The skills, knowledge, and abilities required to perform the job successfully.
- The physical and mental requirements of the position.

2. **Performance Standards:** It describes the standard of performance or describes how well a job should be performed. The defined performance standards offer a benchmark to evaluate the actual work performance. When standards are developed in collaboration with the employees for whose positions they are being developed. It is more likely that the standards will:

- Be appropriate to the requirements of the job.
- Reflect the realities of the work context and conditions.

- Be understood by the employee and performance manager.
- Be accepted by the employee and the performance manager.

To achieve these objectives, managers must ensure that the written down performance standards are:

- Realistic and job-specific
- Based on measurable data, observation, or verifiable information
- Consistent with organizational goals
- Challenging
- Clear and understandable, and they are dynamic.

Methods of Performance Appraisal System

One can classify the methods of *performance appraisal* under two categories-vis-à-vis, traditional and modern methods. Each method has been listed below:

1. Traditional method

The followings are the main traditional methods:

- i. Essay appraisal method
- ii. Straight ranking method
- iii. Paired comparison
- iv. Critical incidents method
- v. Field review
- vi. Checklist method
- vii. Graphic rating scale
- viii. Forced distribution

2. Modern Methods (New concepts)

- i. Assessment centres
- ii. Behaviorally anchored rating scales
- iii. The human resource accounting method
- iv. 360 Degree performance appraisal:
 - Self-appraisal
 - Superior's appraisal
 - Subordinate's appraisal
 - Peer appraisal.

The positive result of performance appraisal

The following are some of the main positive results of *performance appraisal*:

1. The person whose performance is appraised may develop an increased motivation to perform effectively.
2. The self-esteem of the person being appraised may increase.
3. The job of the person being appraised may be clarified and better defined.
4. Valuable communication can take place among the individuals taking part (that also include communication between the subordinate and the superior).
5. Rewards such as pay and promotion can be distributed on a fair and credible basis.
6. Organizational goals can be made clearer, and they can be more readily accepted.
7. Valuable appraisal information can allow the organization to do better manpower

planning, test validation, and development of training programs.

8. Better and timely service provision, thus greater citizen satisfaction.
9. Makes bureaucrats more accountable for their actions. So it is a change of attitude from the old notions of public administration.

Negative results of performance appraisal

The following are some of the main negative results of *performance appraisal*:

1. The self-esteem of the person being appraised and the person doing the appraisal may be damaged.
2. A large amount of time may be wasted.
3. The relationship among the individuals involved may be permanently worsened thereby creating organizational conflicts.
4. Performance motivation may be lowered for many reasons, including the feeling that poor performance measurement means no rewards for performance (i.e. biased evaluation including favouritism towards some employees).
5. Money may be wasted on forms, training, and a host of support services.

How to Make Performance Appraisals Work

Performance management systems, which typically include *performance appraisal* and employee development, are the “Achilles’ heel” of human resources management (Pulakos, 2004). They suffer flaws in many organizations, with employees and managers regularly bemoaning their ineffectiveness. A survey by Watson Wyatt (2004) showed that only three out of 10 workers agree that their company’s performance management system helps improve performance. Less than 40 per cent of employees said their systems established clear performance goals, generated honest feedback, or used technology to streamline the process. While these results suggest that there may be poorly designed performance management systems in many organizations, it is typically not poorly developed tools and processes that cause difficulties with performance management. Rather, difficulties arise because, at its core, performance management is a highly personal and often threatening process for both managers and employees (Pulakos, 2004).

Below are ways (backed by scientific evidence) to make performance appraisals work:

1. Effective goal setting

Goals need to be related to the organization’s strategy and as the survey data by Lawler, Benson, and McDermott (2012) suggests, need to be influenced by individuals, not just imposed on them. The best explanation for the low relationship between pre-set goals and performance is the acceptance of the goals by the individual who is expected to meet them. Individuals who do not participate in setting goals often lack the internal commitment to reach them and, therefore, are not highly motivated to achieve them. They may see them as too difficult or simply as something that is not important to them; as a result, the intrinsic rewards associated with goal achievement are not present to the degree that they are when they participate in setting them and make a commitment to meeting them (Lawler, Benson, and McDermott, 2012).

2. Employee Development

Organizations need to separate the discussion of development from the discussion of performance appraisals' impact on rewards. 70 % of companies combine the two as they are a perceived correlation

between the two (Culbert, 2016). There is evidence that when pay and appraisal results are discussed at the same time, there is a tendency for individuals to not hear development feedback and will respond to it poorly (Culbert, 2016). Despite this, the results show this is not a highly utilized practice. Despite its positive relationship to effectiveness, training those who are being appraised is also not a common practice (Culbert, 2016). This is another missed opportunity to improve performance management systems.

3. System Management and Leadership

According to Grote (2011), performance management systems are complex and require effective management actions as well as the right types of leadership behaviours. The best-designed system will fail if there are not the right leadership and management support practices in place. In some respects, performance management requires some “unnatural” behaviours (Grote, 2011). As a result, managers, appraisers, and those being appraised may do the wrong thing or nothing at all, if a system of checks and balances is not in place to ensure that they execute the system properly. In a survey study with large corporate leaders, 60% of them agreed that it is important that ownership of the performance management system definitely should rest with line management (Culbert, 2016). This allows for accountability and owning of the performance appraisal process leading to the effective execution of the system.

4. Exploit technology

Technology can support the appraisal process. Performance management software, like *iPerform*, can be set up to prompt managers when appraisals or check-ins are due, and provide a framework for a more consistent and organized approach. They eradicate the need for different Excel spreadsheets, which get passed around between managers and HR and are frequently out-of-date and disconnected. Instead, a good performance management system will provide one central place where information can be stored and easily accessed by the people who need to see it. It's easy to check back on what's been discussed and agreed, and up-date on an ongoing basis to reflect subsequent discussions and provides an invaluable tool for managers who need to keep track of the progress of their often geographically dispersed teams.

5. Train managers to make it a two-way process

Appraisals can sometimes be a bit of a one-way street, with the manager taking the lead and focusing on giving feedback on the past year's performance (Lucas, 2017). The key to a more engaging and productive process is to encourage managers to make it a genuine dialogue, where employees can give their perspective and share their ideas for taking their performance to the next level (Lucas, 2017). Try equipping managers with open-ended questions they can use, and encourage them to think in terms of moving towards a more dynamic, empowering process, where employees are taking responsibility for their performance and development and where individual and organizational goals are more closely aligned (Lucas, 2017).

Conclusion

There are better and worse ways to do performance management in today's complex organizations. Some of the best ways are used by organizations at a relatively high level, but some are not. What organizations need to do is create performance management systems that are integrated with the other human resources management systems they have and the overall talent management strategy of the organization. There is relatively low use of performance management system effectiveness measures. This should be an easy practice to add to any performance appraisal process. Assistance in developing an effective system is available through a variety of sources including consultants, periodicals and books, and software. Also, given the legal implications of appraisals, business owners should have their companies' performance assessment processes, including training of managers and employees, reviewed by a qualified consultant.

Milton Jack is a Business Consultant at Industrial Psychology Consultants (Pvt) Ltd, a business management and human resources consulting firm.

LinkedIn: [linkedin.com/in/milton-jack-9798b966](https://www.linkedin.com/in/milton-jack-9798b966)

Phone: +263 242 481946-48/481950

Mobile: +263 774 730 913

Email: milton@ipcconsultants.com

Main Website: www.ipcconsultants.com

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