

# Techniques of Performance Appraisal-A Review

Ashima Aggarwal, Gour Sundar Mitra Thakur

**Abstract-** Performance appraisal system is used in the organizations to measure the effectiveness and efficiency of their employees. Performance Appraisal system is needed because every employee has a different attitude to handle the work. Performance Appraisal tends to improve the work performance, communication expectations, determining employee potential and aiding employee counseling. In this paper we present the review of some popular performance appraisal techniques along with their pros and cons. Ranking, Graphic Rating Scale, Critical Incident, Narrative Essays, Management By Objectives, Assessment Centers, BARS, 360 Degree and 720 Degree are some performance appraisal techniques.

**Keywords-** Ranking, Graphic Rating Scale, Critical Incident, Narrative Essays, MBO, Assessment Centers, BARS, Human Resource Accounting, 360 degree appraisal, 720 degree appraisal.

## I. INTRODUCTION

Performance appraisal has been synonymous with performance review, performance evaluation, performance assessment, performance measurement, employee evaluation, personnel review, staff assessment, service rating, etc. The development of performance appraisal has four distinct phases. It is called TEAM (Technical, Extended, Appraisal and Maintenance) approach [10]. Performance Appraisal is reviewing past performance, rewarding past performance, goal setting for future performance and employee development [14].

Employee's appraisal system may be considered one of the indicators of the quality of Human Resource Management in an organization. Properly designed and realized process of employees' appraisal is not only the necessary basis of successful employee performance management, but also provides valuable information for other human resource management functions [2]. Performance Appraisal is important because it helps in Performance Feedback, Employee Training and Development Decisions, Validation of Selection process, Promotions & Transfers, Layoff Decisions, Compensation Decisions, Human Resource Planning (HRP), Career Development and Develop Interpersonal Relationship.

Some techniques that were used in the past are not used during present time, like ranking, critical incident, narrative essays. In all the way of work time, many of new advance roads have been suggested for performance appraisal technique like MBO, Assessment Centers, BARS, Human Resource Accounting, 360 Degree and 720 Degree.

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## II. DIFFERENT TECHNIQUES OF PERFORMANCE APPRAISAL

There are two types of measures used in performance appraisal: Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable. Performance Appraisal can be broadly classified into two categories: Traditional Methods and Modern Methods. The performance appraisal methods are:

### Traditional Methods

Traditional Methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment.

#### A. Ranking Method

According to Dessler et al. (2011), ranking method is ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all ranked [5].

#### B. Graphic Rating Scales

In 1922, Paterson working with the employees of the Scott Company developed a graphic scale to provide the reliability, consistency over time, usefulness and practicality. Bradshaw in 1931 discussed improvements to the graphic rating scale that included "behaviorism" to anchor the scales and help better illustrate the trait [3]. In 1972, Flynn told that the five to nine scale points result in the highest quality of ratings. According to Dessler et al. (2011), Graphic Rating Scale is a scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait [5].

#### C. Critical Incident Method

The technique was formally codified by the works of Fitts and Jones in 1947 for classifying pilot error experiences in reading and interpreting aircraft instruments. Fitts and Jones used the term "errors" rather than "critical incidents". As opposed to Fitts and Jones way of collecting data, data gathering during task performance is now considered a defining criterion for critical incident methods. The work of John Flanagan in 1954 became the landmark critical incident technique, after his title entitled "The Critical Incident Technique" appeared in the psychological bulletin. Flanagan (1954) defined the critical incident technique as a set of procedures designed to describe human behavior by collecting description of events having special significance and meeting systematically defined criteria.



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Flanagan originally used trained observers to collect critical incident identification. Identification of the critical incidents during task performance can be a individual process or a mutual process between user and evaluator [9].According to Dessler et. al.(2011),Critical Incident method is keeping a record of uncommonly good or undesirable examples of an employee's work related behavior and reviewing it with the employee at predetermined times [5 ].

## D. Narrative Essays

Evaluator writes an explanation about employee's strength and weakness points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation time. This technique mainly attempt to focus on behavior [7].

## Modern Methods

Modern Methods were devised to improve the traditional methods. It attempted to improve the shortcomings of the old methods such as biasness, subjectivity, etc.

## E. Management by Objectives

In 1954, Peter F. Drucker introduced "Management By Objective" in his book "The Practice of Management". It comprises of three building blocks: object formulation, execution process and performance feedback [17]. In 2000, Weihrich 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[16].

## F. Behaviorally Anchored Rating Scale (BARS)

BARS were introduced by Smith and Kendall in 1963 with the attention of researchers concerned with the issue of reliability and validity of performance ratings. Behavioral anchor scales are more informative than simple numbers. Behaviorally anchored performance dimensions can be operationally and conceptually can be distinguished from one another [12]. Rater will act as observer not the judge. BARS help rater focus on specific desirable and undesirable incidents of work behavior which can serve as examples in discussing a rating. BARS use behavioral statements or concrete examples to illustrate multiple levels of performance for each element of performance [6].

## G. Humans Resource Accounting

The concept of human resource accounting was first developed by Sir William Petty in 1691. But research into true human resource accounting began in the 1960 by Rensis Likert. Prof. Flamholtz defines human resource accounting for people as an organizational resource. The main theory underlying the HRA is: The people are valuable resources of an organization or enterprise, information on investment and value of human resource is useful for decision making in the organization[15].This paper aims at analyzing the application of human resource accounting in heavy industries covering the period from 2001-2010.In 1965, both Cronbach & Glaser and Naylor & Shine developed models for estimating the financial utility of personnel selection and used the concept of 'utility analysis'. In 1966, Grojer and Johnson embrace both HRA and UA, suggest the concept of human resource costing and accounting (HRCA)[8].

Another method of human resource accounting is human resource value accounting (HRVA).

## H. Assessment Centers

The assessment center method, in its modern form, came into existence as a result of AT & T Management Progress Study by Bray, Campbell & Grant in 1974. Common job simulations used in assessment centers are in basket exercises, group discussions, simulations of interviews with "subordinates" or "clients", fact finding exercises, analysis/decision making problems, oral presentation exercises, written communication exercises[4].

## I. 360 Degree

It is a popular performance appraisal technique that involves evaluation input from multiple levels within the firm as well as external sources.360 Degree feedback relies on the input of an employee's superior, colleagues, subordinates, sometimes customers, suppliers and/or spouses[7].It provides people with information about the effect of their action on others in the workplace. It provides a notion of behavioral change might be elicited through a process of enhanced self-awareness.[6].

## J. 720 Degree

Rick Gal breath became dissatisfied with 360 degree reviews. Gal breath started using the 720 degree and defined it as a more intense, personalized and above all greater 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 investor perception of their work [13].720 degree approach gives people a very different view of themselves as leaders and growing individuals. 360 degree appraisal method is practiced twice. When the 360-

Degree appraisal is done, then the performance of the employee is evaluated and having a good feedback mechanism, the boss sits down with the employee again a second time and gives him feedback and tips on achieving the set targets [14].

## III. OTHER TECHNIQUES

There are many other techniques such as 90 degree,180 degree,270 degree, balanced score card, mixed standard scale, human resource costing and accounting, paired comparison, forced distribution method, behavioral observation scale, mixed standard scale, electronic performance monitoring, confidential reports etc. are also used for performance appraisal but not discussed in this paper. Table 1 represents the summary of this paper.

## IV. CONCLUSION

From this we conclude that there are many techniques that used for performance appraisal. It is very difficult to say that which technique is better than other technique because it depends upon the type and size of organization. Each technique has its own pros and cons.



<b>Sl. No.</b>	<b>Technique</b>	<b>Key Idea</b>	<b>Advantages</b>	<b>Disadvantages</b>
A.	Ranking Method	Ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all ranked.	1.Fastest 2.Transparent 3.Cost Effective 4.Simple and easy to use	1.Less objective 2. Morale problems who are not rated at or near the top of the list. 3. Suitable for small workforce. 4. Workers strengths and weakness cannot be easily determined.
B.	Graphic Rating Scales	A scale that lists a number of traits and a range of performance for each, the employee is then rated by identifying the score that best describes his or her performance for each trait.	1. Simple. 2. Easily constructed. 3. Ease of use. 4. Results are standardized what allows comparison to be made between employees. 5. Reduce the personal bias.	1. Rating may be subjective. 2. Each characteristic is equally important in evaluation of the employee's performance.
C.	Critical Incident	Keeping a record of uncommonly good or undesirable examples of an employee's work related behavior and reviewing it with the employee at predetermined times.	1. Easy and economic to develop and administer. 2. Based on direct observations. 3. It is time tested and provides more face time.	1. Time consuming and laborious to summarize and analyze the data. 2. Difficult to convince people to share their critical incidents through a survey. 3. Provides a personal perspective of organizational issues.
D.	Narrative Essays	Evaluator writes an explanation about employee's strength and weakness points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation time.	1. Report actually shows employee's performance. 2. Can Cover all factors. 3. Examples are given. 4. Provides feedback.	1. Time consuming. 2. Supervisor may write a biased essay 3. Effective writers are very difficult to find.
E.	Management by Objectives	Employees are evaluated how well they accomplished a specific set of objectives that have been determined to critical in the successful completion of the job.	1. Easy to implement and measure. 2. Employee motivated as he is aware of expected roles and accountability. 3. Performance oriented diagnostic system 4. Facilitates employee counseling and guidance.	1. Difficult to employees agree on goals. 2. Misses intangibles like honesty, integrity, quality, etc. 3. Interpretation of goals may vary from manager to manager, and employee to employee. 4. Time consuming, complicated, lengthy and expensive.
F.	Behaviorally Anchored Rating Scale	BARS combines elements from critical incident and graphic rating scale approaches. The supervisor rates employees' according to items on a numerical scale.	1. Job behaviors describe employee performance in a better way. 2. More objective 3. More acceptances due to participation of managers and employees.	1. Scale independence may not be valid/ reliable. 2. Behaviors are activity oriented rather than result oriented 3. Very time consuming for generating BARS. 4. Each job will require creating separate BARS scale.

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G.	Human Resource Accounting(HR A)	The people are valuable resources of an organization or enterprise, Information on investment and value of human resource is useful for decision making in the organization	<ul style="list-style-type: none"> <li>1. Ascertain the cost of labor turnover.</li> <li>2. Development of human resources.</li> <li>3. Planning and execution of personnel policies.</li> <li>4. Return on investment on human resources.</li> <li>5. Improve the efficiencies of employees.</li> </ul>	<ul style="list-style-type: none"> <li>1. There are no specific &amp; clear-cut guidelines for finding cost and value of human resources of an organization.</li> <li>2. The method measures only the cost to the organization but ignores completely any measure of the value of the employee to the organization.</li> <li>3. The life of human resources is uncertain and therefore, valuing them under uncertainty seems unrealistic.</li> </ul>
H.	Assessment Centers	Employees are evaluated over a period of time; say one or three days, by observing their behaviors across a series of selected exercises or work samples.	<ul style="list-style-type: none"> <li>1. Concepts are simple.</li> <li>2. Highly flexible methodology.</li> <li>3. Helps in selection and promotion decisions and for diagnosing employee development needs.</li> <li>4. Allow for the measurement of multiple attributes.</li> <li>5. Exercise is hard to fake.</li> </ul>	<ul style="list-style-type: none"> <li>1. Expensive and difficult to manage</li> <li>2. Requires a large staff</li> <li>3. Requires a great deal of time.</li> <li>4. Only a limited number of people can be processed at a time.</li> <li>5. Much cognitive loads on assessors.</li> </ul>
I.	360 Degree	It relies on the input of an employee's superior, colleagues, subordinates, sometimes customers, suppliers and/or spouses.	<ul style="list-style-type: none"> <li>1. Excellent employee development tool.</li> <li>2. Accurate, reliable and credible system</li> <li>3. Legally more defensible</li> <li>4. More objective being multi-rate system.</li> </ul>	<ul style="list-style-type: none"> <li>1. Time consuming and very costly.</li> <li>2. Sensitive to organization and national culture.</li> <li>3. May damage self-esteem of employees if the feedback is brutal.</li> <li>4. Prone to political and social games played by people.</li> <li>5. Difficult to implement in cross-functional teams.</li> <li>6. Maintaining confidentiality may pose challenge in small organizations.</li> </ul>
J.	720 Degree	360 degree appraisal method is practiced twice. When 360-degree appraisal is done, then the performance of the employee is evaluated and having a good feedback mechanism, the boss sits down with the employee again a second time and gives him feedback and tips on achieving the set targets.	<ul style="list-style-type: none"> <li>1. Improved feedback from more resources.</li> <li>2. Team Development</li> <li>3. Personal and organizational Performance Development.</li> <li>4. Responsibility for career development.</li> <li>5. Reduced discrimination risk.</li> <li>6. Improved customer Service.</li> <li>7. Training needs assessment.</li> </ul>	<ul style="list-style-type: none"> <li>1. Exceptional Expectations for the process.</li> <li>2. Insufficient Information.</li> <li>3. Design process downfalls</li> <li>4. Failure to connect the process.</li> <li>5. Insufficient training and process understanding.</li> <li>6. Focus on negatives and weaknesses.</li> <li>7. Requires commitment of top management and the human resources (time, finance, resources, etc)</li> <li>8. Paperwork (computer entry overload)</li> <li>9. Rater inexperience and ineffectiveness.</li> </ul>

**Table1. Techniques of Performance Appraisal**

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