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# Performance Appraisal and Performance Appraisal System

## Unit I

For Internal Circulation and Academic  
Purpose Only

# Programme Educational Objectives

*Our program will create graduates who:*

- 1. Will be recognized as a creative and an enterprising team leader.*
- 2. Will be a flexible, adaptable and an ethical individual.*
- 3. Will have a holistic approach to problem solving in the dynamic business environment.*

# Performance & Compensation Management

## Course Outcomes

- CO1-Given set of employee profiles; Students should be able to design performance appraisal process.
- CO2-For given organization; Students should be able to explore performance management practices.
- CO3-Students should be able to compare and contrast various organizational performance management programs and outline attributes of effective performance management systems.

- CO4-Students should be able to describe fundamental concepts of compensation, principles of compensation management and give examples of the types of compensation.
- CO5-Given the details of employee benefits, Students should be able to justify suitable employee benefit scheme for various organizations.
- CO6-Students should be able to explain the concept, role, & importance of career development for any organization and illustrate the importance of succession planning.

# Learning Objectives

- Students should be able to understand the
- Concept of Performance Appraisal;
- Performance appraisal system;
- Benefits of performance appraisal;
- Objectives of performance appraisal.

# Syllabus

- **Unit I: Performance Appraisal and Performance appraisal system** – concept and definition of Performance appraisal; Benefits of performance appraisal; Evolution of performance appraisal; Planning performance appraisal system; types of performance appraisal; approaches to performance appraisal; Sources of performance appraisal

# What is performance appraisal?

- Employee Assessment – the assessment of an employee's effectiveness, usually as undertaken at regular intervals
- Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor in which the work performance of the subordinate is examined and discussed
  - with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills' development

# Performance Management

- Performance appraisal: the measurement and assessment of an employee's job performance
- Performance management: the integration of performance appraisal systems with other HRM systems for the purpose of aligning the employees' work behaviors and results with the organization's goals
  - Example: link an employee's pay increase to the employee's job performance
    - To do this, we have to measure the employee's job performance
  - Goal: Improve the organization by improving the employees' work behaviors and results



# Why Have Performance Appraisal ?

Performance Appraisal offers several advantages at the level of the:

## ■ Individual

- Recognition of past effort
- Developmental requirements can be uncovered

## ■ Team

- Alignment of effort with objectives
- Motivation of team members

## ■ Organization

- Development of staff
- Achievement of key objectives
- Best and focused utilization of human resources

# Potential appraisal

- The objective of potential appraisal is to identify the potential of a given employee to occupy higher positions in the organizational hierarchy and undertake higher responsibilities. It is required to:
  - Inform employees about their future prospects
  - Help the organization chalk out a suitable succession plan
  - Update training efforts from time to time
  - Advise employees about what they must do to improve their career prospects.



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# Definitions of Performance Appraisal

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

# Definitions of Performance Appraisal

- “It is the evaluation or appraisal of the relative worth to the company of a man’s services on his jobs.”
  - Al ford & Beatty

# Definitions of Performance Appraisal

- “Performance appraisal is a process of evaluating an employee’s performance of a job in terms of its requirements.”
  - Scot, Clotheir & Spriegel

# Objectives

- Compensation decisions
- Promotion decisions
- Training and development programmes
- Feedback to the employee
- Personal growth and development

# Evolution of Performance Appraisal

- Formal Performance Appraisal systems were well established by the mid 1950s, with personality-based systems being widely used.
- McGregor (1957) illustrated the unease surrounding the use of personality-based ratings and advocated a more participative approach and performance-based approach, including an element of self-appraisal.



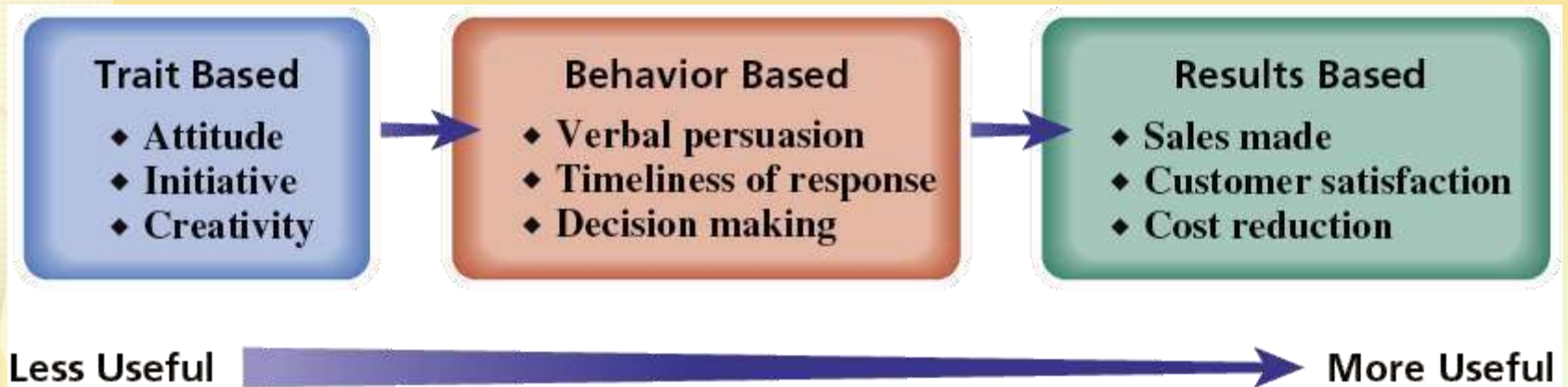
# Types of Performance to Measure

- So, in most cases, we want to measure the job performance of an employee in terms of the *results* and *behaviors* of the employee
  - Make a list of results & behaviors that are relevant to the job
  - Starting point: Use the job description to identify the essential tasks of the job
    - Example task statement on job description for a Retail Store Manager: “Manage inventory shrinkage.”
  - Translate the tasks into results & behaviors
    - Example (continued): Measure the amount of inventory shrinkage in the store (a result)

# The Performance Appraisal Process

- I. Objectives of performance Appraisal - SMART
- II. Establish Job Expectations
- III. Design an Appraisal Programme
- IV. Appraise performance
- V. Performance interview
- VI. Achieve appraisal data
- VII. Use Appraisal Data for Appropriate purposes

# Types of Performance Information



# Approaches to Performance Appraisal

- What aspects of an employee's job performance can we measure?
  - We have 3 basic choices:
    - ✦ *Results* produced by the employee
      - Example for a salesperson: Amount of sales (\$) in the past month
    - ✦ *Behaviors* of the employee
      - Example for a salesperson: Number of sales calls in the past month
    - ✦ *Traits* of the employee
      - Example for a salesperson: Friendliness

# Appraisers

- Performance information is collected from supervisors, subordinates, peers, and internal/external customers
- Generally done for development rather than for pay raises
- Supervisors
- Peers
- Subordinates self appraisal
- Customers
- Consultants

# Limitations of Performance Appraisal

- Even if a system is well designed, problems can arise if raters are not cooperative and well trained
  - Supervisors may not be comfortable “playing God”
- Inadequate training can lead to:
  - Problems with standards of evaluation
  - Halo effect
  - Leniency or harshness
  - Central tendency error
  - “Recency of events” error
  - Contracts effects
  - Personal bias (stereotyping, similar to me)

# Standards of Evaluation

- Problems with evaluation standards arise because of perceptual differences in the meaning of words
  - *Good, adequate, satisfactory, and excellent* mean different things to different evaluators
- If only one rater is used, evaluations can be distorted
  - This arises most often in graphic rating scales
  - It may also appear with essays, critical incidents, and checklists

# Performance Management System

- By clearly defining both individual and team based responsibilities in the form of KRA's as well as by creating an understanding of shared mutual accountabilities, a good performance management system enables, empowers and facilitates the development of staff members.



# Performance Management System

- Planning and Expectation Setting.
- Monitoring.
- Development and Improvement.
- Periodic Rating.
- Rewards and Compensation. ...
- Planning and Expectation Setting.

# **Components or parts of an effective performance management system include**

- Performance Planning (includes employee goal setting / objective setting)
- Ongoing Performance Communication.
- Data Gathering, Observation and Documentation.
- Performance Appraisal Meetings.
- Performance Diagnosis and Coaching.

# Performance Management

- Performance management is the systematic process by which the Department of Commerce involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of agency mission and goals.

# Performance Management

- The performance management process is used to communicate organizational goals and objectives, reinforce individual accountability for meeting those goals, and track and evaluate individual and organizational performance results. It reflects a partnership in which managers share responsibility for developing their employees in such a way that enables employees to make contributions to the organization. It is a clearly defined process for managing people that will result in success for both the individual and the organization.



# Performance Management Linkage

# Difference Between Performance Management and Performance Appraisals

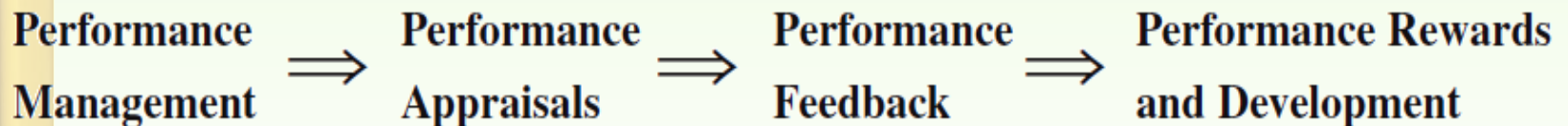
## Performance Management

Processes used to identify, encourage, measure, evaluate, improve, and reward employee performance.

## Performance

## Appraisal

The process of evaluating how well employees perform their jobs and then communicating that information to the employees.





# Thanks

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## ***Reference Books***

- *Performance Management by A.S. Kohli, T. Deb-Oxford university press*
- *Personnel & Human Resource Management BY P Subba Rao*
- *Human Resource Development by Dr. D.K. Bhattacharyya, First Edition*
- *Human Resource Management by Ashwatthapa*