



**Certified Performance  
Appraisal Manager  
Sample Material**

**V-Skills Certifications**

**A Government of India  
&  
Government of NCT Delhi Initiative**

**V-Skills**



# 1. INTRODUCTION

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## 1.1 An Overview

Performance Appraisal is a systematic assessment of the performance of employees. It encompasses feedback of performance and exploring potential of an employee for further growth and development. Starting with the business's strategic plan, it enlists the organizational goals to be reached through a set of strategies. These strategies are percolated down to individual business units, who in turn determine how individual job tasks and requirements are defined. These determined goals and strategies also play a role in setting the skills and core competencies each employee must possess to successfully complete the job and contribute to meet the strategic goals. These factors, in theory, form objective measures on which the employee's actual performance is evaluated. Performance consists of evaluation of behavior as well as results. In the end, individual components of the appraisal are evaluated as per the organizational requirements. For example, integrity might be more important than "quantifiable" qualities like target achievement.

Key objectives of a performance appraisal could be as follows,

- ✓ A framework of feedback to the employees for a better performance.
- ✓ A platform for discussing training and developmental plans.
- ✓ To maintain and assess the potential of an employee for further growth opportunities.
- ✓ Compensation plan of employee's vis-à-vis organizational targets and plans.
- ✓ To identify the strengths and weaknesses to place right employees in the right role.
- ✓ To serve as a basis for discussing and solving issues of the employees.
- ✓ To review and retain promotions and cross functional responsibilities.
- ✓ Performance appraisal in short is an evaluation framework which is critical for an organization's growth.

## 1.2 Need for Performance Appraisal

Performance-appraisal systems can become a key component of a business's performance-management program. It works not only as an evaluative process but also serves as an organizational communication tool. Though detested by employees and employers, performance management conducted with effective participation and with appropriate mindset, accomplishes the same goals, and more. Performance management also supplies additional advantages to the manager, the employee and the organization who seek performance evaluation.

### 1.2.1 Merits of Performance Appraisal

Performance appraisal is an investment for the organization which can be substantiated by the following advantages.

- ✓ **Promotion:** Helps the supervisors to chalk out the promotion plans for performing employees. In this regards, non-performing employees can be terminated or demoted in case.
- ✓ **Compensation:** Helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Compensation packages which include bonus, salary revisions, perks, allowances and perquisites are dependent on performance appraisal. The criterion normally is merit rather than seniority.
- ✓ **Employees Development:** The systematic procedure helps the supervisors to frame training requirements and programs. It also helps in framing future development programs depending on the employee's skill gaps.
- ✓ **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and pitfalls of the selection procedure. Future modifications in selection methods can be made in this regard.
- ✓ **Communication:** For an organization, effective communication between employees and employers is very important. It works as a two- way tool. Communication can be sought to create trust, confidence and a great working environment.
- ✓ **Motivation:** Through evaluating performance of employees, a person's efficiency can be recognized on achievement of goals. This not only works as a motivational tool for performers but also helps improve his performance in the future

### 1.3 Disadvantages of Performance Appraisal

Conducted traditionally, employee performance evaluation is globally detested by supervisors and employees. Supervisors and employees might come to dread performance-appraisal season. Although performance-appraisal systems offer several benefits, there can be disadvantages to the systems and the manner in which they're used.

- ✓ **Negative Approach:** Supervisors might feel the time it takes to prepare an employee's performance appraisal could be better spent on other job tasks. Small businesses often have to make do with limited staff or a smaller workforce. This puts supervisors in a bind when they have to devote too much time to preparing for an employee appraisal. Employees might fear receiving an appraisal that contains mostly neutral or negative feedback about their performance. Being on the receiving end of negative feedback is as nerve-wracking as being the supervisor who has to give negative feedback. It makes for an uncomfortable appraisal meeting.

The dread with which supervisors and employees view performance appraisals puts a negative spin on the entire process.

- ✓ **Hostile work environment:** Post-appraisal interaction between a supervisor and employee can be tense. Particularly it happens when the employee believes he was rated unfairly. The tense interaction between supervisors and employees is likely to be heightened because of the close proximity within which employees and supervisors often work in a small business setting.
- ✓ **Supervisor Bias:** Biases can destroy the integrity of the performance-appraisal system. Biases occur when supervisors overlook poor employee performance during the early part of an evaluation period and focus solely on the most recent performance. Supervisor bias can occur when supervisors feel it's too much work to produce a quality performance appraisal, resulting in a less than properly constructed appraisal. In addition, supervisors who were promoted from staff positions might have a difficult time rating the performance of employees who were once their peers. This is a serious disadvantage of performance-appraisal systems that can have a lasting effect on an employee's status with the company, even to the point of termination.
- ✓ **Timeliness:** Performance appraisals don't always receive the priority they deserve. Employees must receive timely feedback to learn whether they're performing their job functions according to expectations. Employees might not realize how they can improve their processes or their behaviors and attitudes about work if formal feedback is absent in a performance - appraisal system. A supervisor's failure to conduct timely performance appraisals demonstrates poor leadership skills. This can also damage the supervisor-employee relationship. This is particularly true when an employee's salary raise depends on finalizing the performance appraisal. Late appraisals mean untimely salary increases.

#### 1.4 Assessment of Self

Employee's thoughts about performance are an important part of the Performance Appraisal Process. Self-assessments are an important part of the performance appraisal process and with good reason. Supervisors cannot possibly remember everything the employee accomplished throughout the year. By asking the employee to provide inputs into the self evaluation, it reminds the supervisor about all the things he achieved with timelines. The purpose of the Employee Self Appraisal form is to obtain the employee's comments regarding job strengths, developmental needs, and actions that might be taken to improve performance. It serves a genuine purpose and, when properly handled, can help further the employee's career.

The following are some of the ways in which it aids the appraisal process.

- ✓ **Accomplishments with specifics:** Now a day's many employees work independently and make more of their own work-related decisions. As a result, managers are less-aware of each team member's day-to-day activities. A self-evaluation helps to detail the employee's accomplishments in a very specific manner. It includes factual evidence to support the record of accomplishments. Employees should be encouraged to complete the form with specific comments. The comments should familiarize you with the employee's thoughts, perceptions and expectations.
- ✓ **Own Your pitfalls:** Employees get an opportunity to be proactive about bringing up development areas, state a weakness or a problem. Contrary to the common belief that stating problems creates a negative image, most managers appreciate team members who take this kind of initiative.
- ✓ **Directing the Dialogue:** A big part of the self-evaluation experience is for the employee to take it as an opportunity to neutralize any potential negatives. The self-evaluation allows employees to frame the conversation and set the tone for the discussion forward. Their comments should also provide an opening to discuss performance development including areas of needed improvement and resources available for improving those areas. It may also provide supervisors with insight regarding things affecting their work environment, contributions they feel they have made, and suggestions for changes and improvements.

Asking your employee to complete the self appraisal prior to the appraisal interview and to bring it to the interview is an integral component of the appraisal interview.

#### 1.4.1 Methods of Performance Appraisals

Numerous methods have been devised to measure the quantitative and qualitative aspects of performance appraisals. Each of the methods is effective to some extent for some organizations only. However none should be disregarded or completely accepted as appropriate except as they relate to the particular needs of the organization or an employee. Broadly all methods of appraisals can be divided into two different categories.

- ✓ Traditional Methods - Have been tried and tested in the past.
- ✓ Modern Methods - Gaining momentum in the recent times.

## 1.5 Traditional Methods

- ✓ **Rating Scales:** Rating scales consists of several numerical values representing performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived. The advantages of the method are – adaptability, ease of use, low cost, various types of jobs can be evaluated, large number of employees can be covered, no formal training required. The disadvantage of this method is that, the rater’s biases can come to play.
- ✓ **Straight Ranking Methods:** This is one of the oldest and simplest techniques of performance appraisal. The appraiser ranks the employees from the best to the poorest on the basis of their overall performance. It is quite useful for a comparative evaluation.
- ✓ **Checklist:** A checklist of statements of the traits of an employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking. HR department does the actual evaluation. The advantages of the method are – economy, ease of administration, limited training required, and standardization. The disadvantages of this method are – rater’s biases, use of improper weighs by HR, does not allow rater to give relative ratings.
- ✓ **Forced Choice Method:** It is a series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does the actual assessment. The advantage of the method is the absence of personal biases because of forced choice. The disadvantage of the method is that statements may be wrongly framed.
- ✓ **Forced Allocation Method:** The evaluator is asked to classify the employees on the basis of some fixed categories of ratings like on a normal distribution curve to eliminate the element of bias from the rater’s ratings. The rater chooses the appropriate fit for the categories on his own discretion. Some of the disadvantages of this method are – Assumption of normal distribution, unrealistic, errors of central tendency.
- ✓ **Critical Incidents Method:** The evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. Some of the advantages of this method are – evaluations are based on actual job behaviors, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high. Some of the disadvantages of this method are – negative incidents can be prioritized, forgetting important incidents, overly close supervision; feedback may be too much and may appear to be interference.

- ✓ **Field Review Method:** In this method, a senior member of the HR department or an external officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias. The advantage of this method is that it is useful for managerial level promotions, when comparable information is needed. The disadvantages of this method are that outsider is generally not familiar with employees work environment and observation of actual behaviors closely is not possible.
- ✓ **Tests & Observations of Performance:** This is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Tests must be reliable and validated to be useful. The advantage of this method is that tests may be apt to measure potential more than actual performance. The disadvantage of this method is that tests may suffer if costs of test development or administration are high.
- ✓ **Confidential Records:** Mostly used by government departments, however its application in industry is not ruled out. Here the report is given in the form of Annual Confidentiality Report (ACR). It records ratings with respect to following items; attendance, self expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential. Feedback to the assesses is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.
- ✓ **Essay Method:** This traditional form of appraisal is also known as "Free Form method". It involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts. It often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator.
- ✓ **Method of Comparative Evaluation (Ranking & Paired Comparisons):** A better technique of comparison than the straight ranking method, this method compares each employee with all others in the group, one at a time. After all the comparisons on the basis of the overall comparisons, the employees are given the final rankings.

## 1.6 Future Oriented Methods

- ✓ **Management by Objectives:** It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under,
  - ✓ Establish goals and desired outcomes for each subordinate
  - ✓ Setting performance standards

- ✓ Comparison of actual goals with goals attained by the employee
- ✓ Establish new goals and new strategies for goals not achieved in previous year.
  - Advantage – It is more useful for managerial positions.
  - Disadvantages – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.
- ✓ **Psychological Appraisals:** These appraisals are more directed to assess employee's potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly . It may be useful for bright young members who may have considerable potential. However the quality of these appraisals largely depends upon the skills of the psychologists who perform the evaluation.
- ✓ **Assessment Centers:** This technique was first developed in USA and UK in 1943. An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Assesseees are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc. Disadvantages – Costs of employees traveling and lodging, psychologists, ratings strongly influenced by assessee's inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected. Advantages – well-conducted assessment center can achieve better forecasts of future performance and progress than other methods of appraisals. Also reliability, content validity and predictive ability are said to be high in assessment centers. The tests also make sure that the wrong people are not hired or promoted. Finally it clearly defines the criteria for selection and promotion.
- ✓ **360-Degree Feedback:** It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree



appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback.

- ✓ **Behaviorally anchored rating scales:** Behaviorally Anchored Rating Scales (BARS) is a relatively new technique which combines the graphic rating scale and critical incidents method. It consists of predetermined critical areas of job performance or sets of behavioral statements describing important job performance qualities as good or bad (for e.g. the qualities like inter personal relationships, adaptability and reliability, job knowledge etc). These statements are developed from critical incidents. In this method, an employee's actual job behavior is judged against the desired behavior by recording and comparing the behavior with BARS. Developing and practicing BARS requires expert knowledge.
- ✓ **Human resource accounting method:** Human resources are valuable assets for every organization. Human resource accounting method tries to find the relative worth of these assets in the terms of money. Here the performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc whereas their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.

### 1.7 Factors affecting Performance Appraisal

Performance appraisal is an important process for any organization, large or small. The effectiveness of a company performance appraisal efforts will depend on a number of factors, including how well documented and communicated the process is, training for managers and supervisors, the evaluation and analysis of results and ongoing improvement efforts.

Primary objective of a performance appraisal is to evaluate the performance of an employee, reward good performance with promotions and pay raises and set goals to help employees continue to improve. In reality, however, performance appraisals are affected by an array of psychological factors. Even when supervisors are working with a well-defined guideline to evaluate workplace performance, they can easily fall off track with results adverse to both the employee and the company.

Some common factors which affect a performance appraisal process are as follows.

- ✓ **The Halo and the Horns:** Sometimes subdivided into the halo and the horns the factor arises from the human tendency to over generalize. An employee who is good or outstanding in one or two areas will receive a "halo". His supervisor will tend to generalize that he is good in all areas because of a few noticeable strong points. Similarly, an employee who is seen as weak in one or two areas can get weighed down with "horns". His supervisor will neglect his strengths in his performance appraisal and tend to see everything he does as a weakness.
- ✓ **The Matthew Effect:** It is somewhat similar to the halo effect, but more long lasting. In instances, a worker is permanently judged based on an early performance evaluation. If he fared well in the early evaluation, he will gain a positive footing than other employees and all of his work will be seen in a favorable light. If he did poorly, he will have a tough time gaining trust or a positive evaluation from his superior, who will judge all his future actions in light of an early impression.
- ✓ **Relative standards of evaluation:** One especially tricky performance appraisal factor is the relativity in the standards of evaluation. Many companies use subjective terms like "excellent," "good" and "fair" to characterize performance. But these terms may mean very different things to different people. If a company has two different appraisers, this can lead to a severe bias. An average employee who performs all of his job duties correctly may receive a "good" rating with one appraiser but only an "average" or "fair" rating with the other.
- ✓ **General Biases:** There are many ways a supervisor can skew subordinate's evaluations. Some supervisors exhibit the central tendency, rating everyone as about average and only deviating in an extreme situation. In contrast, an evaluator exhibiting a leniency bias would rate everyone fairly high, perhaps out of a desire to be nice or a desire to avoid confronting unhappy employees. An evaluator might also only look at a recent performance, exhibiting a recency bias. An opportunity bias can also skew results, with evaluators blaming or praising employees for things that were actually out of their control. For example, a salesman could have declining sales numbers due to a sharp economic downturn, poor product quality or poor inventory management, none of which would be his fault.
- ✓ **Documented Process:** Effective performance appraisal is formal and not left to chance. More than just asking supervisors and managers to evaluate staff, effective systems provide step-by-step guidance and standardized evaluation forms for all managers to evaluate all employees. This not only lends to consistency, but also allows the results of the evaluations overall to be reviewed and compared to identify areas of strength and areas where there may

be opportunities for improvement. Making the process as easy as possible for managers to follow will help ensure that performance appraisal is effective.

- ✓ **Communication:** Communicating the performance appraisal process, not only to new managers but on an ongoing basis, can help remind all supervisors that the process exists, what it is, how it works and where to get advice and assistance if needed. In addition, business leaders and human resources staff should make sure managers and supervisors understand why performance appraisal is important—to employees, managers and the organization.
- ✓ **Training:** Supervisors and managers automatically know how to conduct performance appraisals. In addition, processes and philosophies at companies differ, so training and education is critical. Training should take place regularly to provide refreshers and updates on any changes to the process or the evaluation forms.
- ✓ **Evaluation of Results:** While performance appraisal generally focuses on one individual, looking at the aggregated results of performance appraisals can tell a company a lot about the general level of performance of its staff, areas where there may be training or development needs and trends within and between departments.
- ✓ **Follow-Up and Performance Improvement:** The greatest affect on performance appraisal effectiveness is how the business uses the results. Employees both individually and across the organization should use the appraisal system as a tool to improve performance.

### 1.8 Appraiser's Responsibilities

Performance appraisals are most productive when they are collaborative, both people are prepared ahead of time and there have been continuous discussions about performance throughout the year. The performance appraisal meeting should be a two-way conversation, with the purpose of providing feedback on performance, establishing future objectives, defining development opportunities and exchanging information. Although each manager may conduct the appraisal in a slightly different manner, the following are some key responsibilities in the scope of the appraiser,

- ✓ Establish a rapport; the goal should be to create an environment in which both the employee and the appraiser are at ease.
- ✓ Be prepared - know the objectives and goals of the meeting.
- ✓ Time and place - choose a quiet, private spot with very limited interruptions.
- ✓ Reviewing the purpose of the interview, indicating the benefits of the appraisal process.
- ✓ Encouraging the employee to participate; ask questions, bring up issues at anytime;
- ✓ Be prepared to address any questions that arise; this must be a two-way conversation.

- ✓ Review the job itself before you zero in on individual performance in that job.
- ✓ Have the employee share their Self Appraisal with you; discuss any areas of performance you have also noted as well as those that differ.
- ✓ Provide the employee feedback on the areas for development indicated.
- ✓ Whenever possible, begin the discussion on a positive note by recognizing accomplishments achieved.
- ✓ Discuss the Key Performance Indicators and the assigned rating to make sure the employee understands what they mean and what you have documented.
- ✓ Discuss and reflect on areas where performance can be improved, and identify areas where desired results were not achieved.
- ✓ Examine objectives from previous appraisal period and assess accomplishments of those goals.
- ✓ Review the overall rating and the Appraiser's Overview Evaluation and seek agreement on areas where performance can be improved.
- ✓ Set objectives for the next appraisal period and define the plan to achieve those objectives, offer help by asking what can be done to help the employee carry out these plans.

Approaching the employee as one is appraising as a partner rather than a judge. Tell the employee that the performance appraisal meeting is a two-way discussion, not one-way. Maintaining a positive outlook and a focus on problem-solving rather than fault finding is the key.