

Appraisal of performance is widely used in society. Parents evaluate their children, teachers evaluate their students and employers evaluate their employees. However, formal evaluation of employees is believed to have been adopted for the first time during the First World War. At the instance of Walter Dill Scott, the U.S. Army adopted the 'Man to Man' rating system for evaluating military personnel. During 1920-1930 hourly-paid workers in industrial units were evaluated on the basis of rating scores. This early appraisal system was called merit rating. In the early fifties, performance appraisal techniques began to be used for technical, professional and managerial personnel. Since then tremendous changes have taken place in the concept, techniques and philosophy of employee appraisal. These changes have been summarised in Table 14.1.

Table 14.1: Trends in Performance Appraisal

Item	Former Emphasis	Present Focus
1. Terminology	Merit-Rating	Performance Appraisal
2. Purpose	Determine wage increase, promotion, transfer, layoff	Development of the individual. Improved job performance
3. Application	For rank and file workers	For managerial and technical personnel
4. Factors rated	Personal traits	Performance, results or accomplishments
5. Techniques	Rating scales with emphasis upon scores	Mutual goal-setting, critical incidents, group appraisal
6. Post-appraisal interview	Superior communicates his rating to the subordinate and seeks to have the employee accept the rating	Superior stimulates employee to analyse himself and set down goals with the help and counsel of the superior

Source: Dale S. Beach : *Personnel—The Management of People at Work*, Collier Macmillan Publishing Co., New York, 1975, p. 280.

14.1 Concept of Performance Appraisal

Performance appraisal is the process of assessing the performance and progress of an employee or of a group of employees on a given job and his potential for future development. According to Flipppo, "Performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job." Performance appraisal and merit rating are used synonymously. But strictly speaking, performance appraisal is a wider term than merit-rating. In merit-rating, the focus is on judging the calibre of an employee so as to decide salary increment. On the other hand, performance appraisal focuses on the performance and future potential of the employee. Its aim is not simply to decide salary increments but to develop a rational basis for personnel decisions. Merit-rating measures what the person is (traits) whereas performance appraisal measures what the person does (performance).

The main characteristics of performance appraisal are as follows:

- (i) Performance appraisal is a process consisting of a series of steps. These steps are described later.

- (ii) It is the systematic examination of an employee's strengths and weaknesses in terms of the job.
- (iii) Performance appraisal is a scientific or objective study. Formal procedures are used in this study. The same approach is adopted for all jobholders so that the results are comparable.
- (iv) It is an ongoing or continuous process wherein the evaluations are arranged periodically according to a definite plan.
- (v) The main purpose of performance appraisal is to secure information necessary for making objective and correct decisions on employees.

14.2 Objectives of Performance Appraisal

The main purposes of performance appraisal are as follows:

- (i) to provide feedback to employees so that they come to know where they stand and can improve their job performance.
- (ii) to provide a valid database for personnel decisions concerning placement, pay, promotion, transfer, punishment, etc.
- (iii) to diagnose the strengths and weaknesses of individuals so as to identify further training needs.
- (iv) to provide coaching, counselling, career planning and motivation to subordinates.
- (v) to develop positive superior-subordinate relations and thereby reduce grievances.
- (vi) to facilitate research in human resource management.
- (vii) to test the effectiveness of recruitment, selection, placement and induction programmes.

Thus, performance appraisal aims at both judgmental and developmental efforts. The first two objectives are judgmental whereas the remaining are developmental. By focussing attention on performance, performance appraisal reflects management's interest in the progress of employees.

14.3 Uses or Importance of Performance Appraisal

Performance appraisal is a significant element of the information and control system in organisation. It can be put to several uses concerning the entire spectrum of human resource management functions. Some common applications of performance appraisal are given below:

- (i) Performance appraisal provides valuable information for personnel decisions such as pay increases, promotions, demotions, transfers and terminations. Thus, performance appraisal serves as the basis of suitable personnel policies.
- (ii) It helps to judge the effectiveness of recruitment, selection, placement and orientation systems of the organisation.
- (iii) It is useful in analysing training and development needs. These needs can be assessed because performance appraisal reveals people who require

further training to remove their weaknesses. It also identifies individuals with high potential who can be groomed up for higher positions.

- (iv) Performance appraisal can be used to improve performance through appropriate feedback and counselling to employees. It serves as a means of telling a subordinate how he is doing and suggesting necessary changes in his knowledge behaviour and attitudes.
- (v) Performance appraisal facilitates human resource planning, career planning and succession planning.
- (vi) It promotes a positive work environment which contributes to productivity. When achievements are recognised and rewarded on the basis of objective performance measures, there is improvement in work environment.
- (vii) A competitive spirit is created and employees are motivated to improve their performance. Systematic appraisal provides management an opportunity to properly size up the employees.
- (viii) Systematic appraisal of performance helps to develop confidence among employees. Appraisal records protect management from charges of discrimination levelled by trade union leaders. Employee grievances can be reduced.

14.4 Performance Appraisal Process (Elements)

The performance appraisal process follows a set pattern and it consists of the following steps:

1. Establishing Performance Standards. The appraisal process begins with the setting up of criteria to be used for appraising the performance of employees. The criteria is specified with the help of job analysis which reveals the contents of a job. This criteria should be clear, objective and in writing. It should be discussed with the supervisors to ensure that all the relevant factors have been included. Where the output can be measured the criteria is clear. If work performance cannot be measured, the personal characteristics which contribute to employee performance must be determined. These characteristics include work quality, honesty, and reliability, cooperation and team-work, job knowledge, initiative, leadership, safety consciousness, attendance, learning ability, adaptability, judgement, sense of responsibility, health and physical condition, etc. These standards should be indicated on the Appraisal Form. Appraisal forms should be carefully designed and printed.

In addition, who is to do the appraisal and how frequently appraisal is to be done should also be decided. In fact, performance standards will depend upon the objectives of the appraisal, *i.e.*, to appraise actual performance on the present job or to judge potential for higher jobs.

2. Communicating the Standards. The performance standards specified in the first step are communicated and explained to the employees so that they come to know what is expected of them. The reactions of employees to the standards should be obtained. If necessary the standards may be revised or modified in the light of feedback obtained from the employees and the evaluators.