



Fig. 14.1 The Performance Appraisal Process.

3. Measuring Performance. Once the performance standards are specified and accepted, the next stage is the measurement of actual performance. This requires choosing the right technique of measurement, identifying the internal and external factors influencing performance and collecting information on results achieved. Personal observations, written reports and face-to-face contacts are the means of collecting data on performance. The performance of different employees should be so measured that it is comparable. What is measured is as important as how it is measured.

4. Comparing the Actual with the Standards. Actual performance is compared with the predetermined performance standards. Such comparison will reveal the deviations which may be positive or negative. Positive deviations occur when the actual performance exceeds the standards. On the other hand, excess of standard performance over the actual performance represents negative deviation.

5. Discussing the Appraisal. The results of the appraisal are communicated to and discussed with the employees. Along with the deviations, the reasons behind them are also analysed and discussed. Such discussion will enable an employee to know his weaknesses and strengths. Therefore, he will be motivated to improve himself. The impression the subordinate received about his performance has an impact on his subsequent performance. The impact may be positive or negative depending how the appraisal feedback is presented and discussed with the employee.

6. Taking Corrective Actions. Through mutual discussions with employees, the steps required to improve performance are identified and initiated. Training, coaching, counselling, etc. are examples of corrective actions that help to improve performance.

14.5 Problems in Performance Appraisal

(Limitations of Performance Appraisal)

The main problems involved in performance appraisal are as follows:

1. Errors in Rating. Performance appraisal may not be valid indicator of performance and potential of employees due to the following types of errors:

(a) **Halo Effect.** It is the tendency to rate an employee consistently high or low on the basis of overall impression. One trait of the employee influences the rater's appraisal on all other traits. For example, an employee may be rated high on performance just because he sits on the job late in the evening. Similarly, a person who does not shave regularly may be considered lazy at work and may be underrated. This error may be minimised by rating all the employees on one trait before taking up another trait.

(b) **Stereotyping.** This implies forming a mental picture of a person on the basis of his age, sex, caste or religion. It results in an over-simplified view and blurs the assessment of job performance.

(c) **Central Tendency.** It means assigning average ratings to all the employees in order to avoid commitment or involvement. This is adopted because the rater has not to justify or clarify the average ratings. As a result, the ratings are clustered around the midpoint.

(d) **Constant Error.** Some evaluators tend to be lenient while others are strict in assessing performance. In the first case, performance is overrated (*leniency error*) while in the second type it is underrated (*strictness error*). This tendency may be avoided by holding meetings so that the raters understand what is required of them.

(e) **Personal Bias.** Performance appraisal may become invalid because the rater dislikes an employee. Such bias or prejudice may arise on the basis of regional or religious beliefs and habits or interpersonal conflicts. Bias may also be the result of time. Recent experience or first impression of the rater may affect the evaluation.

(f) **Spill Over Effect.** This arises when past performance affects assessment of present performance. For instance, recent behaviour or performance of an employee may be used to judge him. This is called recency.

2. Lack of Reliability. Reliability implies stability and consistency in the measurement. Lack of consistency over time and among different raters may reduce the reliability of performance appraisal. Inconsistent use of measuring standards and lack of training in appraisal techniques may also reduce reliability. Different qualities may not be given proper weightage. Factors like initiative are highly subjective and cannot be quantified.

3. Incompetence. Raters may fail to evaluate performance accurately due to lack of knowledge and experience. Post appraisal interview is often handled ineffectively.

4. Negative Approach. Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employees.

5. Multiple Objectives. Raters may get confused due to too many objectives or unclear objectives of performance appraisal.

6. Resistance. Trade unions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations and industrial relations particularly when employees/unions do not have faith in the system of performance appraisal.

7. Lack of Knowledge. The staff appraising performance of employees might not be trained and experienced enough to make correct appraisal.