

# Performance appraisal process essay sample

[Business](#), [Management](#)



**ASSIGN  
BUSTER**

Explain in brief the performance appraisal process. Also compare Behaviourally Anchored Rating Scale and MBO as methods of performance appraisal. Performance appraisal is a formal , structured system of measuring and evaluating an employee's performance on the job and his or her potential for development. Performance appraisal takes in to account the past performance of the employees and focuses on the future improvement of the performance. The steps in the process of performance appraisal are

### 1. ESTABLISHING PERFORMANCE STANDARDS

The first step in the process of performance appraisal is the setting up of the standards which will be used as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms.

### 2. COMMUNICATING THE STANDARDS

The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

### 3. MEASURING THE ACTUAL PERFORMANCE

The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

#### 4. COMPARING THE ACTUAL WITH THE DESIRED PERFORMANCE

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

#### 5. DISCUSSING RESULTS

The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees ' future performance. The purpose of the

meeting should be to solve the problems faced and motivate the employees to perform better.

## 6. DECISION MAKING

The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc.

Behaviorally anchored rating scale:

Behaviorally anchored rating scale is combination of rating scale and critical incident techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions. The steps involved in BARS are 1. Collect critical incidents: People with knowledge of the job to be probed, such as job holders and supervisors, describe specific examples of effective and ineffective behavior related to job performance.

2. Identify performance dimensions: Performance dimensions include technical competence, relationships with customers, handling of paper work and meeting day-to-day deadlines. While developing varying levels of performance for each dimension (anchors), specific examples of behavior should be used, which could later be scaled in terms of good, average or below average performance.

3. Reclassification of incidents: Another group of participants who are knowledgeable about the job is instructed to retranslate or reclassify the

critical incidents generated (in Step II) previously. They are given the definition of job dimension and told to assign each critical incident to the dimension that it best describes. At this stage, incidents for which there is not 75 per cent agreement are discarded as being too subjective.

4. Assigning scale values to the incidents: Each incident is then rated on a one-to-seven or one-to-nine scale with respect of how well it represents performance on the appropriate dimension. A rating of one represents ineffective performance; the top scale value indicates very effective performance. The second group of participants usually assigns the scale values. Means and standard deviations are then calculated for the scale values assigned to each incident. Typically incidents that have standard deviations of 1.50 or less (on a 7-point scale) are retained. 5. Producing the final instrument: About six or seven incidents for each performance dimension – all having met both the retranslating and standard deviation criteria – will be used as behavioral anchors. The final BARS instrument consists of a series of vertical scales (one for each dimension) anchored (or measured) by the final incidents. Each incident is positioned on the scale according to its mean value. Limitations:

A specific deficiency is that the behaviors used are activity oriented rather than results oriented. This creates a potential problem for supervisors doing the evaluation, who may be forced to deal with employees who are performing the activity but not accomplishing the desired goals. Further, it is time consuming and expensive to create BARS. They also demand several appraisal forms to accommodate different types of jobs in an

organization. Management by Objectives (MBO): MBO represents a modern method of evaluating the performance of personnel. There is a growing feeling nowadays that it is better to make the superior work with subordinates in fixing goals.

This would inevitably enable subordinates to exercise self-control over their performance behaviors. Management by objectives can be described as “ a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individuals’ major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contributions of each of its members”. MBO programmes contain the following elements:

(a) Arranging organizational goals in a means-ends chain: In an MBO system a firm’s corporate goals are structured in a means-ends chain . Top management formulates a set of long-range and short-term corporate objectives for the company as a whole. Divisional or functional managers participate in the goal-setting process to reflect their own desires and indicate the constraints that must be considered as well. These managers then work with their subordinates to formulate divisional or functional goals, which in turn are translated into group or individual goals. managers serve as linking pins that tie organizational units together at different levels. Through this organizational process, corporate objectives set at higher levels are communicated downward to lower levels to be used as a guide for formulating task goals. These lower-level goals are communicated upward, to be incorporated into the firm’s corporate goals. Any differences between

organizational levels or groups that show up during the goal-setting process will be negotiated by managers in linking-pin positions.

(b) Engaging in joint goal setting: The most unique feature of MBO is joint goal setting. Supervisors meet with their subordinates individually or in groups to formulate a set of objectives for the group or individual. The goal-setting process has the following steps: ☞i. Identify key performance or result areas (KRAs), such as increasing loans, reducing loan risk or employee training. ☞ii. Define the expected results, such as increasing loans by 5 per cent, reducing bad loans by 10 per cent or training 100 employees. ☞iii. Assign specific responsibilities to employees. This step is needed to make employees accountable for accomplishing their tasks. ☞iv. Define authority and responsibility relationships. This step clarifies who has what authority and responsibility and who is reporting what to whom. ☞(c) Conducting periodic progress reviews: Performance can be periodically reviewed to determine progress.

Supervisors and subordinates should meet regularly to review their progress toward goal attainment. The reviews should be held monthly or quarterly. These reviews serve as a built-in feedback mechanism for an MBO system. Since individual or group goals are specifically defined, usually in quantifiable terms, employees can compare their progress at review time against the specified goals. Any performance variations or changes in goals be discussed during the review sessions. ☞(d) Conducting annual performance review: At the end of an MBO cycle, usually on an annual basis, the manager meets subordinate(s) to assess the employee's or the group's

contribution to the organization. While periodic review is intended to identify and solve specific performance problems, the annual review is conducted to assess and reward one's overall contribution to the organization. Because employees are evaluated on their performance results, MBO is often called a result-based, performance appraisal system. MBO Benefits

MBO is hailed as the greatest innovation in years. It is claimed that when an organization is managed by objectives, it becomes performance-oriented, it grows, develops and becomes socially useful in many ways: ➤(a) Clearer goals: MBO produces, clear and measurable performance goals. Goals are set in an atmosphere of participation, mutual trust and confidence. There is a meeting of minds between the superior and the subordinates where the latter will be shooting for right goals. Participation increases commitment, additionally, it also results in setting better goals. Research experience also indicates that individuals are more likely to be highly committed to objectives that they had a hand in setting. Joint goal-setting sessions enhance team spirit and inter-group communication. ➤(b) Better planning: MBO programmes sharpen the planning process.

Specific goals are products of concrete thinking. They tend to force specific planning setting highly specific, challenging and attainable goals; developing action programmes tied to a definite schedule; providing resources for goal accomplishment; discussing and removing obstacles to performance – all these activities demand careful advance planning. Passivity gives way to activity. ➤(c) Facilitates control: MBO helps in developing effective controls. A clear set of verifiable goals provides an outstanding guarantee for

exercising better control. (d) Objective appraisal: MBO provides a basis for evaluating a person's performance since goals are jointly set by superior and subordinates. By setting specific goals, MBO allows persons to better control their own performance. The individual is given the freedom to police his own activities. A pleasant and stimulating organizational climate prevails where individuals are not subjected to domination and control from 'upstairs'. Instead, they are trained to exercise discipline and self-control.

Management by self-control replaces management by domination.

Appraisals would be more objective and impartial since employee performance is evaluated against preset, verifiable objectives. (e)

Motivational force: Both appraiser and appraisee are committed to the same objective. It forces managers to think of planning for results rather than planning for activities or work. It compels forward planning and living life in an anticipatory mode rather than responding to events. Clarified roles reduce ambiguity and employee anxiety. It allows managers increased opportunities to provide subordinates with a better fix on the job; to clarify for subordinates the path to personal rewards. In the words of Mervin Kohn, "MBO gives an individual or groups some leeway to use imagination or creativity to accomplish the mission; fosters a feeling of independence; provides an incentive to achieve the goal and permits a feeling of true participation in the task from its inception".

(f) Better morale: MBO encourages commitment rather than rote compliance. It is at once functional in terms of what top management demands and developmental in terms of people at work. The two techniques, participative

decision-making and two-way communication, encourage the subordinate to communicate freely and honestly. It minimizes the possible misunderstanding about what is expected of each individual and organizational sub-units. Participation, clarified goals, and improved communication – all will have a tonic effect on the psychology of subordinates. (g) Result-oriented philosophy: MBO is a result-oriented, practical and rational management philosophy. Managers are forced to develop specific individual and group goals, develop appropriate action plans, marshal the resources properly and establish needed control standards. It helps manager to avoid management by crisis and 'fire fighting'.