

Performance
appraisal method:
which is most suited?



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The purpose of the study was to evaluate the best performance appraisal method which is most suited in V Mart retail limited by doing a comparison between the two methods adopted by the company i. e. ranking method in low level management and middle level management and 360 degree method at top level management, so to find which is the efficient method from the two methods.

Context of the study

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does.

According to Angelo S. DeNisi and Robert D. Pritchard (2006) “ Performance appraisal” is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process. Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee’s job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated.

By focusing the attention on performance, performance appraisal goes to the heart of personnel management and reflects the management’s interest in the progress of the employee’s . So knowing the best method suited for the company would be an important aspect to be considered.

Significance of the study

This study will help to evaluate the best method of performance appraisal which is suited to the company and their employees from two methods used in the company i. e. Ranking method and 360 degree method . As performance appraisal system is a very important aspect from the all the H R operations of the company. So it is of great significance if evaluate which is the best method out of the two.

Theoretical Framework

Performance appraisal (PA) is a formal system of review and evaluation of individual or team task performance. A critical point in the definition is the word formal, because in actuality, managers should be reviewing an individual's performance on a continuing basis.

PA is especially critical to the success of performance management.

Although performance appraisal is but one component of performance management, it is vital, in that it directly reflects the organization's strategic plan.

Objective of performance appraisal system

The following are the main objectives of performance appraisal systems:

To review the performance of the employees over a given period of time.

To judge the gap between the actual and the desired performance.

To help the management in exercising organizational control.

Helps to strengthen the relationship and communication between superior –

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Subordinates and management – employees.

To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.

To provide feedback to the employees regarding their past performance.

Provide information to assist in the other personal decisions in the organization.

Provide clarity of the expectations and responsibilities of the functions to be performed by the employees.

To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.

To reduce the grievances of the employees.

Performance Appraisal Process

Figure 1. 1 Performance appraisal process

As shown in Figure 1. 1, the starting point for the PA process is identifying specific performance goals. An appraisal system probably cannot effectively serve every desired purpose, so management should select the specific goals it believes to be most important and realistically achievable. Too many Performance appraisal systems fail because management expects too much from one method and does not determine specifically what it wants the system to accomplish. The next step in this ongoing cycle continues with establishing performance criteria (standards) and communicating these performance expectations to those concerned.

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Then the work is performed and the supervisor appraises the performance. At the end of the appraisal period, the appraiser and the employee together review work performance and evaluate it against established performance standards. This review helps determine how well employees have met these standards, determines reasons for deficiencies, and develops a plan to correct the problems. At this meeting, goals are set for the next evaluation period, and the cycle repeats.

Responsibility for Appraisal

Often the human resource department is responsible for coordinating the design and implementation of performance appraisal programs. However, it is essential that line managers play a key role from beginning to end. These individuals usually conduct the appraisals, and they must directly participate in the program if it is to succeed. Several possibilities exist with regard to the person who will actually rate the employee.

The following people or groups have the responsibility for appraisal

Immediate Supervisor

Subordinates

Peers and Team Members

Self-Appraisal

Customer Appraisal

Appraisal Period

Formal performance evaluations are usually prepared at specific intervals. Although there is nothing magical about the period for formal appraisal reviews, in most organizations they occur either annually or semiannually. Even more significant, however, is the continuous interaction (primarily informal), including coaching and other developmental activities, that continues throughout the appraisal period. Managers should be conditioned to understand that managing performance is a continuous process that is built into their job every day. Some organizations use the employee's date of hire to determine the rating period. At times a subordinate's first appraisal may occur at the end of a probationary period, anywhere from 30 to 90 days after his or her start date. However, in the interest of consistency, it may be advisable to perform evaluations on a calendar basis rather than on anniversaries. If firms do not conduct all appraisals at the same time, it may be impossible to make needed comparisons between employees.

Different Methods of performance appraisal

Methods of performance appraisal can be classified into two types –

Traditional Methods

Modern Methods

These two methods can be further classified as follows:

Figure 1. 2 Performance appraisal methods

The 360-degree feedback evaluation method is a popular performance appraisal method that involves evaluation input from multiple levels within

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the firm as well as external sources. The 360-degree method is unlike traditional performance reviews, which provide employees with feedback only from supervisors. In this method, people all around the rated employee may provide ratings, including senior managers, the employee himself or herself, supervisors, subordinates, peers, team members, and internal or external customers. Many companies use results from 360-degree programs not only for conventional applications but also for succession planning, training, and professional development.

Unlike traditional approaches, 360-degree feedback focuses on skills needed across organizational boundaries. Also, by shifting the responsibility for evaluation to more than one person, many of the common appraisal errors can be reduced or eliminated. Software is available to permit managers to give the ratings quickly and conveniently. The 360-degree feedback method may provide a more objective measure of a person's performance. Including the perspective of multiple sources results in a broader view of the employee's performance and

may minimize biases that result from limited views of behavior.

Figure 1. 3 360 degree method of performance appraisal

Advantages of 360 Degree Feedback

Organizational climate fosters individual growth

Criticisms are seen as opportunities for improvement (Randel, A., 2004)

Proper framing of feedback method by management

Assurance that feedback will be kept confidential

Development of feedback tool based on organizational goals and values

Feedback tool includes area for comments (Hoffmanner, A., 2004)

Brief workers, evaluators and supervisors about purpose, uses of data and methods of survey prior to distribution of tool

Train workers in appropriate methods to give and receive feedback

Support feedback with back-up services or customized coaching

Limitations of 360 Degree Feedback

Feedback tied to merit pay or promotions

Comments traced to individuals causing resentment between workers

Feedback not linked to organizational goals or values

Use of the feedback tool as a stand alone without follow-up

Poor implementation of 360-degree tool negatively affects motivation

Excessive number of surveys are required of each worker with few tangible results provided to individuals (Clark, S., Whittall, A., 2003)

The rating scales method is a performance appraisal method that rates employees according to defined factors. Using this approach, evaluators record their judgments about performance on a scale. The scale includes several categories; normally 5-7 in number, defined by adjectives such as

outstanding, meets expectations, or needs improvement. Although systems often provide an overall rating, the method generally allows for the use of more than one performance criterion.

One reason for the popularity of the rating scales method is its simplicity, which permits quick evaluations of many employees. When you quantify the ratings, the method facilitates comparison of employee's performances.

The essay method is a performance appraisal method in which the rater writes a brief narrative describing the employee's performance. This method tends to focus on extreme behavior in the employee's work rather than on routine day-to-day performance. Ratings of this type depend heavily on the evaluator's writing ability. Supervisors with excellent writing skills, if so inclined, can make a marginal worker sound like a top performer. Comparing essay evaluations might be difficult because no common criteria exist. However, some managers believe that the essay method is not only the most simple

but also an acceptable approach to employee evaluation.

The ranking method is a performance appraisal method in which the rater ranks all employees from a group in order of overall performance. For example, the best employee in the group is ranked highest, and the poorest is ranked lowest. You follow this procedure until you rank all employees. A difficulty occurs when all individuals have performed at comparable le

Ranking Method

The ranking system requires the rater to rank his subordinates on overall performance. This consists in simply putting a man in a rank order. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group.

Advantages of Ranking Method

Employees are ranked according to their performance levels.

It is easier to rank the best and the worst employee.

Limitations of Ranking Method

The “ whole man” is compared with another “ whole man” in this method. In practice, it is very difficult to compare individuals possessing various individual traits.

This method speaks only of the position where an employee stands in his group. It does not test anything about how much better or how much worse an employee is when compared to another employee.

When a large number of employees are working, ranking of individuals become a difficult issue.

There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgements.

Forced Distribution method

The forced distribution method of performance appraisal requires the rater to assign individuals in a work group to a limited number of categories, similar to a normal frequency distribution. The purpose of forced distribution is to keep managers from being excessively lenient and having a disproportionate number of employees in the “superior” category. Forced distribution systems have been around for decades and firms such as General Electric, Cisco Systems, EDS, Hewlett-Packard, Microsoft, Pepsi, Caterpillar, Sun Microsystems, Goodyear, Ford Motor, and Capital One use them today. 30 Proponents of forced distribution believe they facilitate budgeting and guard against weak managers who are too timid to get rid of poor performers. They think that forced rankings require managers to be honest with workers about how they are doing.

This is a ranking technique where raters are required to allocate a certain percentage of rates to certain categories (eg: superior, above average, average) or percentiles (eg: top 10 percent, bottom 20 percent etc). Both the number of categories and percentage of employees to be allotted to each category are a function of performance appraisal design and format. The workers of outstanding merit may be placed at top 10 percent of the scale, the rest may be placed as 20 % good, 40 % outstanding, 20 % fair and 10 % fair.

Advantages of Forced Distribution

This method tends to eliminate raters bias

By forcing the distribution according to pre-determined percentages, the problem of making use of different raters with different scales is avoided.

Limitations of Forced Distribution

The limitation of using this method in salary administration, however, is that it may lead low morale, low productivity and high absenteeism.

Employees who feel that they are productive, but find themselves in lower grade(than expected) feel frustrated and exhibit over a period of time reluctance to work.

Critical Incident techniques

Under this method, the manager prepares lists of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees or the job. The manager maintains logs of each employee, whereby he periodically records critical incidents of the workers behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the worker's performance. Example of a good critical incident of a Customer Relations Officer is : March 12 - The Officer patiently attended to a customers complaint. He was very polite and prompt in attending the customers problem.

The critical incident method is a performance appraisal method that requires keeping written records of highly favorable and unfavorable employee work actions. When such an action, a " critical incident," affects the department's effectiveness significantly, either positively or negatively, the manager

writes it down. At the end of the appraisal period, the rater uses these records along with other data to evaluate employee performance. With this method, the appraisal is more likely to cover the entire evaluation period and not focus on the past few weeks or months.

Advantages of Critical Incident techniques

This method provides an objective basis for conducting a thorough discussion of an employee's performance.

This method avoids recency bias (most recent incidents are too much emphasized)

Limitations of Critical Incident techniques

Negative incidents may be more noticeable than positive incidents.

The supervisors have a tendency to unload a series of complaints about the incidents during an annual performance review sessions.

It results in very close supervision which may not be liked by an employee.

The recording of incidents may be a chore for the manager concerned, who may be too busy or may forget to do it.

Checklists and Weighted Checklists

In this system, a large number of statements that describe a specific job are given. Each statement has a weight or scale value attached to it. While rating an employee the supervisor checks all those statements that most closely describe the behaviour of the individual under assessment. The rating sheet is then scored by averaging the weights of all the statements

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checked by the rater. A checklist is constructed for each job by having persons who are quite familiar with the jobs. These statements are then categorized by the judges and weights are assigned to the statements in accordance with the value attached by the judges.

Advantages of Checklists and Weighted Checklists

Most frequently used method in evaluation of the employees performance.

Limitations of Checklists and Weighted Checklists

This method is very expensive and time consuming

Rater may be biased in distinguishing the positive and negative questions.

It becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employees characteristics, contributions and behaviours. vels (as perceived by the evaluator).

Paired comparison is a variation of the ranking method in which the performance of each employee is compared with that of every other employee in the group. A single criterion, such as overall performance, is often the basis for this comparison. The employee who receives the greatest number of favorable comparisons receives the highest ranking. Some professionals in the field argue for using a comparative approach, such as ranking, whenever management must make human resource decisions. They believe that employees are promoted or receive the highest pay increases not because they achieve their objectives, but rather because they achieve them better than others in their work group.

The behaviorally anchored rating scale (BARS) method is a performance appraisal method that combines elements of the traditional rating scales and critical incident methods; various performance levels are shown along a scale with each described in terms of an employee's specific job behavior. A BARS system differs from rating scales because, instead of using terms such as high, medium, and low at each scale point, it uses behavioral anchors related to the criterion being measured. This modification clarifies the meaning of each point on the scale and reduces rater bias and error by anchoring the rating with specific behavioral examples based on job analysis information.

Problems in Performance Appraisal

Performance appraisal is constantly under a barrage of criticism. The rating scales method seems to be the most vulnerable target. Yet, in all fairness, many of the problems commonly mentioned are not inherent in this method but, rather reflect improper implementation. For example, firms may fail to provide adequate rater training or they may use appraisal criteria that are too subjective and lack job-relatedness. The following point highlights some of the more common problem areas.

Appraiser Discomfort: Conducting performance appraisals is often a frustrating human resource management task. One management guru, Edward Lawler, noted the considerable documentation showing that performance appraisal systems neither motivate individuals nor effectively guide their development. Instead, he maintains, they create conflict between supervisors and subordinates and lead to dysfunctional behaviors. This caveat is important. If a performance appraisal system has a faulty design, <https://assignbuster.com/performance-appraisal-method-which-is-most-suited/>

or improper administration, employees will dread receiving appraisals and the managers will despise giving them.

Lack of Objectivity: A potential weakness of traditional performance appraisal methods is that they lack objectivity. In the rating scales method, for example, commonly used factors such as attitude, appearance, and personality are difficult to measure. In addition, these factors may have little to do with an employee's job performance. Although subjectivity will always exist in appraisal methods, employee appraisal based primarily on personal characteristics may place the evaluator and the company in untenable positions with the employee and equal employment opportunity guidelines.

Halo/Horn: A halo error occurs when a manager generalizes one positive performance feature or incident to all aspects of employee performance, resulting in a higher rating. The phenomenon is known as the horn error, when an evaluation error that occurs when a manager generalizes one negative performance features or incident to all aspects of employee performance, resulting in a lower rating.

Leniency/Strictness: Some managers are too generous with praise or too hard on a person. Giving undeserved high ratings to an employee is referred to as leniency. This behavior is often motivated by a desire to avoid controversy over the appraisal. It is most prevalent when highly subjective (and difficult to defend) performance criteria are used, and the rater is required to discuss evaluation results with employees.

Central tendency error is an evaluation appraisal error that occurs when employees are incorrectly rated near the average or middle of a scale. This <https://assignbuster.com/performance-appraisal-method-which-is-most-suited/>

practice may be encouraged by some rating scale systems that require the evaluator to justify in writing extremely high or extremely low ratings. With such a system, the rater may avoid possible controversy or criticism by giving only average ratings. However, since these ratings tend to cluster in the fully satisfactory range, employees do not often complain. Nevertheless, this error does exist and it influences the accuracy of evaluations.

Personal Bias (Stereotyping): This pitfall occurs when managers allow individual differences to affect the ratings they give. If these are factors to avoid such as gender, race, or age, not only is this problem detrimental to employee morale, but it is blatantly illegal and can result in costly litigation. The effects of cultural bias, or stereotyping, can definitely influence appraisals. 38 Managers establish mental pictures of what are considered ideal typical workers, and employees who do not match this picture may be unfairly judged.

Introduction to V Mart Retail Ltd

<http://t0.gstatic.com/images?q=tbn:ANd9GcRA60YXQ0kseFRW4JfjkP-J5Yq9Mqcoa8gcur02JtRMT1Mx6liB>

Introduction

V Mart, a leading chain of complete family lifestyle stores spread across India. In the rapidly growing retail industry, V Mart has successfully created a niche for itself. V Mart is one of India's fastest growing value-retailer promoted by Mr. Lalit Agarwal, a first generation entrepreneur. It operates a chain of medium sized hypermarket format retail stores (10000-12000 sq. ft.) with a focus on tier II and tier III cities.

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It currently operates 59 stores across 50 cities in northern and western regions of India, covering over 5 lakh sq. ft. “ Price Less Fashion” is the main motto through which we believe in providing the latest trends to the upwardly mobile Indians at the best possible price. V mart provides a complete range of products ranging from Clothes, Accessories & Footwear for men, women and kids besides Cosmetics, Luggage, and Toys & Games. We also provide a wide range of food, non- food and staple items in our Kirana Bazaar section.

History

V-MART RETAIL was established in the year 2002. The company made its foray into retail sector in October 2003, by opening its maiden showroom in Ahmadabad.

Today V-MART has 52 stores across 48 cities and is expanding at a rapid pace with a turnover of more than 150 crores last year. In an extremely fashionable and price conscious market, V-Mart has been successful in maintaining the equilibrium between the quality and price. Through its chain of stores the company always strives to offer Indian masses with excellent ambience and tremendous convenience of shopping.

Success Stories

V Mart is present in tier-II & Tier-III cities and is catering to middle & lower middle segment of customers. They are dedicated to provide customers a high class & soothing shopping experience with value products. The whole team is always in par with fashion trends & changes in industry. They are trend setters in all our major location.

Here is a snapshot of V Mart's Life.

2002

V-Mart came into existence with its registration in CALCUTTA.

2003

A milestones was created in history of AHMEDABAD with inauguration of maiden store at LAW GARDEN.

2004

V-MART comes to capital city with launch of its first store at KAMLA NAGAR and successful launch of PITAMPURA & LAJPAT NAGAR showroom.

2005

They created havoc in Gujarat with opening of RAJKOT & VADODRA STORE & India's heart was touched with opening of a complete family showroom at BHOPAL in MADHYA PRADESH.

2006

Continuing its journey vmart made a buzz in CHANDIGARH town with opening maiden store in PUNJAB and first store with KIRANA BAZAR. Travelling over whole PUNJAB we laid our stone at many other places.

2007

A new landmark was created with start of manufacturing facility at AHMEDABAD.

2008

A year written in golden ink. Vmart opened 18 stores in a span of 4 months with a presence in GUJRAT, PUNJAB, HARYANA, UP, MP, RAJASTHAN & DELH.

2009

Vmart continues to expand with 7 new stores in North India.

2010

Vmart one of the preferred brand in Uttar Pradesh with a presence in more than 20 locations in one state.

Vision Statement of V Mart

Create Value and make our ecosystem proud

Mission Statement of V Mart

Care for customer aspirations

Discover and nurture talent

Sustained ethical growth for stakeholders

Harness vendor relationships

V Mart Policies

Sabse Sasta Sabse Achcha: The philosophy behind ' Sabse Sasta, Sabse Achcha' or " Best Products at Lowest Prices" is to fully respect the hard earned money of our customer. The slogan signifies value for money, because the company caters to the middle and lower-middle segment of the society.

Price less Fashion: Is the phrase which they live. They are fashion retailer and always provide latest fashion trends to our customers. Their kitty offers customers fashion at best affordable prices which are less in comparison to market prices.

In addition, V Mart provides the comfort of shopping at a big retail store with a customized air-conditioned ambience. They strive to give the customers top quality products at the best possible price. All items are procured in bulk which gives them a price advantage. Also they procure from manufacturers & there in production facility lands them in attractive price bands... Further their in-house designers & Quality Control department ensure that best quality products come out of their in-house manufacturing units. V Mart's products cater to the needs of all the segments of the society.

Organisational Structure of V Mart

The organisational structure of the organisation is as follows:

Figure 1. 4 Organizational structure of V Mart

Performance appraisal of V Mart according to ranking method

The company conducted the performance appraisal according to the ranking methods of 83 employees on the four parameters i. e. discipline, dedication, communication skills, grooming. The employees were given ranks from 1 to 5 after which the scores were totaled and their total score was converted into percentages. After that grades were allotted to the employees A to the employees whose total score percentage is more than 85 % , B to the employees whose total score percentage is more than 70 % , C to the

employees whose total score percentage is more than 50 % , D to the employees whose total score percentage is below 50 % . After this it can be seen as how many employees are lying under which grades and accordingly training needs are evaluated and employees are given training to improve their performance . So the following chart shows the number of employees lying in different grades.

Figure 1. 5 graphical representations for the number of employees in each grade under ranking method

Definitions

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Summary

Performance appraisal is a systematic way of reviewing and assessing the performance of an employee during a given period of time and planning for his future.

It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals. By focusing the attention on performance, performance appraisal goes to the heart of personnel management and reflects the management's interest in the progress of the employees.

CHAPTER 2: REVIEW OF LITERATURE

Bayat, R. F(2011) Australian Journal of Basic and Applied Sciences, Impact on the Productivity of Human Resources Management, Performance Evaluation in his paper investigates the performance management, evaluation of the performance management cycle, improve productivity, performance, benefits, performance management, performance management disadvantages, comparative study, which outlines the performance indicators and measurement model. Organizational performance, the performance of its human resources and their interaction with the resources,

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facilities and technology in the organization. Performance of human resources, motivation and their ability to function. Ability of its human resources function, job knowledge and skills in applying knowledge to perform the job duties