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# **Traditional and Modern Methods of Performance Appraisal**

## Unit II

For Internal Circulation and Academic  
Purpose Only

# Programme Educational Objectives

*Our program will create graduates who:*

- 1. Will be recognized as a creative and an enterprising team leader.*
- 2. Will be a flexible, adaptable and an ethical individual.*
- 3. Will have a holistic approach to problem solving in the dynamic business environment.*

# Performance & Compensation Management

## Course Outcomes

- CO1-Given set of employee profiles; Students should be able to design performance appraisal process.
- CO2-For given organization; Students should be able to explore performance management practices.
- CO3-Students should be able to compare and contrast various organizational performance management programs and outline attributes of effective performance management systems.

- CO4-Students should be able to describe fundamental concepts of compensation, principles of compensation management and give examples of the types of compensation.
- CO5-Given the details of employee benefits, Students should be able to justify suitable employee benefit scheme for various organizations.
- CO6-Students should be able to explain the concept, role, & importance of career development for any organization and illustrate the importance of succession planning.

# Learning Objectives

- Students should be able to understand
- Traditional and Modern methods of performance appraisal
- Self Appraisal

# Syllabus

- **Unit II: Traditional and Modern methods of performance appraisal** – Self Appraisal/Traditional methods- Ranking, Essay, Graphic rating scale, Field review, Forced Choice distribution, Critical Incident, Confidential Report; Modern Methods- MBO, Assessment Center, Human resource Accounting, BARS, 360 Degree, Balanced Scorecard

# Tools / Methods of Performance Appraisal

## Traditional / Past-oriented methods

- Graphic rating scales
- Checklist
- Forced choice method
- Forced distribution method
- Critical Incident method
- Behaviorally Anchored Rating Scale
- Field review method
- Performance tests and observations
- Confidential records
- Essay method
- Cost accounting method
- Comparative evaluation approaches
- Ranking method
- Paired comparison method

## Modern / Future Oriented methods

Management by Objectives (MBO)

Psychological appraisals

Assessment centers

360 Degree feedback

# Essay Evaluation

- The rater is asked to describe the strong and weak aspects of the employee's behavior
- It can be used by superiors, peers, or subordinates
- Essay evaluations are flexible; an evaluator can specifically address the ratee's skill in any area
- Comparing essays is difficult
  - Skilled writers can paint a better picture



# Comparative evaluation approaches

- A collection of different methods that compare one worker's performance with that of his/her co-workers.
- Usually conducted by supervisors.
- Useful in deciding merit-pay increases, promotions and organizational rewards (ranking best to worst).

# Ranking method

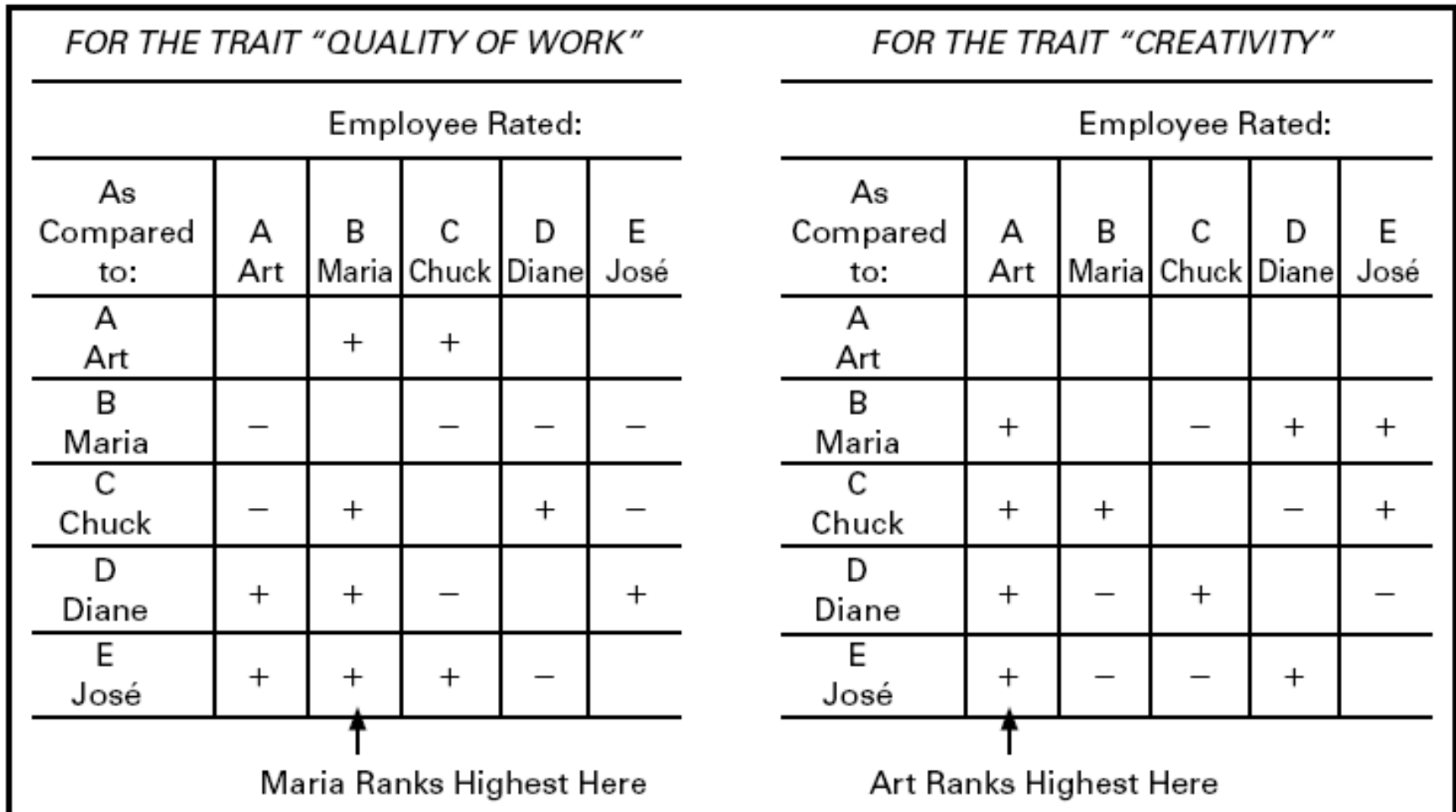
- A supervisor is asked to rank subordinates in order on some overall criterion
  - It is easier to rank the best and worst employees than average ones
- *Alternative rankings* can help with this difficulty
  - Pick the top employee first, then the bottom one
  - The second best is chosen, then the second worst
  - Follow this process until everyone has been ranked

# Paired Comparison

- The supervisor reviews a series of cards; each contains two subordinates names
- The higher performer in each pair is chosen
- Final ranking is made by counting how many times a given employee was chosen as the better performer
- A major limitation is the number of paired comparisons that must be made
  - With only 10 subordinates, a supervisor would have 45 pairs of names

# Paired Comparison Method

FIGURE 6.4 Paired Comparison Method



*Note:* + means "better than," - means "worse than." For each chart, add up the number of +'s in each column to get the highest ranked employee.

# Checklists

## i. Simple checklist method

- In its simplest form, the checklist is a set of objectives or descriptive statements
- If the rater believes that the employee possesses a listed trait, the item is checked
- A rating score equals the number of checks

# Weighted checklist

- Supervisors and HR specialists prepare a list of descriptive statements about behavior
- Judges who have observed behavior on the job sort the statements into piles rated from excellent to poor
- When there is agreement on an item, it is included in the weighted checklist
  - The employee's evaluation is the sum of the scores (weights) on the items checked

Checklists and weighted checklists can be used by superiors, peers, or subordinates

# Field Review Method

- This is an appraisal by someone outside the assessee's own department, usually from corporate office or the HR department.
- Outsiders review employee records and holds interviews.
- For making promotional decision at the managerial level.
- Disadvantages
  - Outsider is not familiar with conditions in an employee's work environment.
  - Outsider can not take a review of the actual workdone with an artificially structured interview situation.

# Rating scale

- The rater is presented with a set of traits
- The employee is rated on the traits
- Ratings are assigned points, which are then computed
- Raters are often asked to explain each rating with a sentence or two
- Nearly every type of job can be evaluated with the rating scale, the only requirement being that the job-performance-criteria should be changed.



# Forced choice

- Was developed because graphic rating scales allowed supervisors to rate everyone high
- The rater must choose from a set of descriptive statements about employee
- Supervisors check the statements that describe the employee, or they rank the statements from most to least descriptive
- Forced choice can be used by superiors, peers, subordinates, or a combination of these

# Forced Distribution Method

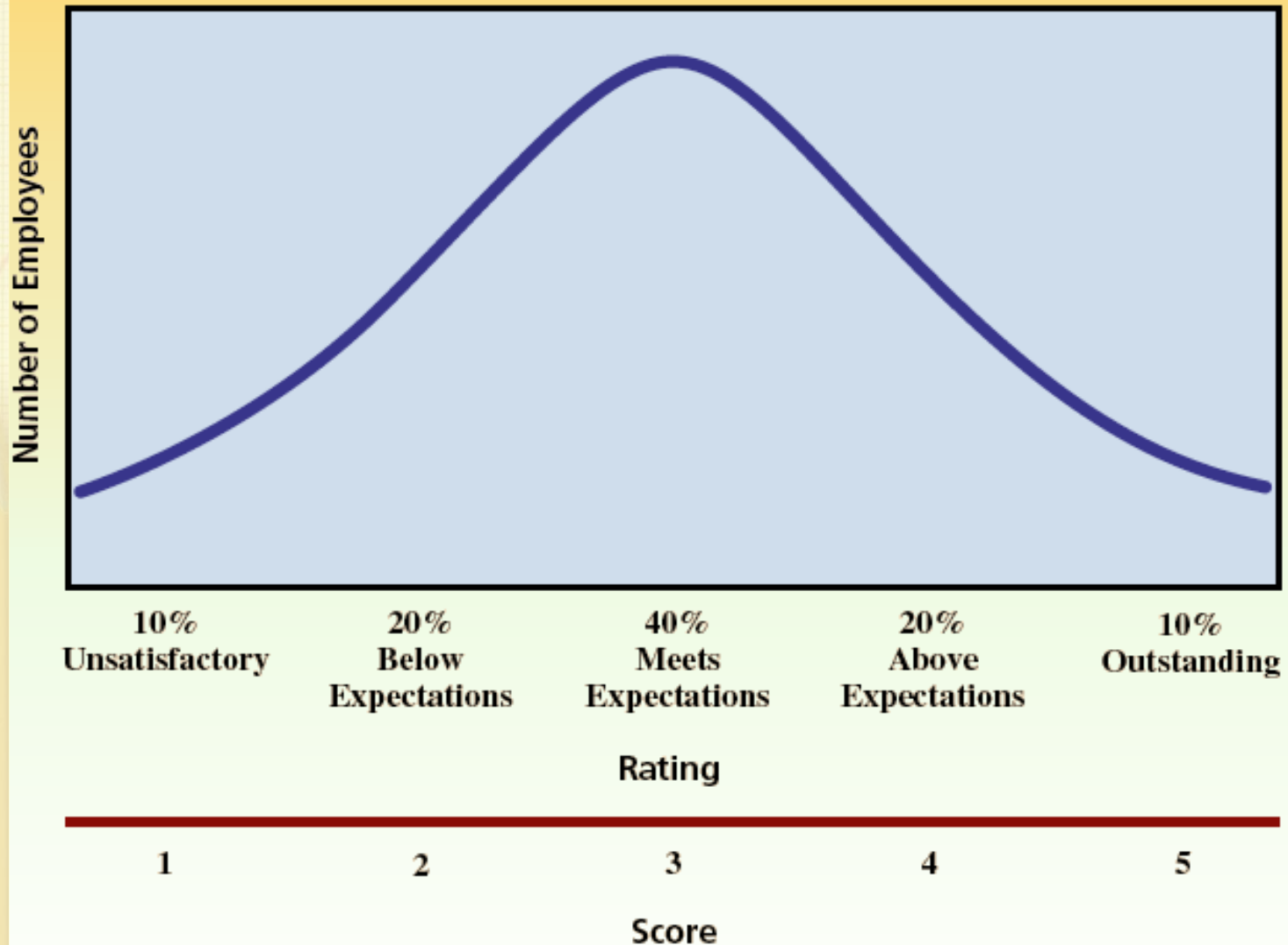
- Employees are rated on a pre-existing distribution of pre-determined categories
- The predetermined distribution must be followed, regardless of how well the employees performed
- A supervisor with all exceptional subordinates will be forced to rate some poorly
  - A supervisor with mediocre subordinates must rate some highly

This technique is similar to grading on a curve

# Forced Distribution Method

- At Sun Microsystems managers appraise employees in groups of about 30.
- There is a top 10%, a middle 70%, and a bottom 10%.
- The bottom 10% can either take a quick exit package or embark on a 90-day performance improvement action plan.

# Forced Distribution on a Bell-Shaped Curve



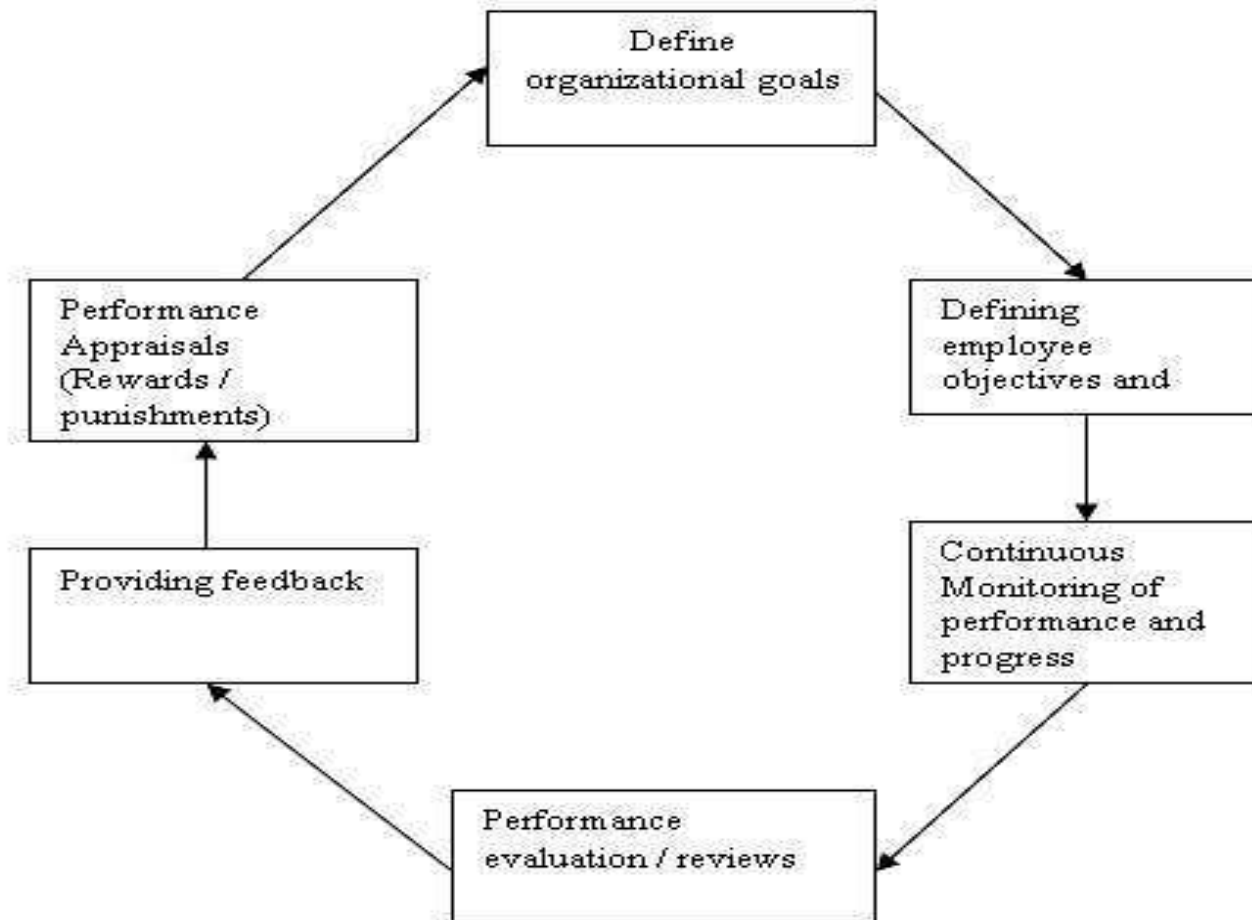
# Critical Incident Technique

- Raters maintain a log of behavioral incidents that represent effective and ineffective performance for each employee
- Two factors determine the success of this technique:
  - The supervisor must have enough time to observe subordinates during the evaluation period
  - The supervisor must record incidents as they are seen
- Logs can help avoid common rating errors and facilitate discussions about performance improvement

# Future oriented appraisals - MBO

- **An MBO program follows a systematic process:**
  - Superior/subordinates define tasks and set objectives
  - The superior, consulting with subordinates, sets criteria for assessing objective accomplishment
  - Dates to review progress are agreed upon and used
  - Superior and subordinates make any required modifications in the original objectives
  - A final evaluation by the superior is made
  - The superior meets with the subordinate in a counseling, encouraging session
  - Objectives for the next cycle are set

# 'Management by Objectives' (MBO)



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# SMART Goals

➤ **Clarity of goals** – With MBO, came the concept of SMART goals i.e. goals that are:

- ✓ Specific
- ✓ Measurable
- ✓ Achievable
- ✓ Realistic, and
- ✓ Time bound





# Psychological appraisals

- Psychological appraisals focus on future potential and not actual performance.
- Industrial psychologists are employed for conducting the appraisal.
- It consists of **in-depth interviews, psychological tests, discussions with supervisors and a review of other evaluations.**
- Psychologist then writes an evaluation of the employee's intellectual, emotional, motivational and other-related characteristics that suggest individual potential and may predict future performance.

# Assessment centers

- An assessment centre typically involves the use of methods like social/informal events, tests and exercises, assignments being given to a group of employees to assess their competencies to take higher responsibilities in the future.
- Generally, employees are given an assignment similar to the job they would be expected to perform if promoted.
- The trained evaluators observe and evaluate employees (at a central location) as they perform the assigned jobs and are evaluated on job related characteristics.



# Behaviorally Anchored Rating Scales

- Smith and Kendall developed the behaviorally anchored rating scale (BARS), or the behavioral expectation scale (BES)
- The BARS approach uses critical incidents to anchor statements on a scale
- The rater reads the anchors and places an X at some point on the scale for the ratee

# **A BARS usually contains these features:**

- Six to 10 performance dimensions identified and defined by raters and ratees
- The dimensions are anchored with positive and negative critical incidents
- Each ratee is then rated on the dimensions
- Ratings are fed back using the terms on the form

It takes two to four days to construct a BARS that is jargon free and closely related to the requirements of the job

# Behaviorally Anchored Rating Scale

Uses specific descriptions of actual behaviors to rate various levels of actual performance

Outstanding performance	5	←	If a customer has defective merchandise that is not the responsibility of the store, you can expect this representative to help the customer arrange for the needed repairs elsewhere.
	4	←	You can expect this representative to help a customer by sharing complete information on the store's policies on returns.
	3	←	After finishing with a request, you can expect this representative pleasantly to encourage a customer to "shop again" in the store.
	2	←	You can expect this representative to delay a customer without explanation while working on other things.
Unsatisfactory performance	1	←	You can expect this representative to treat a customer rudely and with disrespect.

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# ***Behaviorally-Anchored Rating Scale for Customer Service Skills***

## **The Customer Service Representative**

**Outstanding**

**5**

**Used positive phrases to explain product**

**4**

**Offered additional pertinent information when asked questions by customer**

**Satisfactory**

**3**

**Referred customer to another product when requested item was not available**

**2**

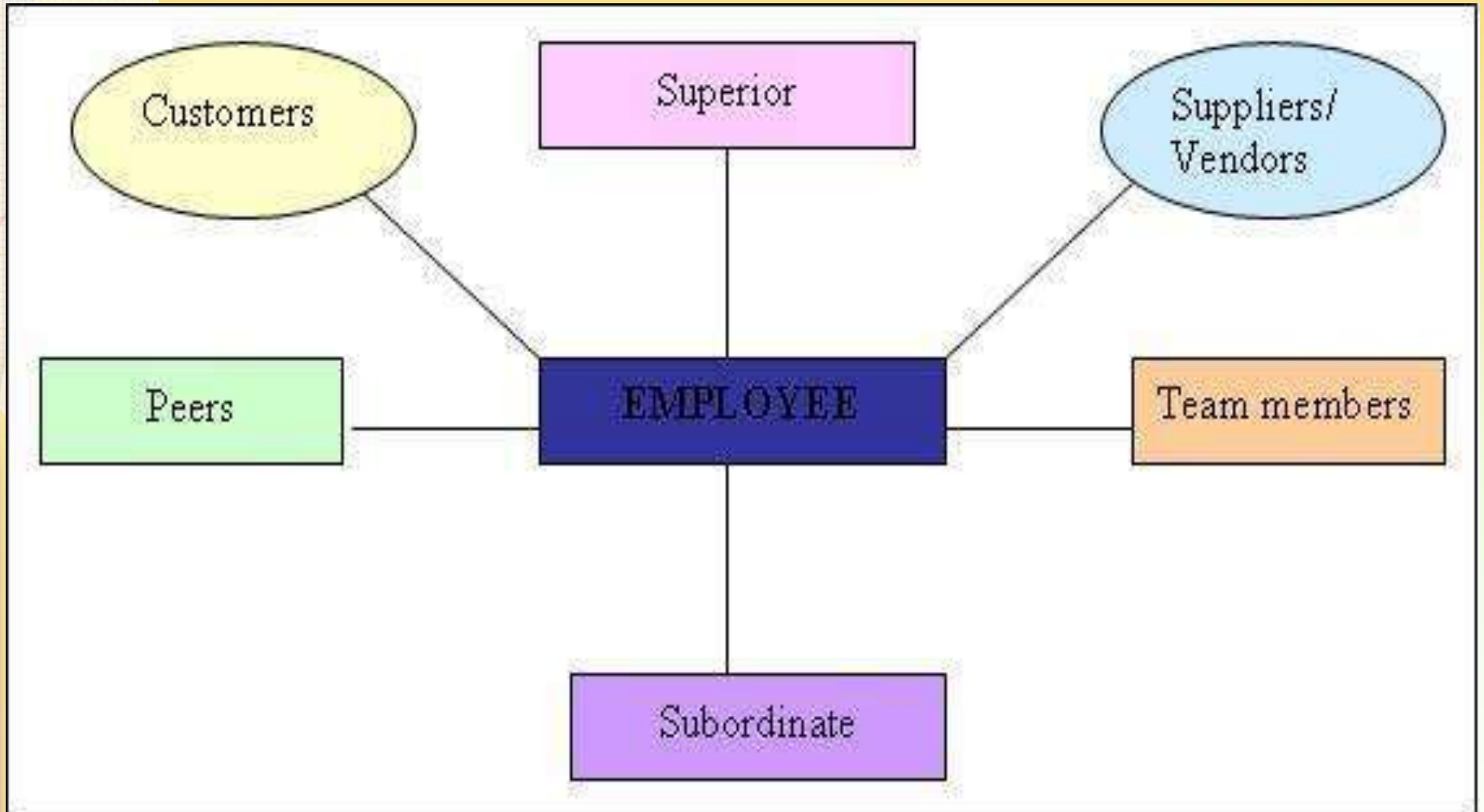
**Discouraged customer from waiting for an out-of-stock item**

**Unsatisfactory**

**1**

**Argued with customer about suitability of requested product**

# 360 degree appraisal



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# 360-degree Feedback

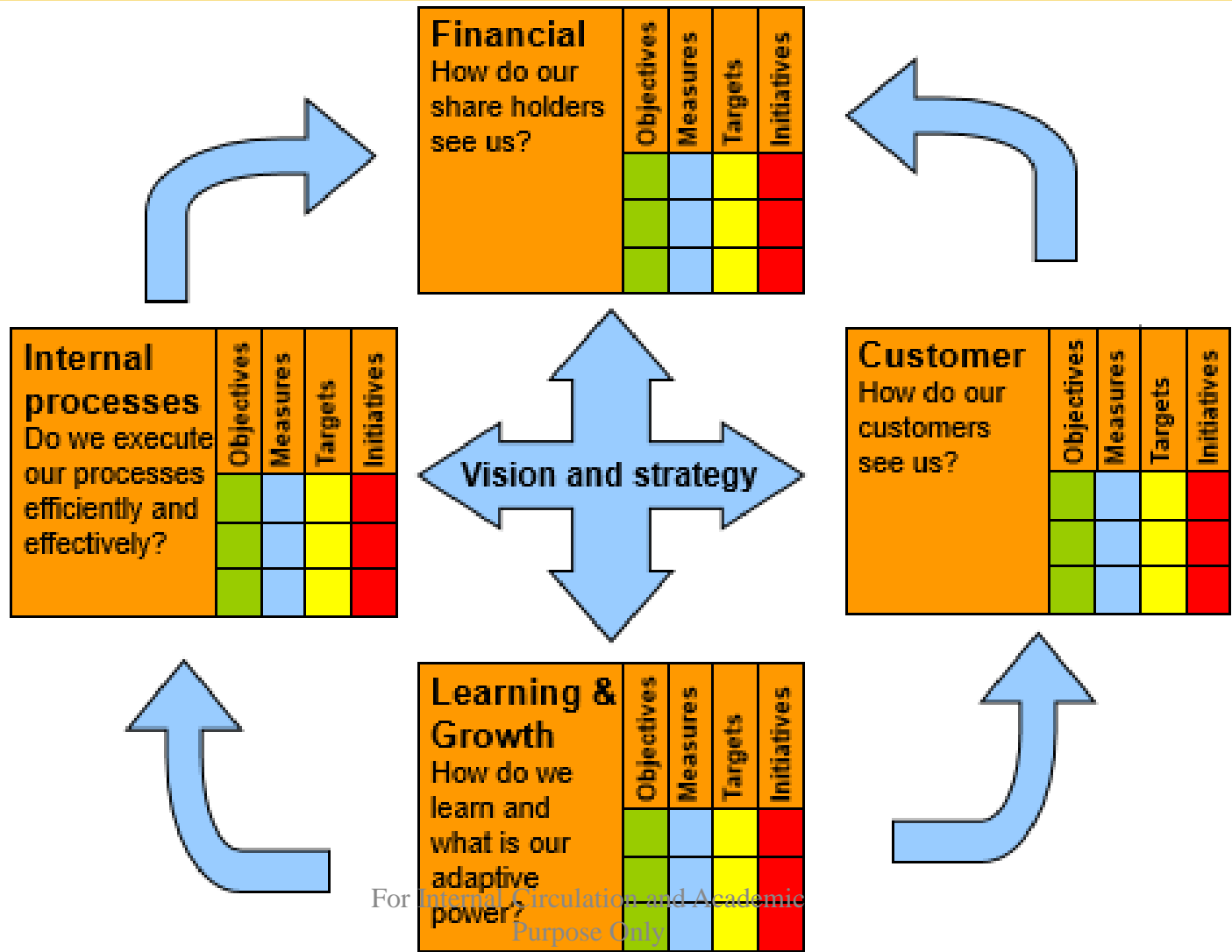
- **Positive features of a 360-degree system:**
  - Multiple perspectives of a person's performance
  - Raters base evaluations on contact and observation
  - Feedback is provided from multiple directions... above, below, peer
  - Anonymous upward feedback, which results in full participation
  - Learning about weaknesses and strengths is motivational



# 360-degree Feedback

- **Negative features of a 360-degree system:**
  - Feedback from all sources can be overwhelming
  - Rater can hide in a group of raters and provide harsh evaluations
  - Conflicting ratings can be confusing and frustrating
  - Providing feedback that is constructive requires a plan and well-trained raters

# Balanced Scorecard



# Cost Accounting method

- Evaluates performance from the monetary returns the employee fields to his / her organization.
- The relationship between the cost included in keeping the employee and the benefit the firm derives from him or her.
- Profit-center concept demands cost-benefit analysis.



# Thank You

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# ***Reference Books***

- *Performance Management by A.S. Kohli, T. Deb- Oxford university press*
- *Personnel & Human Resource Management BY P Subba Rao*
- *Human Resource Development by Dr. D.K. Bhattacharyya, First Edition*
- *Human Resource Management by Ashwatthapa*