

Human Resource Management

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Concept-Performance appraisal

Uses

Methods

Simple ranking, alternative ranking,
paired comparison, forced
distribution, critical incident,
behaviorally anchored rating scale.

Appraisal interview

MBO approach to appraisal.

Problems in performance appraisal

It is the assessment of a person's contribution to an organization.

This is a process of evaluating how well employees do their jobs.

The result of performance evaluation is widely used for making different HR related decisions, such as, wage and salary administration, performance feedback, transfers and promotions and to strengthen the HR information system.

It is review of an employee's actual performance on the job and his/her potential for assuming future responsibilities.

It provides feedback to employees which helps them to know where they stand, where they ought to be going and how they are going to get there.

Wayne F. Cascio:

“Performance evaluation is a review of the job-relevant strengths and weaknesses of an individual or a team in an organization.”

Dale S. Beach:

“Performance evaluation is the systematic evaluation of individuals with respect to their performance on the job and their potential for development.”

Ivancevich and Glueck:

“The personnel/HR management activity that is used to determine the extent to which an employee is performing the job effectively.”

Performance Appraisal

Performance appraisal is known as performance management, performance rating, performance review, performance evaluation, merit rating, employee appraisal or evaluation which is a basic tool for evaluating job-relevant strengths and weaknesses within and among employees with a new to operating and effective performance management system in the organization.

Characteristics:

Systematic

Objective

Focus

Periodic

Judgmental

Corrective



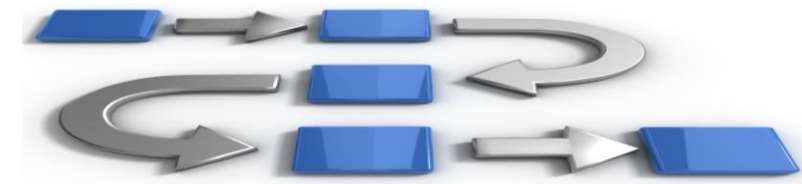
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Previous Year Previous Month Today Next Month

Next Year

JUL/AUG 2017

Sunday शनिवार	Monday रविवार	Tuesday सोमवार	Wednesday मंगलवार	Thursday बुधवार	Friday गुरुवार	Saturday शुक्रवार
१ सोम	२ मंग	३ बुध	४ गुरु	५ शुक्र	६ शनि	
७ रवि	८ सोम	९ मंग	१० बुध	११ गुरु	१२ शुक्र	
१३ शनि	१४ रवि	१५ सोम	१६ मंग	१७ बुध	१८ गुरु	
१९ शुक्र	२० शनि	२१ रवि	२२ सोम	२३ मंग	२४ बुध	
२५ गुरु	२६ शुक्र	२७ शनि	२८ रवि	२९ सोम	३० मंग	
३१ बुध	३२ गुरु					



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Process of Performance Appraisal

Performance appraisal is a process of systematically evaluating performance of an individual with a view to meet prior objective of a job.

Establish performance standard

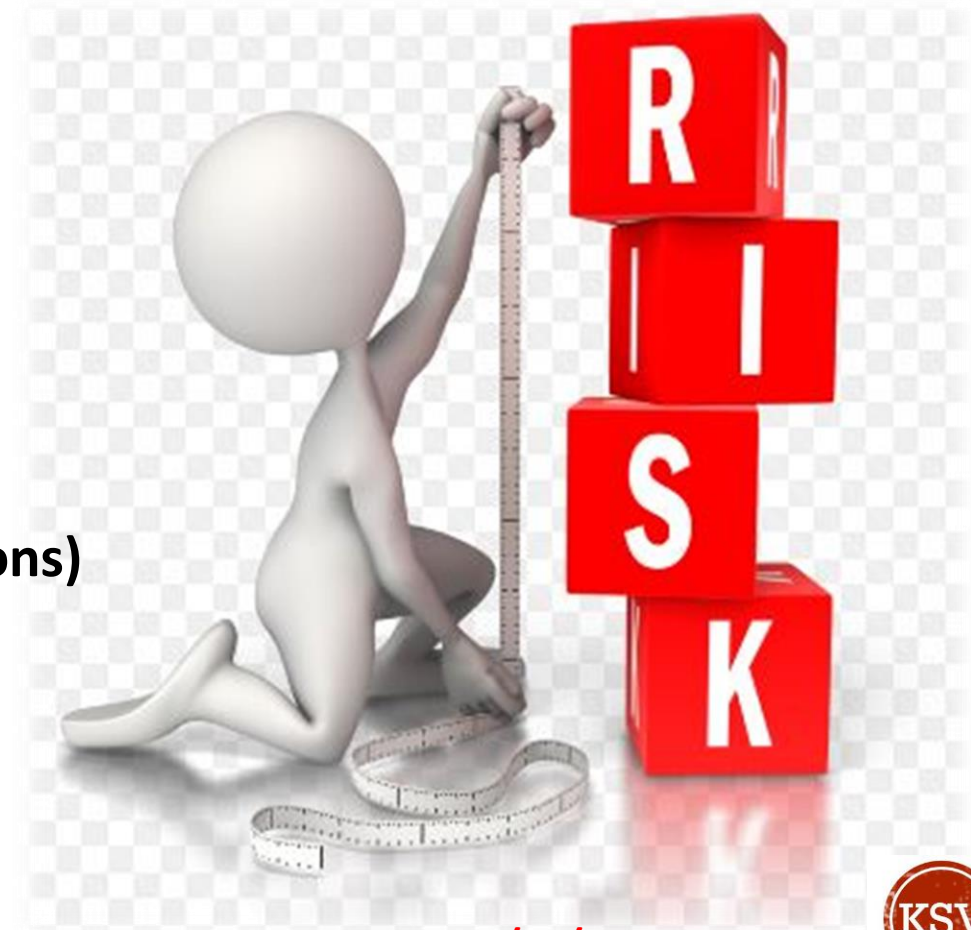
Communicate performance expectations to employees

Measure actual performance

Compare actual performance with standards (finding deviations)

Discuss the appraisal with the employees

If necessary, initiate corrective actions



The factors on which an employee is evaluated are called performance criteria. Performance criteria might be qualitative or quantitative.

Relevant:

The evaluation criteria should be related with job outputs as closely as possible.

Unbiased:

Criteria should be selected to evaluate job characteristics of a person not the person himself.

Significant:

There should be close relations between evaluation criteria and organizational strategy.

Practical:

Criteria should be understandable and useful to measure the performance of employees by evaluators.



Uses of Performance Appraisal

The basis uses of performance appraisals are:



Reward Management

Training and Development Decisions

Performance improvement

Promotion, transfer, separation decisions

Validation of selection test

Supervisory understanding

To evaluate an individual performance

Career and succession planning

Policy formulation

Methods of Performance Appraisal

Graphic rating scale

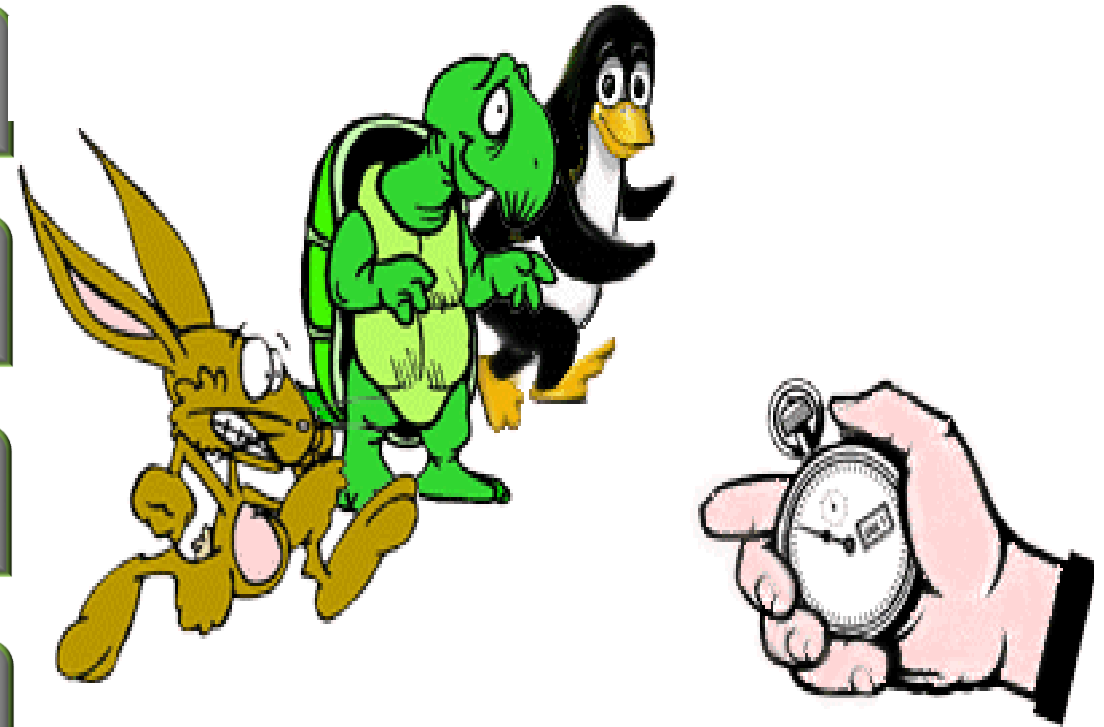
Alternative ranking

Paired comparison

Forced distribution

Critical incident method

Behaviorally anchored rating scale



Graphic rating scale

This is the most commonly used method of performance appraisal.

Using this method, a set of performance factors is identified, including such characteristics as quality of work, technical knowledge, co-operative spirit, integrity/honest, punctuality and initiative.

Establish performance standard the appraiser would go through the set of factors rating them, for examples on a scale 1 to 5 where the highest number 5 would denote the best rating where as the lowest number 1 would denote the poor rating.

It takes less time to develop and use this technique. But it does not provide in depth information as compared with other techniques.

Methods of Performance Appraisal

Graphic rating scale

	1	2	3	4	5
Quantity of work (Consider volume of work produced consistently)	Unsatisfactory output	Limited. Does just enough to get by	Average output	Above average producer	Exceptional output
Quality of work (Consider accuracy and neatness)	Very poor	Not entirely acceptable	Acceptable accuracy and neatness	Very neat and accurate	Exceptionally neat and accurate
Cooperation (Consider amount of supervision required and application to work)	Entirely uncooperative	Reluctant to cooperate	Adequately cooperative	Very cooperative	Unusually cooperative
Dependability (Consider amount of supervision required and application to work)	Unreliable and inattentive	Needs frequent supervision	Generally reliable and attentive to work flows instructions carefully.	Very reliable and conscientious needs little supervision	Extremely reliable and industrious
Ability to learn (Consider ability to understand and retain)	Very limited	Requires repeated instructions	Learns reasonably well	Readily understands and retains	Usually capacity
Initiative (Consider originality and resourcefulness)	Lacking	Routine worker	Occasionally shows initiative	Better than average	Outstanding
Judgment (Consider ability to evaluate situations and make sound decisions)	Poor	Not always reliable	Good in most matters	Reliable	Decisions most logical and well founded

Alternative ranking method

Here the appraiser ranks all employees from the best to the poorest on the merits of performance on particular traits, such as quality of work and knowledge of work.

Using this technique, the evaluator has to indicate carefully about who is the highest performer on the particular job factor and also the lowest performer.

For example, if 20 employees are to be evaluated on the basis of their performance each should be ranked in descending order from the highest performing employee to the lowest performer on a particular job factor. This method takes a considerable time for the appraisal and is largely based on the subjective judgment of the appraiser.

Alternative ranking method

For the trail: Ability to learn

For the trail you are measuring, list all the employees you want to rank. Put the highest-ranking employees' name on line 1 , put the lowest-ranking employees' name on line 20. Then list the next highest ranking on line 2. The next lowest-ranking on line 19 and so on. Continue until all names are the scale.

Most highest ranking employee

1.....
2.....
3.....
4.....
5.....
6.....
7.....
8.....
9.....
10.....

11.....
12.....
13.....
14.....
15.....
16.....
17.....
18.....
19.....
20.....

Most lowest ranking employee



Methods of Performance Appraisal

Paired comparison method

This method allows for the comparison of each employee with every other employee. Employee are paired and each person is rated as either the stronger or the weaker individual.

Once the exercise of paired comparison is completed, each employee is given an overall ranking score, which reflects the stronger points.

This method of appraisal is useful where there are only 10 to 20 employee in the organization.

Otherwise in the larger organization it is difficult to make such pair comparisons.



Methods of Performance Appraisal

Paired comparison method

Method of evaluation in which each employee and job is compared with each other employee and job. Employee comparisons are performed usually on the basis of overall performance, whereas job-evaluations are usually on the basis of skill, knowledge, and time required in their performance.

<u>Performance Appraisal</u>						
Employees Rated						
Compared with		A	B	C	D	E
	A		-	+	+	-
	B	+		+	+	-
	C	-	-		-	+
	D	-	-	+		+
	E	+	+	-	-	

<u>Job Evaluation</u>						
Jobs Rated						
Compared with		A	B	C	D	E
	A		1	0	0	1
	B	0		0	1	1
	C	1	1		0	1
	D	1	0	1		0
	E	0	0	0	1	
Total Points		2	2	1	2	3

Forced distribution method

Using this method, appraisal has the forced choice of selecting a certain percentage of employees in various performance categories. Mostly, two job characteristics –job performance and potential for promotion, are used to evaluate employees in different categories. A 5-point job performance rating scale is used and the appraiser is asked to allocate 15% of the worker to the best performers, 20% to the high-average performers, 30% to the average performers, 20% to the low-average performers and 15% to the low performers. In this method the appraiser has no choice on the percentage of group to be rated in different categories.

Methods of Performance Appraisal

Forced distribution method

Forced ranking is a performance intervention, which can be defined as an evaluation method of forced distribution, where managers are required to distribute ratings for those being evaluated, into a pre-specified performance distribution ranking (Cooper & Argyris, 1998).

FORCED CHOICE METHOD

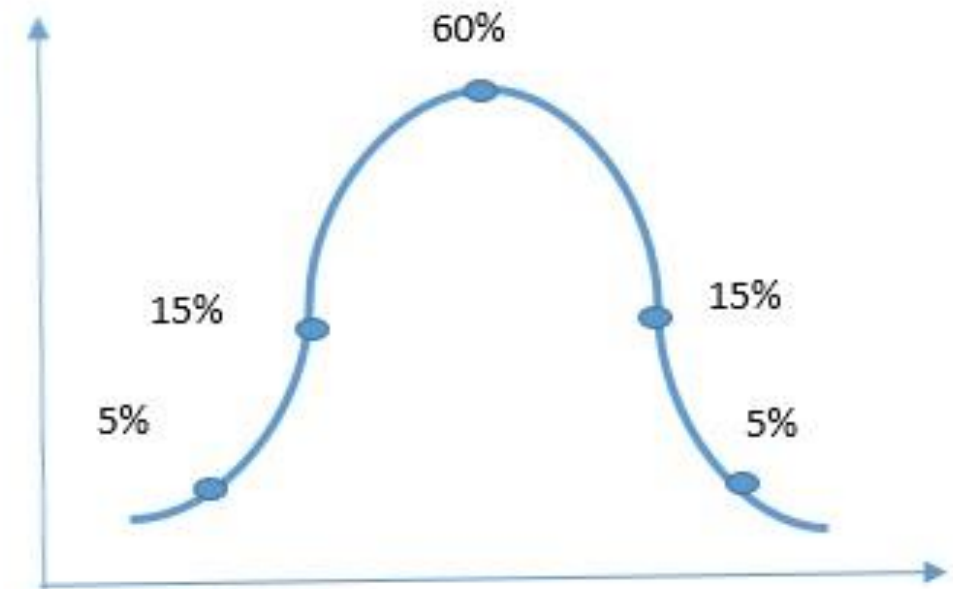
Criteria	Rating	
1.Regularity on the job	Most	Least
•Always regular •Inform in advance for delay •Never regular •Remain absent •Neither regular nor irregular		

Forced Distribution Method



Forced distribution method

For example, a manager of XYZ corporation evaluating 30 employees can be instructed to put 5 employees each in the 'outstanding' and the 'poor' category, whereas 20 will fall in the range of average performers. In this manner, the rater (manager) has forced the distribution of level of performance of each of the 30 employees into one of the three categories.



Critical incident method

This method, the appraiser is required to record incidents of the employee's positive and negative actions and thus forms the basis of the appraisal report.

This exercise would describe desirable behaviours as well as behaviour that signal a need for improvement or counseling. In fact, this is not an advanced technique of appraising employees in itself, rather it supplements another appraisal technique.

The main steps of critical incident method include:

- List good and bad behaviour shown by the job incumbents as their critical success or failure factors with the helps of experts or judges;
- Train managers or immediate supervisors in taking notes on critical incidents;
- Note critical incidents of the employee concerned when it is observed by the concerned supervisor;
- Prepare records of critical incidents at the end of the year to evaluate employees' performance.

Critical incident method

The Critical Incident Technique (or CIT) is a set of procedures used for collecting direct observations of human behavior that have critical significance and meet methodically defined criteria.

Ex: A fire, sudden breakdown, accident		
Workers	Reaction	scale
A	Informed the supervisor immediately	5
B	Become anxious on loss of output	4
C	Tried to repair the machine	3
D	Complained for poor maintenance	2
E	Was happy to forced test	1

Behaviorally anchored rating scale (BARS)

- This method is a combination of critical incident method and graphic rating scale method.
- This method of appraising performance is relatively new and effective to overcome problems of traditional appraising methods.
- BARS are designed to bring the benefits of both qualitative and quantitative data to the employee appraisal process.
- BARS compare an individual's **performance** against specific examples of **behavior** that are anchored to numerical ratings.



Behaviorally anchored rating scale (BARS)

It is an appraisal method that aims to combine the benefits of narratives, critical incidents, and quantified ratings by anchoring a quantified scale with specific narrative examples of good, moderate, and poor performance.

The main advantages of BARS is that the scales used are directly applicable to the job being evaluated and are therefore more precise than the vague traits often used in conventional rating scales.



Behaviorally anchored rating scale (BARS)

The job being appraised belongs to a customer service representative:

- A level four rating might assume the rep “answers the phone after 1 to 2 rings with a friendly greeting.”
- A level six rating might assume the rep “answers phone after 1 ring with the correct company greeting.”

A traditional rating scale would ask if the employee “answers phone promptly/courteously” and list the number ratings as “1-never, 2-not often, 3-sometimes, 4-usually, 5-always”. It is clear to see there will be a difference in the outcome of the appraisal with the more definitive BARS method.

The job being appraised belongs to a nurse:

- A level four rating might assume the nurse “shows sympathy to patients.”
- A level six rating might assume the nurse “shows higher levels of empathy in all dealings with the patient and their family.”

The job being appraised belongs to a waiter.

A level 2 rating might assume the waiter “talks on phone while taking orders.”

A level 4 rating might assume the waiter “makes eye contact with customers during every transaction.”

A level 6 rating might assume the waiter “greet customers cheerfully and makes suggestions from the menu based on their preferences.”

Behaviorally anchored rating scale (BARS)

Nurse demonstrates an effective use of time, equipment, and staff personnel to maintain high standards of nursing care. Observations of this nurse's organizational ability include:

- | | | |
|---|---|--|
| Selects nursing activities and delegates responsibilities to make the most efficient use of time and personnel available. | + | 10. Checks orders for medication to be given during the day and attempts to maintain a daily schedule for distributing medication. |
| | + | 9. If notified by telephone that family member was coming to take patient outside for a trip would notify patient and aide so patient would be ready to leave. |
| | + | 8. Request early trays for patients who may take longer to eat. |
| | + | 7. When short of linen, rearranges work assignments to accommodate bedridden patients first. |
| Customarily makes and carries out a satisfactory work plan to handle daily assignments. | + | 6. Keep a log of patient's personal articles so that there is a record in the event of death or discharge. |
| | + | 5. If aids had completed their normal work assignments during night shift, would have them help clean equipment during remaining time on shift. |
| | + | 4. Makes routine check for paper supplies (for example, paper cups, medicine cups, nursing notes) available on unit. |
| | + | 3. Fails to establish a daily work routine and nursing activities are not completed according to any particular schedule. |
| Approaches daily work assignments without foresight or systematic planning. | + | 2. Spends most time charting and very little time with patients and aides. |
| | + | 1. Frequently leaves important work undone so that he or she can leave on time. |
| | + | 0. Might make several trips to supply room to get a footboard for patient. |

Behaviorally anchored rating scale (BARS)

BARS is designed to bring the benefits of both qualitative and quantitative data to the employee appraisal process by comparing an individual's performance against specific examples of behaviour which are then categorized and appointed a numerical value used as the basis for rating performance.

The first step is to write CIT (Critical Incident Techniques) which compares an individual's performance against specific examples of behavior that are tied to numerical ratings of 5 to 9.

Then the employer needs to develop performance dimensions which have to rechecked. Next step involves scaling the critical incidents which leads to developing the final instrument.

How to
measure
BARS?

Appraisal Interviews



Appraisal interview is face-to-face discussion and review of performance appraisal with the employee.

It provides performance feedback to the employee.

It is conducted after the performance appraisal has been formally done.

Generally, it is conducted on one-on-one basis.

It provides opportunity to both the manager and the employee to communicate about job performance, current concerns and future goals.

Objectives

An appraisal interview is an exchange between a manager and an employee that is designed to evaluate the employee and create a career development plan.

- Change behavior of employees whose performance does not meet the performance standards. The goal is to bring about improvements in the performance of the employee. Plans are made to remedy deficiencies.
- Maintain behavior of employees whose performance meets the performance standards.
- Reinforce behavior of employees whose performance is above the performance standards. Their superior performance is recognized.

Methods

**Tell and Sell
Method**

**Tell and Listen
Method**

**Problem Solving
Method**

**Mixed Approach
Method**

Methods

Tell and Sell Method

Here the supervisor tells the employee how good or bad the performance was. The attempt of the supervisor is to convince the employee to accept his judgment. The employee is also asked to

set goals for improving performance. The employees does not provide input in this evaluation interview. It is based on the assumption that employees have some deficiencies but they need to be convinced about these deficiencies.

The purpose of this interview is:

- To let the employee to know how well he is doing.
- To draw up a plan of improvement for him.
- To gain the employees acceptance of the evaluation.



Methods

Tell and Listen Method

Here the supervisor tells the employee how good or bad the performance was. The employee is also told about his strengths and weaknesses. The employee is given a chance to respond to the

evaluation. The focus is on job related performance to avoid angry feedback sessions.

Methods

Problem solving method

In this interview the aim is not appraisal but development of an employee. Therefore, the interviewer takes himself out of his usual role as a judge and puts himself in the role of a helper. The

supervisor is a facilitator rather than a judge. He does not communicate the evaluation to the employee. He does not point out the areas of improvement; rather he stimulates the employee into thinking about remedies or solutions but considered all ideas on job improvement suggest by the employee.

This is done by skillful questions: Can you plan to deal with emergencies?

Methods

Mixed approach method

It combines Tell and Sell method with problem solving method. The employee is told about his performance. Goal for improvement are mutually agreed. This approach is useful for employee development and performance planning.



Problems in performance rating

Performance rating may suffer from the following problems:

- Shifting standards:** The standards for performance evaluation system can be changed too frequently which confuses the employees and the raters.
- Different Patterns:** Raters can differ in their rating style.
- Role Conflict:** The raters has to perform two jobs as a supervisor and as a performance rater which creates role conflict.
- Time Gap:** Performance appraisal may not be done on deadlines which delays employee feedback of performance.
- Bias:** Raters may rate employee on the basis of personal linking which may not be fair and equitable.
- Lack of skills:** Raters may lack rating skills and experience.
- Organizational apathy:** Organizations may disregard the corrective actions recommended by performance appraisal.
- Human Error:** They can crop up unknowingly to distort performance appraisal.
- Lack of linkage:** The performance appraisal may lack linkage with reward, punishment and employee development.

Emerging concepts in Performance Appraisal

360° Feedback

Focus on achievement

Team appraisal

Behavior based method

On-going feedback

Multiple raters

Peer evaluation

Standards

Ways to improve performance appraisal

Use the performance appraisal document periodically, at least quarterly, through the year to assess employee progress.

Provide feedback to employees regularly, not just in the annual performance appraisal.

Engage the employees in a two-way discussion whenever their performance is the topic.

Improve performance appraisal by using an employee self appraisal prior to the performance appraisal.

An effective performance appraisal trusts employees to do the right things if they know what the right thing is . Methods should not be hidden.

The performance appraisal must support and strengthen the employee's empowerment, his or her ability to chart the course to successful accomplishments.

The use of management objectives was first widely advocated in the 1950s by the noted management theorist Peter Drucker.

MBO (management by objectives) methods of performance appraisal are results-oriented. That is, they seek to measure employee performance by examining the extent to which predetermined work objectives have been met.

Usually the objectives are established jointly by the supervisor and subordinate. An example of an objective for a sales manager might be: Increase the gross monthly sales volume to Rs.250,000 by 30 June.

Once an objective is agreed, the employee is usually expected to self-audit; that is, to identify the skills needed to achieve the objective. Typically they do not rely on others to locate and specify their strengths and weaknesses. They are expected to monitor their own development and progress.



MBO approach is based on objectives.

Performance appraisal is based on how well the time-bound objectives have been accomplished.

The objectives are jointly set by the manager and the subordinate.

The emphasis is not on activities but on results achieved.

The concept of MBO can be described as a 'process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guided for operating the unit and assessing the contribution of each its members'.



MBO approach to appraisal

Steps

Collaborative goal setting
Action planning
Performance review
Performance evaluation

Advantages

Employee feel committed to objectives.
Participative management
MBO assists planning and control.
It motivates employees.
Joint performance reviews help improve performance.
Rewards are linked with performance.

Disadvantages

MBO cannot be effective where managers do not trust the employees.
It is time consuming.
Employees tend to set very low or very high objectives.
Quality may be compromised by quantity.
Difficulties may arise in properly measuring performance of MBO activities.
Comparison between employees is difficult as employee has different set of objectives.
Most organization's lack proper climate of MBO to succeed.

Performance appraisal system in Nepal

Low priority

Lack of systematic performance evaluation system

Promotion-oriented purpose

Lack of transparency

Performance appraisal in civil/public enterprises

Unrealistic, unsystematic and ineffective

Personal biases and wrong judgment

