
Performance Appraisal: Role and Concerns in changing Business Environment

*Shefali Nandan**, *Tanuj Nandan***

Abstract

Modern day organizations have changed in numerous ways resulting into the change in processes used for running the organization. In this change of process HR has achieved a strategic importance. Performance has become a key word in today's organizations. This along with change in work styles has brought about a change in the ways in which performance of employees is assessed and managed. A carefully designed performance appraisal system may be as a tool for employee empowerment, employee development, boosting morale and as an assistance in employee retention. The paper discusses multiple roles that an appraisal system is capable of playing. But this goes along with certain assumptions which are highlighted in the discussion. Various concerns that accompany the modern systems of managing performance have also been pointed out in the paper.

Business organizations globally are experiencing a variety of changes. Modern day work place is very different from what it used to be two decades ago, mainly because of changed technology and changed aspirations of workforce. Work styles like part time work, job sharing and flexi-time are no longer uncommon. Latest communication technologies have made distances insignificant. Emphasis on teams and teamwork is increasing. Moreover, economic growth has resulted into intense competition. Innovation and learning in organizations have become the key words. Economic growth has also resulted into numerous growth opportunities for professionals due to which retaining talent has also become a challenge for the organizations. All these changes have forced the organizations to redesign their structure, processes and strategies. Focus is shifting towards developing human resource as a competitive advantage. New concepts of management have developed as a result of above changes. Some of them are change management, risk management, business process reengineering, team management, time-management and employee empowerment. Organisations have understood that today employee satisfaction is the only key to moving up. Such reward systems, promotion policies and welfare measures are being tailored as

they can enhance employee satisfaction and lower the attrition rate. Due to this Human Resource Management is acquiring strategic importance. Performance appraisal process is also gaining significant attention.

Performance appraisal may be defined as a structured formal interaction between a subordinate and supervisor, that usually takes the form of a periodic review, in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development (www.performanceappraisal.com).

*** Dr Shefali Nandan**

*Faculty, School of Management Studies,
Motilal Nehru National Institute of
Technology, Allahabad
e-mail: eshefali@rediffmail.com*

**** Dr Tanuj Nandan**

*Reader, School of Management Studies,
Motilal Nehru National Institute of
Technology, Allahabad
e-mail: tanujnandan@rediffmail.com*

A lot of importance is attached to this process as it affects many important employee-related decisions. In modern day organization performance appraisal system plays multiple roles. A carefully designed performance appraisal system may be used not just for evaluating performance but also as a tool for employee empowerment, as a facilitator of employee development and as an assistance in employee retention. It even has a potential of being a morale booster for employees. In other words it can be used as an important tool for handling various aspects of workforce.

Performance Appraisal Concept: Then and Now

The criteria which defined success are changing and hence the need to change to newer systems. Professionally run organizations of the twenty first century are characterized by customer focus, quick response, emphasis on teamwork and innovation. The process of performance appraisal cannot remain untouched in such a scenario. New paradigms of the process of measurement are emerging. The process now aims at improving the performance rather than just controlling and assessing. Traditional performance

review systems were more closed and subjective involving assessment of certain behaviours /traits purely on the perception of superior. Such a system created mistrust and skepticism amongst employees. The process has now become more specific, open and objective than the prevalent confidential and judgmental one.

Productivity concerns on the part of organisations have elevated interest in performance appraisal as an organisational control mechanism, which can, if properly used, constructively influence work performance (Rowland and Ferris 1986).

Today there has been a shift in the process from performance evaluation to performance management. According to Armstrong⁶ (1995) performance management forms a means of getting improved results from the organizations, teams and individuals. He defines performance management as, "A process for establishing shared understanding about what is to be achieved, and on approach to managing and developing people in a way which increases the probability that it will be achieved in the short-and long term."

Table 1.1 shows the changes in the terminology of employee appraisal, which have taken place since 1920 (Beach).

Table 1.1 Changes in the terminology of employee appraisal

Item	Former Emphasis	Present Emphasis
Terminology	Merit rating	Employee appraisal, Performance appraisal
Purpose	Determine qualifications for wage increase, transfer, promotion, lay-off	Development of the individual; Improved performance on the job; Provide emotional security
Application	For hourly paid workers	For technical, professional, managerial employees
Factor Rated	Heavy emphasis upon personal traits	Results, accomplishments, performance
Techniques	Rating scales with emphasis upon scales. Statistical manipulation of data for comparison purposes	Mutual goal setting, critical incidents; group appraisal; performance standards; less quantitative
Post-appraisal Interview	Superior communicates his rating to employee and tries to sell his evaluation to him; seeks to have employee conform to his view	Superior stimulates employee to analyze himself and set own objectives in line with job requirement ; superior is helper and counselor

Roles of Performance Appraisal in Modern Business Organization

A thoughtfully designed Performance Appraisal system which is implemented properly plays /has the potential to play many important roles. These possible roles are discussed as follows:

- **Employee Empowerment:** Appraisal system can contribute in empowering employees. Various processes of appraisal system like goal setting, self-appraisal, feedback session etc. can involve employees to take important decisions about their job, leading to their empowerment.
- **Employee development:** Development of employee is the direct outcome of a good appraisal system. On the basis of the evaluation of job performance and certain important personality/behavioural traits, strengths and weaknesses of employees are identified. This helps in identification of training needs. Appropriate training and development programs help in development of employees.
- **Boosting morale:** When appraisal is done in a fair manner and the performance is linked with reward which may be in the form of salary raise, promotion or reward in kind, the results of this process act as morale booster for employees. A positive feedback received from the superior also raises the spirits.
- **Improving employee competencies:** Today a lot of emphasis is laid upon improving employee competencies as competent employees alone can ensure the success of the organization. Competencies that are desirable to be present in employees are identified and efforts are made to develop and improve those competencies through various development plans and training programs.
- **Potential identification:** A good appraisal system has the feature to identify employee potential and allot him assignments accordingly where he can utilize his skills and demonstrate his potential.
- **Employee retention:** Monetary reasons are not the only reasons due to which employees leave an organization. Opportunity for self-development, getting timely promotions, fair and transparent reward systems, proper career planning, clear and unambiguous goals and roles are some of the factors that have the capability to retain an employee in the organization.

Figure 1 gives the emerging strategic roles played by performance appraisal system.

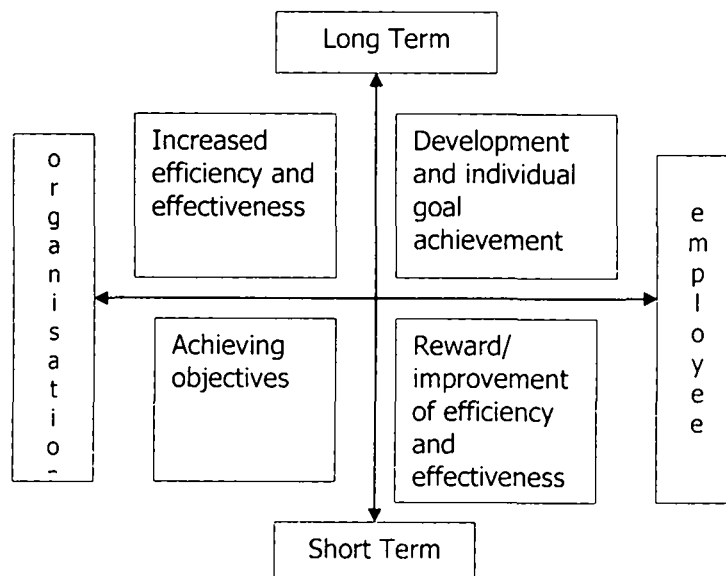


Fig1: Emerging Roles of Performance Appraisal

Assumptions

The process of performance appraisal can fulfill the above mentioned roles only under certain conditions. It is assumed that the following conditions must exist in the organization:

- 1) Top management involvement: Any change introduced in the organization has better chances to be accepted and establish itself only if there is a top management involvement. If top level is serious about bringing about a change and practices it, other levels of management will be motivated to follow it.
- 2) Belief in the value of Performance Management: Employees must understand that performance management is a process that can be of great utility in improving their overall performance in present and for future. They must believe that efforts invested in the process will not be a futile exercise .
- 3) Employee readiness to practice: it is essential that the employees practice the appraisal system such that they are able to make use of hidden benefits of the process. If the system is used only for the sake of formality and is treated merely as 'another form to be filled', it will never achieve its objectives and neither employees nor organization will be able to accrue any benefit out of it.
- 4) Existence of a 'culture to work': Employees at all the levels of management must be ready to put in efforts to perform to the best of their capability and must be willing to improve their skills to perform better.

Current trends in Performance Appraisal

The process of performance appraisal has seen a vast change in the past years. Certain important trends are mentioned in the following section.

Organisations are adopting those methods of performance appraisal which allow for measuring performance objectively. New terminologies have been evolved to reflect the purpose of the appraisal system. For example the system used in Bharat Heavy Electricals Limited is known as Moving Ahead Through Performance (MAP), Performance Assessment Review in HDFC Bank, Performance Management System in

JK Organisation and so on. Modern methods which are commonly used in the organizations today are 360° appraisal, which involve appraisal from all the parties (superior, subordinates, customers, peers) interacting/ dealing with employee. 360-degree appraisals are a widespread phenomenon in most IT organisations; Balance Score Card method (as in Trent Limited, Tata Motors), which is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. 'Management by Objectives' is another method which involves setting up of objectives in the beginning of appraisal period.

Frequency of appraisal reviews within an appraisal period has increased. Organizations now take half-yearly reviews (as in BHEL, ICICI Bank, Grasim Industries Limited etc.), thrice a year (Hewlett-Packard), even quarterly reviews (Hindustan Aeronautics Limited) are conducted.

5) Open and free flow of communication: There should be a proper communication network throughout the organizations. Communication should flow freely from one level of management to the other and also within a level. Such an environment needs to be created where subordinates can discuss openly their concerns related to their work with their superiors.

6) Interpersonal trust: If there is mutual trust between superior and subordinate only then they will be willing to accept and respect each others views and decisions relating to themselves (subordinates) and organization.

7) Concern for developing self and subordinates: If there is a will on the part of superior to develop himself/herself and also the subordinates only then will he make any genuine effort towards this direction, otherwise this exercise may just be considered a waste of time.

Another development in this area is that appraisals are now been made on-line.

Though this has not changed the format, but it has done away with a lot of paper work and its

documentation. It has made the system quick and smarter.

A trend that is catching up globally is to use performance appraisal software (also termed as performance software suite) as in Motorola, GlaxoSmithKline etc. It helps all organizations in measuring and managing performance irrespective of criteria of performance.

Annual appraisals are now objective based. Goals are set jointly by appraisee and appraiser. Thus now appraisee also has participation in his goals setting.

Self appraisal is becoming very common in appraisal systems. It gives an opportunity to appraisee to highlight his achievements and rate his performance.

Concerns of Modern Performance Appraisal Process

Performance Appraisal process should not be seen just as a formality. It should be designed according to the needs of the organization. Following are some concerns of performance appraisal in the current scenario.

- Job responsibilities must be listed: Objectives of an employee arise out of his job responsibilities. Therefore the first concern should be that employee as well as his superior should be very clear about the job description of employee, from where SMART (Specific, Measurable, Achievable, Realistic and Time Bound) goals for the appraisal period evolve.
- Measure performance objectively: The method used for assessing performance should be as objective as possible. Certain organizations, particularly the government departments have a confidential reporting system where the rating is very subjective, everything depending upon the superior. In such a system usually superior is not required to justify the details about employee filled in the form. Such a system cannot foster a healthy work environment. Therefore the choice of method is very significant.
- Identify employee strength and weaknesses : If the aim of the system is also to develop employees then there must be a provision for identification of strengths and weaknesses which can lead to training needs identification leading to selection of appropriate training program for the employee.
- Transparent appraisal system: The system can be valued by the employees only if it is transparent. Superiors should be able to justify the assessments given by them and must be able to defend their ratings on solid grounds.
- Reduction of bias: Rating may be biased if review is done only at one level. Two-three levels of reviews reduce the bias.
- Form a basis for rewarding good performance: Salary raise and promotions are linked with appraisal ratings. Both these issues are very important for employees. Therefore, appraisal ratings should form a fair basis of salary raise and promotion otherwise there will always be a feeling of unfair treatment amongst employees which can lower the performance level and ultimately overall productivity.
- Form a basis for counseling for work performance and performance related behaviour: Since appraisal process which aims at managing all performance related factors of employee identifies strengths, weaknesses and potential, it should be able to provide a basis for counseling employees on any of the issues related to under-performance
- Justify the difference in ratings: the system of assessment should be such that difference in ratings of different employees should be justifiable
- Involve employee: If employees are involved in a process, they are more committed to the results and own the responsibility for the decisions in which they are a partner rather than those which are imposed upon them.

Appraisal process should involve employees in every possible step right from mentioning their job responsibilities to setting goals to reviewing their performance.

- Feedback: Appraisal system should have a proper provision of giving performance feedback to employees. Performance can be improved if employees are encouraged for showing good performance and at the same time informed about areas requiring improvement.

Proper follow-up: Performance appraisal should not be an annual affair that ends with year ending. The results obtained in the appraisal process should be analysed. It needs to be seen whether the corrective actions taken in the form of training programs have made any difference to the performance of employee.

Conclusion

Roles and concerns of Performance Appraisal are different in modern organizations from those that existed in older organizations. In earlier system, supervisor played the role of judge giving verdicts about employees whereas in modern appraisal systems superior act as a coach and facilitator, enhancing employee performance and development. Perhaps, performance appraisal is the only system of Human Resource Management that has the capability to affect so many different aspects of employee and organisation and hence is of strategic importance. It is now an ongoing process as compared

to the one which was one-time annual ritual in the past. Performance appraisal now is not just an HR tool, but a business strategy for gaining and sustaining competitiveness. It can play this role only if the environment within the organization supports its existence and accepts its value.

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