PERFORMANCE APPRAISAL: TRADITIONAL AND MODERN APPROACH

M.Rajitha¹, P.Balachandar²*, P.Ranjithkumar³

2*- Assistant Professor of Commerce, Arignar Anna Government Arts College, Musiri-621211
1,3-Research Scholars, Department of Commerce Arignar Anna Government Arts College, Musiri-621211

Corresponding Id: rajithamannarthodi@gmail.com

Abstract: Existence and development of every organisation depends upon its human resources. In order to maintain quality human resources, organisation has to bring performance appraisal occasionally. It helps the organisation to keep the employee motivation, retain the qualified employee etc. Clear interpretation of performance appraisal is favourable to both organisation and its employee. This study gives an idea about Performance Appraisal and different methods of Performance Appraisal.

Keywords: Performance Appraisal, Management By Objectives (MBO), Behaviourally Anchored Rating Scale (BARS), 360 Degree Appraisal, 720 Degree Appraisal

INTRODUCTION

Human resources are considered as an asset to the organisation. A well-defined administered performance appraisal system may be back bone of the organization, which indirectly related to all the components related to the method or process of performance appraisal system. Historically performance appraisal had been used for administrative process such as promotion, discharge, salary administration decision, retention [1]. Employee quality depend the existence of an organisation and objectives of an organisation achieved through these human resources. More over the development of an organization also include the appointment of a right person at the right place. For these purpose every organisation should measure the performance of an employee prevailing in the institution. The accomplishment of an employee and resistant behaviour on the job can be observed and evaluated organisational objectives can be achieved through the contribution of these asset. Performance measurement helps to stimulate employee, need for training, incentives, etc. will be decided in this process. Performance appraisal plays a major role in the development of an organisation. Different methods are used for performance appraisal but all are not suitable for every organisation.
OBJECTIVES OF THE STUDY

- To understand the concept of performance appraisal
- To understand different methods of performance appraisal
- To understand difference between the traditional & modern methods of performance appraisal

PERFORMANCE APPRAISAL

Performance appraisal is the evaluation process of personnel job performance and his or her potential for development. Employee quality, work etc. are measured through this process.

According to Scot, Clothier and Spreigal “Performance appraisal is a process of evaluating an employee’s performance of a job in terms of its requirement” [23].

Edwin B Flippo defines ,” Performance appraisal is the systematic, periodic and so far as humanly possible, an impartial rating of an employee excellence in matters pertaining to his present job and to his potentialities for a better job”[2,16].

Beach, “Performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and potential for development” [2,17].

Objectives of performance appraisal

- Identify the strength and weakness of an employee
- Helps to decide training area
- Avoid grievances
- Motivate employees
- Helps to maintain good relation with employee and employer
- Provides valid information for deciding promotion, transfer, placement and punishment
- Helps to improve performance and developmental potentialities of an employee

METHODS OF PERFORMANCE APPRAISAL

Different methods are used for analysing the performance of an employee. Michael R Carrel classified these into Critical incidence, Combination methods, Rating Scale, Management By Objectives, Essay, Comparative method. Rock and Levis categorise it into Narrow interpretation and Broad interpretation. Decenzo and Robhins classified it into Absolute method, Relative method and Objective methods. Aswathappa categorise
it into Past oriented and Future oriented. Innovative classifications were given by Strauss and Sayles –
Traditional method and Modern method. Beatty and Schneier categorised it into Absolute method, Direct
indices, Comparative method and Goal setting method. Where as the widely used classification is Traditional
and Modern method of performance appraisal [2, 3].

![Methods of performance Appraisal](image)

**Methods of performance Appraisal**

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<th>Traditional</th>
<th>Modern</th>
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<td>1. Human Resource Accounting</td>
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**Traditional methods**

It gives more emphasis on personality traits such as dependability, leadership potential, initiative,
integrity, drive creativity, intelligence, etc. [2].

a. **Ranking method**

It is one of the simplest method of appraising employee and mainly used for the preparation of merit list.
It was widely used as a man to man ranking procedure and are developed for army in 1914 [5]. In this ranks are
assigned to employees on the basis of their performance and it is suitable only for small organisations. Here the
individual comparison i.e. how much a person is better than others is not considered.

b. **Paired comparison method**

In this method each employee is compared with other employee in pairs at a time. This method requires
supervisors to compare each person with other persons working under him or her on the overall efficiency
aspects. Those who marked most frequently were placed at the top of the list and the person with the least
number of marks is at the bottom [6]. Here only one trait is examined at a time. Comparison of employee can be determined by the following formula.

\[
\frac{N(N - 1)}{2}
\]

Where \( N \) = Total number of employee to be evaluated

For example: Four employees are evaluated by a Manager in a firm

Manu (M), Ramu (R), Anu (A) and Vinu (V). The above formula gives

\[
\frac{4(4-1)}{2} = 6 \text{ pairs.}
\]

c. **Grading Method**

This method is used for determine group of skills and it includes excellent, very good, average etc. after obtaining the data, the actual performance is compared with these skills and then appropriate grades will be given to employee.

d. **Graphic Rating Scale** (Linear Rating Scale)

Graphic rating scale assesses a person on the basis of quality of his or her work. Assessment could also be a trait centred and it covers observable traits such as communication skill, reliability, adaptability etc. [7]. Printed appraisal forms are used for appraising each employee. This printed form contains a list of performance criteria of personality and required points are given to each criteria. There are two types of rating scale

1. Discrete rating scale
2. Continuous rating scale.

In discrete rating scale appropriate boxes are used for measuring traits. But in continuous rating scale traits are measured in numbers. Commonly used rating scale is five point rating scale [2]. A model of five point rating scale were shown in Table 1.
Table 1

<table>
<thead>
<tr>
<th>What effect your performance</th>
<th>Performance Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. If you get any recognition that effect your performance</td>
<td>Strongly Agree(1)</td>
</tr>
<tr>
<td>2. Job security effect your performance</td>
<td>Agree (2)</td>
</tr>
<tr>
<td>3. Improved work environment</td>
<td>Undecided (3)</td>
</tr>
<tr>
<td>4. Do you get any recognition that effect your performance</td>
<td>Disagree (4)</td>
</tr>
<tr>
<td>5. Job security effect your performance</td>
<td>Strongly Disagree(5)</td>
</tr>
</tbody>
</table>

e. Check List Method

Check list is a statement of traits and performance of employee on his or her job. It includes two columns ‘Yes’ or ‘No’. It is then presented to the ratter to tick appropriate answers relevant to appraise. Each question carries a weightage in relationship of their importance. When check list were completed, it is send to the HR department to prepare a final score for all appraise based on all questions [2]. Table 2 shows a model of check list for appraising textile employees

Table 2

<table>
<thead>
<tr>
<th>Sl.no</th>
<th>Statement</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Are you a regular employee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>If you get any non-financial compensation other than salary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>If you think the non-financial compensation as an important role in your performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Do you receive any increment in your salary after performance appraisal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

f. Forced Distribution Method

This method was developed by Tiffen [4]. In this method rating scale is used by the appraiser to distribute his rating. It had been done in the form of normal frequency distribution curve. In this employees are clustered around a high point on a rating scale and the ratter was compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution [19].
g. **Critical Incident Method**

Under this method supervisors maintain a diary and they record positive and negative behaviour of an employee over a period of time [8]. Supervisor records the employee behaviour during critical event. This method may be either positive or negative.

h. **Confidential Report**

This method was mainly used by Government organisations. In this supervisors immediately prepare a confidential report of his subordinates and it is mainly used for the promotion and transfer of employees [2]. The report is given in the form of Annual Confidentiality Report (ACR) and may record rating with respect to the following items: attendance, self expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential.

i. **Essay Method**

Here the supervisors were write a detailed report about the employee performance. It includes employee potential, past performance, strength, weakness and suggestion for improvement. In this method the behaviour of an employee were primarily focused essay simply require appraiser to produce a pen picture of appraise. Due to the lack of time and writing skill on the part of manager, it is still being used for managerial jobs of top level positions. Where as the job contents to be appraised are very quantitative in nature and the number of persons appraised to be very small [9].

j. **Group Appraisal**

In this method a group of appraisers such as immediate supervisors, head of the departments, personnel experts and other supervisors who have been close in connection with the employees could evaluate their work. This group determines the standards and then only measures the actual performance of the employee. It suggests a creative measure after analysing the actual cause of poor performance of employee [20].

I. **MODERN METHODS**

Modern methods concentrate the evaluation of work result of employee. The main classes of modern methods are Human Resource Accounting, Behaviourally Anchored Rating Scale (BARS), Management By Objectives (MBO), Assessment Centres, 360 Degree Appraisal and 720 Degree Appraisal.
a. **Human Resource Accounting**

Human resources are considered as the asset of an organisation. Under this method performance is measured on the basis of cost and contribution of the employee. Human resources costs include expenses incurred on human resources planning, recruitment, selection, induction and training. The difference between this costs and contribution by an employee reflects the performance of the employee.

b. **Behaviourally Anchored Rating Scale (BARS)**

BARS was first developed by Smith and Kendall (1963) eventually overcoming some of the psychometric inadequacies associated with other rating format [10]. In this method the actual behaviour were compared with expected behaviour and the rating were done by expert persons. This method is the combination of graphic rating scale and critical incident method. It designed to bring the benefits of both quantitative and qualitative data to the employee appraisal process. It compares an individual performance against specific examples of behaviour that are anchored to numeric rating [21]. Decenzo and Robbins (2002) have given five stages of BARS.


c. **Management By Objectives (MBO)**

Peter F Drucker developed the method ‘Management By Objectives’ (MBO) based on his famous book “The practice of management” (1954). Here both the superior and sub-ordinate managers identify the organisational objectives and individual responsibility to achieve the objectives. The setting objectives were considered as standard performance and actual performance compared with the former.

If an employee is not able to achieve the pre established goals, then the management decides on a new strategy or policy that should be undertaken for the accomplishment of unattainable goals [22]. MBO has a great potential for letting employees know for sure what their performance is expected to be and informing managers how their work ties into the work of peers, superior and subordinates [4]. The commonly agreed elements of an MBO system (Reddin, 1971; Reddin and Kehoe, 1974) are :-

a) Objectives established for all jobs in the firm, b) Use of joint objectives settings, c) Linking of objectives of strategy, d) Emphasis on measurement and e) Establishment of review and recycle system [13].
d. Assessment Centres

This method was originated in Germany during 1930’s and later it was used in business sector during 1960’s only. This method used for evaluating executive skills. An assessment centre is a central location where a group of employees come together and work on an assignment for two or three days which should have performed on a higher post. Assesses are requested to participates in Basket exercises, Work groups, Computer simulation, Role playing and other similar activities which require the same attributes for successful performance as in the actual job. After recording this observation of ratte behaviour, the ratters discuss these observations. The decision regarding the performance of each assess is based upon this discussion. Self appraisal and peer evaluation are used for final rating [9]. The entire exercise had done only under the trainer who observes the employee behaviour and then discusses it with the ratter who finally evaluates the employee’s performance [22].
e. **360 Degree Appraisal**

This method was first developed by General Electric Company of USA in 1992. Under this system an employee is appraised by his superior, subordinates, peers and customers with whom he interact in the course of his job performance. In this method, the employee asked about himself i.e. what about his performance?, and then accordingly he can realize his strengths and weakness. The peers or team members were asked about to assesses performance through which the employee knows about what others feel about him and can overcome his disbeliefs if any. So this method is used to have a detailed evaluation of an employee from all the perspectives [22].

![360 Degree Appraisal Diagram](image)

**Fig.3 - 360 Degree Appraisal**

a. **720 Degree Appraisal**

In this method assessment is done not only the stakeholders within the company but also from the groups outside the organisation. These external groups who assess the employee’s performance are customers, investors, suppliers and other financial institution. For considering an all-round appraisal, the 720 degree performance appraisal gives an employee feedback from more than one person. This appraisal gives the employee a lot of feedback generally from anywhere and from five to eight people. It provides an all round assessment of his or her job performance and two round of feedback (pre and post) or a feedback approach which is done again after nine to twelve months. It is one of the most crucial modern methods of performance appraisal because this is the only group that determines the success of the organisation as a whole [22].
CONCLUSION

The success and failure of an organisation depends upon the performance of an employee. So the performance appraisal has a vital role in the existence of an organisation. Continues evaluation of an employee performance is helpful to the employee as well as organisation. By using the modern methods of performance appraisal in companies which have a wide scope than the traditional method and provides a more comprehensive and accurate evaluation of an individual.

REFERENCES


