Definitions of Performance Appraisal:
Performance appraisal has been defined as follows:
According to Edwin Flippo,—Performance appraisal is the systematic, periodic and an impartial rating of an employee’s excellence in matters pertaining to his present job and his potential for a better job.

According to Cummings, —The overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilise the best possible efforts from individuals employed in it. Such appraisals achieve our objectives including the salary reviews the development and training of individuals, planning job rotation and assistance promotions.

According to Wendell French, Performance appraisal and review in the formal, systematic assessment of how well employees are performing their jobs in relations to establish standards and the communication of that assessment to employees.

Characteristics of Performance Appraisal:
The following are the characteristics of Performance Appraisal

1. A Process:
Performance appraisal is not a one-act play. It is rather a process that involves several acts or steps.

2. Systematic Assessment:
Performance appraisal is a systematic assessment of an employee’s strengths and weakness in the context of the given job.

3. Main Objective:
The main objective of it is to know how well an employee is going for the organisation and what needs to be improved in him.

4. Scientific Evaluation:
It is an objective, unbiased and scientific evaluation through similar measure and procedures for all employees in a formal manner.

5. Periodic Evaluation:
Systematic (i.e., formal) appraisal of an individual employee is likely to occur at certain intervals throughout that person’s history of employment (say quarterly, six monthly, annually, etc.)
PURPOSE OF PERFORMANCE APPRAISAL

The following are the main purposes of performance appraisal.

1. Appraisal Procedure:
   It provides a common and unified measure of performance appraisal, so that all employee are evaluated in the same manner. It gives an in discriminatory rating of all the employees.

2. Decision Making:
   Performance appraisal of the employees is extremely use fooling the decision making process of the organization. In selection, training, promotion, pay in crement and in transfer, performance appraisal is very useful tool.

3. Work Performance Records:
   Performance appraisal gives us a complete information in the form of records regarding very employee. In the case o find us trial disputes even arbitrator accepts these records in the course of grievance handling procedure.

4. Employees Development:
   Performance appraisal guides the employees in removing their effects and improving theirworking. The weaknesses of the employee recorded in the performance appraisal provide the basis for an individual development programme. If properly recorded and used, the performance appraisal gives the fair opportunities to employees to correct and rectify their mistakes.

5. Enables Supervisors to be More Alert and Competent:
   Performance appraisal enables supervisor to be more alert and competent and to improve the quality of supervision by giving him a complete record of employee's performance. He can guide an employee, where he is prone to commit mistakes.

USES OF PERFORMANCE APPRAISAL

1. Help in Deciding Promotion:
   It is in the best interest of the management to promote the employees to the positions where they can most effectively use their abilities.

2. Help in Personnel Actions:
   Personnel actions such as lay-offs, demotions, transfers and discharges etc. May be justified only if they are based on performance appraisal. While in some cases, actions are taken because of unsatisfactory performance of the employee, in some other cases it may be called for due to some economic conditions beyond control such as changes in production process. In former case, the action can only be justified on the basis of the result of performance appraisal.
3. **Help in Wage and Salary Administration:**
The wage increase given to some employees on the basis of their performance may be justified by the performance appraisal results. In some cases appraisal, i.e., merit and seniority are combined for higher salaries on better positions.

4. **Help in Training and Development:**
An appropriate system of performance appraisal helps the management in devising training and development programmes and in identifying the areas of skill or knowledge in which several employees are not at par with the job requirements. Thus the appraisal system points out the general training deficiencies which may be corrected by additional training, interviews, discussions or counselling. It helps in spotting the potential to train and develop them to create an inventory of executives.

5. **Aid to Personnel Research:**
Performance appraisal helps in conducting research in the field of personnel management. Theories in personnel field are the outcome of efforts to find out the cause and effect relationship between personnel and their performance. By studying the various problems which are faced by the performance appraiser, new areas of research may be developed in personnel field.

---

**Essentials of an Effective Performance Appraisal System**:
The following are the essentials of an effective Performance Appraisal System:

1. **Mutual Trust:**
The existence of an atmosphere of confidence and trust so that both supervisor and employee may discuss matters frankly and offer suggestions which may be beneficial for the organisation and for an improvement of the employee. An atmosphere of mutual trust and confidence should be created in the organisation before introducing the appraisal system. Such an atmosphere is necessary for frank discussion of appraisal. It also helps to obtain the faith of employees in the appraisal system.

2. **Clear Objectives:**
The objectives and uses of performance appraisal should be made clear and specific. The objectives should be relevant, timely and open. The supervisor must very thoroughly evaluate the employee’s performances so that he is capable of meeting challenges about his ratings of his subordinate.

3. **Standardisation:**
Well defined performance factors and criteria should be developed. These factors as well as appraisal form, procedures and techniques should be standardised. It will help to ensure uniformity and comparison of ratings. The appraisal techniques should measure what they are supposed to measure. These should also be easy to administer and economical to use. The appraisal system should be performance based and uniform. Employees should be made fully aware of performance standards and should be involved in setting the standards.

4. **Training:**
Evaluators should be given training in philosophy and techniques of appraisal. They
should be provided with knowledge and skills in documenting appraisals, conducting post appraisal interviews, rating errors, etc.

5. **Job Relatedness:**
The evaluators should focus attention on job-related behaviour and performance of employees. The results of performance rather than personality traits should be given due weight. Suggestions for improvement should be directed towards the objective facts of the job (such as work schedules, output, reports completed, sales made, losses incurred, profits earned).

6. **Strength and Weaknesses:**
The raters should be required to justify their ratings. The supervisor should try to analyse the strength and weaknesses of an employee and advise him on correcting the weakness.

7. **Feedback and Participation:**
Arrangements should be made to communicate the ratings to both the employees and the raters. The employees should actively participate in managing performance and in the ongoing process of evaluation. The superior should play the role of coach and counsellor. The overall purpose of appraisals should be developmental rather than judgmental.

8. **Individual Differences:**
While designing the appraisal system, individual differences in organisations should be recognised. Organisations differ in terms of size, nature, needs and environment. Therefore, the appraisal system should be tailor-made for the particular organisation. The needs of rates in terms of feedback, mobility, confidence and openness should also be considered.
Steps in Appraising Performance:

Various steps in appraising performance of employees are as follows:

1. **Establishing Performance Standard:**
The process of evaluation begins with the establishment of Performance Standards. While designing a job and formulating a job description, performance standards are usually developed for the position. These standards should be very clear and not vague, and objective enough to be understood and measured. They should also be discussed with the supervisors to find out which different factors are to be incorporated. Weights and points to be given to each factor and these then should be indicated on the Appraisal Form, and later on used for appraising the performance of the employees.

2. **Communicating Performance Expectations to Employees:**
The next important step is to communicate the fore said standards to the concerned employees. Their jobs and jobs-related behaviour should be clearly explained to them. It should be noted that job related behaviours are those critical behaviour that constitute job success. The employee should not be presumed to guess what is expected of him. It should be noted that here communication means that the standards have been transmitted to the employee and he has received and understood them a two-way communication, i.e., transference of information from the manager to the subordinate regarding expectations, and feedback from the subordinate to the manager that this information has been received and understood in same context and contents.

3. **Measuring Actual Performance:**
The third step is the measurement of actual performance. To determine what actual performance is, it is necessary to acquire information about it we should be concerned with how we measure and what we measure. Four sources of information are frequently used to measure actual performance: personal observation, statistical reports, or al reports and written reports.

4. **Comparing Actual Performance with Standards:**
The next step is comparison of actual performance with the standards. By doing so, the potentiality for growth and advancement of an employee can be appraised and judged. Efforts are made to find out deviations between standard performance and actual performance.

5. **Discussing the Appraisal with the Employee:**
After comparing actual performance with standards, the next step is to discuss periodically the appraisal with the employee. Under these discussion good points, weak points, and difficulties are indicated and discussed so that performance is improved. The information that the subordinate receives about this performance assessment has a great impact to his self-esteem and on his subsequent performance. Conveying good news is considerably less difficult for both the manager and the subordinate than when performance has been below expectations.
Traditional Methods of Performance Appraisal:
There are different techniques/methods which are used for performance appraisal of employees. Some of the methods of performance appraisal are:

Ranking Method:
Ranking method is the oldest and simplest method of rating. Here, each employee is compared with all other forming the same job and then he is given a particular rank i.e. First Rank, Second Rank etc.

The ranking method is highly subjective. Similarly, here the employees are compared as a whole. Comparison of the various parts of an employee's performance is not done.

1. Grading Method: Under this method of performance appraisal, different grades are developed for evaluating the ability of different employees and then the employees are placed in these grades. These grades may be as follows:
   i. Excellent.
   ii. Very good.
   iii. Good.
   iv. Average.
   v. Bad.
   vi. Worst.

2. Man-to-Man Comparison Method: This method was first used in USA army during the 1st World War. Under this method, a few factors including leadership, dependability and initiative are used for analysis. After that a scale is designed by the rate for each factor. A scale of person is also developed for each selected factor. Each person to be rated is compared with the person in the scale, and certain scores for each factor area awarded to him/her. In other words, instead of comparing a whole man to a whole man personnel are compared to the key man in respect of one factor at a time.

We can use this method in job evaluation. This method is also known as the Factor Comparison Method. In performance appraisal, it is not of much use because the designing of scale is a very difficult task.

3. Graphic Rating Scale Method of Performance Appraisal: This is the very popular, traditional method of performance appraisal. Under this method, scales are established for a number of fairly specific factors. A printed form is supplied to the rater. The form contains a number of factors to be rated. Employee characteristics and contributions include equalities like quality of work, dependability, creative
ability and soon. These traits are then evaluated on a continuous scale, where the rater places a mark somewhere along the scale. The scores are tabulated and a comparison of scores among the different individuals is made. These scores indicate the work of every individual.

Average Poor

This method is popular because it is simple and does not require any writing ability. The method is easy to understand and use. Comparison among pairs is possible. This is necessary for decision on salary increases, promotion, etc.

MODERN METHOD OF APPRAISAL AND CAREER DEVELOPMENT

Most of the traditional methods emphasise either on the task or the worker’s personality, while making an appraisal. For bringing about a balance between these two, modern methods have been developed. The details of these methods are as follows:

1. Management by Objective (MBO): Management by objective can be described as, a process whereby the superior and subordinate managers of an organisation 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 guides for operating the unit and assessing the contribution of each of its members.

   Essential Characteristics of MBO: The important features of MBO are as follows:

   A Philosophy: Management by objective is a philosophy or a system, and not merely a technique.

   1. Participative Goal Setting: It emphasises participative goal setting.

   2. Clearly Define Individual Responsibilities: Management by objective (MBO) clearly defines each individual’s responsibilities in terms of results.

   3. Accomplishment of Goal: It focuses a tension on what goal must be accomplished rather than on how it is to be accomplished (method).

   4. Objective Need into Personal Goal: MBO converts objective need in to personal goals at every level in the organisation.

   5. It Establishes Goals Yardsticks: It establishes standards or goals yardsticks as operating guides and also as basis of performance evaluation.

   6. Efforts to Blend and Balance Goals: It is a system intentionally directed toward effective and efficient attainment of organisational and personal goals.
7. **Objectives of MBO:** The objective of MBO is to change behaviour and attitudes towards getting the job done. In other words, it is results-oriented. It is performance that counts. It is a management system and philosophy that stress goals rather than methods. It provides responsibility and accountability and recognises that workers or employees have needs for achievement and self-fulfilment. It meets these needs by providing opportunities for participation in goal setting process. Subordinates become involved in planning their own careers.

The Process of MBO: It is as follows:
- Establishment of Goal,
- Setting the Performance Standard.
- Comparison of Actual Goals with the Standard Goals.
- Establishing New Goals, New Strategies
Benefits or Advantages of MBO: The benefits of MBO are as follows:

- Balanced Focus on
- Better Managing Things
- Better Organising
- MBO Reduces Role Conflict and Ambiguity
- It provides more Objective Appraisal Criteria
- More Motivation
- Managers Complete with Themselves
- Develop Personal Leadership
- MBO Identifies Problem Early:
  - Identifies Performance Deficiency

DISADVANTAGES OF MBO

- Unfavourable Attitude of Managers
- Difficult to Apply MBO Concepts
- Heavy Paper Work
- Tug of War: There is sometimes tug of war in which the subordinates try to set the lowest targets possible and the supervisors the highest.
- Time Consuming: MBO is time consuming especially in the early phases of its introduction when employees are unfamiliar with its process.

Limitations of Performance Appraisal
The limitations of Performance Appraisal are explained below:

**Time Consuming:** Performance appraisal is a time taking affair. It is a very lengthy process under which different forms are to be filled in and various observations are required to be noted in a careful manner.

**Lack of Reliability:** Reliability implies stability and consistency in the measurement. Lack of consistency over time and among different raters may reduce the reliability of performance appraisal.

**Incompetence:** Raters may fail to evaluate performance accurately due to lack of knowledge and experience. Post appraisal interview is often handled ineffectively.

**No Uniform Standards:** The standards used for appraisal purpose are not uniform within the same organisation. This makes the rating unscientific. Similarly, the rating is done on the basis of an overall impression, which is not proper.

**Absence of Effective Participation of Employees:** In performance appraisal effective participation of concerned employee is essential. In many methods of
appraisal he is given a passive role. He is evaluated but his participation or self evaluation is rather absent.

**Resistance of Employees to Appraisal:** Employees oppose the system as they feel that the system is only for showing their defects and for punishing them. The managers resist the system as they are not willing to criticise their subordinates or have no capacity to guide them for self improvement or self development.

1. **Paper work:** Some supervisors feel that performance appraisal is paper work. They make such complaints because many At times, performance appraisal reports are found only in the files rather than rendering any practical use.

2. **Fear of Spoiling Relations:** Performance appraisals may also affect superior –subordinate relations. As appraisal makes the superior more of a judge rather than a coach, the subordinate may look upon the superior with a feeling of a suspicion and mistrust.

3. **Stereo typing:** This implies for being a mental picture of a person on the basis of his age, sex, caste or religion. It results in an oversimplified view and blurs his assessment of job performance.

4. **Negative Approach:** Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employees.

5. **Multiple Objectives:** Raters may get confused due to two many objectives or unclear objective of performance appraisal.

6. **Resistance:** Tradeunions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations and industrial relations particularly when employees/unions do not have faith in the system of performance appraisal.

7. **Halo Effect:** Generally, there is the presence of 'halo' effect which tends to rate the same individual first, which once have stood first.

8. **Individual Differences:** Some people are more distinct while some are very liberal in assigning the factors, points or numbers to the employees. They are unable to maintain a fair distinction between two individuals. It also nullifies the utility of this system.