

Traditional and Modern Methods of Performance Appraisal

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Performance Appraisal plays a vital role in any organization human resource framework. Performance Appraisal is an important tool in the hands of personnel management because this technique accomplishes the main objective of the organization to the development of the people by appraising the worth of the individual. There are different methods of Performance Appraisal based on the type of the organization, size of the organization and also the period when it is used.

There are numerous methods to measure employee's performance appraisal but some of these methods are not suitable in some cases. Effective appraisal systems should address clarity, openness and fairness; recognize productivity through rewards; and be cognizant of appraiser leadership qualities

Traditional Methods of Performance Appraisal

1. Rating Scales Method

- This Method is very popular method to assess the performance of the employee of any organization..
- Performance, dedication, honesty, attitude, performance, regularity, accountability and sincerity etc of the employees, are rated with scale from 1 to 10. 1 indicates negative feedback and 10 indicates positive feedback as shown below.

Attitude towards customers

1	2	3	4	5	6	7	8	9	10
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Very
poor

Outstanding

Sincerity towards the job

1	2	3	4	5	6	7	8	9	10
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Very
poor

Outstanding

- Employee may be assessed by his superiors, colleagues, subordinates or sometimes by his customers. It depends on nature of the company or job.
- Appraiser will give rating on the scale provided. Appraiser marks or chooses the numbers given on the scale on the basis of his observation. Ultimately all numbers chosen or marked will be added to determine highest score gained by employee.
- Employee who scored more points will be treated as top performer following descending scored employees will be treated as low performer and the least scored employee will be treated as non-performers.
- Rating scale is standard and structured scale. It is easy to use and understand.
- Central tendency is the common error of rating scale because sometimes busy appraisers give same rating to all employees.

2. Essay Appraisal Method

- This method is also known as “Free Form method”. It is a non-quantitative and open-ended technique and provides a good deal of information about the employee and also reveals more about the evaluator. Essay appraisal method involves superiors of employees. Superiors write description about the performance of their employees. Appraiser evaluates the performance of an employee through his description. Description should be based on facts and includes always examples and evidences. The rater or appraiser is asked to express the strong as well as weak points of the employee’s behavior. The rater considers the following factors related to employee:
 - Attitudes and perceptions
 - Planning, organizing and controlling ability in general;
 - Relations with co-workers and superiors;
 - Job knowledge, skills and potential
 - Knowledge and understanding of the company’s programmes, policies, objectives, etc.
 - This method allows appraisers to place varied degrees of emphasis on certain qualities, issues, or attributes of employee. .
 - This method is highly subjective.
 - This is time-consuming method. A busy appraiser may write the essay without properly assessing the actual performance of the worker due to his busy schedule..

3. Ranking Method

- In this method manager compares an employee to other similar employees, rather than to a standard measurement.
- Employees are ranked from the best to the poorest on the basis of overall performance.
- Ranking can also be used for developmental purposes by letting employees know where they stand in comparison to their peers—they can be motivated to improve performance.
- The employees ranked in the top group usually get the rewards (raise, bonus, promotion), those not at the top tend to have the reward withheld, and those at the bottom sometimes get punished.
- Managers have to make evaluative decisions, such as who is the employee of the month, who gets a raise or promotion, and who gets laid off. So when we have to make evaluative decisions, we generally have to use ranking.
- It is the quick and simple method but also subjective so invites criticism..

4. Paired Comparison Method

- A better technique of comparison than the straight ranking method, this method compares each employee with all others in the group, one at a time. Under this method the employees of a group are compared with one another at one time. This method compares each employee with all others in the group, one at a time. After all the comparisons on the basis of the overall comparisons, the employees are given the final rankings.
- It is a method of comparing employee and job with another one on the basis of skill sets, time required to execute tasks, knowledge etc.

- If there are 5 employees A-E, A will be compared individually to B, to C and similarly to the remaining employees. If A is better than B a “+” will be marked against his name, and if he is not as good as C, a “-“will be marked. The total number of decisions in this case will be 10.
- The number of decisions can be calculated by the formula $N(N-1)/2$, where N represents the total number of employees being evaluated. In the diagram below employee C has the most “+” and hence will receive more incentives.
- It is a reliable method and provides reasoning behind decision making.
- This method cannot be used in organizations with a large number of employees as it would be too difficult to compare so many people on an individual basis.

Performance Appraisal						
Employees Rated						
Compared with		A	B	C	D	E
	A		-	+	+	-
	B	+		+	+	-
	C	-	-		-	+
	D	-	-	+		+
	E	+	+	-	-	

Job Evaluation						
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	

5. Critical incidents method

- The technique was formally codified by the works of Fitts and Jones in 1947 for classifying pilot error experiences in reading and interpreting aircraft instruments. Fitts and Jones used the term “errors” rather than “critical incidents”.
- As opposed to Fitts and Jones way of collecting data, data gathering during task performance is now considered a defining criterion for critical incident methods. The work of John Flanagan in 1954 became the landmark critical incident technique, after his title entitled “The Critical Incident Technique” appeared in the psychological bulletin.
- Flanagan (1954) defined the critical incident technique as a set of procedures designed to describe human behavior by collecting description of events having special significance and meeting systematically defined criteria.
- This method is also referred to as work sampling.
- The manager prepares lists of statements of very effective and ineffective behavior of employee. These critical incidents or events represent the outstanding or poor behavior of

employees on the job. The manager maintains logs on each employee, whereby he periodically records critical incidents of the workers behavior.

- At the end of the rating period, these recorded critical incidents are used in the evaluation of the workers' performance.

SAMPLE CRITICAL INCIDENT APPRAISAL	
Category	Description
Incident #1	Greeted the customer shortly after entering the store and was very friendly
Effective (Yes/No)	Yes
Why (effective or ineffective)	Allowed a connection to be made with the customer shortly after entering the store and let the customer know he was important
Category	Description
Incident #2	Took a "self-service" approach and left the customer alone as she shopped
Effective (Yes/No)	No
Why (effective or ineffective)	No opportunity to assess customer's needs and little to no opportunity to suggest additional items or share information with the customer
Category	Description
Incident #3	Completed paperwork successfully, but did not summarize the sale
Effective (Yes/No)	Yes and no
Why (effective or ineffective)	The end result was a successful transaction, but not summarizing the sale created an opportunity for a mistake to not be uncovered
Category	Description
Incident #4	Gave customer thorough and accurate information and responded well to customer's questions
Effective (Yes/No)	Yes
Why (effective or ineffective)	Came across as an expert with regards to the issue being discussed. Gave the customer confidence that he was making the correct purchase

Table I.
Sample critical incident/observation form -

Source: Watts,A.

- It provides an objective basis for appraisal of an employee and avoids recency bias as most recent incidents get too much emphasis.
- This method requires close observation, analytical and interpretation skills.
- Becomes complicated due to too much documentation and that is why most of the time it is not chosen by appraiser.

6. Confidential Report System

- Confidential report system is mostly being used by the Government organizations for promoting or transferring of any employee. It is also use as a tool to know about the employee and to take any decision connecting to him. Superior writes confidential report after observing the following in an employee:
 - Knowledge and quality of work
 - Character and conduct of an employee
 - Absenteeism of an employee
 - Punctuality of employee
 - Unauthorised absenteeism or leave without permission
 - Ability of supervision and controlling
 - Integrity and honesty

Superior can also add remarks, if any. This report will be Confidential and will not be revealed to anyone. Finally confidential reports will be forwarded to the concerned officials for taking decision.

7. Checklist Method

- A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour. The checklist contains a list of statements on the basis of which the rater describes the job performance of the employees.

- A more recent variation of the checklist method is the weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than others.
- Appraiser bias or human errors may be reduced in this method.
- It requires proper planning

CHECKLIST METHOD

1. Is regular on the job?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2. Does maintain discipline well?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3. Shows consistent behaviour to all colleagues?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
4. Is interested in their job?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
5. Keeps making mistakes?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6. Shows favouritism towards particular colleagues?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Source: Bajracharya,S.(2018)

8. Graphic Rating Scale

- In 1922, Paterson working with the employees of the Scott Company developed a graphic scale to provide the reliability, consistency over time, usefulness and practicality. Graphic rating scale is one of the oldest and commonly used methods of performance appraisal.
- Under this approach, the employees are evaluated on the basis of various job performance criterions like Attitude, Knowledge of Work, Managerial Skills, Team Work, Honesty, Regularity, Accountability, Interpersonal relationships, Creativity and Discipline etc.,
- Each criterion is categorically divided into poor, fairly poor, fairly good, good and excellent. Also, these criterions carry certain score weight.
- The rater ticks the category that best describes the employee and finally the score is totaled. Score vary from employee to employee depending up on his performance levels and endeavor in his job.
- This method is very popular because it is simple and does not require any writing ability.
- This method is easy to understand and use.

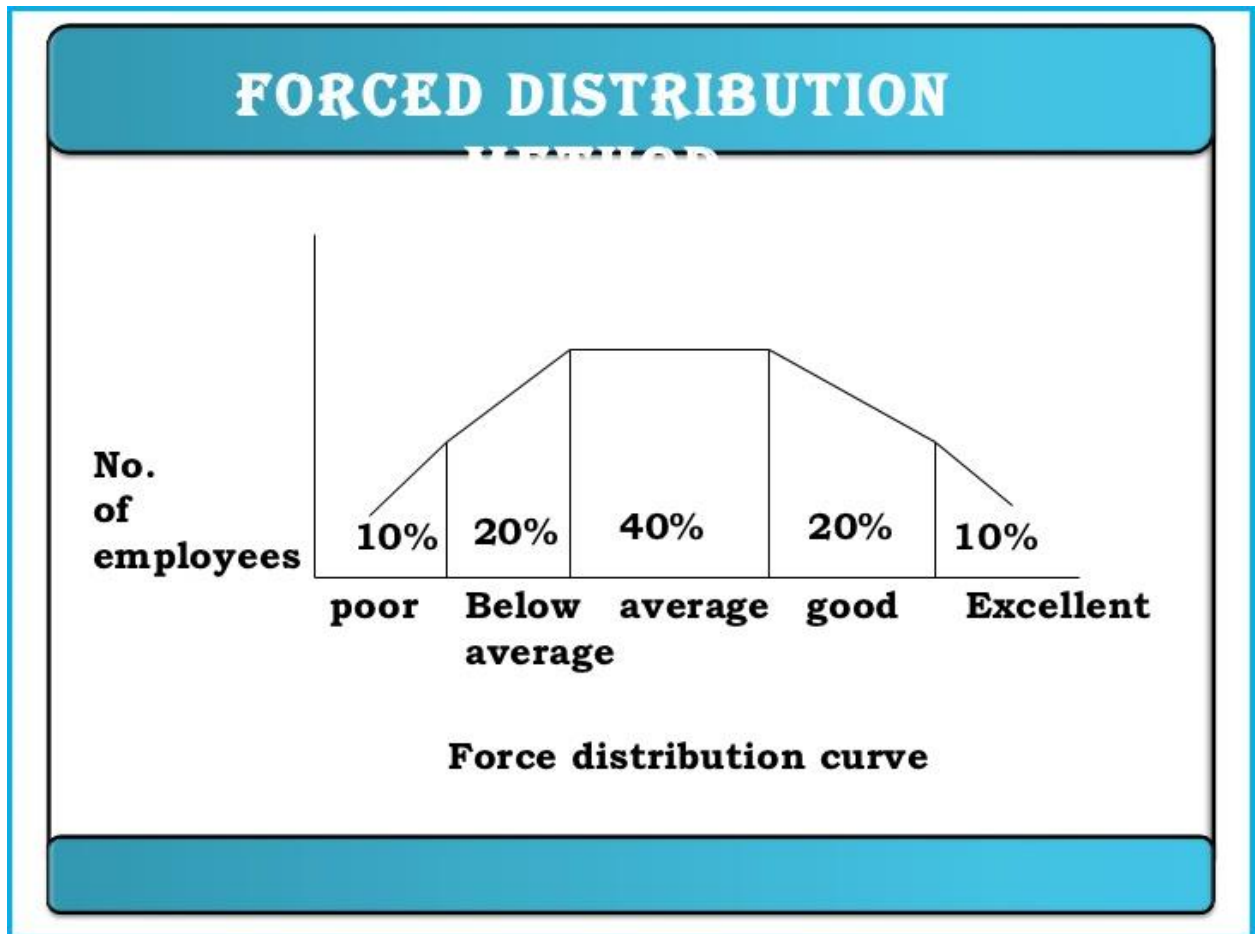
- Comparison among pairs is possible. This is necessary for decision on salary increases, promotion etc.

Factors	Excellent	Good	Average	Fair	Poor
Discipline	5	4	3	2	1
Team Work	5	4	3	2	1
Honesty	5	4	3	2	1

Graphic Rating Scales

9. Forced Distribution Method

- Employers or raters are found to have tendency to rate their employees near average or above average performing categories. In around late 90s, Tiffen introduced a new method of performance appraisal call forced distribution, in an attempt to eliminate the flaws of the raters.
- The system requires the managers to evaluate each individual, and rank them typically into categories. The categories can be poor, average, good and excellent or percentile based like 10% poor, 40% fairly good, 40% good and 10% excellent.
- Forced ranking is a method of performance appraisal to rank employee but in order of forced distribution. For example, the distribution requested with 10 or 20 percent in the top category, 70 or 80 percent in the middle, and 10 percent in the bottom. The top-ranked employees are considered “high-potential” employees.
- In contrast, those ranked at the bottom may be given a probationary period to improve their performance.
- This method eliminates the leniency of the appraiser.



Source:angel01021990

- This method creates false competition between employees.
- All employees might not fit neatly into a category, leading to their placement in such a category that does not reflect their true image.
- Raters may end up placing more visible employees in superior categories and less visible ones in poor category, irrespective of their job performance.

10. Forced Choice Method

- The forced distribution method of performance evaluation derives its name from the fact that those responsible for providing evaluations, the raters, are “forced” to distribute ratings for the individuals being evaluated into a “prespecified” performance distribution.
- In this method rater forced to answer about the employee from the readymade statements given in two or more blocks.
- Statements will have two extremes i.e. equally favourable or equally unfavourable and normally they are weighted. Rater does not know the weights. After giving his response on the statements rater forward it to the HR department for further action. HR department apply the weights, compute and calculate the score for making decisions.

Examples

a.Organised worker – Unorganised worker

b.Hold negative attitude –Remain positive every time

c. Patient in crucial situation – Impatient in crucial situation

- It is called forced choice because Appraiser is forced to select from the readymade statements which are readymade.
- The advantage of this method is the absence of personal bias in rating.
- The disadvantage is that the statements may not be descriptive of the ratee's trait.

Modern Methods of Performance Appraisal

These are an improvement over the traditional methods. Modern methods are an attempt to remove defects from the old methods. The modern methods of judging the performance of employees are discussed below:

11. Assessment Centres

- An assessment centre is a central location where the managers may come together to participate in job-related exercises, who are then evaluated by the trained observers.
- Centre determines the training and development needs of the employees and measures the potential of the employees for the different positions in the organisation.
- It evaluates and judged the competencies such as communication and interpersonal skills, mental alertness intellectual capability, planning and organizing capabilities, motivation, career orientation and self confidence of the participants.
- An assessment center 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 as they perform the assigned jobs and are evaluated on job related characteristics.
- This method reduces biasness and provides better approach towards identifying candidates for promotion and transfer.
- It is time taking and costly method.

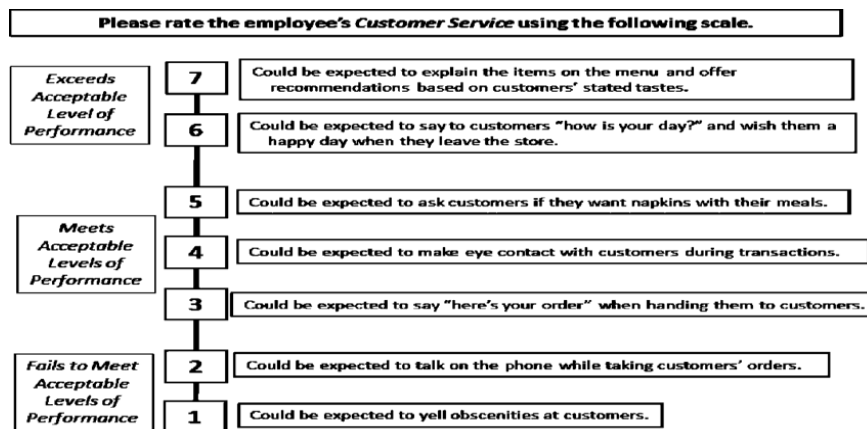
12. Behaviorally Anchored Rating Scales

- This is a relatively new method which is designed to identify the critical areas of the jobs. It combines graphic rating scale and critical incidents method.
- BARS were introduced by Smith and Kendall in 1963.
- BARS may consist of a set of five to ten vertical scales. Each scale represents a major performance dimension of the job and is usually anchored by five or more critical incidents that reflect highly effective to highly ineffective observable job behaviors relevant to the job dimension under consideration.
- Scale values are assigned to the critical incidents, which correspond to the approximate degree of effectiveness with the highly effective behavior being assigned the highest value on the scale. The major performance dimensions for a job and the critical incidents for each dimension are

identified through job analysis by future scale users (e.g., employees actually performing the job and their managers), who are expected to be thoroughly knowledgeable about the job.

- In developing critical incidents, the emphasis is on incorporating job related behaviors that are observable and reflect various levels of desirable performance. The number of vertical scales (BARS) may vary from one job to another since it depends on the major performance dimensions of a job under consideration. The scale values (e.g., 1 to 5, 1 to 7, or 1 to 10) as well as the number of critical incidents anchored on a scale can also vary depending on the development procedure and appropriateness of the situation.
- A final version of BARS should be a jargon-free instrument that is closely related to the requirements of a given job.
- In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS.
- Objectivity may be achieved while assessing the performance of employee.
- It is time consuming and complicated method of performance appraisal. Development of BARS and implementation of BARS needs expertise.
- **Example(Lloyd,K.)** - In a hypothetical position of human resources coordinator, one of the job holder's responsibilities is to complete status change notices, which update the personnel system regarding changes in employee pay, position, title, supervisor, and personal data. The BARS method for this specific task in this specific job could read as follows:
 - 5 — Exceptional performance: Accurately completes and submits all status change notices within an hour of request.
 - 4 — Excellent performance: Verifies all status change notice information with requesting manager before submitting.
 - 3 — Fully competent performance: Completes status change notice forms by the end of the workday.
 - 2 — Marginal performance: Argues when asked to complete a status change notice.
 - 1 — Unsatisfactory performance: Says status change notice forms have been submitted when they haven't.

Behaviorally Anchored Rating Scale (BARS)



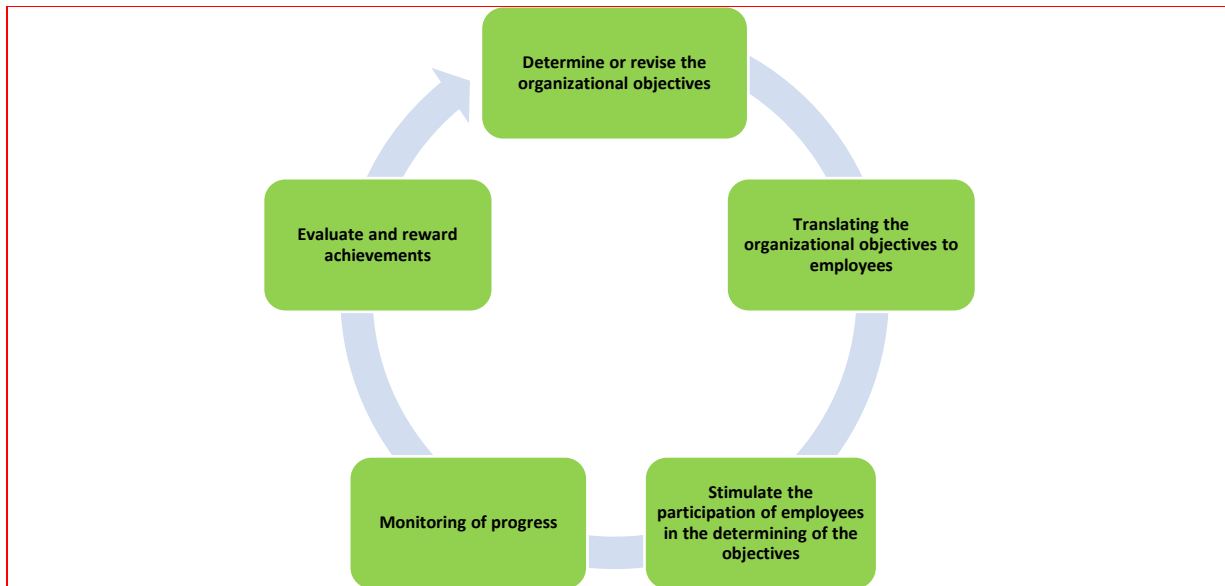
Source:Kell,H.J.(2017)

13. Human Resource Accounting Method

- Humans Resource Accounting The concept of human resource accounting was first developed by Sir William Petty in 1691. But research into true human resource accounting began in the 1960 by Rensis Likert.
- The main theory underlying the HRA is: Human resources are a valuable asset of any organization. This asset can be valued in terms of money. When competent and well-trained employees leave an organization, the human asset is decreased and vice versa.
- In this method the Performance appraisal of the employees is judged in terms of cost and contribution of the employees.
- The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs etc whereas their contribution includes the total value added (in monetary terms).
- The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them.
- This method does not leave any room for misunderstanding between the manager and employee.
- One disadvantage of this method is that workers are always in pressure to deliver the result.

14. Management by Objectives

- The concept of Management by Objectives (MBO) was first given by Peter Drucker in 1954.
- It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.
- The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in the achievement of organizational as well as personal goals.
- MBO may be viewed as a system of management rather than an appraisal method.
- The advantages of MBO are: easy to implement and measure, motivated employee as aware with expected roles and accountability, Performance oriented diagnostic system and facilitates employee counseling and guidance.
- The disadvantages of MBO are: difficult to employees agree on goals, misses intangibles like honesty, integrity, quality, etc, interpretation of goals may vary from manager to manager and employee to employee.
- It is also time consuming, complicated, lengthy and expensive method.



MBO Process cycle of Peter Drucker

15. Customer feedback method

- This method is truly one of the modern methods of performance appraisal system. Customer feedback method is used, especially for sales staff who deals with sales activity in the organisation.
- Under this method of appraisal system, customer feedback is directly linked with employee performance.
- This method of assessment could be unbiased and reliable since customers who are outsiders may give correct judgement about employee performance than the insiders who are superiors.
- Companies like Cognizant and Wipro software solutions are using customer feedback method to assess the performance of their sales staff in order to hike salaries.
- Some industry experts say placing a higher weightage on customer feedback may fail to motivate employees because customer feedback may vary from customer to customer.

16.360 degrees Performance Appraisal

- 360 degree feedback, also known as 'multi-rater feedback', is the most comprehensive appraisal where the feedback about the employee's performance comes from all the sources that come in contact with the employee on his job.
- Usually, this tool is used for employees at middle and senior level. The complexity of their roles enables the organisation to generate sufficient data from all stakeholders for a meaningful assessment.
- Analogous to the multiple points on a compass, the 360 method provides each employee the opportunity to receive performance feedback from his or her supervisor, peers, staff members, co-workers and customers.
- It is first used by German military in 1940s in order to evaluate performance during World War II. They gathered feedback from multiple sources.
- 360 degree appraisal has four integral components: Self appraisal, Superior's, appraisal,

Subordinate's appraisal and Peer appraisal.

- According to Rajeswari (2017) the advantage of this system over the traditional boss appraisal system is that, there will be better clarity of the employee performance in a broader sense and there is will be less error due to halo effect or bias. And the employees also will get a change to know the feedback and a voice for clarification in case of a gap in the actual and target performances.
- It gives a comprehensive view of the performance of employees and improves credibility of performance appraisal.
- 360 degree feedback method is very time consuming and complicated in administration.

17.720 Degree

- According to Sundaravadivel &, Silambarasi (2018) 360 degree appraisal method is practiced twice.
- When 360 degree appraisal is done, then the performance of the employee is evaluated and having a good feedback mechanism, the boss sits down with the employee again a second time and gives him feedback and tips on achieving the set targets. It helps in better analysis and improved feedback from different dimensions.
- 720 degree helps to develop a better and co-operative team.
- The advantages of 360 degree appraisal system are applicable to this system also.



Source: Rajeswari,R.(2017)

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