

Unit 5- Performance Appraisal

Performance appraisal is the process of assessing the performance and progress of an employee or of group of employees on a given job and his potential for future development. In other words, it is a systematic process, in which the personality and performance of an employee is assessed by the supervisor or manager specialised in merit rating in terms of requirements of the job.

It is wider term of merit rating. Its aim is not simply to decide salary increments but also develop a rational basis for personnel decisions.

According to Edwin B 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 Dale S Beach, “Performance appraisal is systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development.”

Objectives

- 1) To provide feedback to employees in understanding where they stand in terms of performance and can improve their job performance.
- 2) To provide a valid database for personnel decisions concerning placement, pay, promotion, transfer, punishment etc.
- 3) To know the quality of performance of each employee and identify their strength and weakness.
- 4) To provide coaching, counselling, career planning and motivation to subordinates.
- 5) To develop positive superior- subordinate relations and thereby reduce grievances.
- 6) To design training programme for the improvement of the quality of personnel.
- 7) To facilitate research in human resource management.
- 8) To test the effectiveness of recruitment, selection, placement and induction programmes.

Importance

- 1) Performance Appraisal provides valuable information for personnel decisions such as pay increases, promotions, demotions, transfers and terminations. Thus, performance appraisal serves as the basis of suitable personnel policies.
- 2) It helps to judge the effectiveness of recruitment, selection, placement and orientation systems of the organization.
- 3) It is useful in analysing training and development needs. These needs can be assessed because performance appraisal reveals people who require further training to remove their weakness. It also identifies individuals with high potential who can be groomed up for higher positions.
- 4) Performance appraisal can be used to improve performance through appropriate feedback and counselling to employees. It serves as a means of telling a subordinate how he is doing and suggesting necessary changes in his knowledge behaviour and attitudes.
- 5) Performance appraisal facilitates human resource planning, career planning and succession planning.
- 6) It promotes a work environment which contributes to productivity.
- 7) A competitive spirit is created and employees are motivated to improve their performance. Systematic appraisal provides management an opportunity to properly size up employees.
- 8) It helps to develop confidence among employees and also reduces employee grievances.

Process of performance Appraisal

Step 1- Setting the Performance Appraisal

The first step in the performance appraisal process is the setting of standards of performance expected from the employees. These criteria should be clear, objective, mission of the organization and in writing. It should be discussed with the supervisors to ensure that all the relevant factors have been included. If the work performance cannot be measured, the personal characteristics such as work quality, team work, leadership, initiative, safety, consciousness, health and physical condition which contribute to employee performance must be determined. In addition, who is to do the appraisal and how frequently appraisal is to be done is decided. Performance appraisal will depend upon the objectives of the appraisal, i.e., to appraise actual performance on the present job or to judge potential for higher jobs.

Step 2- Communicating the Standard to the Employees

The performance standards specified in the first step are communicated and explained to the employees so that they come to know what is expected from them. The reactions of employees to the standards should be obtained. If necessary, the standards may be revised or modified in the light of feedback obtained from the employees and the evaluators.

Step 3- Measuring the Actual Performance

Once the performance standards are specified and accepted, the next step is the measurement of actual performance. This requires choosing the right candidate of measurement, identifying the internal and external factors influencing performance and collecting information on results achieved. Personal observations, written reports and face-to-face contacts are the means of collecting data on performance. The performance of different employees should be so measured that is comparable. What is measured is as important as how it is measured.

Step 4- Comparing the Actual Performance with Standard

Actual performance is compared with the predetermined performance standards. Such comparison will reveal the deviations which may be positive or negative. Positive deviations occur when the actual performance exceeds the standards. On the other hand, excess of standard performance over the actual performance represents negative deviation.

Step 5- Providing Feedback to the employees/ Discussing the appraisal

The results of the appraisal are communicated to and discussed with employees. Along with the deviations, the reasons behind them are also analysed and discussed. Such discussion will be enabling an employee to know his weaknesses and strengths. Therefore, he will be motivated to improve himself. The impression the subordinate received about his performance has an impact on his subsequent performance. The impact may be positive or negative depending how the appraisal feedback is presented and discussed with the employee.

Step 6- Initiating Corrective Actions

Through mutual discussions with employees, the steps required to improve performance are identified and initiated. Training, coaching, counselling, etc. are examples of corrective actions that help to improve performance.

Methods of performance appraisal

Methods of performance appraisal can be classified into 2 types-

- I. Classification of appraisal based on traditional and modern methods
- II. Classification of appraisal based on Personal traits, Behaviour and Results

I. Classification of appraisal based on traditional and modern methods

Traditional method

1) Ranking method

- ✓ It is one of the oldest and simplest technique of performance appraisal.
- ✓ Here the appraiser ranks the employees from the best to the poorest on the basis of their overall performance.
- ✓ A list is then prepared for ranking the workers in order of their performance on the job, keeping the excellent employee at the top while the poor one at the bottom.
- ✓ It is useful for a comparative evaluation.
- ✓ It is suitable in small organization with a smaller number of employees

Disadvantage-

- ✓ It is difficult to compare the persons having different qualities, attitudes, etc.
- ✓ The task of ranking individuals is difficult when a large number of employees are rated.
- ✓ This method only tells the standing of various persons like 1,2,3,4... and so on, but not the actual difference among them that means, how much the person at number 1 is better than at number 2.

2) Paired method

- ✓ It is a modified form of straight ranking.
- ✓ Under this method, the employees of a team are compared with one another at one time.
- ✓ For example- if there are 5 employees in a team, the first employee's performance is compared with the second employee to find out whose performance is better. Similarly, the first employee's performance is compared with the third, fourth and fifth employee and decisions regarding comparatively better performance are taken ten decisions are arrived at as only two employees are involved at one time of arriving at a decision. The number of decisions is calculated by using the following formula:

$$\frac{n(n-1)}{2} = \frac{5(5-1)}{2} = 10$$

Where n= number of employees whose performance is to be compared.

- ✓ This method is suitable in a small organization where number of employees are less.
- ✓ Paired comparison method is easier and simpler than the ranking method.

3) Forced distribution method

- ✓ It was introduced by Mr Tiffen.
- ✓ Also called bell-curve rating or stacked ranking.
- ✓ In this technique, the rater is required to distribute his ratings in the form a normal frequency distribution.
- ✓ Under this method, raters are forced to divide his employees evenly into certain categories which vary from organization to organization. the categories can be poor, average, good and excellent.
- ✓ This method helps to reduce bias involved in straight ranking and paired comparisons. But in this method employees are placed in a certain category and not ranked within a category.
- ✓ There is no explanation for placing an employee in a particular category. Specific job-related performance criteria are not used in ratings.
- ✓ It is feasible for a large group of employees.

4) Forced choice method

- ✓ This method is developed by J. P. Guilford.
- ✓ It contains series of groups of statements, and rater rates how effectively a statement describes each individual being evaluated.
- ✓ It contains both positive and negative statements.
- ✓ Examples for positive statements- Gives good and clear instructions to the subordinates. Can be depended upon to complete any job assigned.
Examples for negative statements- Makes promises beyond his limit to keep these. Inclines to favour some employees.
- ✓ Advantages- It reduces personal bias of the appraiser as he is forced to choose between the ready-made statement.
- ✓ Disadvantage- It is time consuming because of constructing of several evaluative statements also called 'forced-choice scales.'

5) Check list method

- ✓ A checklist is a list of statements that describe the characteristics and performance of employees on the job.
- ✓ The rater checks to indicate if the behaviour of an employee is positive or negative to each statement. The performance of an employee is rated on the basis of number of positive checks.
- ✓ There are 3 types of checklists-
Simple checklist- wherein equal importance is given to each statement.
Weighted checklist- in which weights are assigned to different statements to indicate their relative importance.
Forced choice checklist- wherein five statements are given for each trait, two most descriptive statements, two least descriptive statements and one neutral statements. The rater is required to check one statement each from the most descriptive and least descriptive ones. The aim is to minimise personal bias.
- ✓ Disadvantages-
 - It is time-consuming and expensive method.
 - It is difficult to assemble, analyse and weight several statements that properly describe job related behaviour and performance.
 - The statements may be interpreted differently by different rates. The rater may not know which statement contributes most to successful performance. Trained raters are required.

6) Critical incident method

- ✓ In this method, the supervisor keeps a written record of critical events and how different employees behaved during such events.
- ✓ The rating of an employee depends on his positive/ negative behaviours during these events.
- ✓ The critical incidents are identified after thorough study of the job and discussion with the staff.
- ✓ For example- A fire, a sudden breakdown of machinery, as serious accidents etc. may be defined as critical incidents for the working of a factory.

- ✓ Disadvantages- it is very time consuming and cumbersome (meaning-heavy) for the supervisor to maintain written record for each employee during every major event.
- Critical incidents occur infrequently and therefore, a continuous record of performance might not be available.
- Employees are likely to become concerned with what the supervisor records rather than with daily job routine.
- The supervisors may commit errors in recording behaviours of different employees during a short duration.
- This method is subject to all the limitations relating to subjective/ individual judgements.

7) Graphic rating scales

- ✓ It is numerical scale indicating different degrees of a particular trait.
- ✓ It contains several characteristics relating to the personality and performance of employees- intelligence, quality of work, leadership skills, judgement etc.
- ✓ The numerical points given to employee are added up to find out his overall performance a standing in the group.
- ✓ Rating scale are 2 types- continuous scale, the degrees of a trait are measured in numbers ranging from 0 to 5. Discontinuous/ discrete scale- appropriate boxes or squares are used.
- ✓ Advantage-It is easy to understand and use.
- It is economical to design and administer rating scales.
- It allows statistical tabulation of scores and a ready comparison of scores among the employees is possible.
- ✓ Disadvantages- It imposes heavy burden on rater.
- The descriptive words used in rating scales, i.e., 'dependable' may have different meanings to different raters.

8) Essay method

- ✓ Also known as 'free form method'.
- ✓ Under this method, the evaluator writes a short essay on the employee's performance on the basis of overall performance.
- ✓ The description is an evaluation of the performance of an individual and often based on the facts, examples and evidences that support the information. The supervisor should have a continuous watch on subordinates and write his assessment in the report.
- ✓ Disadvantages- It involves bias as evaluation is not based on specific performance dimensions related to the job.
- The quality of appraisal depends on the writing ability of the valuator rather than on employee performance.
- It is a very time-consuming method of appraisal.
- It is not possible to compare two easy appraisals due to variations in their length and contents.

9) Field review method

- ✓ In this method, a training officer from the human resource department interviews line managers to evaluate their respective subordinates.

- ✓ The interviewer prepares in advance the questions to be asked. By answering these questions, a supervisor gives his opinions about the level of performance of his subordinate, the subordinate's work progress, his strengths and weaknesses, promotion potential etc.
- ✓ The evaluator takes detailed notes of the answer which are then approved by concerned supervisor. These are then placed in the employee's personal service file.
- ✓ The ratings are classified into 3 categories- outstanding, satisfactory and unsatisfactory.
- ✓ Advantages- The supervisors bias is reduced due to the active involvement of the human resource officer.
- ✓ Disadvantages- time consuming method.
- The success of this method depends upon the competence and sincerity of the interviewer.

10) Confidential report

- ✓ It is followed in most of the government organizations and public enterprises
- ✓ Evaluation is made by the immediate boss or supervisor for giving effect to promotion and transfer.
- ✓ It covers strengths and weakness, achievements and failure, personality, attitude, discipline and behaviour of employees
- ✓ Disadvantage- no feedback is provided to the employee being appraised.
- The method focuses on evaluation rather than development of the employee.
- The employee who is appraised never knows his weaknesses and the opportunities available for overcoming them.

11) Group appraisal method

- ✓ Under this method, group of evaluators assesses employees.
- ✓ This group consists of the immediate supervisor of the employee, other supervisors having close contact with the employee's work, head of the department and a personnel expert. The group determines the standards of performance for the job, measures actual performance of an employee, analysis the causes of poor performance and offer suggestions for improvements in future.
- ✓ Advantage- It is simple and thorough.
- ✓ Due to multiple evaluators personal bias is minimised.
- ✓ Disadvantages- It is very time-consuming process.

Modern methods

1) Management By Objectives (MBO)

The concept of Management by objectives was developed by Peter Drucker in 1954. It is also known as Work planning and Review or Goal setting approach to appraisal. It is a process where the subordinates and their superiors come together to identify and set the common goals to be achieved and the standards to be taken as the criteria for measurement of their performance and contribution as well as to decide the course of action to be followed.

In other words, MBO involves appraisal of performance against clear, time bound and mutually agreed job goals.

Steps involved in performance appraisal through MBO

- a) **Set organizational goals**- At first, key goals of organization in key area of performance are laid down. It should be clear, precise (accurate) and measurable terms. They should be

challenging yet attainable. Analysis of internal and external environment of the organization is made to set these goals.

- b) Defining performance targets-** On the basis of organizational goals, performance standards for each employee are defined. Every subordinate writes down his own performance goals which are work-related and career-oriented. Manager writes the goals he thinks the subordinate strive for. The goals are periodically reviewed and revised to keep them up-to-date. Measure points are established to measure progress towards the goals.
- c) Performance reviews-** Monthly reviews and quarterly reviews are made to review for performance reviews meetings between manager and the subordinate for the progress, weakness and constraints are identified and steps to be taken to improve performance are decided. This leads to self-control by the employee.
- d) Feedback-** After very performance review feedback on performance is communicated to the employee so that he can regulate and improve upon his own performance. On the basis of performance review rewards re decided. New goals and performance targets are determined for the next period.

Advantages

- ✓ MBO makes goals more explicit and focuses attention on key result areas. Targets set at every level are integrated with those at the next higher level. This helps to ensure that activity of every person is ultimately contributing towards organizational goals.
- ✓ The targets developed in MBO provide an objective criteria for evaluating performance. An employee knows in advance the results expected from him and the basis on which his performance will be judged.
- ✓ Continuous feedback and opportunities for self-control help to develop the leadership potential of lower level executives.
- ✓ Every individual understands his area work and the role he is to play in the organization. responsibility for results is clearly defined and there is no misunderstanding as to performance goals.
- ✓ Active participation of subordinates in goal-setting and performance reviews helps to satisfy ego and self-actualization needs. It increases job satisfaction and morale of employees.
- ✓ Interaction between subordinates and superiors help to reduce internal conflicts and increases coordination between them in the organization.

Disadvantages

- ✓ MBO programme involves considerable time, energy and expenditure.
- ✓ It is difficult to set goals with measurable terms, quality.
- ✓ As goal setting is done by the higher authorities, not all subordinates take an active participation.
- ✓ It fails due to lack of knowledge; lack of top management support and implementation also cause failure.

2) BARS (Behaviourally Anchored Rating Scales)

This method combines graphic rating scales with critical incident method. Critical areas of job performance and the most effective behaviour for getting results are determined in advance.

The rater records the observable job behaviour of an employee and compares these observations with BARS. In this way, an employee's actual job behaviour is judged against desired behaviour.

Steps included involved in constructing BARS are as follows

- a) **Identify critical incidents-** Persons who know the job being appraised (i.e., job holder/supervisors) are asked to describe specific incidents (critical incidents) of effective and ineffective performance.
- b) **Select performance dimensions-** The persons then cluster the behavioural incidents into a smaller set (usually 5 to 10) of performance dimensions. Performance dimensions include technical competence, relationships with customer handling or paperwork, and meeting day-to-day)
- c) **Retranslate the incidents-** Another group of knowledgeable persons assign each incident to the dimensions that it best describes. Incidents for which there is less than 75% agreement with the first group are not retranslated.
- d) **Assign scales to incidents-** the second group is generally asked to rate the behavioural described in the incident as to how effectively or ineffectively it represents performance on the appropriate dimension.
- e) **Develop final instrument-** A subset of the incidents that meets both the retranslation and standard deviation criteria is used as a behavioural anchored for the final performance dimensions.

Merits

- ✓ The ratings are accurate because these are done by experts.
- ✓ This method is more reliable and valid
- ✓ This method is likely acceptable due to employee participation.
- ✓ The use of critical incident method is useful in providing feedback to employees being rated.

Demerits

- ✓ It is time consuming and expensive to develop BARS for every job.
- ✓ This method is not necessarily superior to the traditional methods of appraisal.
- ✓ Behaviours used are more activity-oriented than results-oriented.

3) Assessment Centres

The introduction of the concept of assessment centres as a method of performance appraisal is traced back in 1930s in Germany, used to appraise its army officers.

Under this method, employees drawn from different departments are told to assemble at the assessment centre for a few days for performance appraisal. Executive managers who act as appraisers use simulation techniques such as role playing, management games, and in basket exercise for assessing the performance of the employees on job related activities which determine the successful completion of the job.

Interpersonal skills, intellectual capacity, planning and organizing capabilities, motivation, career orientation etc., are the major competencies of an employee that are judged in assessment centre method.

They are also interviewed for judging their worth in terms of work motivation. Job satisfaction, career orientation and dependence on others while performing their duties in the organization

It determines training and development needs of employees and provide data and organize it. This method is also used to select students at entry level positions.

Merits

- ✓ All candidates get an equal opportunity to prove their merit.
- ✓ Employees are evaluated by a team of trained assessors under similar conditions.
- ✓ Raters personal bias is reduced.

Demerits

- ✓ It takes longer time for appraisal. Hence, it is costly.
- ✓ It increases unhealthy competition among the employees and those who get negative ranking may get discouraged.

4) 360-degree appraisal

This method was first class developed and formally used by Generic Electric Company of USA in 1992. Then, it travelled to other countries including India. In India, companies like Reliance industries, Wipro corporation, Infosys Technologies, Thermax, Thomas Cook etc., and have been using this method for appraising the performance of their employees. This feedback-based method is generally used for ascertaining training and development requirements, rather than for pay scales.

360 degree feedback, also known as multi-rater feedback, and is the most comprehensive appraisal method where the feedback about the employee's performance comes from all the sources, and that means, if you his/her peers, managers, subordinates, team members, customers, suppliers anyone who come in contact with him on his job and can provide valuable insights and information or feedback regarding the 'on the job' performance of the employee. I but these respondents should assess the performance of the employees without bias.

Parties involved in 360-degree appraisal

1) Self-appraisal

Self-appraisal is a method of appraisal where a person evaluates his own performance. He should be honest while evaluating himself. This results in self-development.

Self-appraisals are normally carried out by employees individually evaluating their performance by filling out a form template or set of questions, and based on their performance. The system helps employees identify their strengths and account of their failures, suggesting ways in which the organisation might better use their talents, skills, and experience. The details given by the employees in the self-appraisal forms also help the management to make decisions for addressing the grievances experienced by the employees at the workplace, improving the working conditions provided to them, improving the relationship between the employees and their superiors, and so on.

2) Immediate supervisors

The immediate supervisor is in a very good position to evaluate the performance of his subordinates. This is because they have direct and accurate information about the work performance of their subordinates. They also aimed into direct contact with his subordinate who possesses authority and control over the subordinate and reviews the work and appraises his performance.

3) Peers /co-workers /fellow - members

Peer or colleagues also evaluate each other's performance as they are in touch with his fellow employees for a pretty long time. They work continuously with each other, and they know each

other's performance. Peer evaluation is used mostly in cases where team work is important. First thing about peer appraisal is to select the right peers for getting the appraisal done. They must include peers both from within the department as well as from the other departments which are directly connected with the working of employee's department

4) Subordinates

The performance of the superior sometimes may be assessed by his subordinates. This is the feedback given by the subordinates on the performance of their superior which will help the HR manager to assess the managerial capabilities of the superiors.

The purpose of subordinate's appraisal is to get first hand assessment of how the subordinates perceive their superior to be in terms of style of functioning.

Merits-

- ✓ Greater self-awareness reveals employee strength and weaknesses in their working.
- ✓ Empowerment is facilitated.
- ✓ Inflexible managers are forced to initiate self-change.
- ✓ When peer group assessment is included, teamwork thrives (meaning-succeeds/booms).

Demerits-

- ✓ The system may be utilized to humiliate people.
- ✓ Responses from colleagues tend to be biased.
- ✓ Ignores performance in terms of reaching goals.
- ✓ Assessee may deny the truth of negative feedback.

5) Human resource accounting method

Human resources are a valuable asset of the 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. Under this method, performance is judged in terms of costs and contributions of employees. Costs of human resources consist of expenditure on human resource planning, recruitment, selection, induction, training, compensation etc. Contribution of human resources is the money value of labour productivity or value added by human resources. The performance of an employee is positive if his/her contribution is greater than cost and vice-versa. Difference between cost and contribution will reflect the performance of employees. The contribution of the employees should be greater than the cost incurred on them. This method of performance appraisal is yet to gain significance in the present day industrial world, since as it is still in the infant stage.

II. Classification of appraisal based on Personal traits, Behaviour and Results

Personality trait base	Behavioural method	Results method
1. Confidential report	1. Checklist method	1. Productivity measures
2. Free form or essay	2. Critical incident method	2. Balanced scorecard
3. Straight ranking	3. Behaviourally Anchored Rating Scales	3. Human resource accounting
4. Paired comparisons	4. Assessment Centre	4. Management by objectives
5. Forced distribution	5. Psychological appraisal	
6. Graphic rating scales		
7. Group appraisal		

I. Appraisal based on traits.

Trait base to performance appraisal measures the extent to which employees possess traits or characteristics like dependability, creativity, initiative, dynamism, ability to motivate and leadership. They are designed based on job description and job specification. They include the following-

- 1) **Confidential report** (write the same explanation given above)
- 2) **Free form or essay method** (write the same explanation given above)
- 3) **Ranking method** (write the same explanation given above)
- 4) **Paired comparison method** (write the same explanation given above)
- 5) **Forced distribution method** (write the same explanation given above)
- 6) **Graphic rating scales** (write the same explanation given above)
- 7) **Group appraisal** (write the same explanation given above)

II. Behavioural methods.

Behavioural methods measure the employee behavioural skills on a continuum. It describes which behaviours need to be exhibited and suggest the employees to develop such behaviours. It includes-

- 1) **Checklist method** (write the same explanation given above)
- 2) **Critical incident method** (write the same explanation given above)
- 3) **BARS** (write the same explanation given above)
- 4) **Assessment centre** (write the same explanation given above)
- 5) **Psychological appraisals-** These appraisals are more directed to assess employee's potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, discussion with superiors and review of other evaluations.

Merit-

- It is more focused on employees emotional, intellectual, motivational and other personal characteristics affecting his performance.

Demerit-

- Slow and costly and may be useful for bright young members who may have considerable potential.
- Quality of these appraisals largely depends on the skills of psychologists who perform the evaluation.

III. Results method

Organization evaluates employee performance based on accomplishments they achieve. These employee accomplishments involve sales turnover, units produced, customers served etc. it includes-

- 1) **Productivity measures-** Under this method, employees are appraised based on ratio of output they turned out to the input they used. For example, sales to employee salary and benefits, number of clients served per day etc.

Demerit- Measurement of all kinds of input and output will be difficult.

- 2) **Balanced scorecard-** It was developed by Robert Kaplan and David Norton. It brings the linkages among financial, customer, processes and learning. Learning and people management contribute to the enhancement of internal processes. Internal processes are critical for enhancing customer satisfaction and loyalty. Customer satisfaction leads to customer value creation, which drives financial performance and profitability.

- 3) **Human resource accounting** (write the same explanation given above)
- 4) **MBO** (write the same explanation given above)

Barriers to performance appraisal

- 1) **Halo effect-** Halo effect is defined as the 'influence of a rater's general impression on ratings of specific rate qualities. It tends to occur when an evaluation rates an employee high on all jobs criteria, even if he/ she has performed well only in one area.
For example, an employee may be rated high on performance just because he sits on the job late in the evening. Similarly, a person who does not shave regularly may be considered lazy at work and may be underrated. This error may be minimized by rating all the employees on one trait before taking up another trait.
- 2) **Central tendency-** Sometimes a rater gives only middle range scores to all individuals. Extremely high or low scores are avoided. This is called central tendency. In other words, it means assigning average ratings to all the employees in order to avoid commitment or involvement. This is adopted because the rater has not to justify or clarify the average ratings.
- 3) **Personal bias-** Performance appraisal is affected by personal bias of the rater. If the rater has good relations with the ratee (an employee who is getting rated) he may give higher scores to the employees, even though the employees do not deserve such high scores. So personal bias may lead to favoured treatment to some employees, and bad treatment to others.
- 4) **Negative approach-** Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employee.
- 5) **Problem of leniency or strictness-** Many raters are too lenient (not strict) in their ratings. High scores may be given to all employees, even if they have no merit. Too much strictness may also generate a demoralising (meaning- discouraging) effect on the motivation and morale of high performing employees.
- 6) **Multiple objectives-** Raters may get confused due to too many objectives or unclear objectives of performance appraisal.
- 7) **Resistance-** Trade unions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations particularly when employees/ unions do not have faith in the system of performance appraisal.
- 8) **Lack of knowledge-** The staff appraising performance of employees might not be trained and experienced enough to make correct appraisal.
- 9) **Spill over effect-** In this case, the present performance appraisal is greatly influenced by past performance. A person who has not done a good job in the past is considered to be bad for doing present work.
- 10) **Sampling error-** This occurs when a rater uses a small portion of an employee's work to draw a conclusion.

Steps to overcome barriers/ essentials of good performance appraisal system

- 1) **Training to appraisals-** The evaluators or appraiser should be provided adequate training in evaluating the performance of the employees without any bias. Evaluators should also 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.

- 2) **Standardization-** Well defined performance factors and criteria should be developed. Appraisal forms, procedures, administration of techniques, ratings etc. should be standardized as appraisal decisions affect all employees of the group. The appraisal techniques should measure.
- 3) **Clear objectives-** The objectives and uses of performance appraisal should be made clear and specific. The objectives should be relevant, timely and open. The appraisal system should be fair so that it is beneficial to both the individual employee and the organization.
- 4) **Mutual trust-** An atmosphere of mutual trust and confidence should be created in the organization before introducing the appraisal system. Such an atmosphere is necessary for frank decisions of appraisal. It also helps to obtain the faith of employees in the appraisal system.
- 5) **Job relatedness-** The evaluators should focus attention on job-related behaviour and performance of employees. Multiple criteria should be used for appraisal and appraisal should be done periodically rather than once a year. Ratings should be tied up with actual performance of units under the rater's control.
- 6) **Documentation-** The raters should be required to justify their ratings. Documentation will encourage evaluators to make conclusions efforts minimizing personal biases. It will also help to impact accountability for ratings.
- 7) **Feedback and participation-** Employees should receive adequate feedback on their performance. The employees should actively participate in managing performance and outgoing process of evaluation. The feedback message must contain comments with examples and suggestions for improvements.
- 8) **Post appraisal interview-** After appraisal. An interview with the employee should be arranged. It is necessary to supply feedback, to know the difficulties under which the employees work and to identify training needs. The rater should adopt a problem-solving approach in the interview and should provide counselling for improving performance.
- 9) **Practical viability-** The techniques should be practically viable to administer, possible to implement and economical to undertake continuously. They must have the support of all line people who administer them.
- 10) **Review and appeal-** There should be a committee constituted by the management to review the ratings given by the appraisers. If the committee finds that the appraisal is unfairly done, the aggrieved employees should be given an opportunity to make an appeal to the top management for redressal of their grievances.