PERFORMANCE APPRAISAL TECHNIQUES: A COMPARATIVE STUDY

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ABSTRACT

Performance appraisal is the key process for any organization. It is the method to evaluate the efficiency of employee performance. Various techniques are available to evaluate the employee performance. In recent time organizations are adopting new techniques like 360 degree appraisal, 720 degree appraisal for better growth of employee/organization perspective. This research paper describes the comparative study of latest and old techniques used by organizations in performance appraisal process.

KEYWORDS: 360 Degree Appraisal, 720 Degree Appraisal, Management by Objective (MBO), Critical Incident Technique, Graphical Rating Scale, Essay Evaluation, Bell Curve Evaluation

I. INTRODUCTION

In recent times performance appraisal process is one of the key processes of any organization. It is a method to evaluate the employee/organization performance. It is a process through which an organization improves the human performance both as an individual and as team. It not only evaluates the past performance but also focuses on the future objectives/ targets of employees and organizations. Performance appraisal (PA) process rates the performance of employees and evaluates their contribution towards organization and becomes a basis for growth of employees in the organization.

On the other hand PA is a process which can create stress pressure and lead to demonization. The current techniques of performance appraisal have many flaws. It is observed that employees often don't feel satisfied about their ratings and it is really difficult for the supervisor to explain the ratings subjectively. Management need to apply new techniques as it may evaluate the quality and quantity of work done by employees. In most of the organizations the employees receive information of how they are performing and how it can be improved. Manager finds the weakness of employee and together they both discuss for the development of employee. The primary agenda of performance appraisal is making the career development of the employee relying with the better communication and discussion with superior. [1]

It has been seen that though performance appraisal usability has become more famous in past three decades but the real practice of judging employees has been there for centuries. Currently the aim of performance appraisal is to measure the importance of employee involvement. [2]The success and failure of appraisal process depends upon the person evaluating the experience. Therefore it is necessary for all employees to involve in the design phase of appraisal process. [3] Appraisal system is always supported with the involvement of whole staff. Employee skills development and evaluation measurement is used to improve employee performance. It is observed that a developmental focus is applicable in all environments. This permits healthy communication between staff and their employers, leading to the enhancement of skill through training and development. [4]

With the change in technology the process of performance appraisal has become more efficient. Most of the organizations have a clearly stated purpose of formal appraisal and articulated goals for conducting performance reviews. The major reasons for formal appraisal are like documentation of employee performances, planning and clarification of performance targets, building a connection with important human resource decisions, enhancing employee performance and developing a platform for communication and feedback [5].

II. PERFORMANCE APPRAISAL TECHNIQUES

There are many old appraisal techniques like ranking method, critical incident method etc. are not in use at current time. In current time many new techniques are being used for performance appraisal like MBO, Assessment Centers, BARS, Human Resource Accounting, 360 Degree and 720 Degree.

- **360 Degree Performance Appraisal**

In this process feedback comes from all the sources that come in contact with the employee on his work. Now day's companies are using feedback from various sources as internal customers, superiors, external customers, peers (colleagues), as well as self-evaluation. This makes all support staff more responsible to each other. This is counted as the best method for understanding personal and organizational developmental requirements. Most of the employees found that 360 degree feedback method is very accurate and sharp instead of taking feedback from the supervisor. Most of the time when we get reviews from individuals in various tasks then discrimination like age, gender can be eliminated [6]. This feedback or evaluation is used to plan the development path of an employee. These evaluations are also used to make administrative decisions which are linked to promotion and increment. In most of the organization this is debatable whether 360 degree feedback should be used exclusively for development purposes or should be used for appraisal purposes as well. [7]

- **Management by Objective (MBO)**

This is also the famous appraisal method used by organizations. This technique is used by supervisor and employee together to set the targets of the employee for the particular period and it is a very frequently technique used by organizations. At the beginning of the year clear objectives are laid down for achievement during the course of the year. These targets are called by different names such as Key Result Area (KRA), Key performance areas (KPA) etc.

These targets are set by using SMART framework as Smart, Measurable, Achievable, Result Oriented and Time bound. This is important all targets must conform to this framework. These targets are further divided into half yearly, quarterly and monthly targets. It is the most effective method of performance review as it is reviewed for achievement and modified on going again in consensus between the employee and the manager. At the end of the year, MBO's are reviewed for completion with SMART framework. In case of new employee, objectives are set after 6-8 weeks of being in the job. This is a combined effort of achievement and the target combines with the manager and employee evaluation system. [8]

- **Critical Incident Technique**

In this method, HR specialist and manager makes a list of statement of effective and ineffective behavior of employee. The HR specialist combines these statements into categories. These categories are provided to the managers. The manager maintains a chart to each employee through the evaluation period. This chart is used to judge the employee at the end of duration. The manager gives the positive and negative comments and avoids discrimination. This method is

normally used by superiors than in peers or subordinates evaluations. [9]

- **Essay Evaluation**

In this method, the manager describes the good and bad aspects of employee behavior. It also suggests course of action to remedy the identified problem areas. It is an open ended and a very flexible process. All the issues related to appraisal and achievements are discussed in essay evaluation. Manager gives an explanation about employees' positive and negative points and suggestion for their improvement at the end of period. The main drawback of this process is that it is a time consuming process. The evaluator may be biased in writing essay and it's very difficult to find an effective writer [7]

- **Bell Curve Evaluation**

In this method a forced ranking system imposed on employees by the management. Under this technique, organizations ranked the all employees by comparing the performance of those engaged in task and ranking them on the basis of their performance. The entire department is divided into top performers, middle performers and poor performer with a percentile varies top 10%, middle 80% and poor 10%.[8]The higher management contributes excellent services to the business entity and motivates employees to achieve their goals. The middle level employees have some weaknesses which can be overcome by providing them training and enrich their skill to utilize them in a profitable task. The bottom most consist of those whose performance is unsatisfactory and need to be improved their efforts. In this technique low rating performer is replaced every year on account of their unsatisfactory performance by new talent. As replacement is always an expensive affair and high attrition rate can reflect a negative outlook towards the goodwill of the company.

The main disadvantage of this method is that the manager has to keep daily basis record of favorable and unfavorable task performed by the employee. This system opens to the discrimination or prejudice of the manager. [9]

- **Graphic Rating Scale**

This is the oldest and most widely used technique. The manager measures the quality of performance and ability to do the present job. The evaluator presents the list of assessment characteristic and assigns the number rating to each characteristic listed. The evaluator also provides comment for each rating in a sentence or two. The rating has 5 elements: unsatisfactory, fair, satisfactory, good and outstanding. Rating 1 represents the poorly performed duties and rating 5 extremely masterly performances. Total scores are computed on the basis of ratings on the entire criterion. [10]

- **720 Degree Performance Appraisal**

720 degree performance appraisal is twice the 360 degree appraisal. Some managers feel that doing one comprehensive degree is not complete enough. 720 degree is an integrated method of performance appraisal. [11]

III. ADVANTAGES AND DISADVANTAGES OF PERFORMANCE APPRAISAL TECHNIQUES

Each performance appraisal technique has its own positive and negative aspects. The pros and cons of techniques discussed in Section II have been shown in the Table no.1.

Table 1: Advantages and Disadvantages of Performance Appraisal Techniques

S. No	Techniques	Key Description	Advantages	Disadvantages
1	360 degree performance appraisal	It relies on the input of an employee's superior, colleague, subordinates, sometimes customers, suppliers and/or spouses.	1. Excellent employee development tool. 2. Accurate, reliable and credible system 3. More objective being multi-rate system.	1. Time consuming and very costly. 2. May damage self-esteem of employees if the feedback is not good. 3. Prone to political and social games played by people. 4. Difficult to implement in cross functional teams.
2	Management by Objective	Employees are evaluated how well they accomplished a specific set of objectives that have been determined to critical in the successful completion of the job.	1. Easy to implement and measure. 2. Employee motivated as he is aware of expected roles. 3. Performance oriented diagnostic system	1. Difficult to employees agree on goals. 2. Interpretation of goals may vary from manager to manager, and employee to employee.
3	Critical Incident Technique	Keeping a record of uncommonly good or undesirable examples of an employee's work related behavior and reviewing it with the employee at predetermined times.	1. Easy and economical to develop and administer. 2. Based on direct observations. 3. It is time tested and provides more face time.	1. Time consuming and laborious to summarize and analyze the data. 2. Difficult to convince people to share their critical incidents through a survey.
4	Essay evaluation	Evaluator writes an explanation about employee's strength and weakness points, previous performance, positional and suggestion for his (her) improvement at the end of evaluation time.	1. Report actually shows employees performance. 2. Can Cover all factors. 3. Examples are given. 4. Provide feedback from evaluator.	1. Time consuming. 2. Supervisor may write a biased essay 3. Effective writers are very difficult to find.
5	Bell Curve evaluation	Employee places forcefully under the bell curve shape with maximum no are under the average rating and rest with poor and excellent rating	1. Accuracy of result. 2. Motivate employees to achieve goal.	1. Less objective 2. Morale problems who are not rated at or near the top of the list. 3. Workers strengths and weakness cannot be easily determined.
6	Graphic rating scale	A scale that lists a number of traits and a range of performance for each, the employee is then rated by identifying the score that best describes his or her performance for each trait.	1. Simple and easily constructed. 3. Ease of use. 4. Reduce the personal bias.	1. Rating may be subjective. 2. Each characteristic is equally important in evaluation of the employee's performance.
7	720 degree performance appraisal	It is twice the 360 performance appraisal. Here the boss sits with the employee again a second time and gives him feedback and tips on achieving the set targets.	1. Improved feedback from more resources. 2. Reduced discrimination risk. 3. Improved customer Service. 4. Training needs assessment.	1. Exceptional Expectations for the process. 2. Design process downfalls 3. Insufficient training and process understanding.

IV. CONCLUSIONS

Performance appraisal is an integral process of any organization. A good performance appraisal system may enhance the performance of employees and the whole organization. A proper PA system enables the management to clearly communicate its goals to employees and ensure the achievement of those goals. There are many performance appraisal techniques used by different organizations. As discussed, the 360 degree technique evaluates an employee from each angle while the 720 degree technique does the same twice by reviewing the performance again and again. The MBO technique is based on the premises that performance should be evaluated on the basis of targets and goals of the organization. The Bell curve technique places all employees forcefully under a bell curve shape i.e. the largest number of employees are given average rating and very few are given outstanding or poor rating. Critical incident technique uses a chart of effective and ineffective performance of employee and at the end of the year on the basis of this chart manager identify the positive and negative aspects of an employee. Under the essay writing technique, the evaluator writes essay about the positive and negative aspects of employees' performance and also suggests the ways of improvement. In graphic rating scale technique, the rater assigns rating on a five point scale, which is based the performance of employee in past one year. The applicability of each technique may be different in different organizations depending upon the advantages and disadvantages of each technique.

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