PERFORMANCE APPRAISAL
(An Action System)
What is Performance Appraisal?

• Performance appraisal, is a method by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time).

• Performance appraisals are an indispensable part of performance measurement.

• To measure the performance of the employees and the organization to check the progress towards the desired goals and aims.

• Self-appraisal & potential appraisal also form a part of the performance appraisal processes.
Objectives

Objectives of Performance appraisal

- Improve Performance

Organization's

- Improve motivation & productivity
- Enhance Transparency
- Establish Meritocracy
- Retain top talent
- Increase Commitment
- Improve collaboration
- Ensure accountability & ownership
- Excellence and success

Employee's
Importance of Performance Appraisal

- To review the performance of the emp over a given period of time
- To judge the gap b/w the actual & the desired performance
- Provide information to assist in the HR decisions like - promotions, transfers etc
- Provide clarity of the expectations & responsibilities of the functions to be performed by the emp
- To judge the effectiveness of the other HR functions of the org such as - recruitment, selection, training & development
- To diagnose the training and development needs of the future.
- To reduce the grievances of employees.
- Helps to strengthen the relationship & communication b/w superior – subordinates & mgt

![Purposes of performance appraisal chart](chart.png)
Process of Performance Appraisal

- Establishing performance standards
- Communicating the standards
- Measuring the actual performance
- Comparing the actual with desired performance
- Discussing results (Providing feedback)
- Decision making - taking corrective actions
- Decision making
Performance Appraisal (SMART)

- Specific
- Measurable
- Attainable
- Relevant
- Trackable
Methods of Performance Appraisal

PA is broadly classified into 2 categories –

1. **Traditional Methods:** Are relatively older methods of performance appraisal. These methods are based on studying the personal qualities of the employees. These may include knowledge, initiative, loyalty, leadership and judgment.

2. **Modern Methods:** Modern methods were devised to improve upon the traditional methods. Modern methods attempted to remove the shortcomings of the old methods such as subjectivity, bias etc.
Methods of Performance Appraisal

Rating Methods
- Checklists
- Graphic Rating Scale

Comparative Methods
- Straight Ranking
- Paired Comparison
- Grading
- Forced Distribution
- Forced Choice

Narrative Methods
- Critical Incidents
- Essay
- Field Review
- Confidential Reports

Behavioral Methods
- MBO
- BARS
- Human Resource Accounting
- Assessment Centers
- 360 Degree
Rating Errors in Performance Appraisal

- Halo Effect:
- Horn Effect:
- Recency bias
- Contrast effect
- Personal bias
- Same as Me
- Different from me
- First impression
- Spill over Effect
- Status Effect
- Strict Rating
- Lenient Rating
- Stereotyping
- Self fulfilling Prophecy
Challenges of Performance Appraisal

• Determining the evaluation criteria

• Creating a rating instrument

• Lack of competence

• Errors in rating & evaluation

• Resistance
Reasons for Performance Appraisal Failure

- Appraiser Lacks Information
- Lack of Appraisal skills
- Appraiser unserious about appraisals
- Appraiser unprepared and uses unclear language
- Employee Unreceptive to feedback
- Appraiser’s personal biases and prejudices
- Ineffective discussion of employee development
- Insufficient rewards for performance
Current Global Trends In Performance Appraisal

• Performance related pay is being incorporated in the strategies used by the organizations.

• Performance measuring, rating and review systems have become more detailed, structured and person specific than before.

• Trend towards a 360-degree and 720-degree feedback system.

• The problems in the implementation of the performance appraisal processes are being anticipated and efforts are being made to overcome them.
Performance Appraisal in Future Organization

- **Vision**
  - Objectives and goals of the organization

- **Value Drivers**
  - Strategic performance dimensions

- **Performance Appraisal in the organization of future**

- **Measures and Evaluation**
  - Measures to ensure continuous improvement to encourage excellence

- **Action Plan**
  - Description of actions required to achieve the desired results

- **Balanced Scorecard**
  - Identification of the performance criteria to manage and achieve the vision
CASE STUDY ON COCA COLA

• INTRODUCTION:

• Coca-Cola's turnover in India has come after a period of heavy investments

• In 2003, Coca-Cola had 17 manufacturing units, 60 distribution centers catering to 5,000 distributors and one million retail outlets, serviced via trucks and three-wheelers. Coca-Cola directly employed 10,000 people
WHAT HAPPENED?

• Coco cola’s competitor Pepsi had entered the Indian market and had already had a share of about 25%

• Coca-Cola decided to buy out a local soft drink company, Parle, which had a 60% market share
Where was the problem?

1. It focused on establishing the Coke brand quickly, positioning it as an international brand and not emphasizing local association. Neglect of Parle brands led to their decline in market share.

2. The operations of the small bottlers acquired from Parle system were inefficient and increased costs.

3. Bottlers also had problems adjusting to Coca-Cola's work culture.
What happened next???

- Instability at the top also created problems for Coca-Cola

- Coca-Cola seemed to fritter away the jump-start it got from the Parle acquisition

- It received reports of gross violation of discounting terms and credit policies and dubious cash management practices
As a result..........

- The findings were followed by a detailed performance appraisal, which led to the resignation of 70 managers during the period, July-November 2000.

- After, adopting Performance Appraisal System following changes were made in the organization:

  1. The top management decided to provide necessary training to the employees so that they can adapt to the new culture.
  2. The company focussed on hiring new managers to compensate for loss of manpower due to resignation and making the recruitment and selection process more effective.
  3. The top management decided to make performance appraisal an integral part of performance management.
Conclusion

• People differ in their abilities and their aptitudes. There is always some difference between the quality and quantity of same work on the same job being done by two different people. Therefore, performance management and performance appraisal is necessary to understand each employee’s abilities, competencies and relative merit & worth for the organization so that the org can move in the right direction through excellence in performance and commitment of employees.
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THANK YOU