

## EVOLUTION OF PERFORMANCE APPRAISAL SYSTEM ON EMPLOYEES MOTIVATION

**T.SANJEEV KUMAR**  
(Asst.Prof), Department of Management, Gates Institute of Tech., Gooty-515401  
**Email:**tsanjeev.mba@gmail.com.

**G.S.HARISH P.G** Student, Department of Management Studies, Gates Institute of tech., Gooty-515401, A.P  
**Email:**gsharish618@gmail.com

**T.HARISH GOWD P.G** Student, Department of Management Studies, Gates Inst. of tech., Gooty-515401  
**Email:**hari.tumala@gmail.com

### ABSTRACT:

*Performance Appraisal has been considered as the most significant and indispensable tool for an organization, for the information it provides is highly useful in making decisions regarding various personnel aspects such as promotion and merit increases. Performance measures also link information gathering and decision making processes which provide a basis for judging the effectiveness of personnel sub-divisions such as recruiting, selection, training and compensation. In many organizations, reward decisions depend on subjective performance evaluations. However, evaluating an employee's performance is often difficult. In this paper, we develop a model in which the employee is uncertain about his own performance and about the manager's ability to assess him. The manager gives an employee a performance appraisal with a view of affecting the employee's self-perception, and the employee's perception of the manager's ability to assess performance. We examine how performance appraisals affect the employee's future performance. The predictions of our model are consistent with various empirical findings. These comprise (i) the observation that managers tend to give positive appraisals, (ii) the finding that on average positive appraisals motivate more than negative appraisals, and (iii) the observation that the effects of appraisals depend on the employee's perception of the manager's ability to assess performance accurately.*

**Key Words:** Subjective Performance Appraisal, Credibility, Cheap Talk, Employee's Perception, Employee's Self-Perception.

### INTRODUCTION

The success of any organization depends on the quality and characteristics of its employees. The employees become a significant factor in any organization since they are the heart of the company. Organizations simply cannot achieve their goals and objectives without them. However, it is a fact that any employee for that matter needs something to induce him or to look forward to so that he is motivated to work at the best interest of the company.. This indeed was indicative of the more strategic approach to Human Resource Management (HRM) policies which sought to connect the aims of the organization to the performance of the individual. The organization's key aims, goals and objectives become an embedded part of the process in the performance management and communicated through the performance appraisal process.

Performance Appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:



1. The supervisors measure the pay of employees and compare it with targets and plans.
2. The supervisor analyses the factors behind work performances of employees.
3. The employers are in position to guide the employees for a better performance.

### **Objectives of Performance Appraisal**

Performance Appraisal can be done with following objectives in mind:

1. To maintain records in order to determine compensation packages, wage structure, salaries raises, etc.
2. To identify the strengths and weaknesses of employees to place right men on right job.
3. To maintain and assess the potential present in a person for further growth and development.
4. To provide a feedback to employees regarding their performance and related status.
5. To provide a feedback to employees regarding their performance and related status.
6. It serves as a basis for influencing working habits of the employees.
7. To review and retain the promotional and other training programmes.

### **Role of Performance Appraisal in Identification of Training Needs**

Performance appraisals, or employee reviews, are useful tools for employee development initiatives. Performance appraisals can identify a company's top performers to ensure the most productive delivery of pay raises and promotions. Employee reviews also can reveal areas of weakness and potential improvement in your workforce, helping to identify training needs. Continually updating training programs based on performance appraisal feedback can boost your workforce's productivity and efficiency over time.

### **Company and Departmental Trends**

Employee appraisal results, taken together, can be useful in spotting performance trends across an entire organization or in individual departments. This can help companies to fine-tune their training programs for existing employees to address these areas of concern. Identifying company- and department-wide issues and addressing them early can prevent a workforce from becoming stagnant and accepting a subpar status quo for performance.

### **New Hire Training**

The first performance appraisal new employees receive sheds light on the effectiveness of new-hire orientation and training programs. New employees' performance during their first year on the job is influenced by a mixture of their personal characteristics and the thoroughness of your first-year training programs. If first-year employee reviews reveal that most of them struggle in a specific area, you might consider placing more emphasis on that area in new-hire training programs.

### **Individual Training Needs**

In addition to revealing issues across the company, performance appraisals can shed light on areas of needed improvement in individual employees. Managers can choose to work directly with employees to help them address their personal blind spots, or they can pair experienced employees with struggling team members to help them address any performance concerns they may have.

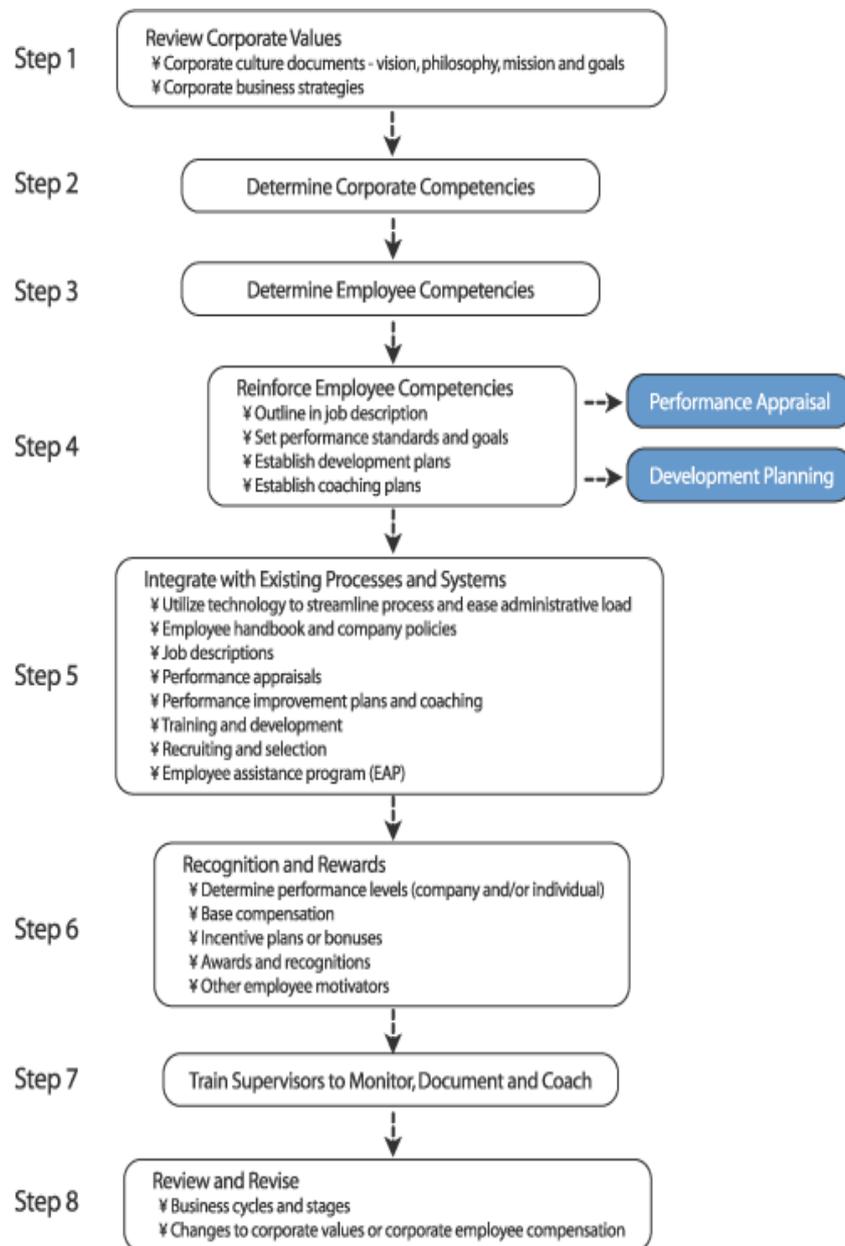
### **Employee Feedback**

Collaborative employee appraisal systems allow employees and managers to work together to set goals, monitor progress toward goals and spot areas of needed improvement. In a review system that truly encourages honesty and growth, employees can speak up about areas of needed improvement they see in themselves, their department and the company as a whole.

Employees often have deeper insights into their personal struggles than their superiors do, but employees must feel free to reveal these weaknesses without damaging their reputation or trust around the office.

Employees also can provide valuable feedback on their managers, spotting potential areas of weakness to be addressed with advanced, potentially one-on-one, training sessions.

## PERFORMANCE APPRAISAL PROCESS



## PERFORMANCE APPRAISAL METHODS

1. Graphic rating scale
2. Paired Comparison

3. Forced choice approach

4. Easy Appraisal

5.360° appraisals

**Graphic Rating Scale:** A performance appraisal that rates the degree to which the employee has achieved various characteristics.

- 1) The graphic rating scale is the most common type of appraisal used.
- 2) Various characteristics such as job knowledge or punctuality are rated by the degree of achievement.
- 3) The rate usually receives a score of 1 to 5, with 5 representing excellent performance.
- 4) Some forms allow for additional comments.

**Paired-comparison Approach:** A performance appraisal that measures the relative performance of employees in a group.

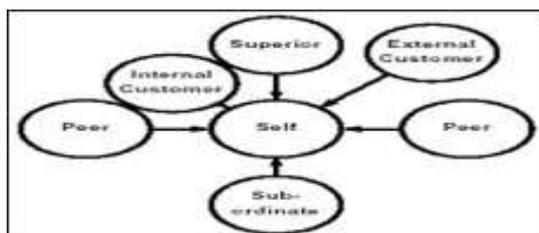
- 1) This is a method of performance evaluation that results in a rank ordering of employees to come up with a best employee.
- 2) This type of approach measures the relative performance of employees in a group.

**Forced-choice Approach:** A performance appraisal that presents the appraiser with sets of statements describing employee behavior; the appraiser must choose which statement is most characteristic of the employee and which is least characteristic.

**Easy Appraisal:** Sometimes the supervisor must write a description of the employee's performance. The easy appraisal is often used along with other types of appraisals, notably graphic rating scales. They provide an opportunity for supervisors to describe aspects of performance not thoroughly covered by an appraisal questionnaire.

**360-degree Performance Appraisal:** Evaluating Employees From All Angles

Traditional performance appraisals, as discussed above, can be both subjective and simplistic. At times, they can also be deemed to be "political". In an attempt to improve this methodology, some companies have turned to 360-degree appraisals. 360 appraisals pool feedback from a department's internal and external customers to ensure a broader, more accurate perspective of an employee's performance.



360-degree performance appraisal is an attempt to answer the question: "How can a supervisor evaluate an employee he or she sees only a few hours each week?"



## RECENT TRENDS IN PERFORMANCE APPRAISAL

### The old model

To understand why performance appraisals are changing, we first need to acknowledge the aspects of the old model that are struggling to meet our needs.

Based on annual or biannual reviews, the traditional approach is all about setting long-term goals and objectives: it doesn't respond to changing needs or provide in-the-moment feedback. Employees are rated by their managers based on their overall performance for the year, and some companies use forced rankings (where managers rate employees relative to the performance of their peers, distributing ratings into a pre-specified distribution) to further quantify performance.

This model is gradually being phased out as new research demonstrates that numerical ratings have a negative impact on engagement and self-confidence.

89% of organizations surveyed for the Global Human Capital Trends 2015 report have recently changed their performance appraisal strategy, or intend to do so within the next two months.

### The new model

The new approach is all about agility and flexibility, so there is no universal approach as companies search for solutions that work best for them. However, there are a couple of characteristics that these new models have in common.

#### 1. Real-time feedback

One of the most prominent changes across the board is the increase in feedback (something I noted when we were looking at changes to Performance). This increased transparency means that employees are always aware of where they stand, and it prevents managers from delaying tough conversations with under-performers.

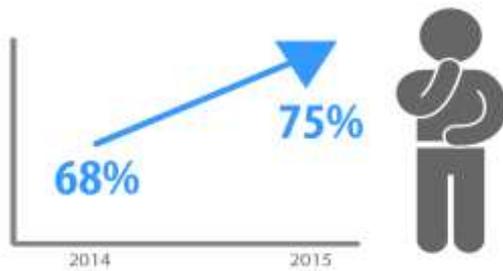
Since adopting this approach in 2012, Adobe has reported a spike in productivity. Its Global Senior VP of People and Places even credits the new model with the stock price spike it has experienced since adopting it (Adobe's not the first to identify the benefits of agile performance management either).

#### 2. Tailored approach

Research has shown that setting clear goals and objectives are essential to the success<sup>1</sup> of any PM strategy (whether you're working on the old system or the new).

Accenture and Deloitte have both championed a one-size-fits-one approach. Requiring more training for managers, this system focuses on coaching individuals to succeed in their roles and managing to their strengths (i.e. helping to expand roles and move employees into the positions best suited to their skills).

In a 2014 survey by Deloitte, 68% of HR respondents cited performance appraisals 'important' or 'very important'. This year, that figure rose to 75%.



### 3. Team-centric goals

The new models also focus heavily on collective goals, aiming to improve collaboration and performance by setting targets that require the strength of an entire team to meet.

### 4. Integration

Technological advances mean that performance appraisals are no longer an isolated HR initiative and can be integrated into our day-to-day lives.

Adobe's 'Check In' system, for example, is completely isolated from HR. It allows both employees and managers to set specific goals for each fiscal year and requires review meetings at least every eight weeks. At the yearly rewards check in, managers can assign raises and bonuses based on how well an individual has met their targets.

### 5. Categorization

The new models all acknowledge that understanding your workforce is critical, and categorization goes hand-in-hand with all of the four points I've already touched on.

If we're regularly meeting with employees, it is that much easier to identify who the high potential individuals are. The agility of the new approach, with its real-time feedback and individual focus, enables managers to instantly identify talent. By disassociating the process from HR and managing to strengths, managers can move these folks more quickly into situations where their skills yield the most value.

## EVOLUTION OF PERFORMANCE APPRAISAL

### Early 1900s: The Performance Appraisal's Informal Beginnings

Several sources suggest that performance appraisals were invented by WD Scott as early as World War I. Although possibly the earliest documented use of performance appraisals, however, WD Scott's system was not a widely-recognized concept, and it wasn't until around mid-century that more formal appraisal systems became implemented by a large number of businesses.

### 1950s: Developing a Formal System

By the mid-1950s, formal performance appraisals were much more commonly known, with companies using personality-based systems for measuring performance. Towards the end of the 1950s however, unease at these systems began to develop, as not only was there no element of self-appraisal, but the personality-based approach did very little in terms of monitoring performance – rather, it monitored the person's inherited personality, instead.

**1960s: Measuring Objectives & Goals**

By the 1960s, there was a much greater focus on self-appraisal, and most performance appraisal systems were geared more towards looking at what an individual might be able to achieve in the future (as opposed to how competent their personalities appeared to be at the time of being assessed).

As the 1960s progressed, performance appraisals began to do a better job of actually assessing performance, by focusing more on goals and objectives, and including much more by way of self-appraisal.

**1970s: Finding Flaws**

During the 1970s, there was a lot of criticism about how appraisals were being conducted, and several cases were even taken to court. A lot of this was down to how subjective and opinion-based most appraisal systems were, and so as the 1970s progressed, companies started including a lot more psychometrics and rating scales.

**1980s – Early 2000s: Holistic Measures**

The next 20 years saw an increase in companies focusing on employee motivation and engagement, which led to a more holistic approach to performance management and appraisals. Companies began measuring brand new metrics as part of their appraisal process, such as self-awareness, communication, teamwork, conflict reduction and the ability to handle emotions. Many of these are still very relevant in performance reviews to this day.

**Modern Day Performance Management**

In recent years, performance management has evolved even further, with many companies pulling down the traditional hierarchy in favour of more equal working environments. This has led to an increase in performance management systems that seek multiple feedback sources when assessing an employee's performance – this is known as 360-degree feedback.

With mobile technology giving us more flexibility, and with more companies recognising the value of a great company culture, we believe that the definition of what good performance is will continue to shift, and that the people who drive an organisation will continue to have an even greater input into how their peers are assessed.

**PERFORMANCE APPRAISAL SYSTEM ON EMPLOYEE MOTIVATION**

Performance appraisal can have a profound effect on levels of employee motivation and satisfaction - for better as well as for worse.

Performance appraisal provides employees with recognition for their work efforts. The power of social recognition as an incentive has been long noted. In fact, there is evidence that human beings will even prefer negative recognition in preference to no recognition at all.

If nothing else, the existence of an appraisal program indicates to an employee that the organization is genuinely interested in their individual performance and development. This alone can have a positive influence on the individual's sense of worth, commitment and belonging.

The strength and prevalence of this natural human desire for individual recognition should not be overlooked. Absenteeism and turnover rates in some organizations might be greatly reduced if more attention were paid to it. Regular performance appraisal, at least, is a good start.



## CONCLUSION

Performance appraisal is the process of reviewing employee performance vis-à-vis the set expectations in a realistic manner, documenting the review, and delivering the review verbally in a face-to-face meeting, to raise performance standards year over year through honest and constructive feedback. Everyone organization, irrespective of its size, has an appraisal system for its employees. This implies the performance appraisal has become an indispensable activity in any organization. → Most of the companies have separate appraisal system for each level of employees. These appraisal system differ on the factors on which a person is rated and the nature of duties handled by him. In the process management expects to reinforce the employee's strengths, identify improvement areas so that one can work on them and also set stretched goals for the coming year.

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