

LEADING PRACTICES IN PERFORMANCE APPRAISAL

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Abstract

An employee's performance is a major determinant in the productivity of an organization. There are various reasons that affect the performance of employees and in simple terms, performance appraisal is a tool to understand the performance of an employee and analyze the reasons for such performances. Practices of Performance Appraisal system have been greatly varied from a simple method where only a HR reviews the performance of the employees to a 360 degree feedback system where not only the manager, but also peers, colleagues and clients are given an opportunity to review the performance of one another. Performance Appraisals have seen a great evolution in them. Our paper focuses on the best practice in Performance appraisal and for finding out what are those leading practices are, we have selected the practices followed in some of the Fortune companies. This paper also focuses on the result that these companies are gaining due to adopting new methods of performance appraisals.

Introduction

HRM aim at constantly the competency requirements of different individual to perform the job assigned to them, effectively and provides opportunities for developing these competencies. Performance appraisal is an integral part of HRM and HRM deals with personnel is people. "People" is the important and valuable resource that every organization or institution has in the form of its employees. Performance appraisal is often regarded as the most critical function of human resource management. An organization is made to achieve its objectives and the attainment of the objective deepens on the performance of the individual employees. Hence it is quite important to understand that performance appraisal is an integral part of an organization. Performance appraisal is mainly used for three purposes. As a basis of reward allocation such as salary increments, promotion and other rewards etc. Performance appraisal will point out the weakness of employees and will spot the areas where development efforts are needed. Performance appraisal is a tool for identification of deficiencies, it can be used for the selection and development program. It will differentiate satisfactory performers from unsatisfactory ones. The process of performance appraisal has been adopted to measure and evaluate the performance in all scales. Performance Appraisal has been the focus of a flurry of research activity in the past several decades.

Review of literature

(Robert D. Bretz, George Milkovich,, & Walter Read, 1992) Organizations are similar; organizations vary in size, nature of product, technology used, competition and markets; all such factors have an influence on the practices of performance appraisals. Even the fortune 100 companies can be classified on different basis and the performance appraisal practices vary from company to company. Most of the companies report informal way to solve internal disputes. Managers find 'fairness' as the most common issue while conducting the process of Performance Appraisal. Managers are also very much concerned about the process of performance appraisal because it may have an effect on the future performance.

(Iqbal, Naveed Ahmad, ZeeshanHaider ,YumnaBatool , &Qurat-ul-ain , August 2013) There is a significant relationship between the performance of the employees and performance appraisal. Motivation factor acts as the moderator between performance of the employees and performance appraisal. Motivation strengthens the relationship between the two. (Jindal, Laveena, &Navneet, December 2015) In the 21st century performance appraisal systems are designed in such manner that employees should and must be capable of meeting their expectations in the coming future. Managers are also helping their employees to meet up to their goals by identifying their inefficiencies and conduct training methods to help them remove their inefficiencies.

(Ghutke, November 2016) Organizations conduct performance appraisal for 3 main reasons that is, for the purpose of effective communication, decision making and motivating. Performance appraisal methods can be broadly classified under objective measures and subjective measures. The important methods can again be classified traditional and modern methods.

(Prasad, April 2015)The study brings a relationship on how performance appraisal can impact motivation and job satisfaction. From the study with the help of correlation analysis it was found that, there is a positive correlation between job satisfaction and motivation .Organizations are willing to maketheir performance appraisal techniques more transparent and innovative to reduce prejudice and conflict and increase objectivity.

(Abbas, June 2014)With the help of statistical analysis conducted it was found that there is a link between performance appraisal and employee outcomes. Performance Appraisal outcomes are accurate, significant and impacts performance level of employees.

(Ishaq, Muhammad Zahid Iqbal, & Arshad Zaheer, 2009)Both the public and private sector believe in the role of outcomes and demerits in the effectiveness of performance appraisal. In regard to the study conducted it was found that managers have a different view from employees. It was also found that gender of the managers have produced different views.

(ARO-GORDON, 2014)Performance appraisal inherently is a subjective process and it is impossible to reward everyone as all human talent differs from one person to another. The paper shows how simple computer spreadsheet can measure performance effectiveness with the 5th rating scale. Using information technology it will ease the process of performance appraisal which is the key component of Human Resource Management.

(Abraham, LannyA. Karns, Kenneth Shaw, & Manuel A. Mena, 2001)Organizations are identifying managerial competences which make successful manager but they are not willing to apply these competencies in the appraisal process. For those organizations which need to reach great heights in the near future has to make sure they need incorporate the managerial competences which can take it too that height.

(Mishra, 2013)The process of performance appraisal is a continuous ongoing activity which should happen on a regular basis. It is a process which is carried for the management and also to motivate the employees to do the required set of managerial work in the organization. There is a requirement of performance appraisal and management for the company but at the same time, it also has the requirement for money to invest into the methods of appraisal and training development programs. The customer can be satisfied with the following (1)Knowledgeable and available staff (2)Friendly people(3)Fast finish(4)Encourage face-to-face dealings.

Need for Study

To find out and analyze the leading practices in Performance Appraisal by taking the performance appraisal practices followed in some of the Fortune Companies and to critically analyze the effect of these practices on the employees and the organization.

Research methodology

This paper uses the source of information from both primary as well as secondary sources. Primary source of information is collected from having discussions and interviews with a few HR experts and Secondary source of information is obtained from various research articles, journals, magazines, newspapers, websites, etc.

Leading practices in performance appraisal

Frequent Feedback or Check in Method Frequent feedback system refers to that type of Performance appraisal, where an employee's performance is reviewed and checked on regular basis. It basically means that Performance Appraisal is not conducted on a yearly basis, but it is done either on a monthly or a quarterly basis. Adobe has completely eliminated its annual Performance Appraisals and now it adheres to frequent feedback system so that it can keep in touch with its employees and their performance which will help in boosting the organizational effectiveness. Accenture too incorporated frequent feedback and conversations as the heart of their new performance review process. The focus has now shifted from performance rating to performance development. Amazon currently uses its internal tool for making feedback available between employees, called Anytime Feedback Tool, employees can directly send praise or criticism about their coworkers with the system. The feedback is sent directly to the manager of

Performance Review App With a drastic and continuous change in technology, apps have become the most common source of technology for any activity. Performance review app refers to a personalized app of a company where the performance of an employee will be put up and even the employee will be given an access to it so that he or she could check the basis on which he or she is being evaluated and he or she would also be able to see how his or her peers have evaluated him or her.

The employee can also check his or her progress on the basis of the set goals and could have a mental analysis whether he or she is able to achieve the goals set or no. General Electric has its own Performance Review app known as “Touchpoint”. The performance review app of GE enables employees to capture progress against their goals and also enables them to provide and request for a peer-to-peer feedback. Managers still perform an annual review based on the regular feedback and ‘Touchpoint’ data, rather than the former annual performance review

360 Degree Feedback System 360 degree feedback is that system of Performance Appraisal where an employee’s colleagues, superiors, subordinates as well as his or her team mates can evaluate him or she based on some fixed criteria. By following such a method the HR Manager can assess his or her employees even on the basis of evaluation of other members and outsiders of the company. Deloitte is one among many such companies which follows 360 degree appraisal process. Deloitte’s new process allows every team leader to perform ‘Check-In’ with each team member per week and discuss ongoing tasks/priorities, comment on their recent work and provide training for skill enhancement. In order to perform ‘Check-Ins’ frequently, Deloitte allows team members to initiate the process rather than the team leaders.

Employee Goal Setting Employee goal setting is that methods of performance appraisal where the employees when they join the companies are asked make a note of their aim and goal that they wish to achieve in that particular organization and the performance manager of the employee will be having this with him or her and it is the performance manager’s duty to monitor his or her employees’ performance and if at any point of time it is felt that the employee is deviating from the set goal, the performance manager is expected to have a one on one session with the employee, find out the reasons for Deviations and help the employee to get back and achieve the set goal. Every year IBM asks its employees to set goals in January and the performance managers check their performance and their achievement towards their goal in the mid of the year and if any deviations are found out, the performance managers help them to get back to the way towards achieving their goals and in December they get a report on whether they have achieved the goal set in the beginning and how well they have achieved is also analyzed Google has brought a new form of performance appraisal though goal setting and objectives and key results.

Performance Planning Performance planning is the system where the company sets some standards according to the needs of the company, and expects its employees to work according to such set standards. This system of performance appraisal is opposite to that of Employee Goal Setting, but research shows that even this system is highly effective.

Wal-Mart’s performance planning is based on three main dimensions that relate with the needs of its retail business:

1. Customer service orientation
2. Decision-making and results orientation
3. Analysis and problem-solving

Wal-Mart uses the customer service orientation to directly address its human resource management concerns in the context of retail. Retail is a service business. Thus, Wal-Mart emphasizes the customer service orientation in performance planning, to ensure that its services satisfy customers. On the other hand, the decision-making and results orientation is applied for all positions, although it is emphasized in planning for managerial and supervisory positions. Wal-Mart’s human resource management objective in using this orientation is to optimize organizational resilience through effective decision making. In addition, analysis and problem solving is also used for performance planning, but more so for managerial positions. Wal-Mart expects managers to effectively analyze and solve problems in the workplace. These dimensions are included in the performance appraisals conducted at the company. Wal-Mart’s human resource management considers these dimensions as essential for planning for adequate workforce performance.

Benefits derived to the employees from performance appraisal practices

Increase in Salary The performance appraisal process offers merit to the performance of employees and also an increase in salary. A compensation package during performance appraisal includes bonus, high earnings rates, extra reimbursement, various allowances and requisites.

Enhancement in employee’s progress It helps to pore over effectiveness and flaws of employees so that new everyday jobs can be well planned and assigned to capable employees. Such appraisals at work also help in casing future expansion line ups. The progress of every employee has to be equally viewed in order to enhance a chance for progression in their career.

A tool of Motivation It serves as an inspiration tool. Performance appraisal increases the employee's strength level and thus motivates them to perform better in the organization.

Spot Strength and WeaknessThe HR manager of the organization can spot the strength and weakness of the employees thus helping the employees work on their weakness and make it their strength.

Providing Feedback to employees about their performance The main aim of HR person is that he or she should give regular feedback to the employees about how they can perform better and what are the major targets and how to achieve them. The employees should be provided with the feedback on regular basis so that employees can work on their shortcomings.

Benefits derived to the companies from performance appraisal practices

While the annual review process is intended to help employees improve their output, the irony is that performance reviews today have little to do with – and even less impact on – corporate performance. According to CEB a best practice insight and technology company, faulty performance review processes can cost as much as \$35M in lost productivity for a company with 10,000 employees. The biggest challenge lies with scores and rankings, which when used to motivate employees, typically backfire. Some of the benefits derived by these companies are

Increase in efficiencyEarlier when companies followed annual performance review method, with traditional system of rankings and rates, it could not track the efficiency and effectiveness of its employees, thereby, the company could not achieve its goals in a fast way. Now improvement in the methods of performance review and appraisal helps the company to be more effective and helps to achieve the organizational goals faster.

Helps to understand an employees' concern Continuous performance reviews helps to have a frequent discussion with the employee and his manager; from this the manager can analyze the reason due to which the employees' productivity is coming down and also the manager could gather information whether there is any change required in the organizational rules or policies and the needful can be done there by adhering to the requirements of the employee which leads to employee satisfaction.

Helps to promote team work Performance appraisal methods like 360 degree feedback system helps an individual understand what his or her team requires and what is the team's expectation from him or her, which further helps a team to work together, thereby there is clear transparency on the requirements of the team, so a team can work in a better manner without much of difference of opinions and trust issues

Helps maintain a transparent system Due to such systems, where the employees allowed to check on what basis is his or her performance is being reviewed, he or she has full authority to raise questions, if he or she feels that they are being assessed in a wrong manner or on wrong criteria; this will make the performance managers take their work more seriously and will increase their accountability and responsibility.

Conclusion Companies have become increasingly focused on evaluating performance using quantitative measurements that look only at the past, and haven't invested enough in measurements that spur future performance. Fortune companies including Microsoft, Adobe, Cargill, Accenture and GE have re-engineered how they review individual performance to address this issue, eliminating what had become irrelevant tools in their engagement toolkits. Revision of the performance appraisal system has helped both the parties in a positive manner and due to such changes; the organizations are becoming far more effective. It is benefiting for both employees for career growth and employers for productivity.

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