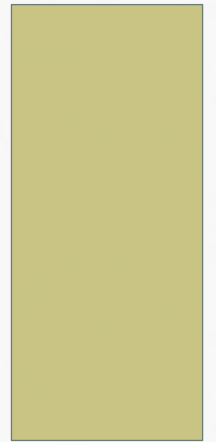


# MODULE- 2

**PERFORMANCE APPRAISAL**



# CONTENT TO BE DISCUSSED

- Meaning
- Objective
- **Process and methods**
- **Potential appraisal**
- **Biases in performance appraisal**
- **Methods of job evaluation**
- Meaning of compensation
- **Types of compensation**
- **Types of wages and theories**
- **Wage differentials**
- Pay structure
- Wage law in India
- **Executive compensation**

# YEMBEES A STORY

- Once upon a time in Yemen, there were two beekeepers who each had a beehive. The beekeepers worked for a company called YemBees Ltd.
- The company's **customers loved its honey** and wanted the **business to produce** more honey than it had the previous year.
- As a result, each beekeeper was told to produce more honey at the same quality.

# YEMBEES A STORY

- With different ideas about how to do this, the beekeepers designed different approaches to improve the performance of their hives.
- **YemBees - Beekeeper 1**
- The first beekeeper established a bee performance management approach that measured how many flowers each bee visited. At considerable cost to the beekeeper, an extensive measurement system was created to count the flowers each bee visited.
- The beekeeper provided feedback to each bee at midseason on his individual performance, but the bees were never told about the hive's goal to produce more honey so that YemBees Ltd could increase honey sales.
- The beekeeper created special awards for the bees who visited the most flowers

# YEMBEES A STORY

- **YemBees - Beekeeper 2**

- The second beekeeper also established a bee performance management approach but this **approach communicated to each bee the goal of the hive for increased honey production**. The beekeeper and his bees measured two aspects of their performance:

1. **the amount of nectar each bee brought back to the hive**
2. **and the amount of honey the hive produced.**

- The performance of each bee and the hive's overall performance were charted and posted on the hive's bulletin board for all the bees to see.
- The beekeeper created a few awards for the bees that gathered the most nectar.
- But he also established a hive incentive program that rewarded each bee in the hive based on the hive's overall honey production the more honey produced, the more recognition each bee would receive.

## THE RESULT OF BEEKEEPER 1 AND HIS TEAM

- At the end of the season, the beekeepers evaluated their approaches. **The first beekeeper** found that his hive had indeed increased the number of flowers visited, but the amount of honey produced by the hive had dropped.
- The Queen Bee reported that because the bees were so busy trying to visit as many flowers as possible, they limited the amount of nectar they would carry so they could fly faster.
- Also, since only the top performers would be recognized, the bees felt they were competing against each other for awards.
- As a result, they would not share valuable information with each other that could have helped improve the performance of all the bees (like the location of the flower-filled fields they'd spotted on the way back to the hive).
- As the beekeeper handed out the awards to individual bees, unhappy buzzing was heard in the background.
- (After all was said and done, one of the high-performing bees told the beekeeper that if he'd known that the real goal was to make more honey, he would have worked completely differently.)

## THE RESULT OF BEEKEEPER 2 AND HIS TEAM

- The second beekeeper, however, had very different results.
- Because each bee in his hive was focused on the hive's goal of producing more honey, the bees had concentrated their efforts on gathering more nectar in order to produce more honey than ever before.
- The bees worked together to determine the highest nectar yielding flowers and to create quicker processes for depositing the nectar they'd gathered.
- They also worked together to help increase the amount of nectar gathered by the poorer performers.
- The Queen Bee of this hive reported that the poor performers either improved their performance or transferred to hive #1. Because the hive had reached its goal, the beekeeper awarded each bee his portion of the hive incentive payment.
- The beekeeper was also surprised to hear a loud, happy buzz and a jubilant flapping of wings as he rewarded the individual high-performing bees with special recognition.

# LEARNING FROM STORY

- Accomplishment (honey production) Vs. Activities (visiting flowers)
  - Activities are the actions taken to produce results.
  - Accomplishment is the output.
  - This out put will have to measure.
  - Here the importance of appraisal comes.
  - organisation measures the output( accomplishment) in two way.
1. **Employees level ( bees)**
  2. **Work unit level (beekeepers)**



# PERFORMANCE APPRAISAL

- It is the process of evaluating the employee's performance on the job in terms of requirements of the job. **By Scott**
- ***What do we need to evaluate a person's performance?***
- ***1. job description***
- ***2. clear goal***
- ***3. measurement parameters***
- ***4. desired outcomes ( quantity & quality)***

## HOW TO LINK APPRAISAL OUTPUT WITH ORGANISATIONAL CORPORATE VALUE?

- **Organisation corporate value:**
- It is an operating philosophies or principles that guide an **organization's** internal conduct as well as its relationship with its customers, partners, and shareholders.
- Broadly organisation corporate values are: **customers, employees, society, products.**
- All this values are translated into performance measures use in appraisal system.

# APPRAISAL FORMATS

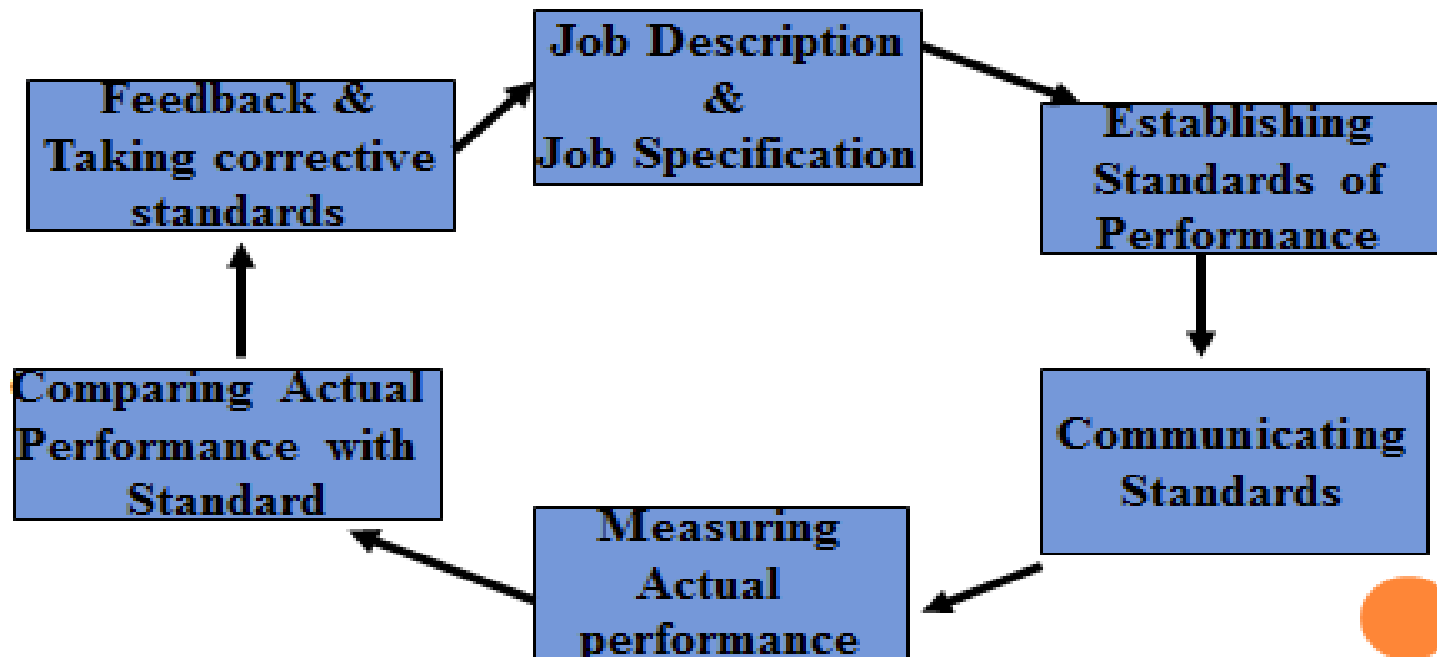
- Commonly used performance appraisal formats include:
- **Global ratings:** this includes “ one-dimensional rating system” that uses a rater’s overall estimate of performance ( poor, fair, good, excellent)
- **Trait based scales:** this is a multidimensional approach used to measure and evaluate performance. Common traits are : loyalty, dependability, cooperation, initiatives and self-confidence.
- **Effectiveness-based systems:** this is a system based on “objective "results representing the contribution of employees.

# HOW PLAN FOR THE APPRAISAL

- A meaning full performance appraisal is a two-way process.
- Appraisal strategy:
  1. **before the appraisal:** before the beginning of the appraisal process the organisation needs to ensure the following aspects namely:
    1. Establish key task areas and performance goals
    2. Set performance goals
    3. Get the facts
    4. Schedule appraisal interview.
  2. **During Appraisal:** during this emphasis is begin given on the following aspects namely:
    1. Encourage two-way communication
    2. Discuss and agree on performance goals for the future
    3. To think about how one can assist the employee to achieve more at work.
    4. Record notes of the in interview
  3. **After the appraisal:** this involves the following aspects namely:
    1. Preparing a formal record of the performance interview discussion
    2. Monitor performance
    3. Identify areas of performance improvement.

# PROCESS OF APPRAISAL

## PROCESS OF PERFORMANCE APPRAISAL



# The Performance Appraisal Process

## Steps in the performance appraisal process

### ❖ Establish performance standards

These are benchmarks against which performance is measured.

They should relate to the desired results of each job

They must be clear to both the appraiser and the appraisee.

Good performance goals should speak about

- ❖ What is the task to be accomplished?
- ❖ What will it look like when it is accomplished?
- ❖ When must it be completed?
- ❖ What are the cost considerations?
- ❖ What are the likely payoffs to the employee?



# The Performance Appraisal Process

## ❖ Communicate the standards

The Appraiser should prepare job descriptions clearly

- ❖ Help the appraisee set own goals and targets
- ❖ Analyse results objectively
- ❖ Offer coaching and guidance

The Appraisee should be clear about what he is doing and why he is doing



# The Performance Appraisal Process

## ❖ Measure actual performance

Use reliable and dependable performance measures

These must be easy to use and report on critical behaviours that determine performance

**These would generally include: personal observation, statistical reports, oral reports and written reports**

These may be objective or subjective

**Objective** measures are generally **quantitative**, and include quality of production, degree of training needed, accidents in a given period, absenteeism, length of service etc. Such measures are used for evaluating lower level jobs

**Subjective** measures are based on **opinions** of those doing evaluation and are not verifiable by others; generally used for evaluating **middle level positions**.





# PERFORMANCE MEASURE MEANS

PERFORMANCE GOAL	PERFORMANCE MEASURE	OBJECTIVE	TOOL
<b>Student Achievement</b>	State & national assessments	Extent to which students achieve standards	State tests, national tests, graduation rate, etc.
<b>People</b>	Employee Engagement	Extent to which leaders provide a work place environment where employees can perform at quality levels	Employee engagement survey
<b>Service</b>	Parent Satisfaction	Extent to which parents are satisfied with their child's school	Parent Satisfaction Survey
	District Support Services	Extent to which leaders believe district departments provide excellent service	District Services Survey
<b>Finance</b>	Efficiency & Effectiveness Ratios	Extent to which funds support high student achievement and the creation of productive learning environments	Return on student achievement ratios  Efficiency measures

# The Performance Appraisal Process

- ❖ Compare actual performance with standards and discuss the appraisal
- ❖ Take corrective action, if necessary



# COCA COLA



## EMPLOYEES PERFORMANCE OF COCA-COLA

### Define the job:

Means making sure that you and your sub ordinate agree on his or her duties and job standard.

### Appraise the performance:

Means comparing your subordinate's actual performance to the standards that have been set.

### Provide the feedback:

Means discuss the subordinate performance and progress and make plans for any development required.



# METHODS OF PERFORMANCE APPRAISAL

```
graph TD; A[METHODS OF PERFORMANCE APPRAISAL] --> B[Traditional Methods]; A --> C[Modern Methods]
```

## Traditional Methods

- Confidential Reports
- Essay Evaluation
- Critical incidents
- Checklists
- Graphic Rating Scales
- Forced Choice Method
- Ranking
- Paired Comparison
- Forced Distribution

## Modern Methods

- Group Appraisals
- HRA
- Assessment Centre
- Field Review
- MBO
- 360 Degree Appraisal Method
- Behaviorally Anchored Rating Scales

# CONFIDENTIAL REPORTS

- ❖ It is mostly used in Govt. organizations. It is a descriptive report prepared generally at the end of every year by the employee's immediate supervisor.
- ❖ The impression of the immediate supervisor is merely recorded here.
- ❖ It does not offer any feedback to the employee.
- ❖ The report states the strengths, weaknesses, sincerity, punctuality, attitude, knowledge, skills, conduct, and character of the employee.

# ESSAY EVALUATION

- In an essay form appraisal the manager writes a short essay describing the employee's performance.
- This form, prepared during the rating period, emphasizes the evaluation of the overall performance on the basis of their strengths/weaknesses.
- A major limitation of this method is that the quality of ratings depends on the writing skills of the manager, rather than the performance of an employee.

# CRITICAL INCIDENTS

## CRITICAL INCIDENT METHOD

Ex: A fire, sudden breakdown, accident

Workers	reaction	scale
A	informed the supervisor immediately	5
B	Become anxious on loss of output	4
C	tried to repair the machine	3
D	Complained for poor maintenance	2
E	was happy to be given forced rest	1



# CHECKLIST METHOD

- Simple checklist method
- Weighted checklist method

Simple checklist method:

Is employee regular	Y/N
Is employee respected by subordinate	Y/N
Is employee helpful	Y/N
Does he follow instruction	Y/N
Does he keep the equipment in order	Y/N



# GRAPHIC RATING SCALES

- This is the simplest and most popular technique of performance appraisal
- Different parameters of employee behavior and performance are given numerical scales.
- The scale might be a five point/level or seven point/level scale.
- The rater has to tick against the appropriate performance level on each parameter and then compute the total score of the employee

## Advantage

- ❖ Adaptable to small and large work places
- ❖ Low cost method
- ❖ Large number of employees can be appraised in a short time.
- ❖ Rater does not need any specific training to evaluate

## Disadvantages

- ❖ Biasness is likely to make it way into this method

# GRAPHIC RATING SCALES

## GRAPHIC RATING SCALE

Employee name \_\_\_\_\_

Deptt \_\_\_\_\_

Rater's name \_\_\_\_\_

Date \_\_\_\_\_

---

	Exc.	Good	Acceptable	Fair	Poor
	5	4	3	2	1

---

Dependability

Initiative

Overall output

Attendance

Attitude

Cooperation

Total score



# RANKING

- ❖ In this method the superior ranks his subordinates in the order of his or her merit.
- ❖ This method is likely to have disadvantages like biasness due to halo and horn effect or recency effect.

# PAIRED COMPARISON

- Here **each worker is compared with all other employees in the groups for every trait**, the worker is compared with all other employees.
- For several individual traits, paired comparison are made, tabulated and then rank is assigned to each worker.

## **Traits are:**

- behavior
- attitudes
- Personality
- Quantity of work also taken into account

# PAIRED COMPARISON

## PAIRED COMPARISON METHOD

	A	B	C	D	E	Final Rank
A	-	-	-	+	+	3
B	+	-	-	+	+	2
C	+	+	-	+	+	1
D	-	-	-	-	+	4
E	-	-	-	-	-	5



FOR THE TRAIT "QUALITY OF WORK"

Employee rated:

As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		+	+	-	-
B Maria	-		-	-	-
C Chuck	-	+		+	-
D Diane	+	+	-		+
E José	+	+	+	-	

↑  
Maria ranks highest here

FOR THE TRAIT "CREATIVITY"

Employee rated:

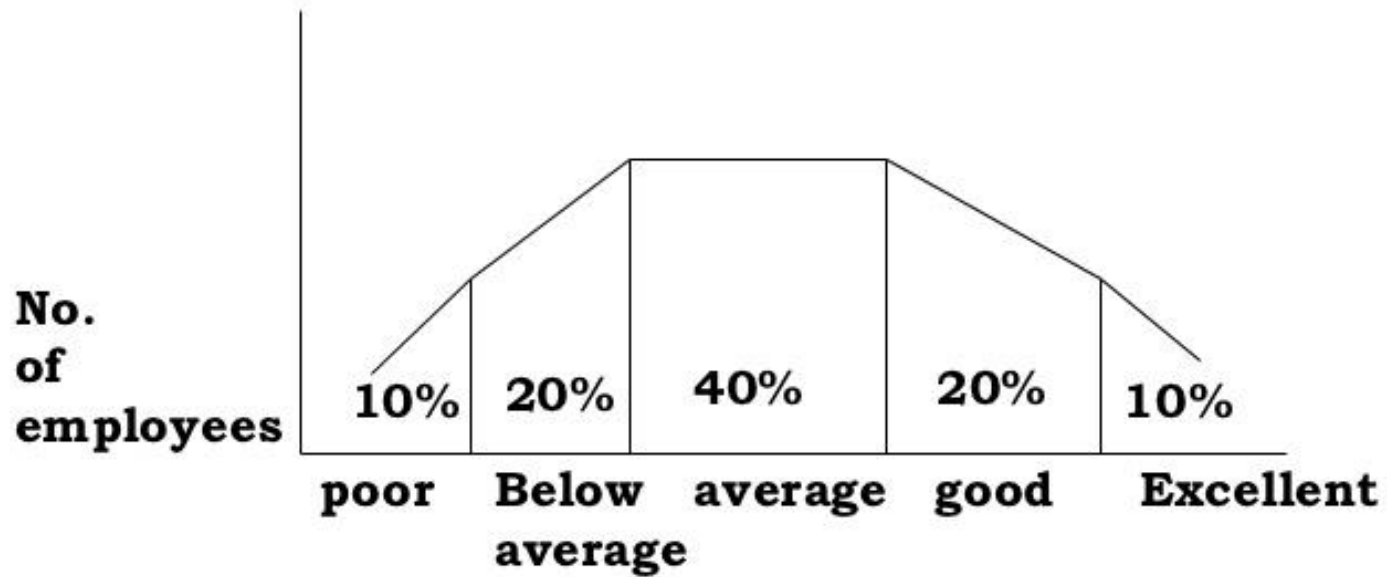
As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		-	-	-	-
B Maria	+		-	+	+
C Chuck	+	+		-	+
D Diane	+	-	+		-
E José	+	-	-	+	

↑  
Art ranks highest here

# FORCED DISTRIBUTION

- In this method , the rater is asked to appraise the employee according to a **predetermined distribution scale**.
- In this, the system rater appraises the employee on two dimensions: **job performance** and **other factors of promotability**
- (1) effectiveness as a problem solver; (2) the consistent quality of your work; (3) communication skills; (4) attitude on the job—and about the job; and (5) how you promote yourself in the work environment.).
- A five-point performance scale is used to describe and classify the employees. The extreme ends denote good and bad performances.

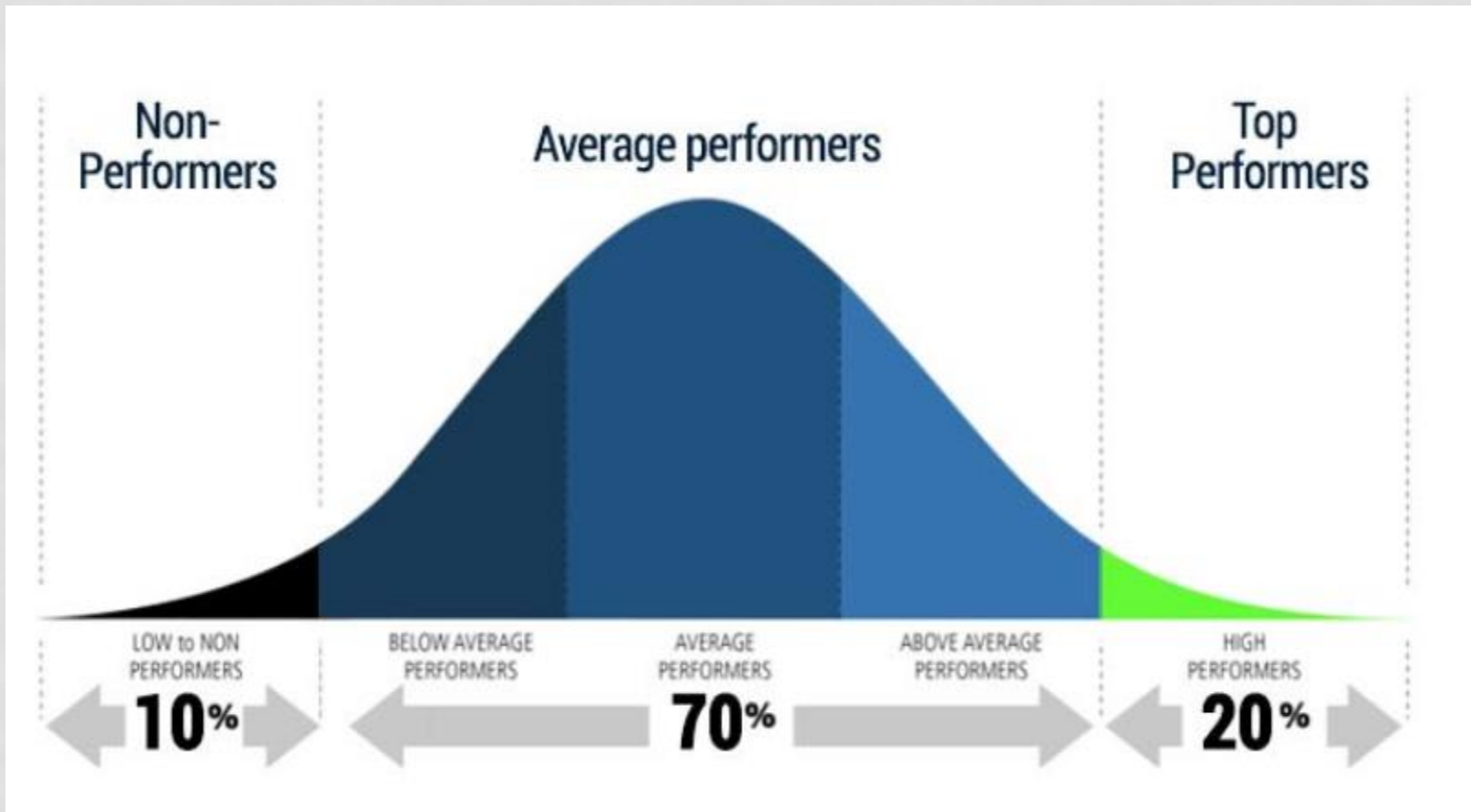
# FORCED DISTRIBUTION METHOD



**Force distribution curve**



# CURRENT APPRAISAL METHOD IN IT SECTORS AND BANKS (PVT.)



# MODERN METHOD

- **BARS: Behaviourally Anchored Rating Scales**
- Scales are represented by statements of effective and ineffective behaviour.
- Behavioural descriptions exemplifying various degrees of each dimensions serve as anchors on the scale.
- Designed to allow superiors to be more comfortable while giving feedback.

# EXAMPLE OF BARS

<b>Performance</b>	<b>Points</b>	<b>Behavior</b>
<b>Extremely good</b>	7	Can expect trainee to make valuable suggestions for increased sales and to have positive relationships with customers all over the country.
<b>Good</b>	6	Can expect to initiate creative ideas for improved sales.
<b>Above average</b>	5	Can expect to keep in touch with the customers throughout the year.
<b>Average</b>	4	Can manage, with difficulty, to deliver the goods in time.
<b>Below average</b>	3	Can expect to unload the trucks when asked by the supervisor.
<b>Poor</b>	2	Can expect to inform only a part of the customers.
<b>Extremely poor</b>	1	Can expect to take extended coffee breaks and roam around purposelessly.

# THE STEPS IN BARS DEVELOPMENT

- **GENERATE CRITICAL INCIDENTS** : Ask persons who know the job (job holders, supervisors) to describe specific illustrations of effective and ineffective performance.
- **DEVELOP PERFORMANCE DIMENSIONS** : Have them cluster the incidents into a smaller set of 5 or 10 performance dimensions, and define each dimension.
- **REALLOCATE INCIDENTS** : Another group of people who also know the job then reallocate the original critical incidents.
- **DEVELOP A FINAL INSTRUMENT** : choose about 6 or 7 of the incidents as the dimension's behavioural anchors.

# PERFORMANCE DIMENSION = LENGTH + BREADTH + DEPTH + HEIGHT

- Quantity of work i.e. volume of work completed by employees – **recognises hard-working employees.**
- Timeliness of work i.e. timely delivery of work in terms of schedules, meeting deadlines, etc. – **recognises employees who produce work on-time and meet deadlines.**
- Quality of work i.e. the quality of work produced in terms of standards, errors, waste and rework – **recognises employees who produce work which meets standards and work with few errors or mistakes.**
- Self-Reliance i.e. recognises employees who produce work without the need for extensive supervision – **requires a reasonable level of support.**



# Example

- 3 researchers developed a BAR for grocery checkout clerks. They collected many critical incidents, and then grouped them into eight performance dimensions such as
  1. Salesmanship skills
  2. Conscientiousness
  3. Skills in Human Relations
  4. Skill in Operation of Register
  5. Skill in Bagging
  6. Organizational Ability of Check-stand Work
  7. Skill in Monetary Transactions
  8. Observational Ability

# 360 DEGREE APPRAISAL



In a **360 degree appraisal**, a staff member's work for a specific period of time, often a year, is discussed and critiqued by other employees. The **360 degree** process is different, in that it obtains **feedback** from co-workers and subordinates, instead of just from the direct supervisor.

# HOW DOES IT WORK ?

- Most often, information solicited in a **360-degree** feedback process will include feedback from an employee's subordinates, peers (colleagues), and supervisor(s), as well as a self-**evaluation** by the employee him or herself.



College of Medicine (For Internal Use Only)

## 360 Degree Appraisal Feedback Form

This form will assist management in preparing the performance evaluation for the individual listed below. As someone who works with this person on a regular basis, your feedback regarding his or her performance will be useful to the overall review process. You are not required to put your name on this form.

Employee Name: \_\_\_\_\_

Relation to Employee: \_\_\_\_\_

Your Name (Optional): \_\_\_\_\_

	Every Day	A few times a week	A few times a month	Every few months	NA (Never)
<b>Time Spent</b>					
Your interaction with employee					

	Strongly Agree	Agree	Disagree	Strongly Disagree	Not Applicable
<b>Quality of Work</b>					
Sets high standards for quality of work output					
Ensures work is error-free before submitting					
Helps others improve the quality of their work					



# ASSESSMENT CENTRE

- An **Assessment Center** consists of a standardized evaluation of behavior based on multiple evaluations including:
  - job-related simulations,
  - interviews, and/or psychological tests.
- Job Simulations are used to evaluate candidates on **behaviors relevant to the most critical aspects** (or competencies) of the job.

# ASSESSMENT CENTRE

- **Role Play:** A role-play exercise is an assessment activity in which candidates act out an imaginary scenario that **closely mirrors a situation that could occur in the job they have applied for.**
- often this will be the **line manager** for one of the roles that's being recruited.
- The employee will be given a briefing document that outlines the scenario and your objectives and will be given **20-30 minutes to prepare.**
- At the end of the exercise you will be scored on your performance and that feedback will be factored in to the cumulative results of the interview/assessment centre.
- **Example role-play exercise 1 – The Angry Customer**
- **“You are the sales manager of a small firm. You receive a telephone call from an angry customer who bought a home security system from your company but is not happy with it. They are now threatening to take their story to a consumer watchdog and to the trading standards ombudsman. Your objective is to resolve the issue with the minimum damage to the company (both financially & in terms of our reputation). Plan your response and prepare to call the customer.”**

# ASSESSMENT CENTRE

- **The in-tray exercise:** it helps the rater to know how the ratee (employee) would approach a typical workday scenario.)
- The in-tray exercise is an assessment activity that's widely used by employers to measure candidates' **suitability for a job.**
- It's a **business simulation** where you play a member of staff who has to deal with the workload of a typical day.
- **What does the in-tray exercise measure?'**
- The in-tray exercise measures your analytical skills, communication skills, written skills, delegation skills and business acumen. At the beginning of your in-tray exercise you will receive background information about the imaginary scenario to help build a clearer picture and to give you context.

# FIELD REVIEW AND HRA METHOD

**Field Review Method:** Here the one of the assessor from corporate office will assess the performance of employees.

- Here the assessor reviews the records and hold an interview with the rate.
- It is primarily use for promotional decision at the managerial level.

**HRA / Cost Accounting Method:** this method evaluates performance from the monetary returns the employee yields to his or her organisation.

# POTENTIAL APPRAISAL

## Meaning of Potential Appraisal

- 1 The potential appraisal refers to the appraisal i.e. identification of the hidden talents and skills of a person.
- 1 The person might or might not be aware of them.
- 1 Potential appraisal is a future-oriented appraisal whose main objective is to identify and evaluate the potential of the employees to assume higher positions and responsibilities in the organizational hierarchy.

# WHAT ARE THE TECHNIQUES FOR POTENTIAL APPRAISAL

## Techniques of Potential Appraisal

- Self – appraisals
- Peer appraisals
- Superior appraisals
- MBO
- Psychological and psychometric tests
- Management games like role playing
- Leadership exercises etc.

# Steps of Potential Appraisal System

**Role Descriptions**



**Qualities needed to perform the roles**



**Rating mechanisms**



**Organizing the system**



**Feedback**



Below an example of an organization consideration for promotion to the next higher position as per the following:

Clip slide

Sl.	Position	Number of years	Next position
1	Support staff (SS) –I	3	Support staff –II
2	Driver –I	3	Driver –II
3	Assistant Program Organizer (APO)	3	Senior Assistant/Program Organiser
4	Senior Assistant/Program Organizer	3	Assistant Manager/Assistant Officer/Executive Assistant
5	Assistant Manager/Assistant Officer/Executive Assistant	3	Deputy Manager/Deputy officer
6	Deputy Manager/Deputy officer	3	Manager/Officer
7	Manager/Officer	3	Deputy Senior Manager
8	Deputy Senior Manager	3	Senior Manager
9	Senior Manager	3	Assistant Director
10	Assistant Director	3	Deputy Director



## ERRORS / BIASES IN APPRAISAL

Error type	features
Halo effect	Tendency to assess of a single trait
Horn effect	Tendency to allow one negative trait- result in overall rating low
Leniency	Depending upon appraiser's own value system.
Central tendency	Rater assigns mainly middle range scores or values to all individual.
Spill-over effect	Refers to allowing past performance to influence the evaluation.
Personal bias	Very few people have judgment capability which is impartial.
Recency effect	The rater gives greater weightage to recent occurrences than earlier performance.
Stereotyping	It is a mental picture that an individual holds about a person because of the person's age, religion, caste.

## 600 WIPRO EMPLOYEES SACKED AFTER PERFORMANCE APPRAISAL: A CASE OF WIPRO

- Wipro is learnt to have **sacked 600 employees** as part of its annual 'performance appraisal', at a time when IT firms are facing curbs on work visas in US and Australia. (April- 2017)
- At the end of December 2016, the Bengaluru-based company had over 1.79 lakh employees.
- WIPRO conducts "rigorous performance appraisal process" on a regular basis to align its **workforce** with **business objectives, strategic priorities of the company, and client requirements.**
- "The performance appraisal may also lead to the separation of some employees from the company.
- Wipro has comprehensive performance evaluation process includes **mentoring, re-training and upskilling of employees.**

# WIPRO DITCHES BELL CURVE METHOD OF PERFORMANCE APPRAISAL

- Wipro is moving with the times.
- the IT services giant Wipro is breaking away from convention and doing away with the **Bell Curve** method of employee appraisal.
- Last year Infosys, CISCO, KPMG and Accenture had also discarded this system of employee appraisal.
- Under the **Bell Curve method**, managers try to assign employees into predetermined groups according to their **performance, potential, and promotability**.
- Wipro's reason for this change was purportedly to make the employees, mid-level executives and top managers more accountable for the company's performance.
- Wipro is now implementing a new evaluation system where feedback will be more frequent and quarterly. They wanted to make the process of giving feedback more frequent and the performance management system to be an ongoing coaching based process.