

# Chapter 65

## Performance Appraisal

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### **ABSTRACT**

*Performance appraisal is one of the multifaceted and controversial human resource tools. It plays an important role in evaluating job performance and setting job standards in any organization. In this contemporary state, the organizations have become more enthusiastic to augment the performance of their employees; for this purpose, the performance appraisal is considered to be the key instrument. Advent of new private sector organizations has given cause to public sector organizations to be more competitive, effective, and innovative in their approach. The main objective of the study is to summarize the key elements that make employee performance appraisal an essential component of an effective system. This chapter discusses the impact of performance appraisal on the effectiveness of the employees and overall organizational productivity. It also explores the gaps in the implementation of the appraisal system in the organization.*

### **INTRODUCTION**

In every organization, employees play a crucial part in determining its growth and survival. Employees are the eventual assets of any organization. The relation between the appraisal structure and the organization's approach is used as a strategic tool to accomplish the organization's vision. Performance appraisal is a controversial management tool searching for answers to ubiquitous tribulations in system design and administration (Thayer, 1987). This will evidently be a key factor in communicating values, promoting flexibility and maximizing individual potentials and contributions. Performance appraisal is a formal management system which evaluates the quality of an individual's performance in an organization. Performance appraisal is defined as a systematic description of individual job-relevant strengths and weaknesses, for the purposes of decision making regarding an individual's performance. In another term, performance appraisal is a process of evaluating the behaviour of the employees in the workplace, or it can also be referred as a process of giving feedback on employees' performance. The practice of performance appraisal tool has become the heart of the human resource management system in the organizations. It is a tool not only for accessing the performance of the employees but also the whole organizational performance.

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The concept of performance appraisal was first time used during the First World War. At the instance of Water Drill Scott the U.S Army adopted the Man to Man rating system for evaluating military personnel. This concept came for industrial workers during 1920-30 under which efficient workers used to be identified and paid wages incentives and that scheme was popularly known as “merit rating programs”. In the early fifties, performance appraisal techniques began to be used for technical, professional and managerial personnel. Performance appraisal is a developmental tool which is used for all round development of an individual. It is the assessment of performance on an individual in a systematic way (Armstrong, 2006). It helps identify ways to improve one’s job performance thus benefiting organization and the society as a whole. Rao (2005) defines that “performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance.”

The term performance appraisal is sometimes referred as performance review, employee appraisal, performance evaluation, employee evaluation, employee rating, merit evaluation, or personnel rating. Performance appraisal is a system that involves a process of measuring, evaluating, and influencing employees’ attributes, behaviour and performance in relation to a pre-set standard or objective. Usually, the appraisal of employee’s performance is prepared by his immediate supervisor or manager. This process normally requires the supervisor to fill out a standardized assessment form that evaluates the individual on different dimensions and then discuss the results of the evaluation with the employee. In most of the organizations the performance appraisal systems stay one of the immense paradoxes of effectual human resource management. The appraisal system provide valuable performance information to a number of critical human resource activities, such as the allocation of rewards, e.g., merit pay, promotions; feedback on the development and assessment of training needs; other human resource systems evaluation, e.g., selection predictors; and performance documentation for legal purposes (Cleveland, Murphy, & Williams, 1989). Efficient implementation of the performance appraisal process can help the organization in diverse ways. This process offers the benefit of identifying the employees’ skills and serving the employees’ development needs and career ambitions.

## **BACKGROUND**

Performance appraisal is a complex tool of the human resource management process in any organization. Performance appraisal is not just about rating employees, it is a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs (Meenakshi, 2012). Appraisal is preceded by establishing common objectives or a description for the job, identifying precise job expectations, providing feedback and, when necessary provides coaching (Hillman, Schwandt, & Bartz, 1990). The assessment of employees’ performance is one of the most common practices in almost every organization, and so performance appraisal is an essential procedure for the better performance of employees and the organization itself (Karimi, Malik, & Hussain, 2011). Fletcher (2004) believes that the general aims of performance appraisal also include motivating staff, succession planning and identifying potential, promoting manager-subordinate dialogue and formal assessment of unsatisfactory performance. Many businesses regularly use performance appraisal scores to determine the distribution of pay, promotions, and other rewards; however, few organizations attempt to evaluate how employee perceptions of performance appraisal fairness impact employee attitudes and performance (Swiercz, Bryan, Eagle, Bizzotto, & Renn, 2012). The organizations should implement

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