

**Course Name: AI in Human Resource Management**

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**Week - 05**  
**Lecture – 15**

### **Lec15: Using AI In Performance Appraisal**

Hello learners, welcome back to the course on AI in human resource management. Today, we move to the second lecture of the fifth module. We'll look into performance management. What is the role of AI in performance management, specifically performance appraisal?

I'm Dr. Abraham Cyril Issac. I'm an assistant professor at the School of Business, Indian Institute of Technology, Guwahati. Now, when you look into any particular organization, the performance of the individuals or the employees is vital. And this happens to be one of the most objective measures you can get in an organization. Whatever is said and done, you cannot actually say that his leadership is X amount or his ability to lead a workforce is this much percentage.

You cannot objectify that. You cannot have a You cannot have an objective score associated with that. But when it comes to performance, there are clear-cut appraisal methods. There are clear-cut metrics which help in analyzing, measuring, and getting an outcome of the performance of a particular employee.

So this is where AI can really help because technology, specifically artificial intelligence, can have. Or it can add an edge to the objectivity associated with performance appraisal. So let's understand performance appraisal first. Then we'll look into the key aspects surrounding AI and performance management. Then we'll look into what the significant tools are that are already in application with respect to performance appraisal.

What are some of the critical software I'll give you some demos of that, and finally, we'll look into the benefits that AI actually brings with respect to performance appraisal, and finally, we'll conclude with the challenges. That will be the agenda for the day. Let's look into that.

Let's understand what performance appraisal is first. When you look into performance appraisal, it's a systematic evaluation process. There's no doubt about that. But when you talk about it being a systematic evaluation process, It has to go through a certain rigor.

An organization should assess an employee's performance, his or her skills, and contributions to the workplace over a specific period. So consistency is vital. Continuity is vital. When you are looking into a specific period and the process generally, this process typically involves work. Gathering information about an employee's job performance against predetermined criteria, which may include individual goals, organizational objectives, certain competencies, and even to a certain extent, behavioral aspects or behavioral assessments. Specifically, when you look into performance appraisal, it is a critical process in human resource management that involves evaluating employee performance, providing feedback, and setting goals for future development. The integration of AI into the performance appraisal process has transformed how organizations manage and assess employee performance. Let's look into this in greater detail because we need to examine the key functionalities of AI in performance appraisal. The first and foremost one, obviously, would be data collection and analysis.

AI tools specifically automate the collection of performance data from various sources. This could include, let's say, self-assessments, peer reviews, or even manager evaluations. Many times, we see that data collection is significant because of the source itself. This comprehensive data gathering allows for a mobile. This comprehensive data gathering allows for a more holistic view of an employee's performance.

The second important aspect would be the real time feedback. When you talk about AI systems, They provide continuous feedback rather than relying solely on annual reviews. We know that. So by analyzing ongoing performance data, these tools can alert managers to performance issues as they arise, allowing for timely intervention.

Another significant aspect would be the goal tracking possibilities. When you talk about goal tracking, AI tools facilitate the tracking of individual and team goals by continuously monitoring the progress of the individual against some predetermined or predefined objectives because that is how the evaluation would actually happen. So this typically helps ensure that employees remain aligned with organizational goals throughout the year. And another significant aspect would be bias reduction.

When you talk about the key functionalities of AI in performance appraisal specifically, this should get importance because AI algorithms can help identify and mitigate biases in performance evaluations by analyzing patterns and data as we have already seen in the previous module so this leads to more objective assessments and i would say fairer evaluations if that's the possibility then finally we have the personalized Let's look into that in detail. Based on the performance analysis, AI can recommend tailored development opportunities for employees aligning the training program, whatever the organization is planning, whatever the company is planning with individual career aspirations or what are the skill gaps based on that or addressing to that. All these aspects can be actually corroborated with that.

So, to conclude, we see that performance appraisals can definitely serve multiple purposes, and this includes engaging people more or enhancing employee motivation and engagement, identifying the training and development needs of the individual, supporting decision-making for promotions and compensation, and providing a formal basis for corrective actions if performance issues arise. So, overall, we understand that when done effectively, Performance appraisals contribute to better communication between employees and management. They align individual performance with organizational goals and, to a certain extent, they will inevitably foster a culture of continuous improvement.

Now, this is what personalized development plans or, in general, AI in performance appraisal can actually do. Now, let's look into the benefits of using AI in performance appraisal. Needless to point out something we have discussed over time: it is the increased efficiency aspect. Automating data collection and analysis significantly reduces the administrative burden on HR teams and managers. This efficiency allows more time

for meaningful conversations about performance and development. There could be a significant aspect in terms of accuracy: there will be enhanced accuracy because AI-driven insights provide a more accurate assessment of employee performance by relying on comprehensive data rather than subjective observations. This leads to fairer evaluations that employees are more likely to accept. There is a possibility of continuous improvement with real-time feedback mechanisms. Organizations can foster a culture of continuous improvement where employees receive ongoing support and guidance rather than waiting for annual reviews or timely scheduled reviews to address performance issues. Another significant aspect could be the actionable insights.

When you talk about actionable insights, you have to understand that AI tools analyze vast amounts of performance data to uncover trends and patterns that may not be visible through traditional evaluation methods. So these insights, this understanding, and these learnings enable managers to make informed decisions about promotions, development opportunities, etc. We also look into the benefits. We understand that employee engagement happens to be one. By providing personalized feedback and, let's say, development recommendations.

AI tools certainly enhance employee engagement. So employees feel valued when their growth is actively supported by their organization. So when you look into the benefits, as I always say, you also have to understand that there are some challenges in implementing AI for performance appraisal. Challenges—sometimes benefits themselves, you know, masquerade or transform into challenges. Let's look into that.

The first one would be the data quality dependence. You know, we have already established the importance of data quality. So the effectiveness of AI tools relies heavily on the quality of the data collected. So inaccurate or incomplete data can lead to misleading insights and poor decision-making. Another significant challenge would be the resistance to change, which again goes with all other different aspects of AI technology employees and managers have this resistance. They have this inertia. I'm not taking time because we have already discussed this. I'm just brushing up on this as AI driven process comes up or brings in a lot of fears of job displacement or concerns about

the accuracy of automated evaluations. You know, people have always double mind or they are always confused whether to use it, whether to actually embrace it.

So those concerns, Those typical, you know, mindset like whether to actually openly embrace AI technology that would always be there. So change management strategies are vital to address these particular concerns specifically. Then there is a possibility of over reliance on technology. You know, when you are looking into AI as a technology, while AI can enhance the appraisal process, it should not replace the human judgment entirely.

We all agree with that. But balancing AI insights with personal interactions is vital for maintaining trust and repo between the managers and the employees. And finally, we have ethical consideration. So we look into the use of AI in performance appraisals. It raises ethical concerns regarding privacy and transparency.

So organizations must consider. Typically ensure that employees are aware of how the data is being used and that it complies with the relevant regulations. So when you look into the challenges, when you look into the challenges and implementing AI for performance appraisal, please note data quality happens to be the foremost aspect. You know, it is, you know, a trigger. Let's say you are getting you're working on very poor data.

you do not have the full representation you have biased representation then it will have its own impact within the the particular analysis or particular decision being made based on the analysis then there is this inertia the resistance which we have seen you know many a time there is a fear from within that whether this ai is going to you know replace so somebody who is working in the performance management vertical they might be frightened you know why should we actually openly embrace it there might be a catch in this why we should actually uh you know give trigger to something which is ultimately going to cost our job So this could be a resistance to change. There might be a possibility of sometimes you have technology in place. You feel that everything the technology would do and it does not happen like that.

Trust me, there are situations where human intervention is also vital. There are also situations where you require the technology. So a conglomeration, a mix of

conglomeration. Both these things, both the human intuition as well as technology is vital when it comes to performance of prices specifically because you are judging on the performance of a person. You are making an evaluation of the performance of a particular person and it will have its own significance when it comes to the job, job performance or the day-to-day activities within the organization.

And finally, we also do have certain ethical considerations. We do understand what are the ramifications that AI can bring in. It can have its own problems. It can have its own negative aspects. But that said, can we actually balance this?

Can we actually level up and get into a platform where we can always use the technology and also have the human intuition in place? So this is what the challenges in implementing AI for performance appraisal is all about. Now let's look into some of the best practices for using ai in performance appraisal when you look into the advent of technology like ai specifically what i what i just mentioned that human intuition cannot be replaced there should be a combination where ai is used with the human inside because there is something called as experience that experience brings in a lot of understanding a lot of ideas and this is what actually should be the case There should be a mix.

There should be a balance between the AI and the human insight. We look into that in greater detail. When you look into the best practices for using AI in performance appraisal, we see that this combination is the way to go ahead. You look into using AI generated insights as a supplement to human judgment rather than a mere replacement. So managers should review AI outputs to add context and personal understanding to evaluation.

Ensure that there is data transparency. Please note. Communicate clearly with employees about what data is being collected, how it will be used and the benefits typically it provides. So transparency fosters trust in the appraisal process. There should be clear aspects of regularly review and feedback about AI algorithms.

Please note. Continuously evaluating the algorithms used in AI tools is a must to ensure that they remain unbiased and effective. So regular audits can help identify the potential

biases on inaccuracies and performance evaluations. They also have to provide training for managers.

When you equip managers with training, on how to effectively use AI tools in performance appraisal, then only the best practices will evolve. So this certain process includes understanding how to interpret data insights and engage meaningfully with employees based on those insights. And finally, solicit the employee feedback. Regularly gather feedback from employees regarding their experiences with the performance appraisal process, particularly when using AI tools. So this particular feedback can inform improvements and adjustments to enhance the system's effectiveness.

So to conclude, if I can look into the best practices altogether in a very holistic way, the integration of AI tools into the performance appraisal process offers significant advantages for organizations seeking to improve employee evaluation methods. So by automating data collection, providing real-time feedback, reducing bias, and offering personalized development plans, AI enhances the accuracy and efficiency of performance appraisals without any doubt. However, organizations should navigate challenges related to data quality, resistance to change, ethical considerations, and over-reliance on technology by adopting best practices.

that typically balance these AI insights with human judgment. Organizations can create a fairer, more reflective, and engaging performance appraisal process that supports employee growth and certainly employee retention. Now, let's look into some AI tools for performance appraisal. We'll look into ADP Workforce Now as an example. When you look into ADP Workforce Now, it integrates AI to streamline various HR tasks, including performance appraisal.

So that's why I thought I'd use this as an example. You can always go and explore. I've already given the credentials. So when you look into ADP Workforce Now, the key features are personalized development insights and performance analytics. AI-driven recommendations for learning and development based on performance trends.

There is also the possibility of 360-degree feedback capabilities to gather insights from multiple sources. So when you actually log into this particular ADP Workforce, you get a

performance appraisal portal. The purpose of this training is to walk you through the technical aspects of the performance appraisal from a manager's standpoint. So When you visit Workforce Now, you will need to enter a user ID or a password. If you do not recall your user ID or password, you can follow the instructions and get one again. When you look at the homepage, it looks something like this, which navigates to the very top where 'My Team' gives an opening. Click it over 'Talent' and click.

Performance Dashboard, so this would be the way to go ahead. In the particular Performance Dashboard, you will see a quick summary of the performance review at a high level. You will see the number of employees that are assigned to you, the progress of all the employees' performance reviews, and the typical number of days that are left before the performance review is closed. So go ahead and click on the performance review, basically. So when you look at the performance review, you will get an interface like this, which actually gives you a better insight into the typical insights of the performance factor. So you will see the timeline of the performance review, the start to completion date, You can also click on each icon to see the percentage of completion for each particular stage of the performance review.

So below it, you will see the list of the employees and the progress of the performance review for each of these employees. And you can also click on the progress to get more details on the definition of the progress. So when you start in the performance review management system altogether, All the employees will start off as not yet submitted. So you'll go ahead and then click either on the employee's name to access the performance review form or you can click on the action button and then click view.

So that will give you a certain number of possibilities with respect to the performance appraisal and how the performance is being measured. Then you look into the overall rating. From here, you can enter your response and the employee's performance review rating. Once you enter your response, scroll to the very bottom to click submit. Then you will get a platform like this interface, which will give you a typical set of questions or aspects that are left out or need to be filled. You must answer all these questions. So if you do not answer all the questions given above, the system will alert you until you respond to the questions that need answers. Once you have submitted your performance



review, it will go to the human resource department to review your response. They will either approve your performance review response or push it back to you to make any adjustments. Once HR approves the performance review, the status will change to finalized or being finalized. At this point, you can schedule your one-on-one with the employee to discuss the performance review.

Once you have done that You can go ahead and click on the action button and release the review to the employee. Once you release the review to the employee, the employee can log into the ADP Workforce Now and access their performance review. They can also get a copy of it and print it. And even after printing, they can provide electronic acknowledgment through the self-service portal. So this is, in a nutshell, how the interface would look like.

Now you'll see again, if you move further, if you want to take a print or a copy for yourself or to have it ready for your one-on-one with the employee, you can click the view form, click the icon in the middle, and click print. The system will open Adobe or whatever PDF reader you have. You are ready to print. So once you release the performance review to the employee, the status will change to delivered to employee. If the employee provides the electronic acknowledgment, the status will change from delivered to employee to employee acknowledged.

At this point, the employee and the manager has completed the performance review process. Through each of these progress, you will receive an email notifying you the progress for each stages. So let's say if you wanted to make some corrections or want to add additional details or a response to the performance review. However, the performance review has already been finalized. You will have to then contact the human resources to release edit rights to take for you to make any changes.

So this typically gives a background of how the ADP workforce, you know, actually works. So. This helps in the performance appraisal of an employee. Management can inevitably check over an employee or employees performance for the betterment of their performance altogether, as well as increasing the efficiency of the organization. So

basically, when you look into performance appraisal and AI, it certainly adds to the to the objectivity of the entire performance appraisal altogether.

So please note. we are discussing the use of AI or how AI is facilitating in different domains of human resource management. We just concluded a discussion on how it helps in the performance appraisal. So as I mentioned, performance appraisal, which is one of the most objective parameters within the human resource domain, AI adds more efficiency to finding out or increasing the objectivity of the performance appraisal. So that was all about AI.

AI in performance appraisal will cover one more domain in the next class. Till then, take care. Bye-bye.