Principles of Human Resource Management
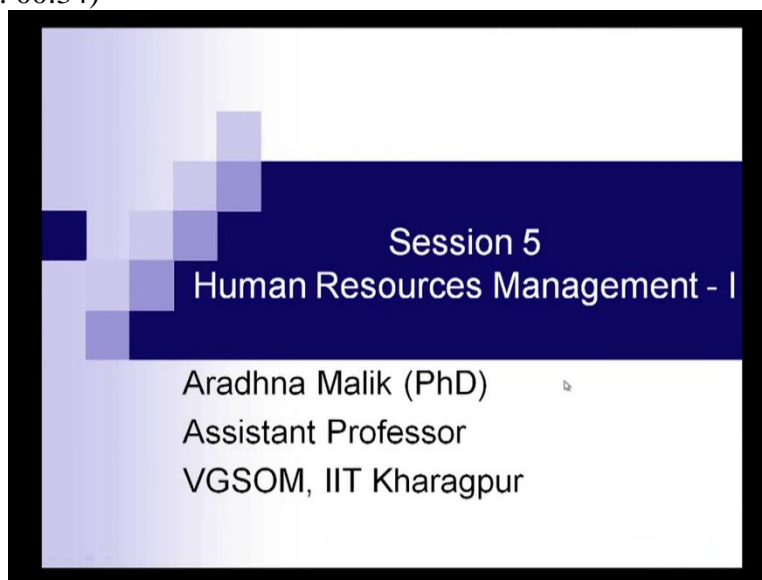**Prof. Aradhna Malik**
Vinod Gupta School of Management
Indian Institute of Technology - Kharagpur

Module No. #02
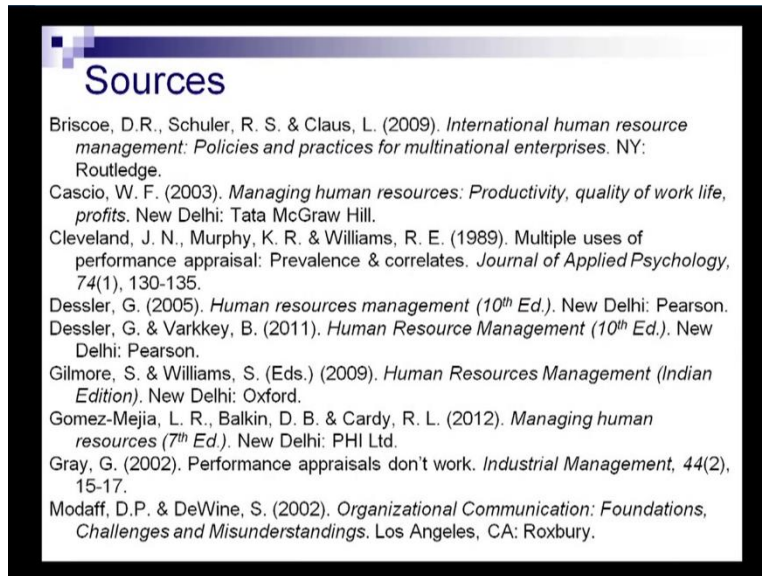**Lecture No. #05**
Performance Evaluation and Feedback

Welcome back, to the Fifth Session, on Human Resources Management. The foundations of Human Resources Management, Part One.

(Refer Slide Time: 00:34)

And today, we are going to talk about, some issues in performance. We have been discussing, various aspects of human resources management. We have talked about, what HRM is. We have talked about, how performance appraisals are done. Today, we will talk about, the specifics of performance management.

(Refer Slide Time: 00:59)

Sources

Briscoe, D.R., Schuler, R. S. & Claus, L. (2009). *International human resource management: Policies and practices for multinational enterprises*. NY: Routledge.

Cascio, W. F. (2003). *Managing human resources: Productivity, quality of work life, profits*. New Delhi: Tata McGraw Hill.

Cleveland, J. N., Murphy, K. R. & Williams, R. E. (1989). Multiple uses of performance appraisal: Prevalence & correlates. *Journal of Applied Psychology, 74*(1), 130-135.

Dessler, G. (2005). *Human resources management* (10th Ed.). New Delhi: Pearson.

Dessler, G. & Varkkey, B. (2011). *Human Resource Management* (10th Ed.). New Delhi: Pearson.

Gilmore, S. & Williams, S. (Eds.) (2009). *Human Resources Management (Indian Edition)*. New Delhi: Oxford.

Gomez-Mejia, L. R., Balkin, D. B. & Cardy, R. L. (2012). *Managing human resources* (7th Ed.). New Delhi: PHI Ltd.

Gray, G. (2002). Performance appraisals don't work. *Industrial Management, 44*(2), 15-17.

Modaff, D.P. & DeWine, S. (2002). *Organizational Communication: Foundations, Challenges and Misunderstandings*. Los Angeles, CA: Roxbury.

So again, these are the sources of the information, that I have used in the material, that I am giving to you.

(Refer Slide Time: 01:13)

So, we will straightaway jump in to management of performance.

(Refer Slide Time: 01:15)

We talked about, the definitions of performance management, in the last class. I told you, what performance management means.

(Refer Slide Time: 01:23)

I also, told you about, performance management in practice.

(Refer Slide Time: 01:30)

Performance management in practice
(Hall, in Gilmore and Williams. 2009)

- Performance management system: Organizational framework or model that supports the integration and implementation of processes to facilitate the strategic management of performance
- Armstrong & Baron (2005): Characteristics of an organization that indicate the existence of a performance management system.
  - It (the organization) communicates a vision of its objectives to all employees
  - It sets departmental and individual performance targets that are related to wider organizational objectives
  - It conducts a formal review of progress towards these targets
  - It uses the review process to identify training, development, and reward outcomes
  - It evaluates the whole process in order to improve effectiveness
  - It uses formal appraisal procedures as a way of communicating performance requirements that are set on a regular basis

I told you, what it does. I told you, how it is used. What we did not discuss, was the performance management system.

(Refer Slide Time: 01:39)

Definitions of performance management
(Hall, in Gilmore & Williams, 2009)

- 'Managing the business' (Mohrman & Mohrman, 1995, in Hall, 2009) Effective management is managing performance and is the responsibility of all managers.
- Term first used in the 1970s by Beer and Ruh (1976, in Hall, 2009): Emphasizes the experiential (doing and learning) aspects of performance management, and highlights the importance of feedback as a management activity in this process.
- First formal definition by Chartered Institute of Personnel and Development, UK, 1992: 'Strategy which relates to every activity of the organization set in the context of its human resource policies, culture, style and communication systems.. The nature of the strategy depends on the organizational context & can vary from organization to organization.
- Armstrong & Baron (2005): 'Process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved.'

So, let me brief you, a little bit about, what performance management systems are, and what they do. Performance management system is an organizational framework or model, that supports the integration and implementation of processes to facilitate the strategic management of performance. It sounds very complicated. All it means is, that it is a logical step by step procedure, a framework, a method, a step-by-step clear-cut method, that helps managers, manage the performance of their employees, or oversee the performance of their employees.

And, help their employees, perform better or optimally, within their limitations, and with the help of the resources, they have, in line with the goals of the organization, in line with, what the organization requires them to do.

The next thing is the characteristics of an organization, that indicate the existence of a performance management system. This is something that, the Armstrong and Baron had suggested. So, I will repeat this. Armstrong and Baron said that, an organization, that has implemented a performance management system, typically does the following things, or an organization, that is committed to the implementation of a performance management system, usually does the following things. The first thing it does is that, it communicates a vision of its objectives, to all its employees. So, everybody knows, what they are heading towards, what the organization is heading towards.

The second thing that, an organization does is, it sets departmental and individual performance targets, that are related to wider organizational objectives. This means, that an organization, that is committed to implementing a performance management system, decides on targets, decides on objectives, decides on the measurable outcomes, that it communicates to its employees, that are related to the wider, that are related to what the organization ultimately is heading towards.

So, it tells the employees, what it wants. It communicates a vision, a general philosophical vision. And, it also breaks up this vision into measurable outcomes, that can be achieved, that can be worked on, that can be produced by, different sets of employees, within the organizations. So, the employees know, what they are heading towards.

It conducts a formal review of progress, towards these targets. So now, once these targets have been set, once people have been told, what they are expected to be doing. Then, the organization also tells them, how it will evaluate the work, that they have produced. How it will review the work. How it will supervise the work. How it will help or how it will go through the work, that has been produced, and measure the work, in line with the objectives and targets, that were set earlier.

It uses the review process to identify training, development, and reward outcomes. Now, an organization that is committed to measuring performance, or to managing performance, in a systematic manner, will also use this whole process of setting targets, telling the employees, what they should be doing, in order to find out, where employees are going to need training. It does not only use this to blame employees, and tell them, and give them, negative feedback, and throw them out of their jobs.

That is not really the primary motive. The primary motive is to find out, what more do our employees need, in order to achieve, what we are here to achieve. We have told them, what we want. We have told them, by when we wanted. We have also told them, how we are going to measure, what they have been able to do. Now, let us give them, all kinds of resources, in terms of training, in terms of development, and in terms of reward outcomes.

So, how will we encourage them, if they do, what we expect them to do. So, that is a reward system. It evaluates the whole process, in order to improve the effectiveness. So, an organization, that is committed to performance management, will also look at, what it has planned it. And, see it in light of, what can be done better. It uses, formal appraisal procedures, as a way of communicating performance requirements, that are set on a regular basis. So, an organization, that is committed to implementing performance management systems, then uses these procedures of formal appraisal.

Appraisal, like I told you last time, appraisal means, that you sit with the employee, and you give feedback to the employee as to, what was expected, and what was done, and what can be done more, how much, what the employee needs. How the employee can use. What is given to them, what more can be done, in order to improve the effectiveness. So, that is, what an organization, that is committed to performance management does.

(Refer Slide Time: 07:50)

Performance appraisal.

(Refer Slide Time: 07:56)

The aims of appraisal. Performance appraisal are the first, aim is communication. Why do we have appraisals? What is an appraisal. Appraisal is the process by which, or through which, an employee is given feedback, regarding the kind of work, that was expected, and the work that has actually been done. So, the aims of appraisals are, the first aim is communication. Communication means, that you talk to the employee, you interact with the employees, sit face-to-face with the employee, and find out, what is going on within communication, especially at the time of appraisal.

The purpose here, is to provide an opportunity, for opening a two-way dialogue, about all aspects of individual performance. It is not only telling the employee, you did this right, you did that wrong,no. It is also about finding out, what the employee needs, why the employee was not able to perform, or what were the factors, that lead to better performance by the employee, etcetera. To discuss and clarify, expectations, roles, aspirations, and any issues affecting performance.

So, in an appraisal meeting, one more goal of an appraisal meeting, is to identify, what the employee expects of the organization. And, how the organization, and whether those expectations, can be met or not. Whether, they are realistic or not. What the organization can do, in order to help the employee develop or have realistic expectations from the organization. Roles, aspirations, and any issues, that can affect the performance. We are all human beings, we all go in to an organization, not only to work for the organization, and get money, but also to see, how our work in that organization, can help us reach or meet our goals, or achieve our goals.

So, we may have different goals. For example, I can talk about, academics as a profession. In my profession, one of the goals, that many of us have, is to learn, to keep learning all the time. Money, of course, everybody requires money. We get our salaries. We also have a lot of freedom in this institute, which is fantastic. So, we are all here. You know, in Kharagpur, not a big place, with its limitations of being a small town, we are all quite happy here.

For the simple reason that, many of us have, this goal of constantly learning new things. And, having the freedom to learn, whatever we want to learn, and to conduct research in any field, we want to conduct research in, and to give the best to our students. So, we are given the freedom to develop, and design our own curricula. And, keep updating, whatever we teach in the classroom, till the minute, we enter the classroom. And, that freedom is so important. And this, I am sure, this was not the case, with the other universities. It is still not the case with other universities.

Though, a lot of independent thinking senior academicians, would like to have this great opportunity, of being able to do things, at their own pace, make their own mistakes, and learn, and then grow, and have so many opportunities to grow. So, this is something, that comes up in appraisals. This is something, we need feedback. But, I am sure, this has been a process of open

dialogue, has resulted in this kind of a freedom in a field like academics. Where, on the one hand, we have universities, where every minor addition to the curriculum requires, various levels of meetings and approvals.

And, on the other side, we have autonomous institutes of higher education like, the Indian Institute of Technology, and Indian Institute of Management, where we are given this freedom of thought. This must have come after the people, who were giving the employees, or the faculty, this kind of freedom, heard their side of the story, and came to know that, it just might be much more beneficial for the students, if their teachers could keep updating themselves, till the last minute. And, if the teachers were given this kind of a freedom, they would use it very wisely. And so, all this would have been a result of the appraisal systems.

Another thing is the creative industries. If everything was restricted, people would not be able to come up with creative solutions or creative ideas. But, the fact they are given freedom of thought, helps them become more creative.

And, how do people, deciding on the rules and policies of an organization. They know through, open two-way communication. They know, because, they have given at some point, they have decided to give their employees and subordinates, a chance to talk. And, to speak their minds, and to share their concerns and their needs with the administration.

Communication, to focus on, how the individual, with the support of the organization, contributes to the aims of the business. The second aim of appraisal is Development. Communication, yes I know, what you want. You know, what I want. The second aim of appraisal, is to identify opportunities, for professional development, linked to the employee's role and career aspirations. One of our aspirations as academics, is also to grow, is also to create new knowledge, is also to learn new things. Not only, deliver a certain number of papers and teach a certain number of classes, per semester.

It is also, to grow as individual, independent, thinking, feeling, academics. And, so this only comes through, feedback. The organization asks us, what more can I do, to help you achieve

your personal goals. You are doing a fabulous job. As long as, you continue doing this fabulous work and delivering fabulous service to the organization, it is great. Since, you are doing such good work, what can I do, to help you achieve, your personal goals. May be tomorrow, I want to go and learn German. May be tomorrow, I want to go and learn Chinese.

The organization will support, these personal goals, as long as, I am teaching the classes, I am teaching. And, as long as, I am doing good quality research. And, as long as, I am taking on, in a administrative responsibility. If, I were to go and ask, any of my administration for support, for learning something new, it would help me. And, how do they know that, I want to learn something new. They have kept a channel open for me, to go and tell them that, this is what I want.

They have instituted a system in place, where we are given the freedom and support. All kinds of support, to go and learn new things. And, age is not a barrier. Similarly, a lot of organizations have this. They encourage their employees, to go and learn new things, to go and find out, more about their chosen careers. And, it may or may not be related to, what they are currently doing in their jobs. So, the organizations realize the need for employees, to grow and develop, in their own areas of interest.

To provide training, learning, and development opportunities, to enable employees to contribute to the performance of their organization and to enhance their career opportunities. Now, we will talk about, something called as a training paradox later, and this will become clearer. We are all trying to learn newer skills. And, that is creating, some sort of pressure on our professional environments. We will talk about that, a little later. Develop individuals, in line with organization succession planning.

What a succession planning. Please discuss this amongst yourselves. Succession planning is, when we decide, how the person, if I were to leave my current position, how would the next person, who comes and takes up this position, get adjusted to this position. So, it is planning for my successor. The organization has a system of succession planning. It has a system in place. If

person A leaves and person B comes, and takes up the job of person A. What will, we need to tell person B, about this job, that person A has been doing, for so long.

And, how will person B start performing, exactly in the same manner, or in a better, more efficient manner, than person A. So, that whole process is called succession planning. And, development of individuals, who can take on the seats vacated, or positions vacated by their seniors, is called succession planning, organizational succession planning. And, this comes in and through, appraisal feedbacks.

Motivation is another aim of appraisals. So, when you are sitting in an appraisal interview, it is always very important to find out, what can or how your junior employee can feel more comfortable, more committed, more driven, more energized, to do the work that they are there to do. And, this can only come through, the feedback, that is given. Or, one of the main sources of this, would be the feedback, that is given through the appraisal meetings.

Where a person is sit down and a list is made. Plus, minus, everything. And then, the person concerned has a chance to ask you. What more, can I do. And, you say, great. You have done XYZ well, ABC not so well. If you do it well, then maybe, we will give you some reward, you know, we will encourage you, whatever. To identify and provide opportunities, for development, including appropriate learning and training.

All of these things as you can see are interrelated. Motivation comes from, access to opportunities for growth. To empower people, by encouraging them, to commit and take responsibility, for tasks and objectives. And, to feel that, they have the personal and organizational resources, to achieve their objectives. Organizational commitment comes in organizational citizenship. Behavior comes in, where a person is encouraged to feel or to take ownership of the organization that one is a part of. And, that can be reinforced, in an appraisal meeting. And, a person can be told that, this is your organization. It is up to you, to make or mar, this opportunity.

(Refer Slide Time: 20:01)

Identifying performance dimensions. Now, what do you do. In a performance management system, one part of this is appraisals. The other is identification of performance dimensions. How do we assess. where our employee, how do we come to know that, which aspects of the job, do we assess our employees on? So, the employers, despite imperfect from the employer's perspective, despite imperfect measurement techniques, individual differences in performance can make a difference to the company performance. We discussed this last time also.

Documentation of performance appraisal and feedback, may be needed for legal defense. Appraisal provides a rational basis for, constructing a bonus or merit system. Appraisal dimensions and standards, can help to implement strategic goals, and clarify performance expectations. And, you give people individual feedback. Despite the traditional focus on the individual, appraisal criteria can include teamwork, and the teams can be the focus of the appraisal.

(Refer Slide Time: 21:31)

Identifying performance dimensions (Contd.) (Gomez-Mejia, Balkin & Cardy, 2012)

- Employee perspective:
  - Feedback is needed & desired
  - Improvement in performance requires assessment
  - Fairness requires that differences in performance levels across workers be measured & have an effect on outcomes
  - Assessment & recognition of performance levels can motivate workers to improve their performance

From the employee perspective, every employee requires feedback. Every employee requires assessment of the performance, that has been delivered by the employee. And, the improvement should be noticed. And, fairness, in the interest of fairness, every employee expects, that the difference in performance levels, across workers are seen or observed. And, any positive difference in the performance level, is taken note of. And, the employees encouraged, by way of positive reinforcement. So, rewards, assessment and recognition of performance levels, can motivate workers, to improve their performance. So, the reward systems, that are put in place, can further motivate employees, to improve their performance.

(Refer Slide Time: 22:24)

Defining employee's goals & efforts (Dessler, 2005)
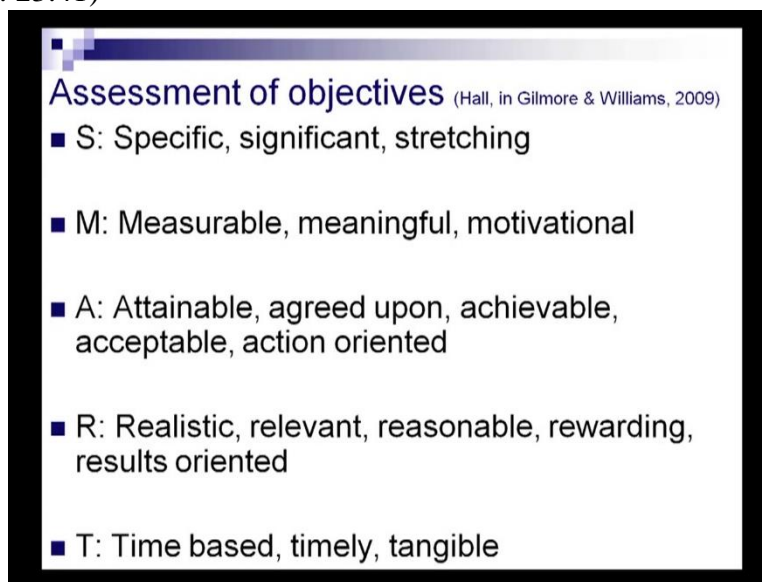
- Assign specific goals
- Assign measurable goals
- Assign challenging but doable goals
- Encourage participation

How do you define employee goals and efforts? First, assign specific goals. Then, assign measurable goals. Assign challenging, but doable goals and encourage participation. Tell employees, what you need them to do, very specifically. Tell them, how you will measure, what

they have done. How will you come to a conclusion, about the performance of the employee? How will you find out, how much the employee has done? So, there should be, some quantifiable way of measuring the goals. Assigned, challenging, but doable goals.

So, give them something, that will make them interested, that will stimulate them, to perform better. But, it should not be so difficult, that it cannot be done. And, encourage their participation, in setting of these goals. Ask people, what they would like to do. How much they can do. You know, what are their constraints. And, have them, have a say, in or encourage them, to have a say, in the decision, regarding goals that, they are going to be expected to achieve.

(Refer Slide Time: 23:41)
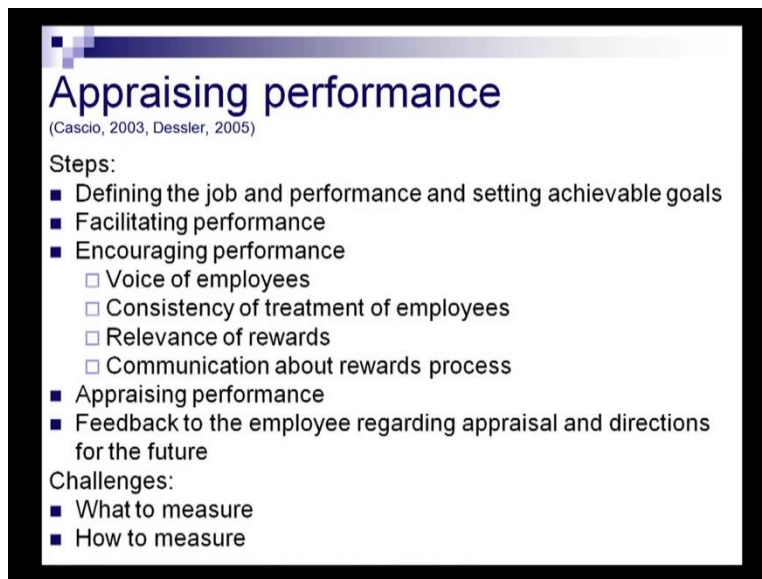
Assessment of objectives. How do you assess objectives? So, an acronym. The objectives, that you set for your employees, should be smart. Which means, they should be specific, significant, and stretching. They should be measurable, meaningful, and motivational. They should be attainable, agreed upon by both parties, achievable and attainable, acceptable in spirit to both parties, and action oriented.

Whenever, you tell people, about the objectives, do not give them general statements like, you would like to grow, you would like the company to be the best in the world. No, that is very vague. We would like to improve our targets, by 20% in the next one year. Doable, depending on, what you are doing. Realistic, relevant, reasonable, rewarding, and results oriented. And, they should be time-based. They should have a deadline. They should be timely. They should be, some validity to them. And, they should be tangible, which means measurable, quantifiable.

(Refer Slide Time: 24:54)

Steps for appraising performance. We did this also, last time. But, I am going to talk about this in detail. You define the job and performance and set achievable goals. Then, you first tell people, what you need them to do. Then, you help them, achieve those goals, facilitate performance. So, give them everything they need, in order to achieve the goals. Then, you encourage performance. Which means, you give them a voice. You encourage participation from their side, and ensure consistency of treatment among the employees.
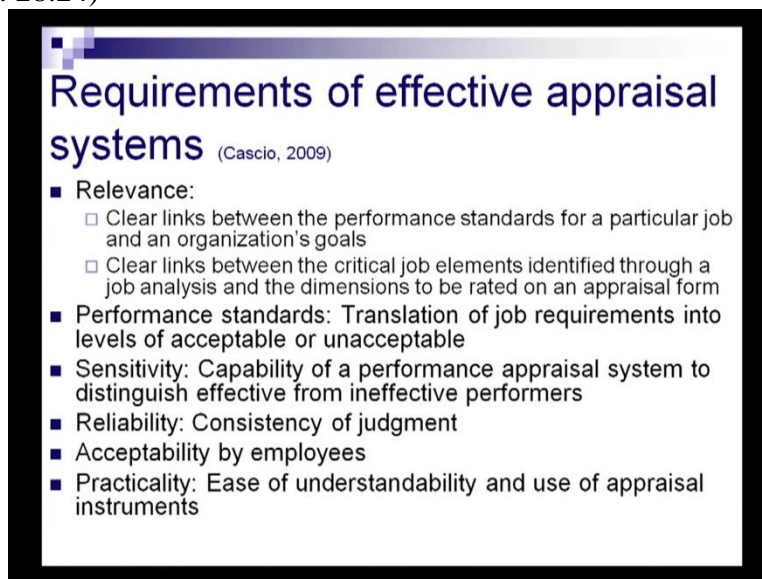
So, make sure that, employee A is treated, the exact same way as employee B, who is treated the exact same way as employee C, and so on. So, do not have favorites. And, do not be against people. And, communicate to the employees, about the rewards process. Tell them, how you are going to measure, the outcomes. Tell them, how you are going to measure, their performance. And then, you appraise their performance. So, you give them information about, what they have been able to do, and how well they have been able to do it.

Feedback to the employee, regarding appraisal and directions. Ensure that, the employees know, how they are going to be assessed. And, what direction, they will be taking. Then, the challenges, to appraising performance are, one is, what to measure. How do you define effectiveness? How do you define, the specific characteristics of measurement? What to measure, is a big challenge. What to measure and what not to measure. How do you measure behavior?

For example, is likability a criterion? Why? Is likability by peers, a criterion? or Is likability, say in academics by students, a bigger criterion? What difference, does it make, if my colleagues, do not like me, as long as, my students are fond of me. So, this has to be taken care of. What to measure, needs to be clearly defined. But, it becomes difficult to define that.

And, how to measure is another one. How do you measure likability? How do you measure effectiveness as a teacher? How do you measure, If you are talking about targets? How many students, did you teach. Yes, so many students. What did the students say about you? Fine. But then, how do you measure the work, that I put in. I may be putting in a lot more work than, the person next door. But, that may not be noticed. Because this, the systems can be quite complex, when we are dealing with, output by human beings. Some things that, we as humans, do are tangible. Some other things are not tangible, and that makes it very difficult for us, to measure them.

(Refer Slide Time: 28:24)

Requirements of effective appraisal systems (Cascio, 2009)

- Relevance:
  - Clear links between the performance standards for a particular job and an organization's goals
  - Clear links between the critical job elements identified through a job analysis and the dimensions to be rated on an appraisal form
- Performance standards: Translation of job requirements into levels of acceptable or unacceptable
- Sensitivity: Capability of a performance appraisal system to distinguish effective from ineffective performers
- Reliability: Consistency of judgment
- Acceptability by employees
- Practicality: Ease of understandability and use of appraisal instruments

Requirements of effective appraisal systems. When we talk about, effective appraisal systems, there are some requirements. There are some needs, or some criteria, that define, what, how an appraisal system can be, or whether an appraisal system can be considered, as effective or not.

The first one is relevance. There has to be a clear link between, the performance standards for a particular job, and an organization's goals. So, the performance appraisal system should be, very clearly connected to the performance standards, for a particular job, to the benchmarks, that we set, for a particular job. When we say, this is how, it should be done, this is how, we will measure, whether this job has been done properly or not.

So, those are the performance standards, and the goals of the institute, or goals of the job, that one is doing, or the organization, that one is a part of. So, the outcomes from specific tasks, should add up, to give a, or to contribute to the, larger goals of the organization. The performance standards are translational, job requirements into levels of acceptable or unacceptable. Sensitivity is the, one is of-course relevance, the second aspect or requirement, of an effective appraisal system, is sensitivity.

Sensitivity means, the capability of a performance appraisal system, to distinguish effective from in-effective performers. So, where does one draw the line, the system should be able to weed out, or should be able to warn, the organization regarding in-effective performers. Then, there is reliability. How do we know that, our measurements are actually, or the tools we are using to measure somebody's performance, is really doing the job, it has been put in place to do? So, consistency of judgement, anyone with the tools, that we are using, should be able to arrive at the same conclusion, that we did, while appraising somebody's performance.

Acceptability by employees. Nothing in human resources can function, without being accepted by the people, it is going to affect. So, that is absolutely necessary. And, in order to get that acceptability, one has to inform the employees. Practicality ease of understandability, and use of appraisal instrument. For example, sitting in Kharagpur, it may not be very wise for us, to implement an appraisal system, that was developed in the west, especially for the front-line staff, or for the administrative staff, or for the staff in the institute.

So, why because, most people here in the institute, most people in the administration, are belong to, either West Bengal, or Orissa, or Andhra Pradesh. And, so these people, will not in most cases understand, how things are done in the west. So, in some cases, their appraisal systems, may even need to be designed, in the local language, that they are familiar with. Because, English may not be something that, that they will feel comfortable dealing in. So, that is the practicality,

(Refer Slide Time: 32:11)

Designing and operating performance management systems

How do you design and operate, performance management systems? That is the next part.

(Refer Slide Time: 32:20)

Performance measurement should be results oriented. The outputs approach should be employed using metrics, which could be financial, which could be people oriented, which could be customer oriented, in terms of, this is how we could measure somebody's performance. We could say, you should bring in X amount of revenue. So, that means financial. You should bring in the number of people, if we are doing our work, well. So many people should be staying with the organization every year. They will not leave, they are not dis-satisfied, with the organization. They will stay.

So, that would-be people oriented, or customer oriented. You could keep a track, of the number of satisfied customers, you had. And then, write down or keep records of, how many satisfied customers, you had in a particular year. And, assess your performance, according to that. Or, if it is a customer service representative position, that you have, you could actually find out, how many people were, or how many customers was, a particular employee able to satisfy, in a given period of time. The other thing is, or the number of complaints, per customer. And, the other thing is, innovation, learning, and development.

So, the expenditure on research and development, the turnover, the amount of money spent, the output, training expenditure, etcetera. So, all of this would be, results oriented performance measurement. The other type of performance management, that we have is, by grading methods,

or ranking methods. So, it could be pseudo quantitative. It could look quantitative, but those numbers, would probably not meaned, very much. But, it could be used for, assessing attitude, and the behavioral aspects of performance. Where ranking or rating methods such as, behaviorally anchored rating scales, which is bars, are commonly employed.

(Refer Slide Time: 34:40)

The third type would be, the lists traits, such as quality and reliability. And, range of performance values, for each trait. So, the graphic rating scale method, would do this. We were talking about the grading methods. Now, we are moving on to, the graphic rating scale method, in which, the traits of the person are listed, and values are assigned, from un-satisfactory to out-standing, or, 1 to 5. And, all these numbers are clearly defined.

Supervisor rates each subordinate, by circling or checking the score, that best describes his or her performance, for each trait. It is very quantitative, but again, very opinion based. If you had a fight, that day, with your supervisor. The person may end up, a circling or checking the score, that may not really be an accurate representation of, what you do. The assigned values are then totaled, and a full score is given.

In order to design this, everything that is positive would be on one side of the skills. So, anything that is above five, probably would add up, and give an advocate score. That, one would not have achieved, if the person had been not such a good employee. What can be measured, through the graphic rating scale. Generic dimensions such as, quality, and quantity. The job's actual duties.

For example, maintenance of records. Does this person, maintain records. Well, yes or no. How well. So, that kind of thing, competency-based appraisals. The focus is on the employee's ability, to exhibit the competencies, that the employer values, for the job. So, a person is asked, do you consider yourself a meticulous person. And, if yes, how meticulous, do you think, you are. If yes, how oriented, you are to detail. And, so on and so forth.

(Refer Slide Time: 37:09)

The other method, here is called, the alternation ranking method. It ranks employees, from best to worst, on a trait, or group of trait. So, in this method, the employees are ranked, from the best to worst. And lists, all subordinates to be rated. Cross out the names of, any known or well enough to rank, any not known well enough to rank. So, the person, who is filling up this ranking for another person, is asked to cross out the names of any employee, who this person does not know very well.

Indicate the employee, whose highest on the characteristic being measured, and also the one, who is the lowest. So, the names of the employees are given on one side, and the chart containing the list of traits is on the other side. And, you start assigning numbers. And, you say that, so-and-so is, say, for example, so-and-so stays in the office very late, and so-and-so does not. So, you could probably perceive it, as meticulousness, as commitment. And, at that point, you just cross out the names of people, who you do not know.

Choose the next highest and the next lowest, and alternate between highest and lowest, until all the employees have been ranked. So, all the employees, the names of all the employees, are on this list. And, you just go back-and-forth, between employee one, and employee ten, and you say, so-and-so is the best on this trait, so-and-so is the worst, so-and-so is the next best, so-and-so is the next worst, and so on.

(Refer Slide Time: 39:04)

Another method is called the paired comparison method. For, every trait or quality of work, quantity of work, etcetera, every employee is paired and compared with another. This is called paired comparison method. You are assessed, not only with your own previous work or with the goals, or in light of the goals, that the organization has set for you. You are also assessed, in relation to others. And, this is done very systematically.

Forced distribution method is the other method of performance appraisals. There is a forced distribution method. So, I believe that, this is something, that is being done in the IT industry, these days, quite a bit. And, it is similar to grading on a curve. You place, predetermined percentage of retees into performance categories. So, it does not matter, what they have done, or, how much they have achieved. What it means is that, people are asked to, the supervisors say that, a good achievement in relation to what, bad achievement in relation to what, and so on so. That is a forced distribution.

And, the percentages will be communicated to you, through the organization, that you are a part of. The problems in this are, one is a possibility of bias, which means that, you may get biased towards certain employees, who you like, and may try to weed out employees, that you do not like, so well. And especially, when you see them, in relation to other employees, it sorts of becomes clear to you, as a person that, so-and-so can very easily pass off, as a senior employee.

The other problem that, one can run in to, is the high possibility of intra-office politics, affecting ratings. So, that is the other method here. Anyone, who does not think very highly of you, would end up influencing your rating, or the rating of any friend, that you may have in that organization, because of this whole alternation, or paired comparison method. So, every employee is compared with others. And people, who are not very well liked, may suffer. They may be very good employees, but they may end up suffering, because of this.

The third one is critical incident method. In this method, the supervisor keeps a log of positive and negative examples, which is the critical incidents of a subordinates, work-related behavior. And, these specific incidents are then, taken note of. And, every six months or so, the supervisor and subordinate, get together and then discuss, what happened in that specific critical incident. They discuss the latter's performance, using the incidents as examples.

So, the supervisor will say, on so-and-so date, in so-and-so situation, this employee behaved, in this particular manner. On the basis of these individual, very noticeable critical incidents, we can assume that, the employee has a tendency to over-react, has a tendency to respond negatively to answer colleagues, has a tendency to complain, has a tendency to over-achieve, etcetera. So anyway, that is the critical incident method.

The last one here is, narrative forms, which is the final written appraisal. Narrative by definition, is a narration, is a story, is a person's own rendition, of what the person has observed, first hand. And, that is the final written appraisal.
(Refer Slide Time: 43:32)

Another tool for appraisal is called the bars, which is behaviorally anchored rating scales. Behaviorally anchored rating scales are a tool, that is used to generate critical incidents. Which means, this tool keeps a record of, critical incidents. In this instrument, it is used to develop, performance dimensions. Make a list of, or enlist the, or enumerates the dimensions, the criteria on which, a person should be assessed or appraised.
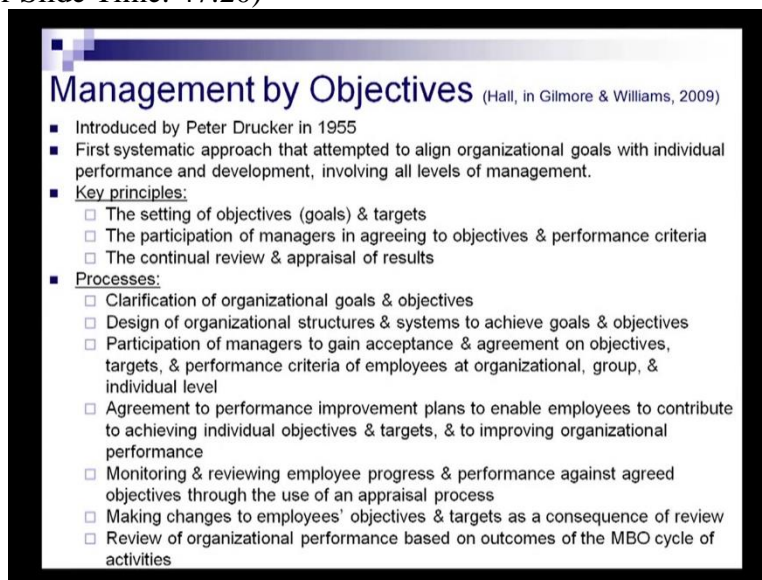
Reallocate the incidents. Now, what we see, as a critical incident, at one point, may not seem like a critical incident, at another point. So initially, we make a list of all the critical incidents, and then after maybe six months pass by, and we say, may be this was not, as noticeable or as special as, an event, as I thought it to be, sometime back. So, that is called reallocation of incidents.

Scale the incident. You rate or rank the incidents, from 1 to whatever. 1 to 10, 1 to 50, whatever. And, rank order them, and prioritize them. And say, this incident was more important, more significant than, the fifth incident, that took place after this. That, I thought at the time, it was more important, but now, in hindsight, I think incident 2, 5, 7, and 11 are more critical than, the rest of the incidents. So, maybe, they do not even need to be here. Or, may be incident five was more critical, more important, more significant, in the larger scheme of things, than incident 17, for example. And then, develop a final instrument.

So, you keep a list of these critical incidents. And, then you develop a final rating instrument, where you say that, if X happens, one should not be so worried. If Y happens, one could be more

worried, and the matter should be reported to the senior authorities. If zee happens, or Z happens, as we say it in India. If Z happens, then the incident, if something like this happens, immediately, without waiting for your supervisor, call the cops. So, we sort of assigned, a level of importance, and then, you develop a final instrument.

The advantages of having this kind of an instrument are, one, it is a more accurate gauge than, just a simple list of critical incidents. Because, you had a chance, to view the different incidents, in light of each other. The second thing is, there are no clearers standards, because, the instrument has been tried, and tested, and re-visited. The priority list is clearer. It can help to give feedback to people. It contains independent dimensions. And, there is consistency, in this kind of rating scale. (Refer Slide Time: 47:20)

Another appraisal instrument is called management by objectives. This was introduced by Peter Drucker in 1955. And, this is the first systematic approach, that attempted to align, organizational goals with, individual performance and development, involving all levels of management. So, as the name suggests, as the title suggests, this is management by objectives. Which means that, we first need to decide, on the objectives of the organization. And then, we need to manage, keeping those objectives in focus, in plain view. That is management by objectives.

The key principles. The key principles of management by objectives are, setting of objectives, goals, and targets. The first one is, setting up objectives. The participation of managers, in agreeing to objectives and performance criteria, the continual review and appraisal of results. This is the management by objectives. You first set goals and targets. And then, you get the

managers to agree, on those goals and targets. And then, review and appraise the results, in light of the targets, that have been set.

The processes involved in this are, the first one is, clarification of organizational goals and objectives. So, you sort of, you go back to the managers, and find out, whether the objectives, that have been set for them, have or even acceptable to them. The second thing is, design of organizational structures and systems, to achieve the goals and objectives. So, once the objectives have been set, then one needs to facilitate the achievement of those goals and objectives.

The third thing is, participation of managers to train, acceptance and agreement, on objectives and targets. And, performance criteria of employees, at organizational group and individual level. So, tell people that, these objectives have been set for them. And, then help them align their personal objectives, with organizational objectives. Agreement to performance improvement plans, have the managers agree to the, performance plan, that is being set for them.

Monitoring and reviewing, employee progress and performance against agreed objectives through the use of an appraisal process. it is very important, to have everybody on board, get their consent. Making changes to employee's objectives and targets, as a consequence of review. Be open to, revising the targets, that have been set, in consultation with the people, who are actually going to achieve those targets.

Review of organizational performance, based on outcomes of the MBO cycle of objectives. You are setting the objectives and, it is absolutely essential that, the organizational performance is reviewed in light of the objectives, that have been set, by consulting the employees of the organization, or the people, who are going to actually achieve them.

(Refer Slide Time: 51:12)

Benefits of MBO are, first, it communicates organizational aims to employees. It defines work activities. You are communicating the aims to the employees. You are defining, what they need to do. Telling people, what they need to do. Showing them, how the larger goal can be broken up. Enables employees to contribute towards the aims of the organization, by working towards their individual goals. Because, their perception, their own opinions, have been taken into account. Their preferences have been taken into account.

It encourages employees, to stay connected, with the organization and its goals. And work, in line with the, organizational goals. It provides a, process for employee, an organizational improvement. So, it provides the system, that is put in place, helps organization and employees, sort of improve themselves, by going back to the objectives, that have been set for them. And, evaluating their own personal performance, in light of these objectives.

It facilitates, continuous and systematic management of performance, throughout the organization. The performance can be systematically managed. Every time, something significant changes, or there is some change in, how things are progressing, one can always go back to the objective, and stay on track, with the help of the objectives, that have been set, or put in place, right in the beginning of that activity.

(Refer Slide Time: 53:02)

Balanced Scorecard (Hall, in Gilmore & Williams, 2009)

- Kaplan and Norton (1996): Performance measurement system to Performance management system
- Perspectives to managing performance:
  - Customer: Customer value proposition
  - Business processes (operational): The internal processes & systems
  - Innovation & learning (people): The human contribution through knowledge & skills
- Goals: Strategic goals at the top level of an organization and then 'translated' into appropriate goals at lower levels such as business units, teams, & individuals
- Process of translating and 'cascading' strategic aims into goals at every level throughout an organization guides and encourages people to contribute towards the overall performance of the organization
- Strategic mapping: Definition of strategic aims and relation of these aims to organizational activities to serve as a basis for specifying goals within the different performance perspectives

The other, very important thing, that I would like to share with you, is the balanced scorecard. This is absolutely essential. And, is used in various forms these days, by various organizations. Balanced scorecard was developed by Kaplan and Norton in 1996. And, it is a performance management system, it is a performance measurement system, that is used to manage performance. Perspectives of managing performance, according to the balanced scorecard, there are three primary perspectives.

First is the customer. The customer is central. The customer is, core to the every activity, according to the vision of the balanced scorecard. The customer and the customer's needs are essential to the goals of any organization. The second is business processes, which are operational. How, those goals and objectives can be met. And, the third is the people, who can work towards, managing these, the work of the organization, or the people, who will actually do, what the customer needs the organization to do.

The second part of a balanced scorecard is goals. Strategic goals at the top level of an organization, and then translated into appropriate goals at lower levels such as business units, teams, and individuals. So, this is very, important. It is essential to write down, it is a more well developed, well-defined, form of management by objectives. The goals are well defined. And, they are translated in to, appropriate goals at lower levels, such as business units, teams, and individuals.

So, everything is broken down, into achievable pieces. Process of translating and cascading strategic aims, into goals at every level, throughout an organization, guides and encourages people, to contribute towards the overall performance of the organization. So, this involves, sharing or sustaining, the focus of these goals, at every level. And then, there is a strategic mapping of aims, in relation to the organizational activities, and in relation to the needs of the people, who are going to help achieve these goals.

(Refer Slide Time: 55:51)
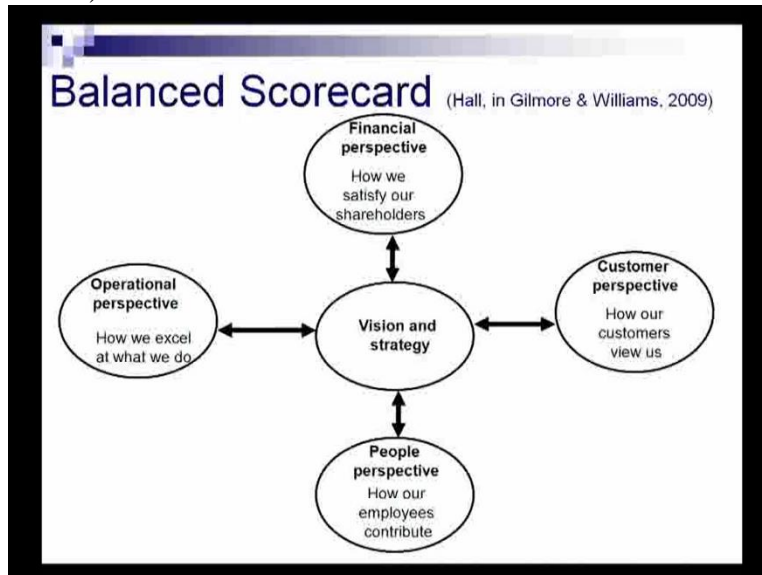
This is what, balanced scorecard strategy, looks like. There is a vision and strategy. And, there are various perspectives to this, that keep contributing to the vision and strategy. And, are guided by the vision and strategy. There is a financial perspective, how much money do we need to satisfy our shareholders. What do we need to give them, in order to help them, feel comfortable with the output? Because, the shareholders are the ones, who have given the money, to set up the organizations. So, they are looking for profits. Profit is an essential driving force, in this appraisal system, called the balanced scorecard.

In this, the vision and strategy is aligned with, the financial perspective, with the profits being generated, by the organization. Then, the other one is, the operational perspective. How do we excel at, what do we do at, what we do. The third is, how do our employees contribute, to helping us to achieving, the vision of the organization. And, how does their work, and how do their needs, fit in with the, overall strategy of the organization. And, how are customers, view us. All of these things then drive the balanced scorecard.

(Refer Slide Time: 57:16)

This is an example of a balanced scorecard. There is a broad objective. There is a measure or a metric of that objective. There is a target. And, there are smaller targets 1, 2, 3, 4, smaller objectives, that contribute to the broader goal. And, there are development actions, that can help achieve, this main objective.

(Refer Slide Time: 57:53)

There are some criticisms of the balanced scorecard. There are people, who do not feel very comfortable, using the balanced scorecard. Because of, issues related to its interpretation and implementation, issues related to time and level of implementation. They feel that, it is individual. And, it is a reporting tool. It distracts people, from business activities. Because, filling

up the scorecard, is a very long drawn out, a tedious activity. And, some people feel that, it takes up, too much time. There is lack of ownership and accountability. And, it is very difficult to establish, a cause and effect. You cannot always say that, you know, activity A would lead to activity D.

(Refer Slide Time: 58:37)

(Refer Slide Time: 58:38)

So, various advantages and disadvantages of appraisal tools, are listed here. I suggest you, just you know, pause at this slide, and go through it, on your own.

(Refer Slide Time: 58:52)

Feedback on performance is an essential part of performance appraisals. The purpose of feedback on performance, is to provide an opportunity for communication. And, there is top down feedback, and upward feedback, which could be unidirectional, and hence floored. 360° feedback is reported to be the best. But then, it has its own problems, regarding the time and the resources, that are required to manage, 360° feedback. And, self-appraisal is, another type of feedback.

(Refer Slide Time: 59:36)

(Refer Slide Time: 59:38)

The last slide here, appraising performance. Make sure, what you mean by successful performance. Incorporate these criteria. Conduct a job analysis, to establish criteria and standards. And, then incorporate these standards and criteria, into a rating instrument. Then, communicate these standards, to the employees in writing, preferably. And then, avoid abstract rates, as far as possible. Use subjective, supervisory ratings, as only one of the components.

There should be a quantitative, tangible, measurable, component of these criteria. Train supervisors, to use the rating instrument, properly. And, allow appraisers, substantial daily

contact with the employees, they are evaluating. So, that, they can evaluate them, as fairly as possible. There are some more points, that I will start, within the next session.

(Refer Slide Time:1:00:48)

(Refer Slide Time:1:00:48)

(Refer Slide Time:1:00:48)

(Refer Slide Time:1:00:49)

Effective performance feedback interviews (Cascio, 2003)

- Before the interview:
  - □ Communicate frequently
  - □ Get training in performance appraisal interviewing
  - □ Plan to use a problem solving approach rather than "tell and sell"
  - □ Encourage subordinates to prepare for performance feedback interviews

(Refer Slide Time:1:00:49)

Effective performance feedback interviews (Contd) (Cascio, 2003)

- During the appraisal interview:
  - □ Encourage subordinates to participate
  - □ Judge performance, not personality and mannerisms
  - □ Be specific
  - □ Be an active listener:
    - Take the time to listen – hold all phone calls and do not allow interruptions
    - Communicate verbally and non-verbally that you genuinely want to help
    - As the subordinate begins to tell his or her side of the story, do not interrupt and do not argue
    - Watch for verbal as well as nonverbal cues regarding the subordinate's agreement or disagreement with your message
    - Summarize what was said and what was agreed to
  - □ Avoid destructive criticism because:
    - It produces negative feelings among recipients and can initiate or intensify conflict
    - It reduces the preference of individuals for handling future disagreements with the giver of the feedback in a conciliatory manner (e.g. collaboration and compromise)
    - It has negative effects on self-set goals and on feelings of self confidence
  - □ Set mutually agreeable goals for future improvements

(Refer Slide Time:1:00:50)

Effective performance feedback interviews (Contd) (Cascio, 2003)

- After the appraisal interview
  - □ Communicate frequently about performance and assess progress towards goals regularly because:
    - It helps keep behavior on target
    - It provides a better understanding of the reasons behind a given level of performance
    - It enhances the subordinate's commitment to perform effectively
  - □ Make organizational rewards contingent on performance

(Refer Slide Time:1:00:50)

Contemporary issues in managing performance (Hall, in Gilmore & Williams, 2009)

- Human capital management: Management of measurable contribution by the people in the organization
- Governance: Combination of conformance or compliance and performance

And then, maybe, move on to training and development, for the next session. So, thank you very much for listening to me, and being patient with this. And, in the next session, we will cover training. We will finish this, and we will start with, training and development. Thank you.