

PERFORMANCE APPRAISAL IN FORMAL WORK ORGANIZATIONS: AN OVERVIEW

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Abstract

Performance appraisal is an important organizational practice required for the effective management of modern work organizations. The philosophy of performance appraisal is hinged on the fact that in order to achieve an ever-progressive productive capacity of the employees, there is the need for time to time evaluation of their activities not only to achieve the organizational objectives but also to encourage the employees to develop productive work behaviours. However, despite the importance of performance appraisal to the effective performance of today's work organizations, many managers of have not take cognizance of the practice, even some who are aware of it perform the exercise wrongly. As such, this paper is an effort geared towards correcting this anomaly which could be responsible for prevalent rate of counter-productive behaviours in many work organizations in Nigeria today. In other words, this paper examine the importance of performance appraisal in formal work organization and at the same time assesse some important existing appraisal methods. In the end, the paper recommended some salient points which if strictly followed in the performance appraisal exercise will not only make performance appraisal exercise possible but also fruitful.

Keywords: Appraisal, Management, Performance, Productivity, Work organization

Introduction

Performance appraisal is a term used in describing the overall performance of the employees in order to improve their self-esteem and to enhance their productivity. The philosophy of job appraisal lays in the fact that human being by nature likes dignity; praises and honours and this serves as basis for his self-esteem. Even in ordinary life situation, human being would prefer to be praised rather than be blamed and be honored rather than dishonored. This philosophy is what is adapted to the world of work which brings about formal introduction of job appraisal to the work organization. This could also be adduced as the reason why job appraisal practices is found even in many traditional primitive societies.

Historically, performance appraisal is natural with human social existence but its formal application in the world of work is generally contested and there has not been a general agreement among scholars of the main origin of

formal job appraisal. For instance, Ayaz (2012) traced the origin of performance appraisal to Umar Caliphate; Ayaz claimed that one of the hallmarks of Umar's reign is that he usually conduct time to time appraisal of his political office holders in such a way that any officer who perform below expectation are instantly removed from public office. In another instance, some researchers, such as Bellows and Estep (1954); Patten (1997); claimed the origin of formal performance in work organization could be traced to Third century A.D, specifically during the time of Sin Yu (an early Chinese philosopher) who advocated for an objective job rating scale in the dynasty.

During the 1920's and 1930's, with the emergence of industrial psychologists, organizations began installing performance schemes which were called merit-rating programs. These programs were used to determine rational wage structures for hourly paid employees (Murphy and Cleveland, 1995). The philosophy of this model is that wage rise would be based upon employee's level of productivity. In this period, employee performance appraisal methods involved ranking and comparing individuals with others which was known as simple ranking method (Milkovich and Bourdreau, 1997).

Later, the emphasis shifted from person-oriented to behaviour-oriented approach and this approach could be technically referred to as the modern approach (Welbourne, Johnson and Amir, 1998). During this period, the concerns are on those tasks or behaviours that were associated with a given job. Consequently, performance appraisal of technical, professional and managerial personnel gained dramatic prominence in the world of work. As a result, rating of hourly paid workers experienced set-back and emphasis upon developing employees gained momentum (Katzell and Austin, 1965).

Experience has shown that in Nigeria, public organizations are less effective in their use of performance appraisal system and it could be right to say that absence of effective performance appraisal system in Nigeria's public work organization is responsible for the high level of indiscipline, corruption, decadence and un-productivity in our public work organizations. Although, the private organizations are slightly different from the public organizations in the practice of job appraisal but more often than not, the instrument is poorly used and less utilized in many private organizations, even in those organizations where it is been practiced, lots of errors are made and many challenges do crop up during the exercise and as a result, many public organizations in the country are crumbling like their public counterparts and

this call for a concern. The concern to solve these problems necessitated our present discussion.

Conceptual Clarification

In order to make the analysis in this paper more coherent, a conceptual review of the meaning of performance appraisal was made.

The Meaning of Performance Appraisal

The word performance has multiple meanings depending on the context in which one is using it. In a work organization, performance could be used to denote the level of activity of the employee viz-a-viz his behavioural dispositions in the work place. While performance appraisal could be described as a concerted effort geared towards the acknowledgement of the level of activity of the employees in terms of meeting the organizational goals. This effort could also be referred to as 'employee performance appraisal' (Ainsworth, et.al. 2002). Randell (1994) cited in Shelly (1999) highlights formal and informal approaches to performance appraisal and he asserted that the purpose of appraisal is to achieve certain managerial issues such as evaluation, auditing, planning, training, controlling, developing and motivating. Becal (1999) defined appraisal as an opportunity to take an overall view of work contents, loads and volumes, to look back on what has been achieved during the period on agreed objective. Thus, performance appraisal is the formal process of observing and evaluating an employee's performance (Erdogan, 2002). According to DeNisi and Pritchard (2006), Performance appraisal is a discrete, formal, organizationally sanctioned event, usually not occurring more frequently than once or twice a year, which has clearly stated performance dimensions and/or criteria that are used in the evaluation process.

Furthermore, it is an evaluation process, in that quantitative scores are often assigned based on the judged level of the employee's job performance on the dimensions or criteria used, and the scores are shared with the employee being evaluated. According to McGregor (1957), performance appraisal has the following objectives:

- (a) It provides systematic judgment to the organization to back up salary increases
- (b) It is a means of telling a subordinate how he is doing and suggesting needed changes in his behaviour, attitudes and skill or job knowledge

- (c) It is used as a base for coaching and counseling the individual by the superior.

Ayaz (2012) opined that performance appraisal is an effort to answer certain questions such as: where are we now? Where do we want to be? How does the employee get from where he or she is now to where he or she wants to be? This step is critical to the performance improvement plan. The appraiser and the appraised must have mutual consensus on the specific steps to be taken. These steps may include training the employee so as to improve his/her performance. It should also contain the mechanism adopted by the appraise/evaluator to assist employee in the achievement of performance goals.

Literature Review

This sub-section of the research is used to make review of types and steps involved in performing job appraisal in a formal work organization.

Steps involved in Conducting Performance Appraisal in Organization

To conduct performance appraisal exercise appropriately, the evaluators must have an up-to-date job description, performance standards, and specific objectives of the organization. Reviewing and possibly updating the job description will help an evaluator to focus on setting his/her performance goals. Sometimes, employees are not performing up to the desired standards because they do not have or understand what is expected of them. Before an appraisers give appraised employee poor evaluation, they must make sure they have precise and clear performance guidelines; which can be achieved through an up-to-date job description. Evaluators should communicate with employees about their responsibilities and ask for their input on what their job descriptions should say. As could be deduced from the discussion above, performance appraisal is an important exercise and it is not conducted haphazardly rather it involves series of systematic steps which must be adhered to in order to achieve the essence of the exercise. Some of the important factors to be noted in this respect are steps involved, the time frame and the system needed to conduct the exercise. Some of these are analyzed below in prose and in diagrams.

A: Steps Involved:

- (1) Control the environment
 - (a) Schedule a time
 - (b) Reduce interruptions
 - (c) Warm-up
- (2) State the purpose of the discussion
 - (a) Go over advantages of the appraisal process
 - (b) Tell what information will be used for the evaluation
- (3) Ask for the employee's opinion
 - (a) Ask how the employee thinks he or she did
 - (b) Use open-ended questions
 - (c) Use your best listening skills
- (4) Present your assessment
 - (a) Be candid and specific
 - (b) Give corrective feedback
 - (c) Give positive feedback
- (5) Build on the employee's strengths
 - (a) Ask the employee to name his/her strengths
 - (b) Share your opinion of those strengths
 - (c) Focus on performance, not personality
- (6) Ask for the employee's reaction to your assessment
 - (a) Listen to what the employee has to say
 - (b) Reach an agreement on the evaluation rating
- (7) Set specific goals
 - (a) List opportunity areas for improvement
 - (b) Identify current training needs
 - (c) Set realistic but stretching goals
- (8) Close the discussion
 - (a) Summarize the meeting
 - (b) Sign the appraisal form
 - (c) Thank the employee and explain the next step.

Source: Denisi and Pritchard (2006)

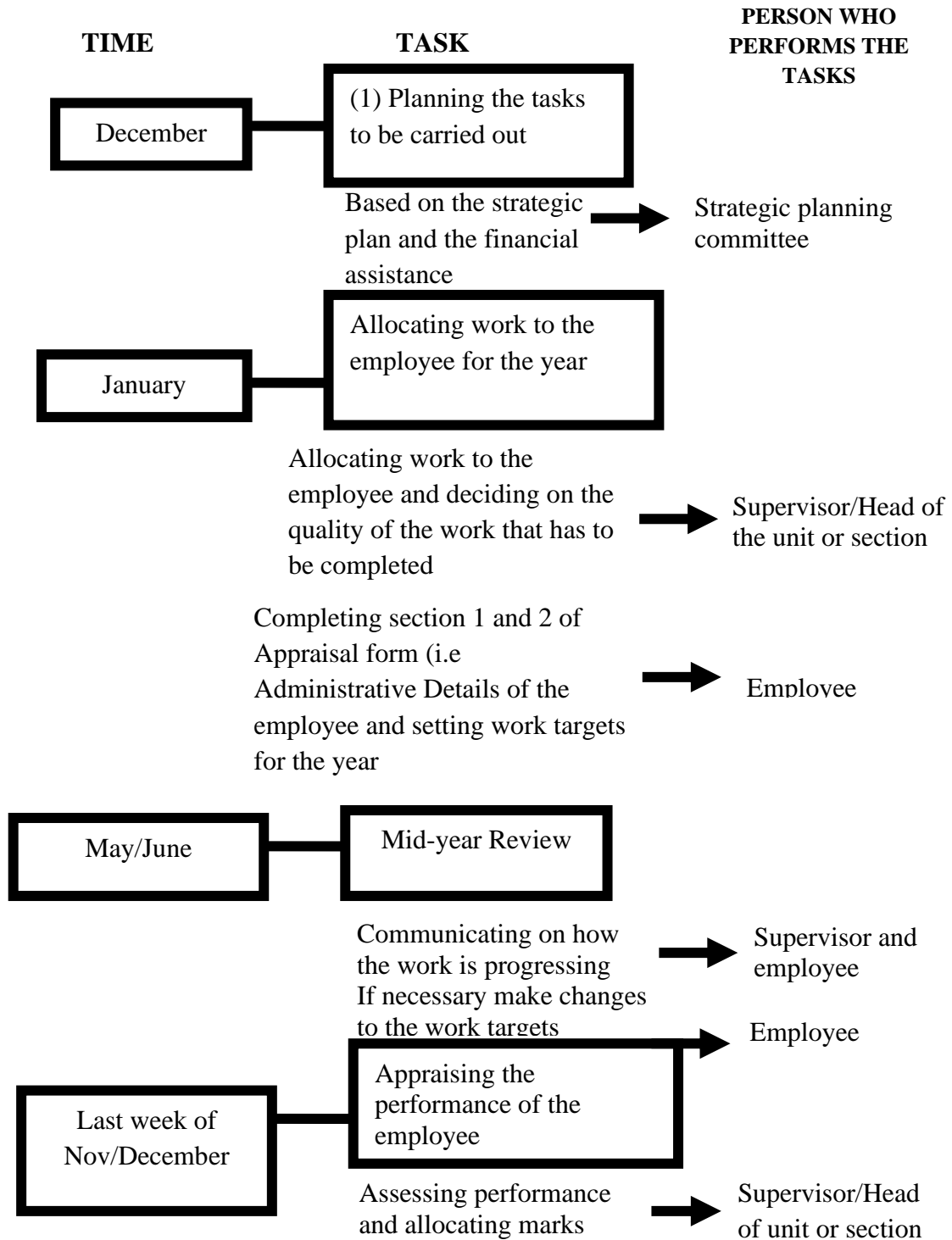
B: Time Frame, Task and Persons Involved:

Figure 1: Steps Involved in Performance Appraisal in Work Organization
Source: Mammonia (1995)

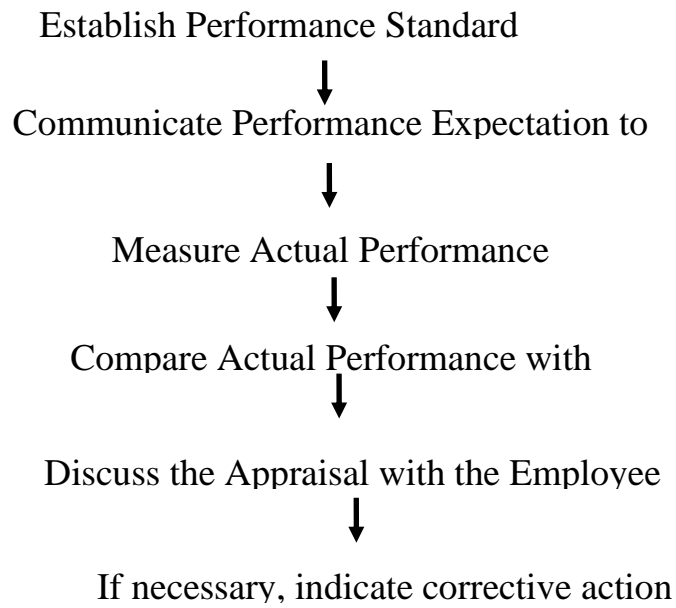


Figure 2: A Diagram showing another Way through which Performance Appraisal could be conducted

Source: Rohan, et.al. (2010)

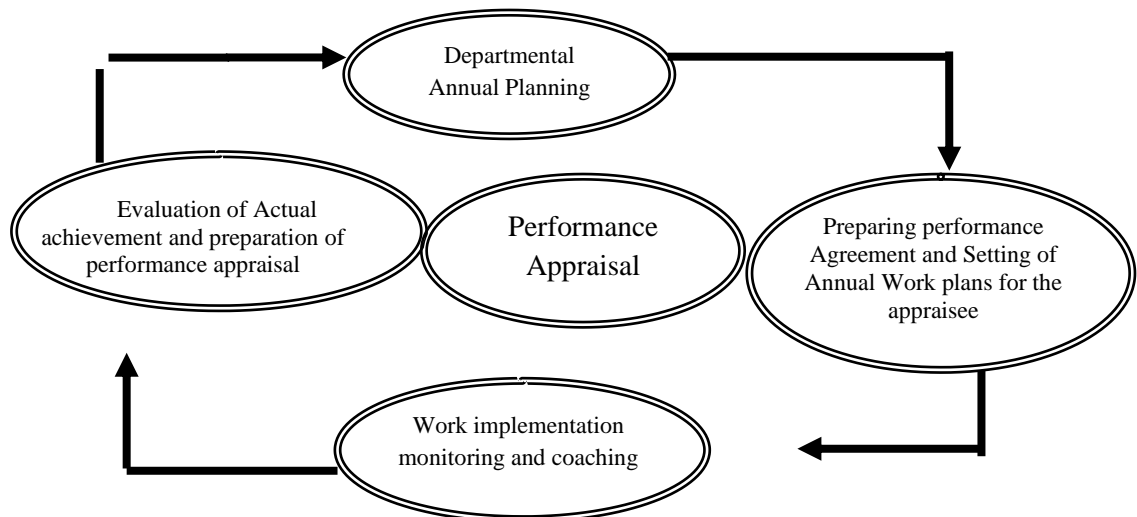


Figure 3: Cyclical Model of Performance Appraisal

Source: Dessler (2000)

Performance Appraisal Methods

According to Rosova and Balog (2012), performance appraisal methods have been grouped into two:

- (a) Traditional Methods
- (b) Modern Methods

(A) *Traditional Methods*

- (i) *Essay Appraisal*: this is also known as “free form method”. This involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts and often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the biases of the evaluator.
- (ii) *Straight Ranking*: appraisal ranks the employees from the best to the poorest on the basis of their overall performance. It is most useful for a comparative evaluation
- (iii) *Paired Comparison*: this is better than straight ranking method. This method compares each employee with all others in the group, one at a time. After all the comparisons on the basis of the overall comparisons, the employees are given the final rankings.
- (iv) *Critical Incidents*: in this method of performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. It includes both negative and positive points. The drawback of this method is that the supervisor has to note down the critical incidents and the employee behaviour as and when they occur.
- (v) *Field Review*: in this method, a senior member of the human resources (HR) department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major limitation of this method is that it is a very time consuming method. But this method helps to reduce the superiors’ personal biases.
- (vi) *Checklist system*: the rate is given a checklist of the descriptions of the behaviour of the employees on the job. The checklist contains a list of statements on the basis of which the rater describes the on the job performance of the employees.

(B) Modern Methods

- (i) *Assessment Centre*: an assessment centre typically involves the use of methods like social/informal events, tests and exercise, assignment being given to a group of the employees to assess their competencies to take higher responsibilities in the future. Generally, employees are given an assignment similar to the job they would be expected to perform if promoted. The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics.
- (ii) *The Human Resource accounting system*: in this method, the performance appraisal of the employees is judged in terms of cost and contribution of the employees. The cost of employees include all the expenses incurred on them like their compensation, recruitment and selection costs, induction and training costs, among others. Their contribution includes the total value added (in monetary terms). The difference between the cost and the contribution will be the performance of the employees. Ideally, the contribution of the employees should be greater than the cost incurred on them
- (iii) *A 360-Degree Performance Appraisal system*: this method of performance appraisal is based on the opinion of different groups of reviewers who interact with evaluated employees, since they can truly respond to how an employee develops his/her job (Edward and Ewen, 1996; Marshall, 1999; and Fisher, Schoenfeldt and Shaw, 2006). Moreover, the process includes the opinion of employee about him/herself. This method is developed to address the shortcoming of the traditional evaluation techniques, such as lack of objectivity, prejudice or halo error (Baron and Kreps, 1999). Employee looks at his/her strengths and weaknesses and achievements and then judges his own performance. This method is generally found more suitable for the managers as it helps to assess their leadership and managing styles as been democratic rather than been autocratic. Figure 4 is a graphical presentation of 360-degree system.

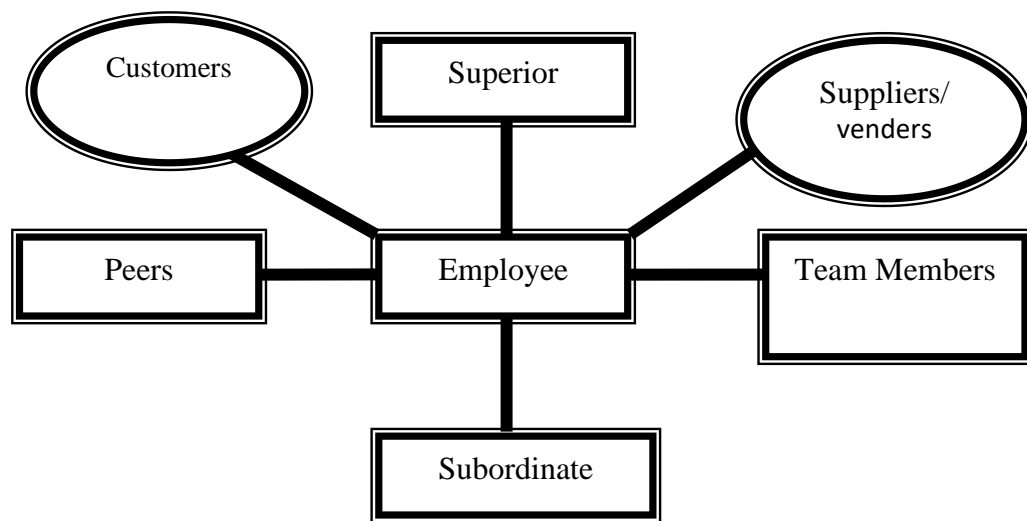


Figure 4: Diagram Illustrating the 360-Degree System

Source: Baron and Kreps (1999)

(iv) *Appraisal By Objectives (ABO)*: the system of appraisal is derived from the Management by Objective (MBO) system of management, the concept of ABO was first used by Peter Drucker in 1954 to explain an appraisal system whereby the employees and the supervisor come together to identify common goals, the employees set their goals to be achieved, the standard to be taken as the criteria for measurement of their performance and the contribution and deciding the course of action to be followed (Derven, 1990). Figure five illustrates this further:

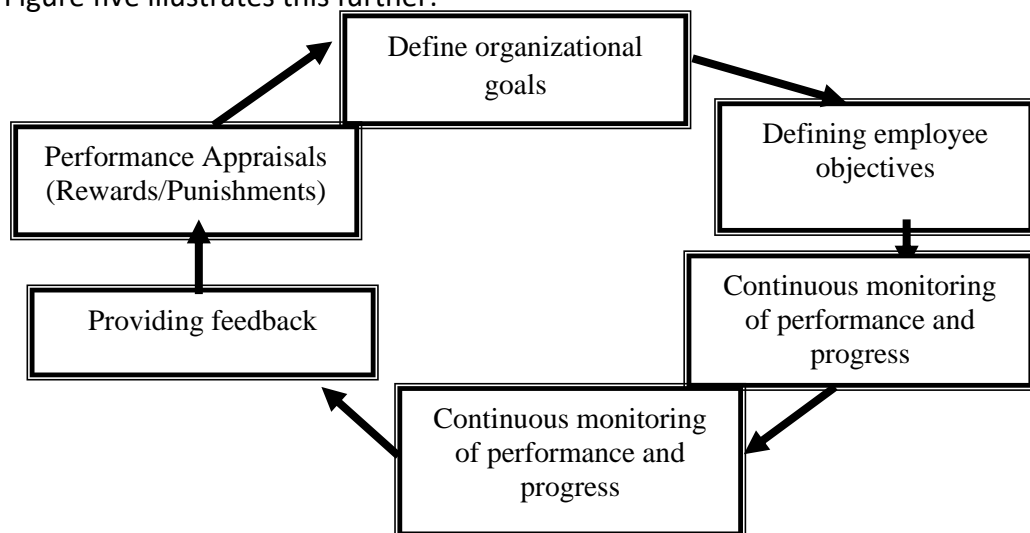


Figure 5: diagram showing steps involved in ABO method Source: Derven, (1990).

From the discussion thus far on different systems used in conducting performance appraisal in work organizations, the traditional systems of performance appraisal were formulated majorly to validate, recollect and control the activities of employees. However, the emerging modern systems were aimed at improving the skills of the employees by aligning it with organizational goals. This means that modern performance appraisal methods are geared towards growth and development of both the employees and the organization. The philosophy of the modern methods is based on the human relation model of management. This is in line with the argument of Cascio (1991) who asserted that performance appraisal exercise should be geared towards the development of the employee and the organization.

Rating Formats Used In Performance Appraisal

It is important to note that one of the major activities done during appraisal exercise is weighting and rating. And in order to have a successful performance appraisal exercise, system of rating should also be given utmost attention. Some notable formats rating and appraising the employees as given by Aguinis (2009) are enumerated below:

- i. Behaviorally-Based Rating Formats
 - ii. Trait-Based Rating Formats
 - iii. Graphic Rating Formats
 - iv. Mixed Standard Formats
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- i. *Behaviorally-Based Rating Formats*: This format requires the rater to judge either the frequency or the quality of specific employee work actions. One example of behaviourally-based rating format is the Behavioural Observation Scale (BOS). The BOS requires appraisers to rate the frequency of employee behaviours they observe. In this method, observation on behaviours of the important tasks that workers have performed during their working time will be assessed on a regular basis. Another rating associated with behaviorally based rating system is the behavioural expectation scale, which is usually referred to as a Behaviorally-Anchored Rating Scale (BARS). BARS provides the rater with behavioural expectations associated with alternative scale points. The rater is required to observe employee performance and, for a given scale, choose the anchor that best matches or otherwise exemplifies the employee's observed behaviour. Based on the employee's performance and behaviour, employees are anchored in different slots of good,

average and poor. This is relatively new technique which combines the graphic rating scale and critical incident. It consists of predetermined critical areas of job performance or sets of behavioural statements describing important job performance qualities as good or bad. For instance, the qualities like interpersonal relationships, adaptability and reliabilities, job knowledge. These statements are developed from critical incidents. In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS (Rarick and Baxter 1986; Decenzo, 2002; Tziner and Kopelman (2002)

- ii. *Trait-Based Rating Formats*: This format requires the rater to evaluate the employee on personality traits such as leadership skills, creativity, among others. The commonly used scale under this format is graphic-type trait-based rating scales, which require the appraiser to evaluate the employee on a series of traits or broad competencies. The set of traits/competencies is determined by a job analysis focusing on the underlying skills, abilities, and other characteristics deemed important for performing the job successfully (Lathan, Sulsky and MacDonald, 2008)
- iii. *Graphic Rating Scale (GRS)*: This rates the degree to which the employee has achieved various characteristics. Various characteristic such as job knowledge or punctuality are rated by the degree of achievement. This scale provides a continuum from high to low performance levels concerning an over performance or specific performance dimensions (Berry, 2003). The rate usually receives a score of 1 to 5 representing excellent performance (Tziner and Kopelman, 2002) The diagram below represent a sample of GRS

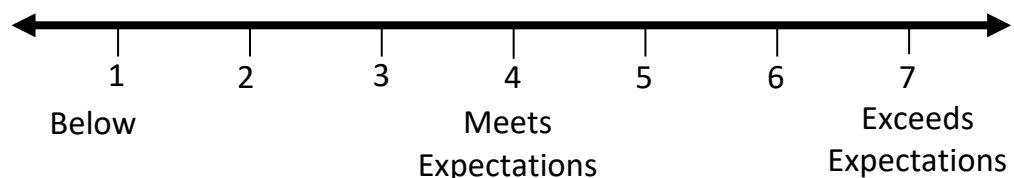


Figure 6: A Sample of Graphic Rating Scale (GRS)

Source: Tziner and Kopelman (2002)

- iv. *Mixed Standard Scale (MSS)*: In the MSS, three performance standards are developed per behaviour dimension. These standards reflect average performance, superior and inferior performance. The standards for all behavioural dimensions are then randomly

sequenced to form a MSS (Benson et al., 1988). Rater can indicate whether the focused ratee is better, equal or worse than standard. According to Berry (2003) this technique aims at ensuring that the rater does not simply use an overall impression of the ratee and produce a rating that contains error, such as leniency and halo. But unfortunately the weaknesses of MSS are too obvious: It leaves the rater not only without any clear sense of how good a rating has been given, but also with very little information that the rater can use for feedback to the ratee. Furthermore, the validation of MSS may prove difficult because of the extent that MSS are less accurate descriptions of true behaviour any resulting data would be expected to have a substantial error component, attenuating subsequent validity coefficients.

Conclusion and Recommendations

It could be deduced from the foregoing that performance appraisal is an important management tool that could be used by work organizations to enhance the productive capacity of the employees. However, as simple as the exercise seems, there are important conditions that must be considered and steps that must be followed in order to make the exercise useful and fruitful for both the employees and the organization at large. Following from the above therefore, this paper recommends that specific work organization should use specific approach for all the employees of the same category and the method should not be haphazardly considered and that they should identify the appropriate method for specific work situation. Secondly, human observer should try as much to be free from elements of subjectivity and should be reasonably objective and accurate in their assessment. More so, to achieve the goals of staff performance appraisal, it is important that the system is reviewed frequently. In addition to the above, most performance appraisal exercises could fail if the appraisers lack adequate training and knowledge of the organizational operational dynamics. Thus, supervisors should be trained in performance appraisal management, and employees should also be prepared for the process. Honesty and accountability should also be maintained when conducting performance appraisal in the organization because this would increase the appraisal accuracy and reduce magnitude of appraisal errors. Furthermore, performance appraisal should not just be annual assessment of employees; managers should incorporate performance review and feedback as part of their day-to-day communication with employees.

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