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**STUDY OF TRADITIONAL METHODS OF PERFORMANCE  
APPRAISAL**

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**ABSTRACT**

*Today, HR works towards facilitating and improving the performance of the employees by building a favourable work environment and providing maximum opportunities to the employees for participating in organizational planning and decision making process.*

*The level of business performance of an organization is just equivalent to cumulative performance level of its employees. This is well established in practice as well as in theory. This may not be true with other resources like capital, infrastructure and technology. Organizations with best of these can still lose to competitors. This is due to under utilization of these physical resources. It happens because human resource may be incapable of rightly exploiting them to the strategic advantage of the company.*

*At the end of every year, most organizations indulge in the performance evaluation of their employees. This may be done in a formal way by using questionnaires, inventories or outsourcing the entire process. Whatever be the method adopted, the objective is to assess the performance of the employees, which would lead to performance improvement. This research paper presents the review of some of the traditional methods of performance appraisal along with their pros and cons. These methods are Ranking, Graphic Rating Scale, Critical Incident, Forced choice method and Narrative Essays. The flow of the paper is like this. The paper starts with the introduction which is followed by the definition of performance appraisal. This is then followed by objectives of the research paper, research questions and research type. Then there is a discussion of need for conducting performance appraisal. Later, the methods of performance appraisal are stated. This is then followed by the discussion of some of the traditional methods of performance appraisal like Ranking, Graphic Rating Scale, etc and finally the conclusion.*

**Keywords:** Ranking; Graphic Rating Scale; Critical Incident; Narrative Essays; Forced Choice; Assessment Centers

**INTRODUCTION**

Organizations are nothing but people. They utilize resources—physical, financial and human— to produce results. To be a long distance runner, every organisation requires extraordinary efforts from its people. It's the 'people' factor that separates the mediocre organisations from the outstanding ones. When people work to the best of their abilities and work with zeal, enthusiasm and commitment, organisations grow to gigantic proportions. When people fail to live up to expectations, organisations fall behind in the competitive race and get pushed to the wall eventually. In fact every organisation has more or less the same kind of resources to work with—materials, equipment, land, buildings, finances etc. The only differentiating element between competing organisations is the 'people factor'. If the organisation is able to utilize its human resources to best advantage, there is nothing to stop the company from reaching the top of the ladder. As Thomas J. Watson, the Founder of IBM once

commented, “you can get capital and erect buildings, but it takes people to build a business”.

In this regard performance appraisal plays a crucial role. Performance appraisal has been synonymous with performance review, performance evaluation, performance assessment, performance measurement, employee evaluation, personnel review, staff assessment, service rating, etc.

### **Performance Appraisal Defined**

The term 'performance appraisal' cannot be generalised. Instead, it alludes to the relative thinking of the person concerned on the basis of the parameters he has chosen. This is because identification of what is good, better or best can only be a decision of individual concern.

According to Flippo, “performance appraisal is a systematic, periodic and an impartial rating of an employee’s excellence in the matters pertaining to his present job and for a better job.”

According to Dale Yoder, “performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees.”

From the above discussion, it is clear that performance appraisal is reviewing and rewarding past performance and goal setting for future performance.

A performance appraisal compares each employee’s actual performance with his or her performance standards. Managers use job analysis to determine the job’s specific activities and performance standards. Job analysis is a procedure through which you determine the duties and responsibilities, nature of the jobs and finally to decide qualifications, skills and knowledge to be required for an employee to perform particular job. Job analysis helps to understand what tasks are important and how they are carried on. Job analysis forms basis for later HR activities such as developing effective training program, selection of employees, setting up of performance standards and assessment of employees ( performance appraisal) and employee remuneration system or compensation plan.

One of the indicators of the quality of Human Resource Management is Employee’s appraisal. Properly designed and realized process of employees’ appraisal is not only the necessary basis of successful employee performance management, but also provides valuable information for other human resource management functions. Performance Appraisal is important because it helps in Performance Feedback, Employee Training and Development Decisions, Validation of Selection process, Promotions & Transfers, Layoff Decisions, Compensation Decisions, Human Resource Planning (HRP), Career Development and Development of Interpersonal Relationship.

If the performance is accurately measured then the employees will know where they can get better. This helps the human resource management department to know the training needs. To be an accurate measure of performance, our measure must be valid and reliable, acceptable and feasible, specific and based on the mission and objectives. By stating specific objectives of exactly what each person in each job should achieve or his or her performance outcomes leads to accurate assessment that can increase performance.

### **OBJECTIVES**

1. To study some of the traditional methods of performance appraisal
2. To accentuate to the importance of performance appraisal.
3. To emphasize the importance of accurate measurement of performance.
4. To weigh up the advantages and disadvantages of some of the traditional methods of performance appraisal
5. To make a decision of the best method of performance appraisal.

### **RESEARCH QUESTIONS**

Question1. What is performance appraisal?

Question2. What is the need of performance appraisal?

Question3. What are the different methods of performance appraisal?

Question4. Which is the best method?

### **RESEARCH TYPE**

The purpose of this research paper is to find the answers to the questions.

The main aim of research paper is to study some of the traditional methods of performance appraisal. The type of research is 'pure' or 'basic' research.

### **Need For Conducting Performance Appraisals**

The appraisal process gets very intricate quickly. If the appraisal process in an organization is complicated then it costs huge money. Done correctly performance appraisal can provide a series of valuable results when it is done correctly. However, done incorrectly, the process can actually lead to lower levels of job satisfaction and productivity. In this section, let's talk about three major reasons why organizations complete performance evaluations-communicating, decision making and motivating.

a) Communicating: The first most important reason for performance appraisal is to provide an opportunity for formal communication between management and the employees pertaining to how the organization believes each employee is performing. There must be two-way interaction between the employees of the organization for successful communication. Organizations can avoid or solve most of the performance problems by ensuring that two-way conversation occurs between the manager and the employee, resulting in a complete understanding of what is necessary, when it is required and how the employee's contribution measures up.

Communication always requires that employees have the opportunity and ability to provide feedback to their bosses in order to make sure that the communication is understood.

b) Decision Making (Evaluating): The second most important objective of performance appraisals is to allow management to make decisions about employees within the organization. Right decision making depends upon accurate information. Right decision making is an absolutely critical component to let the manager to get better organizational productivity. Managers use information from annual performance appraisals to make evaluative decisions pertaining to the employees including pay raises, promotions, demotions, training and development and termination.

c) Motivating (Developing): The third major purpose for performance appraisal is to motivate the employees to streamline their individual objectives with the organizational objectives to improve productivity. From a business perspective, motivation can be defined as the willingness to achieve organizational objectives.

d) Evaluating and Motivating (Development): An effective performance appraisal process has two parts evaluating and motivating. Evaluating is concerned with assessing past performance and motivating is on the subject of developing employees to improve their future performance.

### **Different Methods of Performance Appraisal**

With the evaluation and development of appraisal system, a number of methods or techniques of performance appraisal have been developed. There are two types of measures used in performance appraisal: Objective measures which are directly quantifiable and Subjective measures which are not directly quantifiable. The important methods of performance appraisal are classified into traditional methods and modern methods.

The traditional methods are as follows:

1. Annual Confidential Report
2. Straight Ranking Method
3. Paired Comparison Method
4. Forced Distribution Method
5. Graphic Rating Scale
6. Checklist Method
7. Critical Incident Method
8. Group Appraisal
9. Field Review
10. Forced Choice Method
11. Essay Appraisal

The modern methods are as follows:

1. Assessment Centre
2. Behaviourally Anchored Rating Scales
3. Management by Objectives (MBO)
4. 360 degree performance appraisal
5. Human Resource Accounting

The major intention of this research paper is to study some of the traditional methods of performance appraisal. Next section is the discussion of some of these methods of appraisal.

**Traditional Methods-** Traditional methods are relatively older methods of performance appraisals. This method is based on studying the personal qualities of the employees. It may include knowledge, initiative, loyalty, leadership and judgment.

**Straight Ranking Method:** This is one of the oldest and simplest techniques of performance appraisal. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance. This method is also called man-to-man ranking. We can only say who is number one, two, three and so on but cannot say how much at number one is better than at number two. According to Dessler , ranking method is ranking employees from best to worst on a particular trait, choosing highest, then lowest, until all ranked.

This method is suitable in an organization which has limited number of employees. An illustration of straight ranking method is given in following Box1:

**Box 1.** Illustration of Straight Ranking Method

Straight Ranking Method	
Employee	Rank
A	3
B	1 (best)
C	5 (poorest)
D	4
E	2

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The major drawback of this method is that it does not include job-related aspects. Also, this method is not suitable in case of large number of employees.

**Graphic Rating Scale Method:** In 1922, Paterson working with the employees of the Scott Company developed a graphic scale to provide the reliability, consistency over time, usefulness and practicality. Bradshaw in 1931 discussed improvements to the graphic rating scale that included “behaviourism” to anchor the scales and help better illustrate the trait. According to Dessler, Graphic Rating Scale is a scale that lists a number of traits and a range of performance for each. The employee is then rated by identifying the score that best describes his or her level of performance for each trait. It may also include specific performance items like oral and written communication. Subordinates are rated by circling or checking the score that best describes his or her performance for each trait. Then the total of assigned value is calculated for each employee.

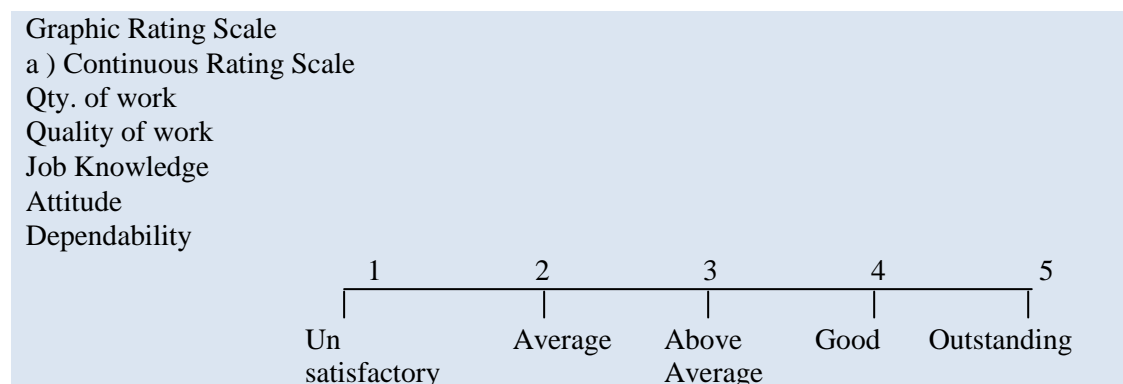
Employee name..... Job title.....

Department..... Rate.....

Data.....

The format of this method is shown in following Box2:

**Box 2.** Graphic Rating Scale Method



The approach is multidimensional as several traits are considered in evaluation. All the traits are given equal weightage which is not fair because high rating on one factor can compensate for low score on other factor, so rating will always be high. But then, this method is also not bias free as the supervisor may plot the graph depending on the rapport with the employee rather than objectively marking the performance.

## Critical Incident Method

In this method, the evaluator rates the employee on the basis of critical events and how the employee reacts in such events-essentially their behavioural patterns during those incidents. This includes both the positive and the negative characteristics of the employee. This method objectively talks about an employee’s performance during such incidents. Under this method, the supervisor constantly records the critical incidents of the employee’s performance or behaviour relating to all characteristics in a specifically designed notebook. The illustration of this method is in the following Box3.

If some workers are badly injured at the workplace, etc may be identified as critical incidents for the working of a factory. The behaviour of five workers during critical incidents is as shown in the following Box3:

**Box 3. Critical Incident Method**

Critical Incident Method		
Worker	Reaction	Score
A	Informed the supervisor/family	5
B	Immediately admitted to hospital	4
C	Tried to discover the reasons of accident	3
D	Complaint of poor performance	2
E	Was happy to get rest	1

However, this method has drawn a lot of criticism as the superior has to make a record of critical incidents and the resulting employee behaviour as and when these happen, which is difficult. Again, the minor incidents might get preference over the major ones as every individual tends to observe things differently. Moreover, it is not very effective as every individual is dissimilar and reacts and performs very differently in like circumstances. Similarly, quoting incidents after considerable time lapse may bring to mind negative emotions from employees.

**Essay appraisal method:** In essay appraisal method, evaluator writes the description about employee's strength and weakness, previous performance, position and suggestion for his /her improvement at the end of evaluation time. This practice mostly attempt to spotlight on behaviour. This traditional form of appraisal, also known as "Free Form method" 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 evidences and often includes examples and evidences to support the information. A major drawback of the method is the inseparability of the bias of the evaluator. Under this method, the rater is asked to express the strong as well as weak points of the employee's behaviour. This technique is normally used with a combination of the graphic rating scale because the rater can elaborately present the scale by substantiating an explanation for his rating.

Essay evaluation is a non-quantitative technique. This method is beneficial in at least one sense, i.e., the essay provides a good deal of information about the employee and also reveals more about the evaluator. The essay evaluation method however, suffers from the following limitations:

- It is highly subjective; the supervisor may write a biased essay. The employees who are sycophants will be evaluated more favourably than other employees.
- Some evaluators may be not good in writing essays on employee performance.
- The appraiser is required to find time to prepare the essay. A busy appraiser may write the essay speedily without properly assessing the actual performance of the worker.

**Forced choice method:** This method was developed to get rid of bias and the preponderance of high ratings that might occur in some organizations. The principal idea of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge which statements applies to the most effective employee. The following Box4 is a classic illustration of the forced choice items in the organizations.

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## Box 4. Forced Choice Method

1.	Least		Most
	A	Does not anticipate difficulties	A
	B	Grasps explanations easily and quickly	B
	C	Does not waste time	C
	D	Very easy to talk to	D
2.	Least		Most
	A	Can be a leader	A
	B	Wastes time on unproductive things	B
	C	At all times, cool and calm	C
	D	Smart worker	D

**Source:** <http://www.expertsmind.com/topic/individual-evaluation-methods/forcedchoice-methods-94310.aspx>

This method, however, has a strong constraint. In the preparation of sets of phrases trained technicians are essential and as such the method becomes very expensive. Further, managers may experience frustration in rating the employees 'in the dark'. Ultimately, the results of the forced choice method may not be helpful for training employees because the rater himself does not know how he is evaluating the worker. In spite of these limitations, the forced choice technique is quite popular.

### CONCLUSION

From the above discussion it is clear that the determination of the best appraisal method to use depends on the objectives of the organization. For developmental objectives, the critical incidents and narrative essay methods is a good option. For administrative decisions, a ranking method based on the evaluative methods and principally graphic rating scale works well.

In a nutshell, the success of the performance appraisal process does not just lie in the method used once or twice a year. It largely depends upon the manager's human relations skills and on effective measurement of performance that are accurate so that everyone knows why they are rated at a given level (evaluative) as well as how to improve (develop) for the next assessment.

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