

Principles of Management
Prof. Usha Lenka
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture - 38
Staffing and Coordination - V

In discussion on Staffing and Coordinating, the previous lecture I discussed about human resource management process with recruitment, human resource planning, job analysis, job specification, and job description.

And after that I also discussed about how that training is relevant in the organization and various approaches of management development like on the job training and off the job training methods, then we have discussed about various business games and experiential exercises then the role of coaches and the mentors in developing individuals.

Then after that, we will be discussing about how performance appraisal is as equal to these various elements of human resource management process. And with specific reference to performance appraisal I will start with the discussion on performance appraisal then, performance basic concepts of performance management system and then the purpose of performance management system.

Let us start with the fundamental definition of performance appraisal. Performance when an individual joins an organization he has been given a responsibility or a task, then after that he starts doing his work and he is and then the person is given various types of say training various trainings on the job and off the job training. So, that he can improve his or her performance.


And the person would be able to exhibit his competencies in the job assign to him and the organization would see that the person performs to the best of his potential, but the person's performance need to be appraised from time to time in order to identify the training needs, as we have already discussed.

So, performance appraisal means evaluating an employee's current or past performance with respect to his or her performance standards. So, it also involves setting performance standards like, what he or she should exhibit in the job, what is expected of the job and what should be what should the employee perform.

(Refer Slide Time: 02:58)

6. PERFORMANCE APPRAISAL

- ❖ **Performance appraisal** means evaluating an employee's current and/or past performance relative to his/her performance standard.
- ❖ It also involves setting performance standards and assumes that employee receives the training, feedback, and incentives required to eliminate performance deficiencies.



Source: innovation management.se

So, there should be some performance standard and it assumes that employees receive adequate training and there is also a feedback given to the employee from time to time. And based on the feedback if the employee is performing as per the requirement of the job position. So then, there should be some reward given to employees, reward or incentive.

And if there is a performance gap that means, if the employees expected to exhibit a required performance level or performance standard and his performance is much lower than that or he is not able to perform as required by the job position. So, then there is a need to give some kind of training, some training as per the requirement of the job.

So, this will eliminate the performance deficiency of an individual. So, what we have discussed is performance appraisal means evaluating an employee's current or past performance relative to his or her performance standards. So, it also gives, it also involves setting performance standards and assumes that employee receives the training feedback and incentives required to eliminate performance deficiencies.

So, what are the basic concepts in performance management? We will be discussing each one of them like what is performance appraisal, what is performance management. So, performance appraisal means evaluating an employee's current or past performance related to performance standards.

(Refer Slide Time: 04:53)

BASIC CONCEPTS IN PERFORMANCE MANAGEMENT

- **Performance appraisal** means evaluating an employee's current and/or past performance relative to performance standards
- **Performance Management** is the entire, integrated process of continuously identifying, measuring and developing performance and aligning performance with strategic goals

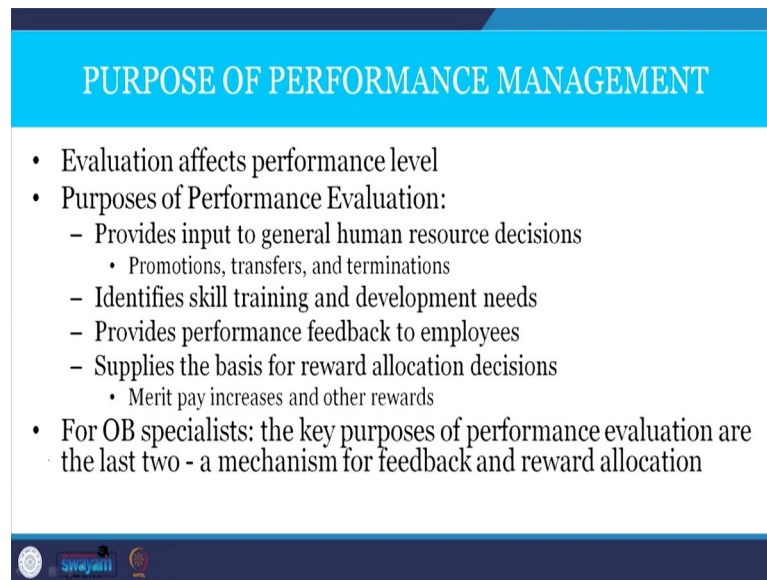


The slide features a blue header with the title 'BASIC CONCEPTS IN PERFORMANCE MANAGEMENT'. Below the header, on the left, is a white box containing two bullet points. On the right is an illustration of a person in a purple suit climbing a red ladder that is shaped like a large upward-pointing arrow. The background of the illustration is blue with white arrows pointing in various directions. At the bottom of the slide, there is a dark blue footer containing several small logos, including one for 'Svayam'.

Performance management is entire integrated process or it is a continuous it is an integrated process of continuously identifying, measuring, developing, performance of an individual and aligning his performance with the organizational or strategic goals. For example, if the organizational goal is say is customer satisfaction, if organizational goal is say innovation or organizational goal is growth.

So, what is the individual's contribution in the respective job position and in that position what exactly he is supposed to do, what are the demands of that job? So, there has to be an assessment based on the required competencies, the required skills, and the expected performance norms the person is supposed to exhibit. So, there will be a match or there has to be an alignment of individual's performance with that of the strategic goals.

(Refer Slide Time: 05:59)



The slide features a blue header with the title 'PURPOSE OF PERFORMANCE MANAGEMENT' in white. Below the header, a white box contains a bulleted list. At the bottom of the slide, there is a dark blue footer with three small logos: a circular institutional logo, the 'swajati' logo, and a circular logo with a person icon.

PURPOSE OF PERFORMANCE MANAGEMENT

- Evaluation affects performance level
- Purposes of Performance Evaluation:
 - Provides input to general human resource decisions
 - Promotions, transfers, and terminations
 - Identifies skill training and development needs
 - Provides performance feedback to employees
 - Supplies the basis for reward allocation decisions
 - Merit pay increases and other rewards
- For OB specialists: the key purposes of performance evaluation are the last two - a mechanism for feedback and reward allocation

Then, evaluation affects performance levels. Purpose of performance evaluation is providing input to general human resource decisions. Performance appraisal helps in promotion, helps in help in deciding about the transfer, as well as termination decisions of any individual.

It identifies whether the individual requires any kind of skill training or any developmental needs. If a person is not able to adequately perform on the job because of lack of knowledge job knowledge or a particular skill is missing so, a kind of skill training will be given.

Similarly, developmental needs are required to be given to the individual, when he is not able to carry out when the individual is not only having say skill deficiency, but also missing on cognitive skills, decision making skills, some managerial skills are missing in the individual which would not help him adequately perform on the job.

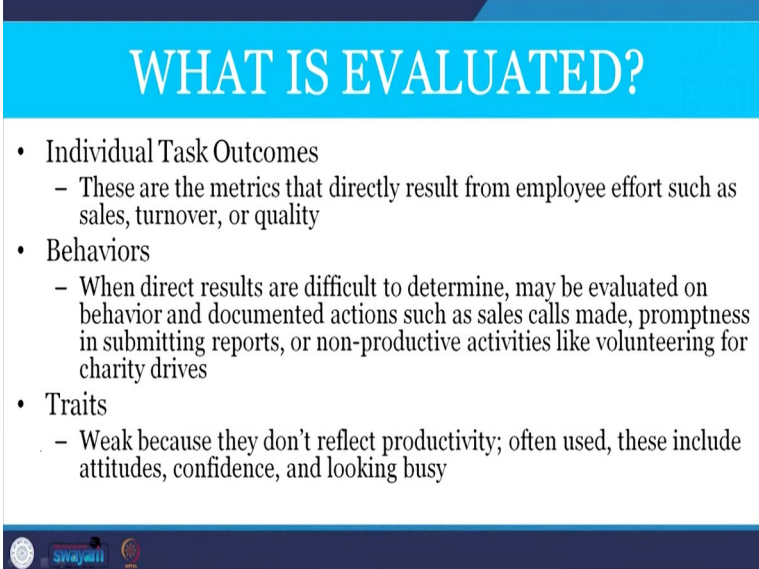
So, there is a need for or skill training and developmental needs. So, performance evaluation helps in identifying or helps in taking decisions like promotion, transfer, termination, and it also helps in identification, it also helps in identifying the skill and skill training and developmental needs. Performance it provides performance feedback to the employees.

Supplies the basis for reward allocation decisions, allocation of rewards, incentives, or promotion; so, the supplies the basis for reward allocation decisions like merit pay increase and other rewards. For organizational behavioral specialists the key purpose of performance evaluation is the last two - a mechanism for feedback and reward allocation.

Which otherwise means, how does performance evaluation help the managers or organizational behaviorist to take decisions, organizational behavior specialist take decisions based on the performance evaluation whether, to give feedback or to allocate reward to an individual.

Then, what is evaluated? Let us discuss about what should be evaluated, whether it is an individual task outcome or a behavior or the trait is of an individual which of them is to be evaluated.

(Refer Slide Time: 09:05)



WHAT IS EVALUATED?

- Individual Task Outcomes
 - These are the metrics that directly result from employee effort such as sales, turnover, or quality
- Behaviors
 - When direct results are difficult to determine, may be evaluated on behavior and documented actions such as sales calls made, promptness in submitting reports, or non-productive activities like volunteering for charity drives
- Traits
 - Weak because they don't reflect productivity; often used, these include attitudes, confidence, and looking busy

Let us discuss about the first one that is task outcome, individual's performance on the task. There are the metrics these are individual task outcomes are the metrics that directly result from employee effort such as sales, turnover, quality. So, which can give you how much the person is able to perform or not able to perform on the assigned task.

If a person is employed as a sales representative so, there would be some job specific demands, certain job attributes and a person is supposed to carry out those expected norms; if he or she fails in performing as per the expected norms, as per the expected

standards performance standards. So then, we can access that the person is missing on some task outcomes or the person is not exhibit not able to exhibit the results as expected by the job.

Then, behavior then comes the next factor that is behavior. The individual is also expected to have to exhibit certain behavioral norms like sincerity, then say how many sales calls he or she has made the promptness or say communication skills ability to negotiate or some more like some more criteria like interpersonal skills trustworthiness and so on.

So when, direct results are difficult to determine, when you cannot easily identify the person's performance or you are not able to identify the impact of or the person's contribution on the job directly, it can also and it is impact on the results when the direct results are difficult to determine in terms of the output. So, it can also be evaluated based on the behavior of the individual.

And certain documented actions, such as how many sales call sales calls or the person's persistence on the job the promptness to deliver a duty in submitting reports, or say in completing assignments tasks. So or non productive activities like taking or taking initiative volunteerism or say initiative taking.


So, these things can also be considered as some aspects which are required by an individual on the job. So, behavior based assessment is an important attribute for performance evaluation. So, what we have discussed is result based assessment, behavior based assessment, and the third point is trait based assessment, which is also important for performance evaluation. Trait based assessment is based on the personality of an individual.

Generally, it is considered to be weak because they do not reflect productivity often used, but these include attitude, confidence and say and some more criteria of individuals for leadership trait is of an individual and so on. So, in performance appraisal basically is done on the basis of results, behavior and trait is personality traits.

(Refer Slide Time: 13:22)

WHO SHOULD DO THE EVALUATING?

- *Immediate supervisors*
- *Peers*
- *Rating committees*
- *Self-ratings*
- *Appraisal by subordinates*
- *360-degree feedback*



The image shows a wooden block with the letters 'A+' on it, resting on a piece of paper. A red stamp with the letters 'A+' is also visible on the paper. This image is used to illustrate the concept of performance evaluation.

The next point is who should do the evaluation? Who are the people, who are responsible for performance evaluation? Should it be immediate supervisors or the peers or a particular committee which is designated to evaluate performance like the rating committee; or it should be self rating appraisal by the subordinate or a 360-degree feedback?

So, in some companies they have either of them or they consider either there is a committee which is apprising or there is a self-rating 360-degree feedback. So, it depends from differs from company to company what type of performance appraisal system they adopt. Generally, in a job which is highly responsible or when you consider a person to be in a very responsible position so, their self rating is being done.

Sometimes when a person is involved in an activity where the he or she would be interacting with different people, where the job demands coordination of different functions in the department, different functional areas in the organization so, there you cannot judge an individual based on the rating alone by the supervisor or immediate supervisor or the or appraisal by subordinates.

So, there has to be a rating committee or there is a need for a 360-degree performance feedback assessment where you can say gauge individual's potentials on the basis of his performance on the job or the result base assessment, the behavior of an individual with different people who are involved with him or her and lastly a trait based assessment.

So, 360-degree performance feedback would be by supervisors, peers then appraisal by subordinates it is an overall assessment of an individual. Appraisal by subordinate is also sometimes subordinates can better tell whether the person has been doing his duty effectively or not subordinates can assess about the behavior of the individual, can assess about say personality traits and so, these assessments are in some organizations done by the subordinates.

And sometimes the supervisors directly observe the person who is exhibiting, who is carrying out responsibilities, and in order to make it unbiased sometimes rating committees are also formed. So, these are various ways through which the evaluation can be done. Now, let us discuss about the methods of performance evaluation or performance appraisal.

In some organizations it can be written as a critical incident, graphical rating scales, and behaviorally anchored rating scale, and so on. So, we will discuss each one of them in details. What is written essay? When an individual is being rated so, a qualitative assessment can be made about an individual based on the observation by the supervisor, the one who is directly observing the behavior or the results performed by the individual.

So, it can be written in the form of a narrative describing one describing an employee's strengths, weaknesses, past performance, potential, and suggestions for improvement or giving a feedback to the individual.

(Refer Slide Time: 17:10)

METHODS OF PERFORMANCE EVALUATION

- **Written Essay** — *Qualitative appraisal of the employee*
 - A narrative describing an employee's strengths, weaknesses, past performances, potential, and suggestions for improvement
- **Critical Incidents** *Qualitative appraisal*
 - Evaluating the behaviors that are key in making the difference between executing a job effectively and executing it ineffectively

Handwritten notes on the right side of the slide:
— Leadership skills
— Initiative taking
— Time management

Logos at the bottom left: Swayam, Government of India

So, it is a kind of a qualitative assessment. In a qualitative assessment a narrative describing an employee's strengths, what are the strengths of an individual, whether he has leadership skills or his initiative taking he is good at initiative taking he finishes job or assignments on time, time bound assignments completion of assignments or any other specific skill which an individual is good at can be narrated in the form of a essay; and then the individual can be suggested for improvement if he fails to perform on any of these dimensions.

So, this is one method of assessment of an individual. The second one is critical incidents, because in a written essay it is an overall observation of an individual of a supervisor who is writing an employee. So, it would be based on his observation and it would be person specific so, in and there is a like there is no critical incidents associated.

In critical incident which is again a qualitative assessment, it is again a qualitative assessment of an employee or qualitative assessment of a subordinate. So, what are what is critical incident? Critical incident evaluates the behavior that are key in making the difference between executing a job effectively and executing it ineffectively.

Otherwise we can say, a supervisor can asses why a person could perform efficiently and vice versa. So, there are some critical instances which can be recorded unlike the essay or the narratives, critical incidents can be recorded and a statement can be given say for example, a person has not been able to perform a specific task on a certain time.

So, what is the reason a rational can be or a reason can be associated with that specific instance stating that a person could not fail person fail to perform a duty on a specific date on a specific time due to these reasons, because of inadequate training or inadequate knowledge because the failure of the infrastructure.

So, you can record whether it is due to the persons in competency or because of lack of adequate resources. So, critical incidents give you exact reason for performance and non performance.

As compared to the written essay; written essay would in depth analyze in the form of a narrative about a person's strengths, weaknesses, past performance, potentials, and suggestions for improvement without associating any rational or reasons for reasons with those instances.

Then, moving further is graphic rating scale. So, what we have discussed now is critical essay and critical incidents and written essay and these two are qualitative forms of assessment. Moving further is graphic rating scale.

(Refer Slide Time: 21:06)

METHODS OF PERFORMANCE EVALUATION

- Graphic Rating Scales
 - An evaluation method in which the evaluator rates performance factors on an incremental scale

Quantitative

5 point Likert

Keeps up with current policies and regulations.

1 2 3 4 5

Completely Unaware Fully Informed

The slide features a 5-point Likert scale. The scale is a horizontal line with five tick marks labeled 1 through 5. Below the line, 'Completely Unaware' is written under 1 and 'Fully Informed' under 5. A red 'X' is marked on the line between 4 and 5. Above the line, the text 'Keeps up with current policies and regulations.' is written, with a red line pointing to the 'X'. Handwritten red notes include 'Quantitative' at the top right and '5 point Likert' on the left side of the scale.

It is an evaluation method in which evaluator rates performance factors on an incremental scale or on a quantitative scale; on a quantitative scale in the form of a graphic rating scale in the form of a rating scale on a 5 point like a type scale; like a type scale.

So, what how does it differ from the previous ones? In the earlier discussion, in the earlier say essay type and critical incidents, it was just an observation recorded by the supervisor without giving any kind of objective assessment. So, there is no number associated with say suppose if I say, number is not associated with any trait which is being measured. Say if I say, the person is persistent or person is committed to the job.

So, what is the level of commitment? Is not known in qualitative assessment, how can you differentiate one person from another person based on how much committed a person is or how can you differentiate between one person and another person on the basis of the commitment level of commitment? So, if there are two employees for whom we have a written statement or written essay that both of them are committed.

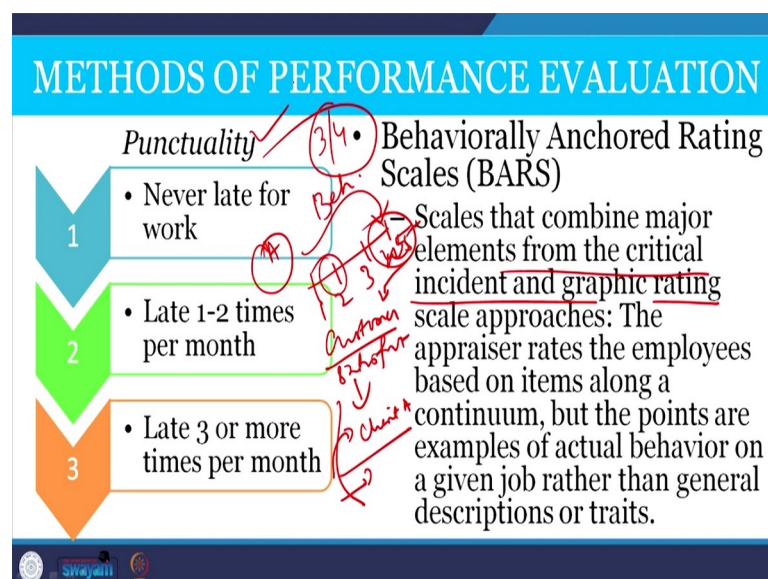
If tomorrow there is an assessment based on this assessment, you have to take a judgment to give a promotion. So, who should be better qualified for this position, should it be a person a or b? So, if you have an objective assessment to evaluate two individuals, then a rating scale would definitely have an upper edge over the qualitative assessment or quantitative assessment would definitely have an advantage or edge over the qualitative assessment.

So, sufficing this graphic rating scale is an evaluation, in which the evaluator rates performance factors on an incremental scale or on a quantitative scale. It keeps up with current say for example, keeps up with current regulations policies and regulations if this is one particular question or an attribute whether an individual abides by the policies and regulations and you can differentiate between two individuals, five individuals on a five-point rating scale.

One is completely aware to fully aware, how much is the person aware of about the rules and regulations, how much is the person committed to the organization, what is the level of physical engagement of an individual to the to his job, what is the level of emotional engagement of an individual to the job.

So, we can say the person a is more committed than the other we can say the person b is less committed than the other based on the quantitative number associated with the attributes.

(Refer Slide Time: 24:38)



Moving further we will discuss about another form of performance evaluation, which is called behaviorally anchored rating scale. As we learnt that, assessment of an individual can be judged on the basis of the behavior on the basis of the trait as well as on results. So, behavior based assessment is important and also we learnt that qualitative and quantitative assessments are different in terms of their subjective and objective nature.

So, behaviorally anchored rating scale is an assessment which combines the behavior based assessment which is not qualitatively judged, but it is anchored on a rating scale like the graphic rating scale. The behavior that means very simply we can say, the behavior of an individual can be rated on a rating scale is called behaviorally anchored rating scale.

So, this scale what is the attribute of this scale? This scale combines major element from the critical elements that means, what we discussed the critical instances or incidents can be combined in a graphic rating scale. Say suppose, I will give you one example say suppose somebody say a customer has been able to address to the problems of the clients.

So, clients query has been handled efficiently by an employee A. So, we want to find out what is that critical incident when if I want to award somebody so, I need to know how he has handled the query of a customer; customer handling or customer satisfaction index; customer satisfaction index.

So, we can record a critical instance, when he or she when the employee could address this problem. When the client A has had has raised a query or client A has launched a complaint. So, this complaint was addressed by employee say a certain a particular employee, who could take the questions and who has given rational or a logical answer to the complaint; and who has addressed his query with some kind of a rational or kind of say response which was satisfying the customer, which was satisfying the client.

So this particular instance, which when did this happen, how did the query being handled, this can be this can be rated on a graphic rating scale. A particular behavior like how to address the query of the customer so, can be rated on a 1, 2, 3, 4, 5 scale.

Employee A has address this by has address the problem of a customer so, we can rate him as 5 as a manager as a supervisor I can rate him 5 whereas, when there is another

employee who has been given the specific this particular query or this particular complaint or this situation, so he could not address or may be his level of addressing the query or satisfying the customer is little lesser in tendency so, you can probably associate a number said 2, 3 or 4.

So, we are grading the individual the employee on a particular behavior associating it with a graphic rating scale. So, what is behaviorally anchored rating scale? Bars otherwise it is called is a scale that combines major elements from critical incidents like, in this particular example I have stated that customer how they address to the query of customer.

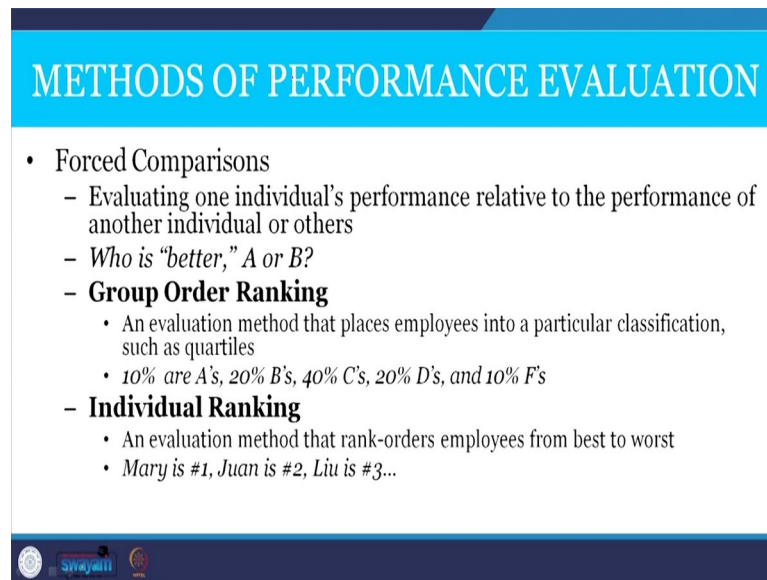
Similarly, what is the level of dutifulness or conscientiousness of an individual? Can also be assessed from the so, scales that combine major elements from the critical incidents along with the graphic rating scale, the appraiser rates the employee based on items along a continuum or a rating scale.

But the points are examples of actual behavior on a given job, rather than general descriptions that means, there is no qualitative assessment but, the actual behavior of an individual is being assessed is assessed on a graphic rating scale.

So for example, we want to assess the punctuality of an individual, rather than saying he was punctual or less punctual which would be very subjective assessment, we can have an objective assessment of an individual like, never late for work, late 1 to 2 times per month, or late 3 or 3 or more times per month.

This type of statements can be generated and we can associate or quantify in terms of 1, 2, 3, 4, 5 in along with this rating so along with this qualitative assessment. So then, this is better way of rating an individual because you have a qualitative assessment along with a graphic rating.

(Refer Slide Time: 30:46)



METHODS OF PERFORMANCE EVALUATION

- **Forced Comparisons**
 - Evaluating one individual's performance relative to the performance of another individual or others
 - *Who is "better," A or B?*
- **Group Order Ranking**
 - An evaluation method that places employees into a particular classification, such as quartiles
 - *10% are A's, 20% B's, 40% C's, 20% D's, and 10% F's*
- **Individual Ranking**
 - An evaluation method that rank-orders employees from best to worst
 - *Mary is #1, Juan is #2, Liu is #3...*

So, other methods of performance management are forced comparison methods evaluating one individual's performance relating to the performance of another individual or who is "better", A or B? Group order ranking; an evaluation method that places employees in a particular classification, such as quartiles, 10 percent are in the group of A, 20 percent are in the group of B, 40 percent fall in the category of C and 20 percent in D and so on.

So, a group order ranking similarly there is individual ranking also done. An evaluation method that ranks orders employees from best to worst like, say who is number 1, who is number 2 and so on.

(Refer Slide Time: 31:29)

METHODS OF PERFORMANCE EVALUATION

FOR THE TRAIT "QUALITY OF WORK"

Employee rated:					
As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		+	+	-	-
B Maria	-		-	-	-
C Chuck	-	+		+	-
D Diane	+	+	-		+
E José	+	+	+	-	




Maria ranks highest here

FOR THE TRAIT "CREATIVITY"

Employee rated:					
As Compared to:	A Art	B Maria	C Chuck	D Diane	E José
A Art		-	-	-	-
B Maria	+		-	+	+
C Chuck	+	+		-	+
D Diane	+	-	+		-
E José	+	-	-	+	

Art ranks highest here

Example of Paired Comparison Scale

Example of Paired Comparison Scale

So, methods of performance appraisal that we discussed are behaviorally anchored rating scale, then essay method then we also discussed about critical incidents, then forced comparison, and then we will so, these methods are commonly brought in use in organizations.


Moving further we will discuss about what are the suggestions for improving performance evaluation. So, after discussing various methods now we can have an assessment of which method is better than the other. So, use multiple evaluators to overcome any rater bias like, halo effect or leniency error while evaluating the performance of the employee's.

So, a manager has to be bias free that is what we discussed while taking decisions, in decision making we discuss that as individuals bring their own personal biases. So, it is always better to have a have multiple evaluators. So, we do not have any recency error, we do not have any say past notions perception bias every individual has to be evaluated perfectly based on how he or she performs. Evaluate selectively based on evaluators, competence and train evaluators to improve rater accuracy.

(Refer Slide Time: 32:59)

SUGGESTIONS FOR IMPROVING EVALUATIONS

- Use multiple evaluators to overcome rater biases
 - Halo and leniency errors
- Evaluate selectively based on evaluator competence
- Train evaluators to improve rater accuracy
- Provide employees with due process
 - Individuals are provided with adequate notice of performance expectations
 - All relevant evidence of a violation is aired in a fair hearing, with the individual given an opportunity to respond
 - Final decision is based on the evidence and is free of bias





The evaluators also need to know how to overcome the biases. Provide employees with due process individuals are provided with adequate notice of performance expectation. All relevant evidence of a violation is aired in a fair hearing, with the individuals given an opportunity to respond final decision is based on evidence and is free of bias.

(Refer Slide Time: 33:36)

PROVIDING PERFORMANCE FEEDBACK

- Why Managers Are Reluctant to Give Feedback
 - They are uncomfortable discussing performance weaknesses directly with employees
 - Employees tend to become defensive
 - Employees tend to have an inflated assessment of their own performance
- Solutions to Improving Feedback
 - Train managers how to give effective feedback
 - Use performance review as a counseling activity rather than as a judgment process

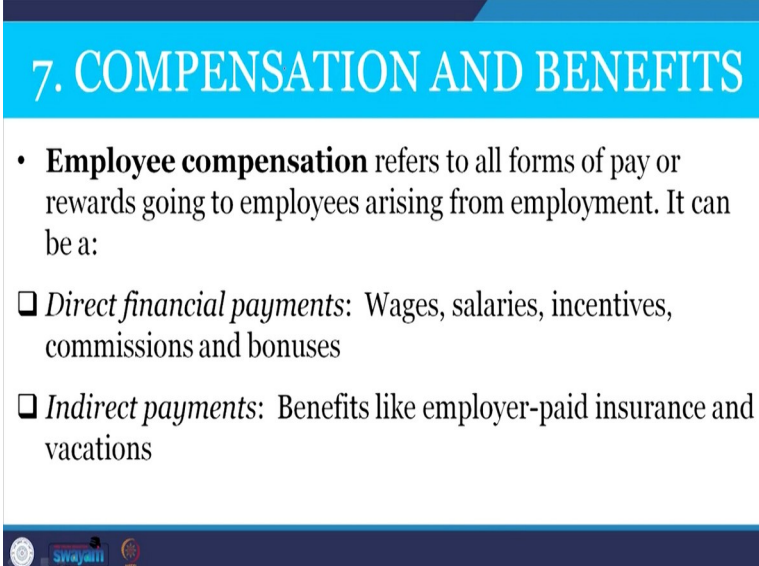


So, lastly we will discuss about performance feedback can be given to individuals to the managers whose performance is being appraised. Why managers are unwilling to give feedback? Generally, managers feel reluctant to give feedback; so, their uncomfortable

discussing performance weakness directly with employees. Employees tend to become defensive and they tend to have an inflated assessment of their own performance so, it is sometimes very uncomfortable to give them feedback.

Solutions to overcome or to improve the feedback mechanism, train managers how to give effective feedback, use performance review methods, a counseling activity rather than a judgment. Call them, call the person whose performance is being evaluated bring them on a platform to discuss openly about where there are shortcomings, so that they can overcome the performance their own performance problems.

(Refer Slide Time: 34:30)



7. COMPENSATION AND BENEFITS

- **Employee compensation** refers to all forms of pay or rewards going to employees arising from employment. It can be a:
 - ❑ *Direct financial payments:* Wages, salaries, incentives, commissions and bonuses
 - ❑ *Indirect payments:* Benefits like employer-paid insurance and vacations

The slide features a blue header with the title '7. COMPENSATION AND BENEFITS' in white. The main content is on a white background with a blue border. It includes a bullet point defining employee compensation and two sub-points with checkboxes. At the bottom, there are logos for 'Swajati' and 'Sri'.

So, with this I would like to conclude this discussion on performance evaluation and the various methods of performance evaluation. Next in the discussion of staffing and coordinating I would be discussing about the next topic that is compensation and benefit.

Thank you.