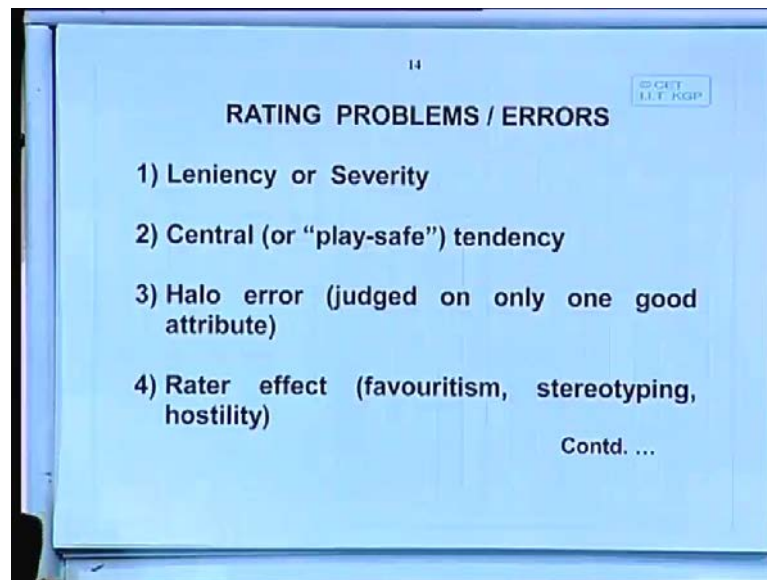


Human Resource Management – I
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Lecture No. # 08
Performance Evaluation and Appraisal (Contd...)

Non-teaching faculty, non-teaching staff and officers, but for, alright, good morning again, so what system are we following in IIT someone asked.

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In IIT we follow the system two, that is, ACR pattern. ACR means, annual confidential report, which is the unilateral system, not bilateral, that is, the employee and his boss does not sit together, boss gets a form preprinted and he has to fill that up and then submit it to the registrar.

So, basically, in corporate world, only in companies and the larger companies, particularly multinationals and others who have adopted such systems, they have this bilateral because bilateral is very difficult to operate. See, there is a tendency always of the managers not having these meetings because it is very, very difficult to, see, to have a

meeting to give feedback. Number one, lot of work has to be done by the manager. In fact, how can you give feedback unless you have done your homework, is not it.

You have set the tasks and the objectives and targets beginning of the year and during the performance period, if you have not had periodic reviews because usually there is urgencies every day and this goes on the back burner, the review of work goes on the back burner, because there are always problems, every company every department, so people do not do it.

At the end there is reminder from HR department to various operating department, you are not giving your feedback form, please give it immediately, if you do not get by so and so date, we cannot issue the increments. So, all these pressures come, then there is very little time, so they sit down and they just cursorily go over it, that is, [FL], this is the usual pattern.

But it is changing because you see, if you go to American and other multinational company, there they practice it very well, very much. And many of these companies have now come to India, now they are very particular about it and actually, culturally it is getting accepted. Now, how far it will take or how far it will go in Indian companies, we have to wait and see how far it goes.

And many of the public sector, they are quite progressive. Public sector companies, they have adopted this bilateral system. How well it is working is difficult to say, unless you actually go and develop a case, you know, with permission of a company, interview people and see what is happening.

So, rating problems and errors, so leniency or severity, why this problem, error happens? Because they are done by human beings, these are various problems, alright, which come when human beings do the appraisal. Leniency of errors, some people are more lenient. When we evaluate your answer scripts also, sometimes this problem may creep in, is it not? Some of the examiners are more lenient than others; some are very strict across universities. Do not you see, that there are some universities, which are very liberal in percentage marks, which they give and others are not so liberal. So, some amount of moderation has to be done. When you see these and by, say you are recruiting someone, you have to make some moderation as a recruiter between a person who has got 90 percent from some liberal university, for I may say so, and 80 percent from more strict,

maybe both should be considered as equal. So, this moderation has to be done, similarly, here; so, leniency or severity.

Central tendency, what does it mean? Play safe, say you have five point scale: a, b, c, d, e. a is excellent, has exceeded targets and expectation, that is a; b is very good; c is good; d is satisfactory and e is unsatisfactory, say this is a five point scale. Usually, you will find, that it will, all the rating, when it comes to HR, HR does a little study on it. You will find the very people, very few people, alright, who have got e and d, hardly any, sometimes 0, no one has got that. Mainly, people have got b and some have got a very few ex.

So, playing safe means, even people who are bad, you do not give them a bad rating, you play it safe. Even those who are very good, you do not give them an excellent rating. Because why, you may be asked explanation, you have given ex, excellent. So, why, what is so excellent about him? How much he has exceeded the target? What is the special thing he has done? So, questions may come, so both very good and very bad. The manager, they tend, this is a tendency, which happens, play it safe, avoid question being asked.

And sometimes you find these inconsistency, when the time comes for recommendation, for promotions, then they, they recommend, say two people for promotion and then the HR department goes through the, the evaluation, performance evaluation sheets for the last 5 years and finds, in all of those sheets he never he got ex once, even excellent. He has got basically a three times, b two times, but now, if you read the recommendation for promotion because there is another form, in exceptional terms he has been praised his work. So, you find an inconsistency between what is put on the promotion form and what is found in the performance evaluation form. So, what is the explanation? Play safe. But now, that he wants to promote he has to give very good justification, so therefore he is giving a very good justification. Any, any observations?

Sometimes it is also found, that promotions are given due to other considerations, like there is quota system, quota in inverted commas, you know, you cannot promote everyone. Then, there is a seniority system, it is unsaid, but someone is senior, alright, his performance is good. There is a junior person whose performance is far better, but he is much junior. So, it may create dissension in the ranks, it may create some ill feeling

because in our culture, seniority is very strong. So, you have to wait your turn. The very brilliant fellow, very good work, very good potential, but he is much younger, may not be promoted first. So, these are considerations, which are falling outside the meritocracy, is not it? We said, that you should go by as objective standards as possible, but sometimes it does not happen.

So, having decided who to promote, then what do you do? You have to justify it. So, in the form, which you fill in for performance, whether he is actually performing excellently or not, you may have to put in an excellent. If some of you have worked, only one person has worked here, right, work experience, would you agree with this, others have not worked, right, you have worked, what do you feel? Teaching is a little different because you do not have this rating system for professors, they follow another rating system, self rating, alright. Professors are asked what they have done and also, you have student rating, which we have in IIT, but there is no boss rating, you know that, no. I do not know about other educational institutions, but the IIT system and the IIMs, they do not have that, it is a different system. So, anyway, play safe is very, very prevalent in industry.

Halo error, what is halo effect? Anyone remembers?

First impression

First impression, right; so, halo error judged on only one good attribute, even if the other good attributes are not there. This happens again and again.

Rater effect, now the rater himself may be faulty, so to say. He may do favoritism, after all human beings; some rater, some boss may do favoritism.

Stereotyping, anyone remembers what is stereotyping?

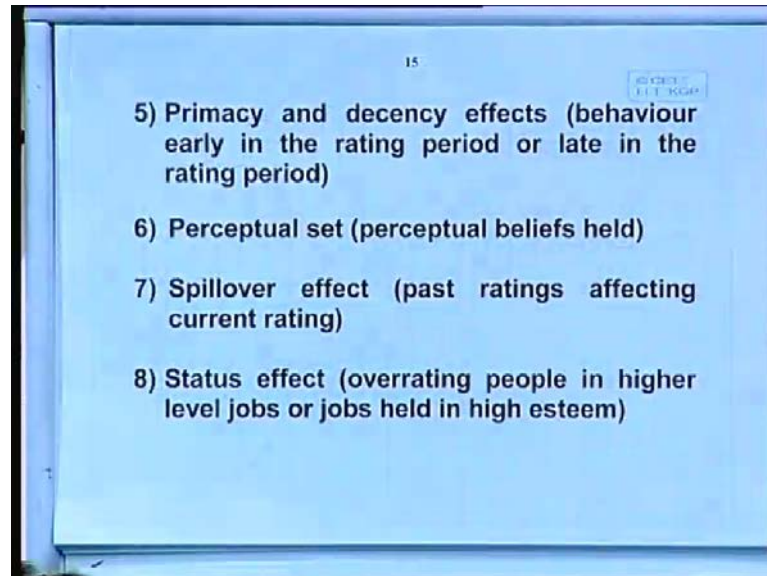
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Right, from the attributes of a group, you give the same attributes to the individual within that group and that may not be true, so rater effect.

Hostility, sometime you have hostility against an employee and you say I will fix that fellow, let the time come, he is acting too smart, I will fix him; that is there. Any

questions? No, so better not to argue with the boss, that is what to say, right, even if you have bilateral system.

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Primacy and **recency** effects, behavior early in the rating period, alright and late in the rating period, alright, what does it mean? One year is the rating period, is not it. Within that one year, in the first 2 or 3 months, he has done excellent work, alright. Taking the marketing example, he has booked some very good orders against stiff competition, done very, very well, rest of the year he has not done so well. But you, as a boss, sometimes fall into an error, that because he has done well in the beginning of the year, alright, you somehow feel, that he is good and when you judge his performance, you make that error and recency also.

He has done no work for the first 8 months or 9 months of the year, but towards the end he gets some very good orders, so you give him a high rating, excellent, although he does not deserve it. If you look at average throughout the year, the performance, it does not merit that high rating. So, these are effects, which happen because of the rater.

Perceptual set, perceptual beliefs held, you remember, when we did perception, the topic of perception, what is the perceptual set? It is a belief that you hold because in your perception this man is not good. It may be due to whatever perception or good, you say this, this employee is from IIT, so your perceptual set is what, that all employees from IIT, alright, are very good and therefore, he must have performed very well. So, you

cannot rate him below A at least. It is a kind of perception, although the chap's performance is not very good.

Spillover effect, past ratings, effecting current rating; so, if you have been rating everyone A, A, A, in one year he does very badly, he should be rated as D, you hesitate to rate him as D because again you feel, that because how can a man **who has been performing...** So, unless there is a reason, there is a death in the family or he is depressed or something, or something like that, you hesitate. So, that is spillover effect from good performance or bad performance.

Similarly, it happens in educational institutions, is not it? In IIT, someone he has got low grades, alright, in the 5, 6 semesters, alright, comes to the 7th and 8th semester, does very hearts work, writes excellent exams. But then, finally the teacher may have this spillover effect, that he has got and also perceptual set, that you know what, he is not a good student, so it cannot be, that he has written it so well, so that will be an error, but it happens. So, some people say, it is better always to sit in the front bench, alright, because it may get a wrong impression if you sit at the back bench, you know, [FL]. What is the meaning of back bencher? Connotation is, not very serious in studies; so, similar thing happens in companies.

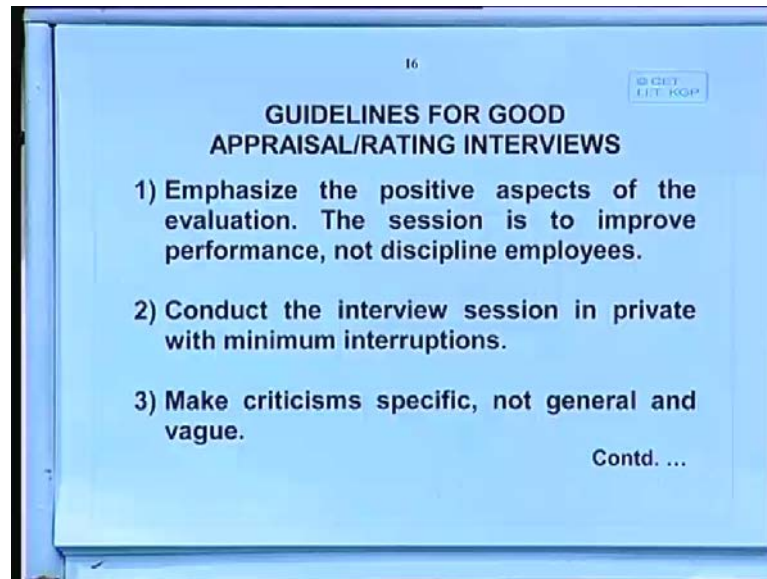
Status effect, over rating people in higher level jobs or jobs held in high esteem; higher level jobs or jobs held in high esteem. So, someone who is gone to a level, which is high, deputy general manager or something, when his boss is rating, then he feels, that after all he is one of the senior management team here, no, deputy general manager and therefore, how come he has become deputy general manager, he must be good no? After all, many bosses before him, before me, have promoted him to deputy general manager, right; he is a highest status person, so I cannot give him a D rating or a C rating. So, at least A rating has to be given. It is because of the status or because of the jobs held in high esteem.

Say, in a company you have job in R and D department, where R and D department, very brilliant people are put there, gold medalist and so on, and these people get higher increments because it is a technology driven company, you know. This is an important department, in that department the bosses feel hesitation, you know, to give low scores because there are possibility someone in R and D also has not performed well. But because the department is held to be a hi-fi department, they hesitate to give a lower

rating because the image is, all brilliant people are there, so they must be all performing very well. So, there is hesitation on the part. Any questions?

So, these are the various errors, which happen because of the rater, the boss himself. He is guilty of this.

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So, these are some guidelines for good appraisal or rating interviews. Number one; emphasize the positive aspects of the evaluation, which, what does that mean? When you sit with your employee and you are having the interview, there are good points and bad points of his performance during the year. So, what this says is, do not talk too much on the bad points, make it constructive first, talk of his good points - you have done excellent job so and so, and so, and so. At the end you say, but there are certain areas where I would like to share with you my thoughts, one of them is so and so, that maybe, one of them is I find, that you are a little aloof from your fellow employees and subordinates. Now, you have to be more social and sociable because your interpersonal skills they have to be developed because as you go higher and higher, this will become very important. I find you bit of a loner that is one area I would suggest to you, that you improve.

At the end of the interview and the reason is obvious, if you start by giving him negative feedback in the beginning of the interview, the interview, as likely as not, will be

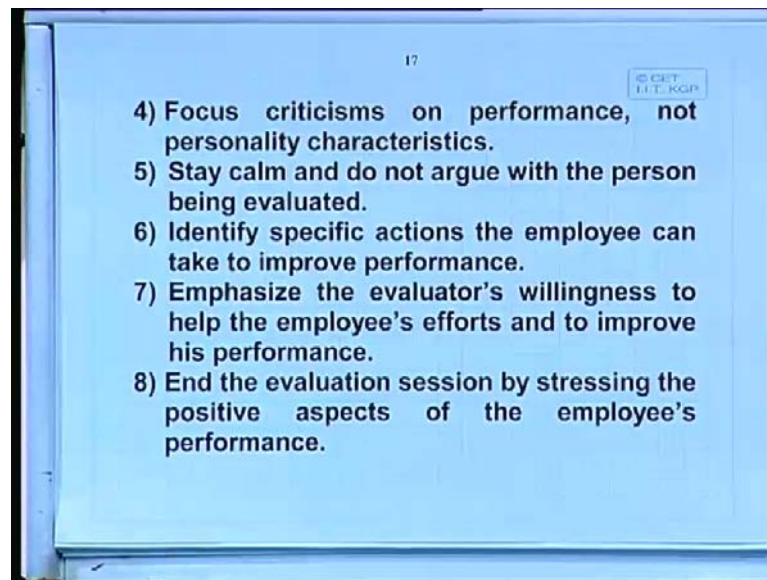
doomed to be a successful interview, it will be unsuccessful; anyone disagrees with it? So, give the good news first, later on give the feedbacks, which are of negative nature.

Conduct the interview session in private with minimum interruptions. The idea here is that it is important in the life of the employee, because he is working there, his career is at stake. Every year the rating he gets affects his career in the end. So, is something of very much importance to you, therefore you should treat that with respect, is not, as if you call him and there is one other fellow sitting in the cabin and telephone calls are coming and you are talking on telephone, someone comes for a signature, you sign it. This is like showing disrespect. The employee has a right to be interviewed in privacy, make criticism specific and not general and vague.

Sometimes some bosses will say, look, generally I do not find you interested in the job, I do not find you interested, what does that mean? It is a general statement and you hesitate to ask him, why sir, why, why do you? What you should say is I have observed certain episodes, you know, in the last 6 months, which leads me to believe, that you have a little lack of interest in this job, you are not enjoying the job. So, if you put it that way, alright, then his interest is aroused, then you say, you remember on so and so occasions this happen and I would have expected you to have immediately shown interest, but you did not. Then, 2nd occasion, 3rd occasion, 4th occasion, you give specific examples.

And again, I come back to the point, if you really want to conduct a very good feedback interview, you as a boss, you will have to keep notes of that no, that is the homework I talked about. Unless you have kept notes of all your employees, say yes, six employee directly reporting to you, you pulled out their forms, you have the copies of that, seen what are their objectives and targets. Unless you have done that, how can you conduct a good interview? Tell me, you do not have the data. So, not general and vague; general and vague only causes harm, it causes dissatisfaction with your subordinate and it does not enhance his respect for you. But if you talk with facts and figures, you earn some respect and he listens to you and he actually tries to improve.

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Focus criticisms, excuse me, on performance, not on personality characteristics. This is very important. Too often, you know, bosses fall in to the error of saying you do not have this or you do not do this, you know. What you should say is, this is what the performance target was, you do not seem to have done this. So, on the work and not the person, work, stay calm and do not argue with the person being evaluated. This is also important. When you interview your subordinate, after all you feel you are the boss, so you talk and he listens, but say, he also starts talking and asking you questions and he ask you for explanation, you tend to get irritated and you tend to lose your cool.

Now, if you lose your cool you lose all as a boss; that is the termination of the interview, so to say. No feedback, nothing constructive is gained from the interview. It is better, that interview would have not been bilateral and you would have just given ACR because it visciates the whole atmosphere. So, you stay calm; identify specific actions the employees can take to improve performance.

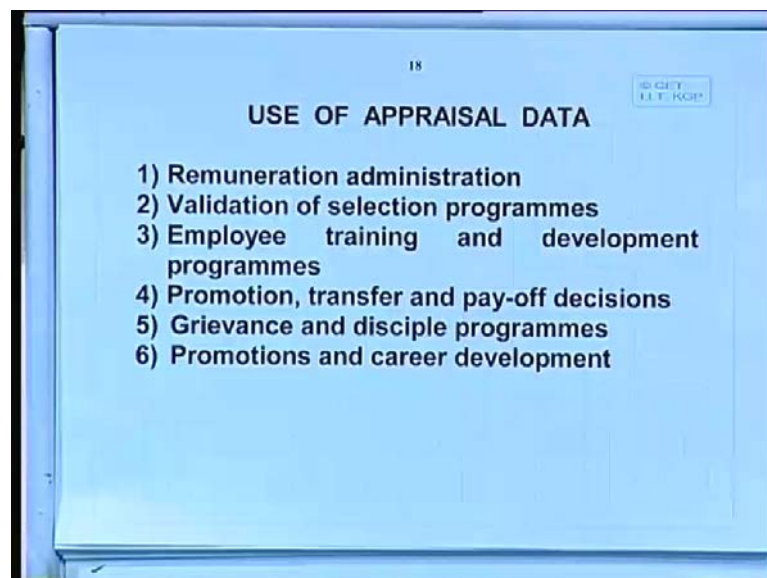
So, it is up to you as a boss to tell the employee, that here we feel you have failed in performance and this is what I suggest, if you do this, I think, you will improve. Tell him specifically what you think you should do. End the evaluation session by stressing the positive aspects of the employee's performance. You start by emphasizing positive aspects, right; you end also by emphasizing the positive aspects.

So, in short, the whole philosophy of this feedback interview appraisal is that you give him an honest assessment of how he has done in the present job, alright; where he has done good work, but where he has scope to improve. The emphasis is not on where he has done a good work, no, where he has done good work and where he has scope to improve further, and how he can improve specifically, alright.

Therefore, if that is done, then at the end of the interview, both are the gainer. Boss, boss is also the gainer because he feels that he has been able to pass on to his subordinate, what he genuinely felt will improve the subordinate and will improve the performance of the subordinate, and hence, contribute to the performance of the department. Your boss feels, that subordinate also feels, that it has been a good experience, I think he has been fair. The boss, he has said, that here you have done well, he has emphasized all that and he has also said, where I can improve and if I think very honestly, yes I can improve in these areas and let me try to improve. So, the net outcome of the interview becomes positive with respect to the performance improvement in the next year and the development of the individual in the next year.

So, this is what the philosophy is for this bilateral interview. Bilateral interview philosophy rests on harmonious relationship between boss and subordinate, will be strengthened, provided the subordinate knows what is the expectation from him and the boss is able to convey that expectation face to face as one human being to the other.

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Then, the use of this data, which is generated from the appraisal, of course, remuneration and administration of the remuneration, which means promotions, alright, then increments, lump sum payments for good work done specifically, alright. Tell me, how many of you know what is the difference between promotion in the eyes of management and a special increment and a lump sum payment? When we give what to an employee? You, as an employee of the three, which do you, think is the most desirable?

Say, I give you 10000 rupees for good work done, that is lump sum payment and a normal increment in your scale or I give you one additional increment in your scale, or I promote you and fit you in the next higher scale. Which do you think is the most desirable for you? Yes...

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Promote and fit, why, why do you say that? Yeah, you are right, but why? Yeah, where are the promotion and higher scale means, is multiplied several times during the tenure of your service. Similarly, increment, increment will be number two, right, on the desirability scale and lump sum will be appreciation, but number three on the scale.

So, these are some of the administrative remuneration, which is at the hands of the boss and the HR department, and an input for that is from the performance represent rating form.

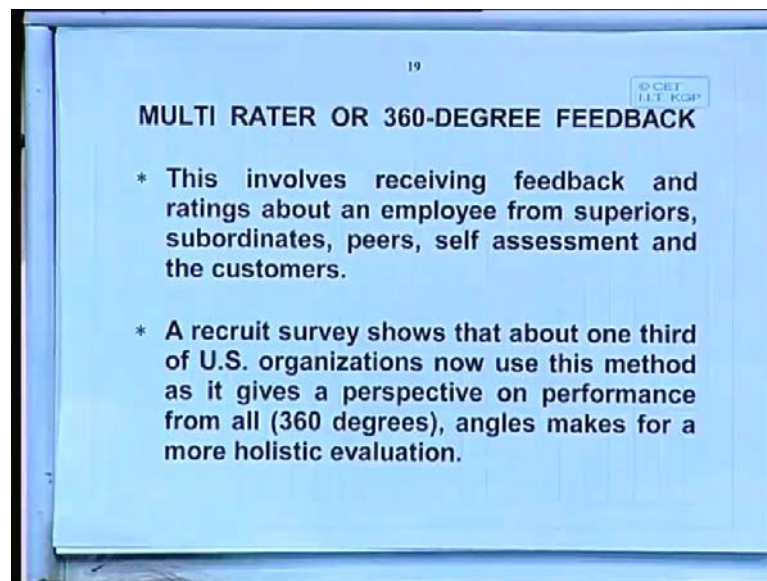
Validation of selection program, what does that mean? Validation of selection program, remember recruitment and selection. We did selection, means, you appointed someone, you hired him after selecting and after hiring you observe him for 3 years, 4 years, 5 years. And if he is getting, alright, excellent, excellent, excellent in rating, and when you hired him you look at the form, where he was, appoint, recommendation and the remarks was excellent candidate, good potential, will fit in well in our company, then you find it validated, the selection was good.

But if it is in other way round, that means something was wrong with your selection process, interview. So, then you may investigate and find how to prevent it in the future. Change either policy or people, may be the selection board, they are not the right people or maybe it was just statistical, in the sense, you cannot make a right choice every time, that you select. Can you make 100 percent right choice, improbable?

Employee training and development program, why? Because from the feedback form, as we said, there are two things, which are given there, one is overall rating of the performance for the past year, second is the training needs. So, when you look at each form of the employee from the 2nd column or 2nd section, which is there, you can pick up the training needs because every company now has a policy of training people, continuous improvement and development of people. So, what training to give specifically, can be picked up from this. Then, promotions, transfer, pay off decisions, alright.

Grievance and discipline, not discipline, discipline programmes, promotion and careers, promotion and career development. What is career development? Career development, charting out a path into the future about his likely growth, which department he will grow in? How far he can grow, alright? What kind of jobs he should be rotated in to gain the experience for taking over higher responsibilities and so on? Any questions on this?

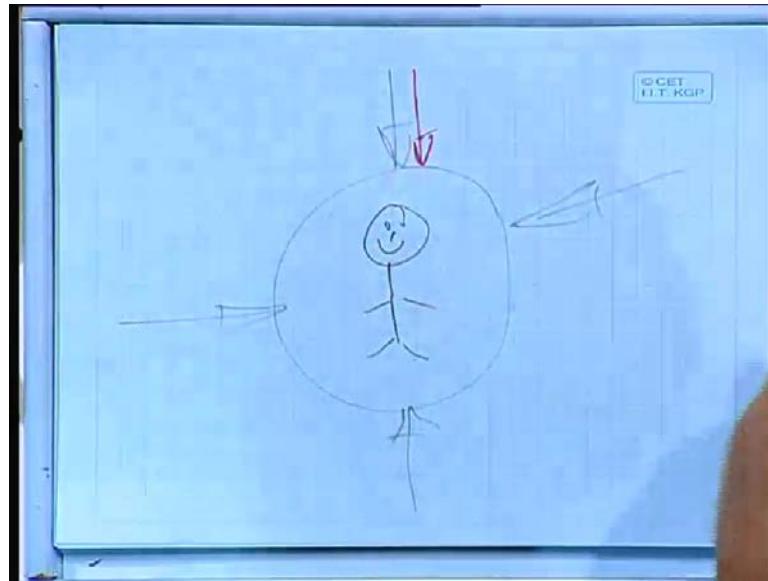
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Multi rater or 360-degrees feedback, what does this mean?

This involves receiving feedback and rating about an employee not only from his boss, that is what it means, but from superiors, subordinates, peers, self assessment and even customers.

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That means, if you have an employee, if you have, this is the employee, he is subject to rating by everyone from all sides, all sides, instead of traditionally only from his boss. So, this is 360 degrees. And why do you think you have it? Why are you subjecting him through all these ratings?

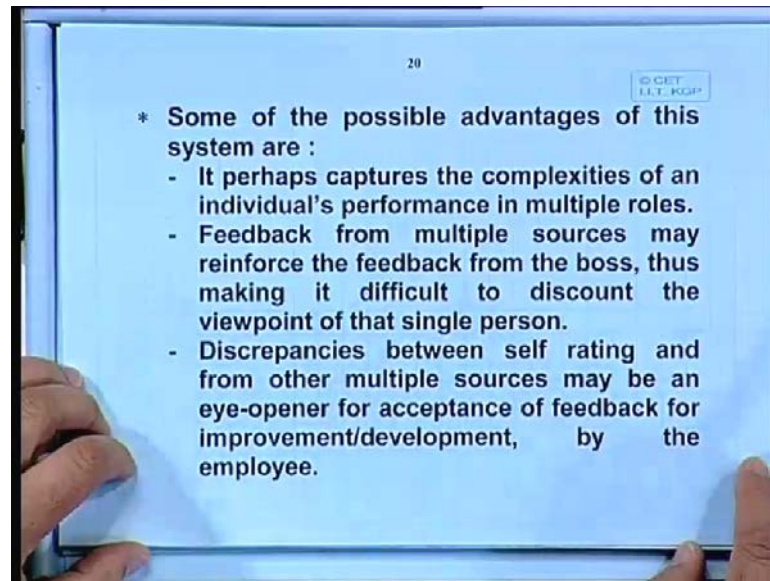
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Right, from all, that is very correct. He is dealing with various stake holders and the company's image, the company's performance overall in the eyes of all the stake holders, that is also important for some companies.

Why, even here in IIT, for professors, you know, for faculty, we have 180 degrees. That means, you are assessed by people who are students because students are a stake holder here; that is the reason.

So, a recruit survey shows, that about one-third of US organizations now use this method as it gives the perspective on performance from all 360 degrees angle and makes for a more holistic evaluation from all angles.

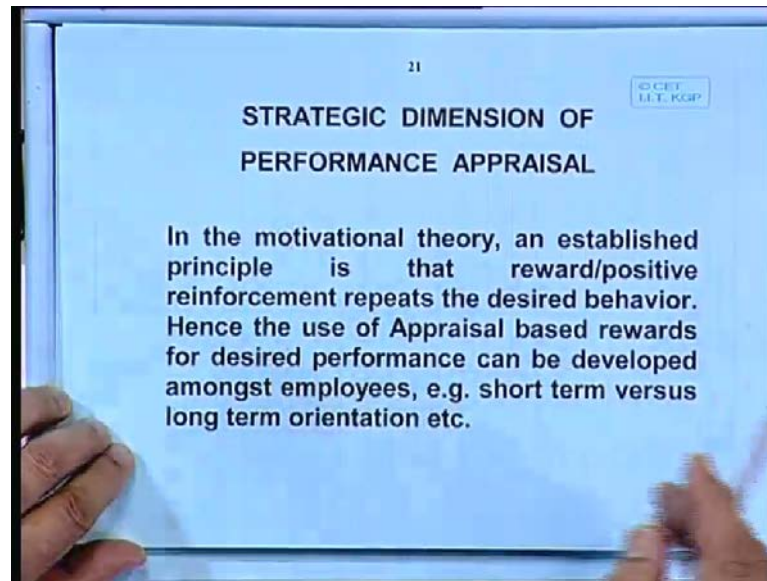
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And some of the possible advantages, of course is, it captures the complexities on individual's performance in multiple roles. Feedback from multiple sources may reinforce the feedback from the boss, thus making it difficult to discount the viewpoint of that single person it may reinforce.

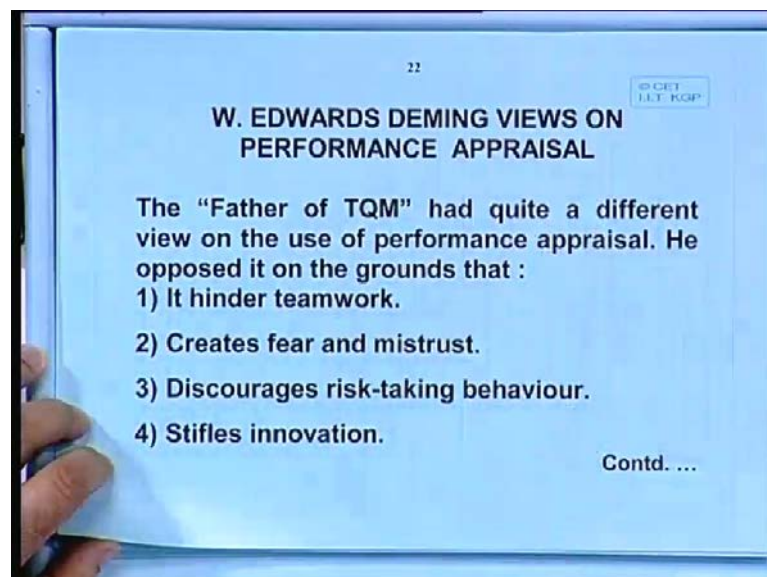
Discrepancies between self rating and other multiple sources may be an eye-opener for acceptance of feedback by the improvement, stroke development by the employee. He self assesses, get multiple feedbacks, which do not confirm to what he does. It gives him an eye-opener, know maybe, I thought I was so good, I am not so good or the other way round.

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Then, the strategic dimension, how it affects the company in the motivational theory. An established principle is the reward or positive reinforcement, repeats the desired behavior. In the topic of learning we covered the subject, hence the use of appraisal based rewards for desired performance can be developed amongst the employees; example, short term versus long term orientation.

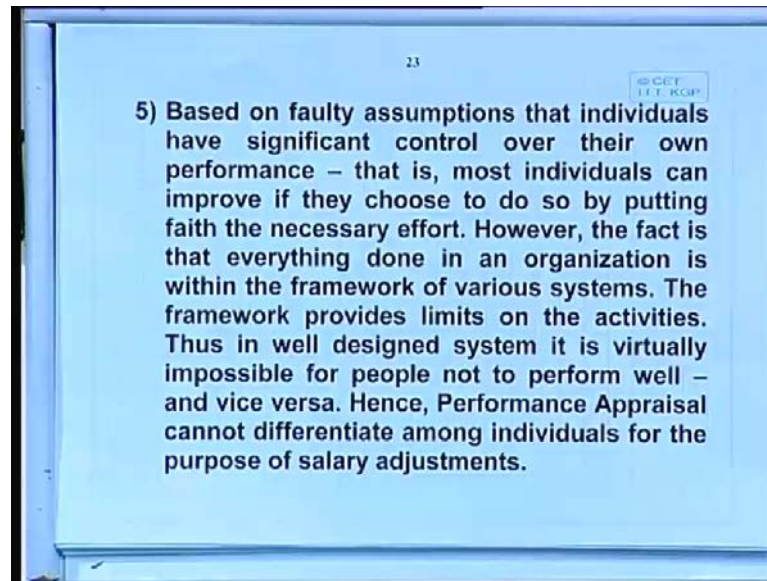
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Now, here is a guru of quality, W. Edwards Deming's view on performance appraisal. Now, it is a contrary view, just look at this view. The father of TQM, total quality

management, had quite a different view on the use of performance appraisal, he opposed it. We started by saying we do not know, which is the best of the three systems; I said, one, two and three. Look, what doctor Deming said because he said, it hinders teamwork, each compete with the other. It hinders, creates fear and mistrust, discourages risk-taking behavior and stifles innovations; that was his view.

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And that it is based, this whole system performance, he said, is based on faulty assumptions, that individuals have significant control over their own performance. See, this is very eye-opening. He is saying, that we are assuming, that individual has control over his performance, that is, most individuals can improve if they choose to do so by putting faith, putting fair and necessary effort.

However, the fact is that everything done in an organization is within the framework of various systems, which ties up the, down employees. The framework provides limits on the activities. Thus, in well-designed system, it is virtually impossible for people not to perform well because the system is such, they have to perform and vice-versa. Hence, performance appraisal cannot differentiate among the individuals for purpose of salary adjustments.

TQM is all about team work, he was the father acknowledge of TQM, he had different views; each of us will have some views or the other. But I think, everyone will agree, that every company has to have some form of differentiation, if for nothing else, at least

to reward people for the work, which is done and by and large also, I think, we generally agree, that the reward should be based as much as possible on objective rating and not subjective, why? Because objective ratings are more likely to be fair than purely subjectivity.

So, we will end this topic and next time we will go to training and development.

Thank you very much.

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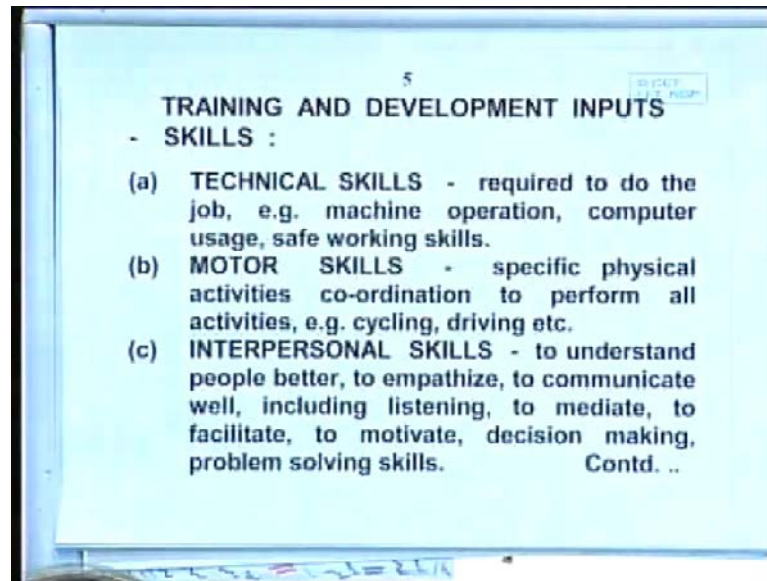


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Good morning. So, we recall, at the last lecture we talked of performance evaluation and appraisal and we said, that one of the purposes for performance evaluation appraisal is to have training and development programme, to identify what are the weaknesses and therefore, training and development. So, it is interconnected with that. Sad part is, many organizations, they will have the performance evaluation on appraisal, but they will not have the training, alright. It is illogical, but it is so in many organizations, but in excellent organizations, they go hand in hand.

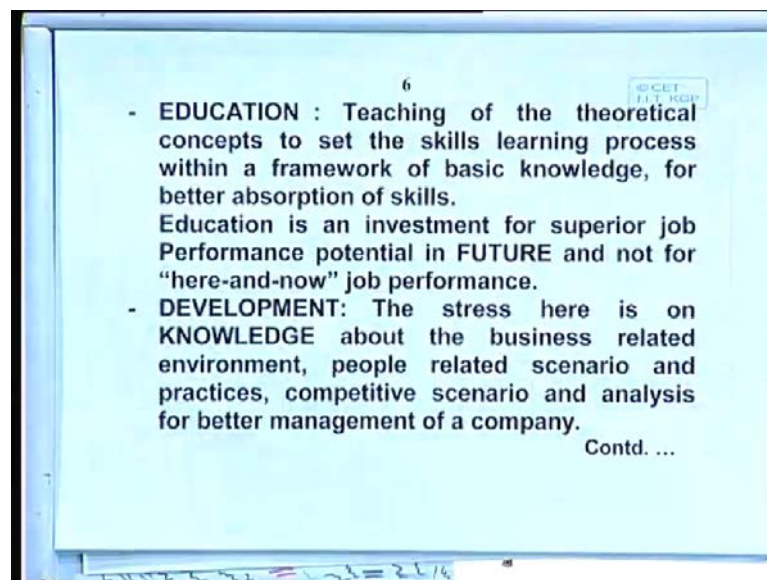
Now, the purpose of training and development is, the very word training means, to teach people some knowledge, some skills and also to help them change some of their attitudes. In their attitudes you tell them shake hands and all; do not fight, so this is the kind of skills you require in mediation.

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To facilitate, to motivate, to help in decision making and problem solving skills, so it is a whole basket of skills, which come under inter-personal skills, which are required by every manager to perform his job successfully and to do it well.

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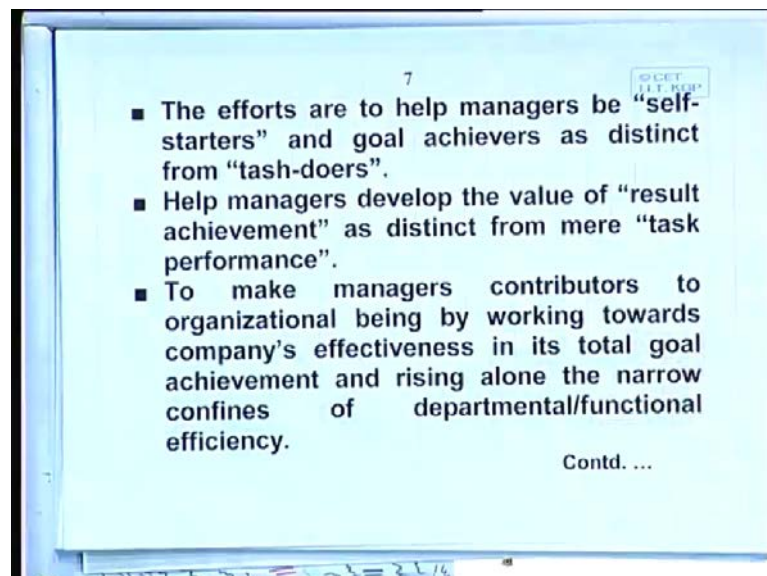
Education - teaching of the theoretical concepts to set the skills learning process within a framework of basic knowledge, for better absorption of the skills. Education is an investment for superior job performance potential in future and not here-and-now job performance. You will find many companies, they encourage particularly the younger

people to go on a kind of sabbatical, they grant them leave, they call it study leave. So, they get, they say, we will give you pay whilst you are doing this 1 year study leave, say you are going for M-Tech, 1 year programme or 2 year programme and when you come back, we will absorb you, you can have your full pay and pursue it.

Why are they doing it? They are investing in you, in your education in the hope, that when you go and acquire this knowledge, when you come back, you do a better job. And of course, many company then say, you have to sign a bond because we are giving you this pay and perks and when you come back you have your job with us, therefore you must at least remain with us for 2 years or 3 years, so that we can get some of the benefit of the money we are investing in you.

Development is, the stress here is on knowledge about the business related environment, people related scenario and practices, competitive scenario and analysis for better management of the company. So, here you see, there is more specificity about the company, that you are working on, whereas education is of generalized framework, go and do M-Tech, you have a B-Tech, go and do M-Tech, that general education at higher level will help us in the company.

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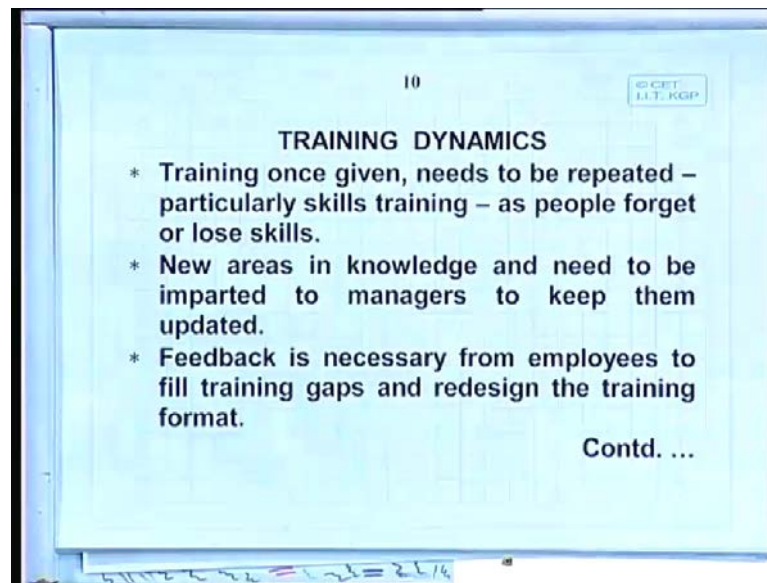


Here, you see, the efforts are to help managers to be self-starters and goal achievers as distinct from task-doers; read this as task, task. So, task-doers means, they do not wait till the boss, gives them a task. A fire safety, if you are in a factory, you will have fire safety

drills, which are repeated periodically because what happens, people forget, new people join, so and it is so important, that we require to repeat it. So, there is a frequency.

Particularly skills training, as people forget or lose skills; fire extinguisher, you lose the skill how to operate it. When there is fire, there is emergency, people are running around and you get to a fire extinguisher, you are in a panic and you do not know how to operate it, that is why. And it happens all the time, so you have to keep on repeat training.

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New areas of knowledge and need to be imparted to managers to keep them updated. Remember, when we enter, so to say, the PC era, that is, say, about 25 years ago, before that officers did not have PCs, it used to have mainframe computer, computer department. So, when PCs came, there was massive training, which had to be given to all employees to learn the use of PCs and the training had to be calibrated and designed, because if it was the lower level person in an office, like clerical or stenographers, typist category, they had to be taught how to operate specific programme.