

## A Comparative Study of Performance Appraisal Systems of Two Private Commercial Banks

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**Abstract:** Organizations need to evaluate their employees in a timely manner to determine the lack of rightwardness in the employees' effort. By doing so an organization can reward its employees by giving promotion and other pecuniary and non-pecuniary benefits. On the contrary, it can punish its employees depending on some strict performance measuring criteria. This study tries to compare the performance appraisal system of a local bank with that of a multinational bank. Both banks are using quantitative and qualitative performance appraisal criteria. Although objective factors do matter, judgmental approach is widely used by both banks in their performance evaluation system. Immediate boss plays a significant role in deciding the fate of the appraisee. It has been seen that though there exists a good performance appraisal system in both cases, good amount of training and counseling still necessary for both the appraiser and the appraisee.

### 1. Introduction

At every organization (eg, business, education system, hospital) there exists a set of interrelated consequences that affect the control of human behavior. Some of these consequences are embodied in formal policies, programs, or procedures, but many are an unwritten part of the culture. The interrelated set of consequences can be called an organization's Human Resource Architecture (HRA). Human Resource Architecture is one of three architectures that form the infrastructure of organizations. The others are metric and information. Metric architecture consists of policies and practices that establish how things are measured (eg, accounting systems, quality indexes). The information architecture is policies and practices that establish how things are known (eg, reports, information systems, meetings). Experts describe re-engineering as an effort to use technology to redirect information in organizations, thus aligning new operational schemes with new information architecture. HRA includes things such as selection standards, a supervisor's response to problems, promotional rules, pay change policies, and continued employment. Usually, but not always, these practices are defined in an

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organization's human resource policies. Performance appraisal is one of the main streams of Human Resource Architecture, which includes a process evaluation of employee activities and behavior.

Performance appraisal is a process of assessing, summarizing and developing the work performance of staff in an organization. Good performance appraisals benefit both employees and the organization. They promote common understanding of individual needs, work objectives and standards of acceptable performance. They also give employees and managers a useful tool to aid in employee development. One human resource objective for using performance appraisal systems is to determine who should be promoted, demoted, transferred, or terminated. However, these are not only human resource functions that are related to performance appraisals. For example, an organization may use the results from a performance appraisal system to determine who needs formal training and development opportunities. Further, such opportunities may have no use as reward for individuals whose appraisals were positive.

Performance appraisal also can be used to motivate and improve performance. By showing an individual strength lie and pirating out areas that still need improvement, an evaluator can help focus an employee's attention on a course that will produce the most positive benefits additionally reinforcing behaviors that have produced strong positive results should motivate the individual to continue to performing this manner.

A well-designed performance appraisal system also can encourage individuals to work together as a team. If this is an organization's goal, it must face several challenges in designing and implementing such a system. Obviously, using the supervisor in the evaluation process, self-managed group members can evaluate each other. Because self-managed teams require a unique approach to performance appraisal, the process may need to be redesigned.

## **2. Literature Review**

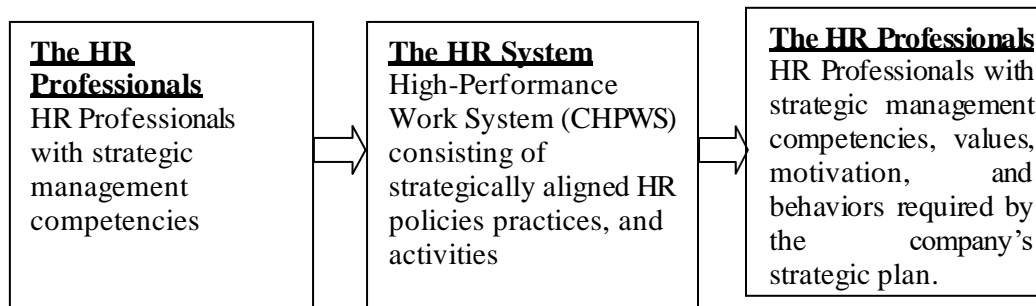
Human Resource process includes things such as selection criteria, problem solving attitude of the supervisors, adjustable payment system, and continuation of employment. HR process as consisting of three basic components:

*The HR Professional* There are the HR professionals who have the strategic and other skills required to build a strategy-oriented HR system.

*HR policies and activities* (such as how the company recruits, select, and trains and reward employees) that comprise the HR system itself.

*Employee behaviors and competencies* that the company's strategy requires, and that hopefully emerge from the actions and policies of the company's strategy-supporting HR system. These three components are called HR architecture shown in the following Figure :

**Figure 1: Components of HRA**



Ideally the HR professionals should design the HR system in such a way that it helps to produce the employee competencies and behaviors the company needs to achieve its strategic goals.

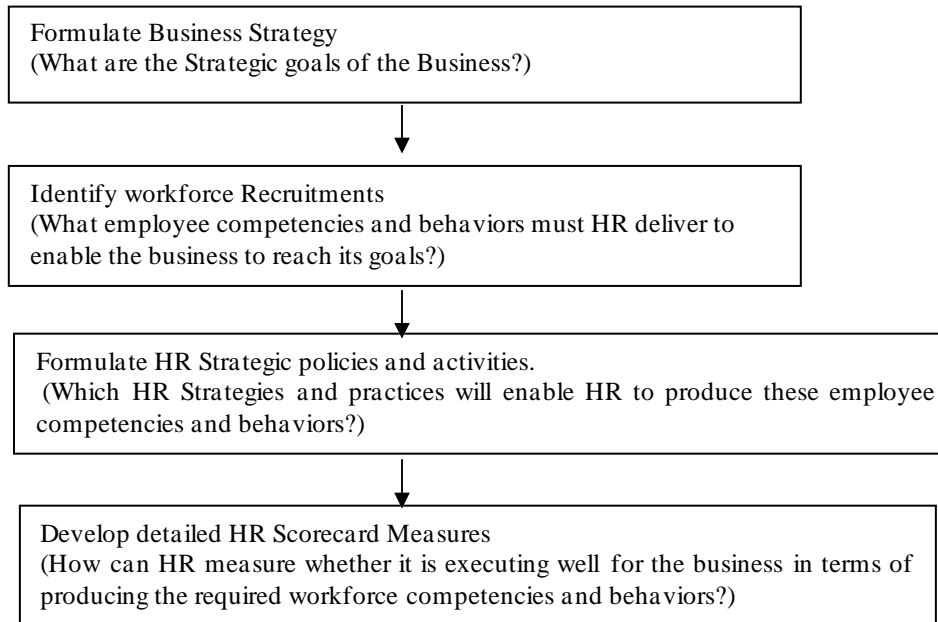
To create a strategy-oriented HR system, we require new skills on the part of HR professionals.

They must have the competencies required to create HR system that produce strategically relevant employee behavior.

They need to understand the strategy formulation process.

They must be adept at identifying the workforce implications and requirements and requirements of the new strategy and at crafting HR policies and practices that produce those workforce requirements.

They must have a sufficiently wide breadth of business knowledge to be able to understand how the company creates value, and to see how the firm's HR system can contribute to that value creation process. The HR professional has to understand how businesses operate. Just knowing the nitty-gritty of recruiting, selecting, and training is no longer sufficient. The HR manager needs a way to translate the company's new strategy into specific, actionable HR policies and practices; the basic process is shown below:



Management formulates a strategic plan. That strategic plan implies certain HR requirements, in terms of the employee skills, attributes, and behaviors that HR must deliver to enable the business to achieve its strategic goals. Given these HR requirements, HR management formulates HR strategic, policies and practices aimed at achieving the desired workforce skills, attributes, behaviors. These may take the form of new selection, training, and compensation policies and practices, for instance. Ideally, HR management identifies “Scorecard” metrics it can use to measure the extent to which its new HR initiatives are supporting management’s strategic goals.

*The HR Scorecard Approach:*

Management judges the HR function based on whether it creates value for the company. Value creation means contributing in a measurable way to achieving the company’s strategic goals.

HR creates value by engaging in activities that produce the employee behaviors the company needs to achieve these strategic goals.

Manager often uses HR Scorecard to measure the HR function’s effectiveness and efficiency in producing these employee behaviors and thus in achieving the company’s strategic goals.

“The HR Scorecard is a concise measurement system. It shows the quantitative standards or “metrics”. The company uses to measure HR activities and to measure the employee behaviors resulting from these activities, and to measure the strategically relevant organizational outcomes of those employee behaviors. In doing so, it highlights, in a concise but comprehensive way, the causal link between the HR activities, and the emergent employee behaviors, and the resulting firm wide strategic outcomes and performance.

*Information for creating an HR scorecard:*

To create an HR Scorecard, the manager needs three types of information.

First, Manager must know what the company’s strategy is, because the strategy will determine what the important employee behaviors and strategically important organizational outcomes are, and how the firm will measure organizational performance.

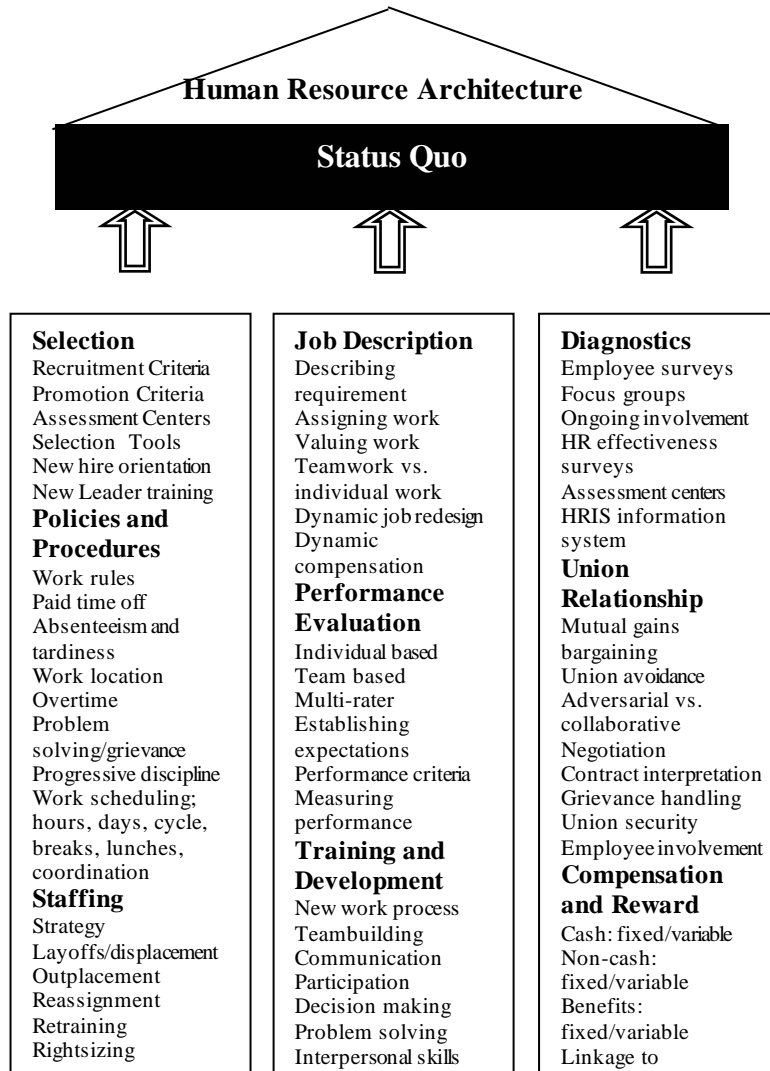
Second, the manager must understand the causal links between the HR activities, the employee behaviors, the organizational outcomes, and the organization’s performance.

Third, manager must have metrics he can use to measure all the activities and results involved, specifically the HR activities, the emergent employee behaviors, the strategically relevant organizational outcomes and the organizational performance (G Dessler, 2006, pp. 84-87).

Typically the larger the organization the more likely the components of HRA are written down and institutionalized. What is written down, however, often does not reflect the real set of consequences that follow behavior. Too often, regardless of what the personnel manual states, organizationally destructive behavior is reinforced while organizationally appropriate behavior is punished. For example, people are told to innovate, but when they do things differently, they are reprimanded. How people behave in organizations is in large part a function of the culture or totality of socially transmitted behavior patterns (eg, arts, beliefs, institutions). The facet of organization-specific culture that explains why people behave as they do is HRA. In any culture certain behaviors are reinforced while others are punished or suppressed eventually becoming extinct. For example, in some organizations mistakes are accepted and viewed as the basis for personal growth. These organizations are referred to as learning organizations. In other organizations, mistakes are not tolerated and result in sanctions or even termination of the employment relationship. In learning organizations, there is considerable risk taking and innovation. In organizations where mistakes are punished, there is a tendency to avoid risk and follow standard procedures. Regardless of popular management theory, neither of the above situations is intrinsically right or wrong. An organization's HRA must align with its mission. Human Resource Architecture is the total gamut of all inter related human

behavior that determines the human resources policies and practices of an organization. The HRA is illustrated in the Figure 1 below (Wydra, 1996).

**Figure 2: Human Resource Architecture**

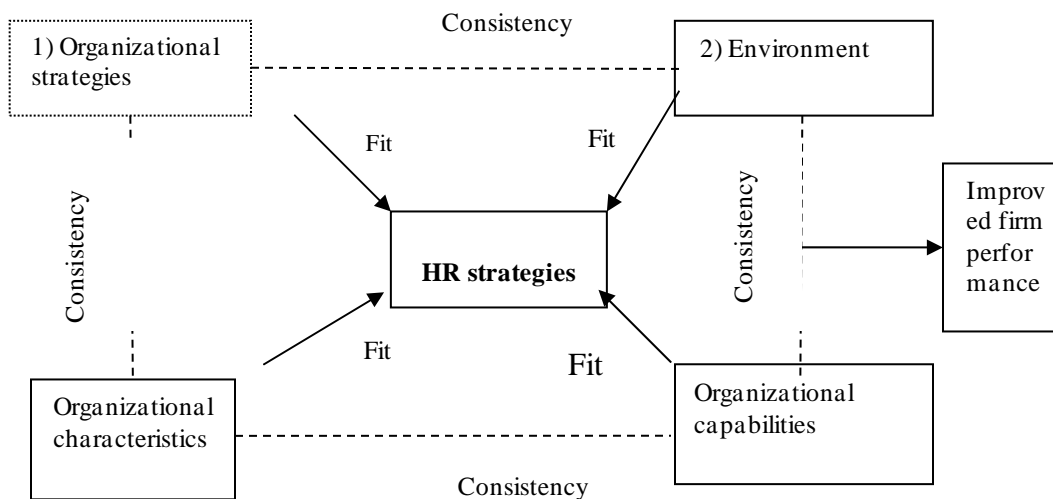


Where performance refers to the degree of accomplishment of the tasks that make up an employee’s job. It reflects how well an employee is fulfilling the requirements of a job. Often confused with effort, which refers to energy expended, performance is measured in

terms of results. For example, a student may exert a great deal of effort in preparing for an examination and still make a poor grade. In such a case effort expended was high, yet the performance was low. Performance appraisal means evaluating an employee's current or past performance relative to the person's performance standards. Appraisal involves setting work standards, assessing the employee's actual performance relative to these standards and providing feedback to the employee with aim and motivating that person to eliminate deficiencies or to continue to perform above par.

A corporation may have multiple businesses that are very similar to or completely different from one another. Human resource strategy has been formulated when four factors of strategy fit together. A graphical interface of human resource strategy is shown in Figure 2 (Gomez-Mejia L. R., Balkin D. B., and Cardy R. L. (2004) *Managing Human Resources*, 4<sup>th</sup> Edition. Pearson Education, Inc.India. p.69)

**Figure 3: Fit with organizational strategies**



*1) Fit with organizational strategies:*

Depending on the firm's size and complexity, organizational strategies may be examined at two levels: corporate and business. Corporate strategy refers to the mix of businesses a corporation decides to hold and the flow of resources among those businesses. The main strategic business decisions at the corporate level concern acquisition, divestment, diversification, and growth. Business unit strategy refer to the formulation and implementation of strategies by firms that are relatively autonomous, even if they are part of a larger corporation.

Evolutionary business strategy that fosters flexibility, quick response, entrepreneurship, risks sharing and decentralization. Because the evolutionary corporation is not committed to a particular business or industry, it may hire workers from the external market as needed and lay them off to reduce costs if necessary, with no promise of rehiring them.

A steady- state strategy has an inward focus. Top managers exercise a great deal of direct control over the company and prefer to promote employee dependence on supervisors rather than independent action or entrepreneurship. Internal development of new products and technologies and inter unit coordination are very important to these firms.

a) Porter's business unit strategies:

Business Strategy	Common organizational characteristics	HR strategies
Overall cost leadership	<ul style="list-style-type: none"> <li>• Sustained capital investment and access to capital.</li> <li>• Intense supervision of labor.</li> <li>• Tight cost control requiring frequent, detailed control reports.</li> <li>• Low-cost distribution system.</li> <li>• Structured organization and responsibilities.</li> <li>• Products designed for ease in manufacture.</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient production.</li> <li>• Explicit job descriptions</li> <li>• Detailed work planning</li> <li>• Emphasis on technical qualifications and skills</li> <li>• Emphasis on job-Specific training</li> <li>• Emphasis on job-based pay</li> <li>• Use of performance appraisal as a control device</li> </ul>
Differentiation	<ul style="list-style-type: none"> <li>• Strong marketing abilities</li> <li>• Product engineering</li> <li>• Strong capability in basic research</li> <li>• Corporate reputation for quality or technological leadership</li> <li>• Amenities to attract highly skilled labor, scientists, or creative people</li> </ul>	<ul style="list-style-type: none"> <li>• Emphasis on innovation and flexibility</li> <li>• Broad job classes</li> <li>• Loose work planning</li> <li>• External recruitment</li> <li>• Team-based training</li> <li>• Emphasis on individual-based pay</li> <li>• Use of performance appraisal as developmental tool</li> </ul>
Focus	Combination of cost-leadership and differentiation strategy directed at a particular strategic target	Combination of HR strategies above



## b) Miles and Snow's Business Strategies:

Strategic HR Area	Defender Strategy	Prospector Strategy
Works flows	<ul style="list-style-type: none"> <li>• Efficient production</li> <li>• Control emphasis</li> <li>• Explicit job descriptions</li> <li>• Detailed work planning</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation</li> <li>• Flexibility</li> <li>• Broad job classes</li> <li>• Loose work planning</li> </ul>
Staffing	<ul style="list-style-type: none"> <li>• Internal recruitment</li> <li>• HR department makes selection decision</li> <li>• Emphasis on technical qualifications and skills</li> <li>• Formal hiring and socialization process</li> </ul>	<ul style="list-style-type: none"> <li>• External recruitment</li> <li>• Supervisor makes selection decision</li> <li>• Emphasis on fit applicant with culture</li> <li>• Informal hiring and socialization process of new employees</li> </ul>
Employee separations	<ul style="list-style-type: none"> <li>• Voluntary inducements to leave</li> <li>• Hiring freeze</li> <li>• Continuing concern for terminated employee</li> <li>• Preferential rehiring policy</li> </ul>	<ul style="list-style-type: none"> <li>• Layoffs</li> <li>• Recruit as needed</li> <li>• Individual on his or her own</li> <li>• No preferential treatment for laid-off workers</li> </ul>
Performance appraisal	<ul style="list-style-type: none"> <li>• Uniform appraisal procedures</li> <li>• Used as control device</li> <li>• Narrow focus</li> <li>• High dependence on superior</li> </ul>	<ul style="list-style-type: none"> <li>• Customized appraisal</li> <li>• Used as developmental tools</li> <li>• Multipurpose appraisal</li> <li>• Multiple inputs for appraisal</li> </ul>
Training	<ul style="list-style-type: none"> <li>• Individual training</li> <li>• On-the-job training</li> <li>• Job-specific training</li> <li>• "Make" skills</li> </ul>	<ul style="list-style-type: none"> <li>• Team-based or cross-functional training</li> <li>• External training</li> <li>• Generic training emphasizing flexibility</li> <li>• "Buy" skills</li> </ul>
Compensation	<ul style="list-style-type: none"> <li>• Fixed pay</li> <li>• Job-based pay</li> <li>• Seniority-based pay</li> <li>• Centralized pay decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Variable pay</li> <li>• Individual-based pay</li> <li>• Performance-based pay</li> <li>• Decentralized pay decisions</li> </ul>

2) *Fit with the Environment:*

Human Resource strategies should help the organization better exploit environmental opportunities or cope with the unique environmental forces that affect it.

Environmental Dimension	Low	High
Degree of uncertainty	<ul style="list-style-type: none"> <li>• Detailed work planning</li> <li>• Job-specific training</li> <li>• Fixed pay</li> <li>• High dependence on superior</li> </ul>	<ul style="list-style-type: none"> <li>• Loose work planning</li> <li>• Generic training</li> <li>• variable pay</li> <li>• Multiple inputs for appraisal</li> </ul>
Volatility	<ul style="list-style-type: none"> <li>• Control emphasis</li> <li>• Efficient production</li> <li>• Job-specific training</li> <li>• Fixed pay</li> </ul>	<ul style="list-style-type: none"> <li>• Flexibility</li> <li>• Innovation</li> <li>• Generic training</li> <li>• Variable pay</li> </ul>
Magnitude of change	<ul style="list-style-type: none"> <li>• Explicit job descriptions</li> <li>• Formal hiring and socialization of new employees</li> <li>• “Make” skills</li> <li>• Uniform appraisal procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Broad job classes</li> <li>• Informal hiring and socialization of new employees</li> <li>• “Buy” skills</li> <li>• Customized appraisals</li> </ul>
Complexity	<ul style="list-style-type: none"> <li>• Control emphasis</li> <li>• Internal recruitment</li> <li>• Centralized pay decisions</li> <li>• High dependence on superior</li> </ul>	<ul style="list-style-type: none"> <li>• Flexibility</li> <li>• External recruitment</li> <li>• Decentralized pay decisions</li> <li>• Multiple inputs for appraisal</li> </ul>

3) *Fit with organizational characteristics:*

Every firm has a unique history and its own way of doing business. To be effective, HR strategies must be tailored to the organization’s personality. The features of an organization’s personality can be broken down into five major categories. The production process for converting inputs into output: Firms with a relatively routine production process tend to benefit from HR strategies that emphasis on control such as explicit job descriptions and job-specific training. Firms with non-routine production process tend to benefit from flexible HR strategies that support organizational adaptability, quick response to change, and creative decision making.

The firm's Market posture: Firm's that experience a high rate of sales growth and engage in product innovation tend to benefit from HR strategies that include external recruitment ("Buying" skills), decentralized pay decisions and customized appraisal. Firm's that experience a low rate of sales growth and engage in limited product innovation tend to benefit from HR strategies that include internal recruitment ("Making" skills), on-the-job training, and high dependence on superiors.

The firm's overall organizational philosophy: The HR strategies that fit a managerial philosophy high risk taking, participation, egalitarianism, and external, proactive environmental orientation include variable pay, giving supervisors a major role in hiring decisions, up-and-down communication channels and multiple inputs for performance appraisal.

The firm's organizational structure: Highly formalized organizations that are divided into functional areas that concentrate decision making at the top.

The firm's organizational culture: Two important dimensions of firm's culture: Entrepreneurial climate and moral commitment

Entrepreneurial climate give emphasis on informal hiring, and socializing of new employees and variable pay. Moral commitment gives emphasis on discipline or punishment to reduce employee mistakes, and informal ethical standards.

#### *4) Fit with organizational capabilities:*

A firm's organizational capabilities include its distinctive competencies, those characteristics (such as technical ability, management systems, and reputation) that give the firm a competitive edge.

Performance appraisal systems require a co-ordination effort between HRD and the manager of the organization who are responsible for conducting performance appraisal. Generally, the responsibilities of HRD include designing the formal performance appraisal system and selecting the methods and forms to be used for appraising employees, training managers in conducting performance appraisal, maintaining a reporting system to ensure that appraisals are conducted on a timely basis and an appraisal record for individual employee.

Performance appraisal has been considered a painful and skillful annual event where the manager evaluates the performance of employees. It was rarely linked to the overall mission and program of the organization that were designed to maximize human effort. Performance appraisal system, however, should create a link between organizational and personal goals; shape and change organizational culture towards result-driven climate (Grote, 2000: 2-3). Nowadays performance appraisal is an essential part of organizational life, for it helps to justify besides compensation differentiation, for example, promotions,

demotions, selection validation and terminations (Longenecker 1999: 18-19). Modern organizations that are based mainly on mental work require universal employees whose goals should be skillfully made in accord with the goals of the organization and its subdivisions. Performance appraisal enables to determine whether the employees' performance is in correspondence with established objectives and it is primarily based on the appraisal of employees work results and activity (behavior), also potential (skills, abilities and characteristics). One survey delineated twenty purposes, divided into four major categories, for which formal performance appraisal can be used, according to Cleveland, Murphy, and Williams (1989) performance appraisal system can be used for the following objectives:

General Applications	Specific Uses
Developmental Uses	Identification of individual training needs Performance feedback Determining transfer and job assignments Identification of individual strengths and developmental needs.
Organizational Maintenance/Objectives	Human Resource Planning, Determining organizational training needs, Evaluation of organizational goal achievement, Information for goal identification, Evaluation of human resource system, Reinforcement of organizational development needs.
Documentation	Criteria for validation research, Documentation of human resource decisions, Helping to meet legal requirements.

During the appraisal process primarily work results are valued that create preconditions for their improvement in the future and enable to differentiate the compensation by on one hand diminishing equalization and on the other hand increasing fair compensation. With the determination of work results, several problems occur that are due to the change towards more dynamic and universal tasks and as a result of which it is not always possible to determine the work results and compare them. The emphasis on individual work results also reduces the sense of teamwork and undermines the interests of a group as a whole. (Coughlan, 1999, pp. 355-357; Yager, 2000, pp. 48-51)

The advantages and disadvantages of different appraisal criteria cause their balanced usage. For example, the appraisal systems of several known British companies are based on skills and competence, behavioral traits and outputs from the job. As work is very diverse by its nature and it lacks objective measures in more than 1/3 of cases, it is difficult to establish concrete objects for work and make them congruent with individual interests. Therefore, British companies exploit distinct appraisal criteria simultaneously, increasingly valuing, for example, cooperation (Sisson, 1994: 484-485). A performance

appraisal criterion has to be on one hand relevant, reliable and justly measurable, and on the other hand tightly linked to the objects of the organization and its subdivisions. Such criteria are relatively difficult to find and in consequence the best result is achieved through balanced combination of distinct criteria. Personnel appraisal presupposes the appraisal system, including the development of appraisal criteria and methods that depending on the appraised object might be very distinct. This in turn presupposes discussions between the leaders and employees of the organization and reaching in common agreement about the basis of appraisal. A performance appraisal system assumes its acceptance by the employees and the fine tuning of employees' objectives with those of the organization.

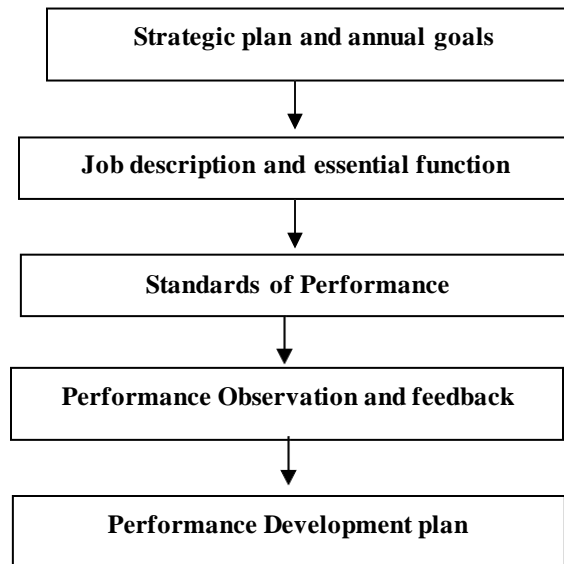
Performance appraisal is one of the most significant prerequisites of effective formation and employment of personnel and enables better motivation, development and compensation of personnel. Appraisal enables one to obtain information about the work peculiarities and work results. Leaders and executors, as well as organization as a whole, need such information. They all require feedback about their performance. Feedback should be extensive, in other words 360°. Such appraisal systems were first applied in academic circles for appraising leaders by sub-ordinates and later already in many world-wide known companies, such as IBM, FORD et al (Maurer, Tarulli, 1996: 238). Employees' performance appraisal and feedback about it enables them to enhance their self-evaluation and sense of security, pursue deserved work and compensation and improve their activity. The results of the performance appraisal are vital compensation criteria and enable its efficiency.

Payment by results is an effective form of labor compensation by which employees are paid according to their performance. Objective performance appraisal should not concentrate on evaluating employee's personal traits, but their job performance towards goals and it should be the basis for determining compensation (Nelson, 2000: 39-40). The system of payment by results is based on the performance and aims to achieve the fixed goals of the organization. It is one of the components of labor compensation, based on extra bonuses for the resulting work. Payment of bonuses presupposes performance of higher capacity and quality from that of demanded or an essential activity for organization, for example, working at unsuitable times (e.g. during a day off). Payment by results presupposes the examination of organizational activity and the creation of detailed information system, also the establishment of clear principles of work motivation and compensation proceeded from goals. In case of payment by results, concrete work criteria are established which requires precise measuring and evaluation of accomplishment. Payment by results presumes objective appraisal of work performance (Cole, 1997: 249). Only the use of fair and measurable criteria enables to determine fair compensation, strengthen the connection between the results and payment and thus increase the motivation of the employees (Baron, 1999, pp. 277-278). The method's

efficiency of application depends on the choice of criteria for performance appraisal and their connection with work, which is usually first of all the amount and quality of the concrete work in different segments of activities and various financially measurable indicators.

### 3. Process of Performance Appraisal

The Performance Management Process provides an opportunity for the employee and performance manager to discuss development goals and jointly create a plan for achieving those goals. The Process is outlined in the diagram below:



The Planning Process must also consider the emerging environment. Opportunities and/or threats could arise in any of the five main areas:

**Economic:** e.g. Changes expected in tax, inflation rates, growth rates, currency rates, trade control.

**Government:** e.g. Election prospects and manifesto EU legislation, environmental legislation, development grants, level of government spending.

**Social:** e.g. Demographic changes, education levels, leisure pursuits, willingness to incur debt, social norms, behavior, trends, attitudes towards such aspects as marriage, working mothers, youth unemployment, early retirement.

**Technology:** e.g. new materials, products and production techniques, improved communications, transport.

Competitors: cheap imports, potential entrants, sources of raw material.

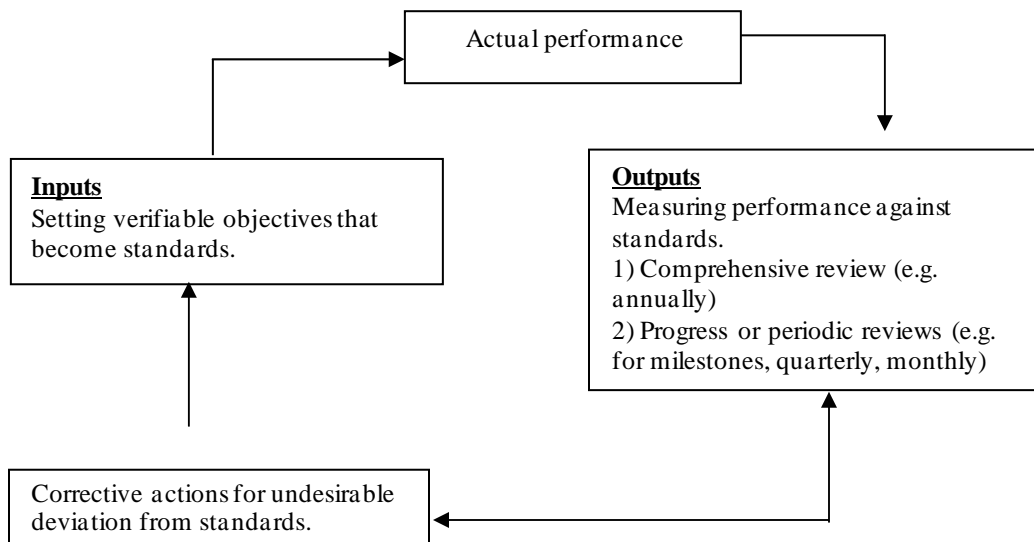
#### 4. Model of Performance Appraisal

The simplified model of performance appraisal shown in Figure 1 indicates three kinds of appraisal:

- (I) A comprehensive review
- (II) Progress or periodic reviews, and
- (III) Continuous monitoring.

There is a general agreement that a formal comprehensive appraisal should be conducted at least once a year, but some people suggest that such discussions should take place more frequently. Some enterprises have done all the reviews within short periods of time each year while other reviews are carried out throughout the year, often at the employment anniversary. Shown in Figure 3 (Koontz H. (1994). *Management –A Global Perspective*, 10<sup>th</sup> Edition. McGraw-Hill, Singapore. P.398.) Obviously, no universally applicable suggestion can be made about the frame for the formal comprehensive review. It depends on the nature of the task, past company practices, and other situation factors, once, twice or even three times may be appropriate for a particular organization or a person who is new in a job.

**Figure4: Performance Appraisal Model**



The important thing is that the formal comprehensive reviews be supplemented by frequent progress or periodic reviews. These reviews can be short and relatively informal, but they help to identify problems or barriers that hinder effective performance. **Finally**, there is continuous monitoring of performance. With this system, when performance deviates from plans, one does not have to wait for the next periodic review to correct it. The superior and the subordinate discuss the situation immediately so that corrective actions can be taken at once in order to prevent a small deviation from developing into a major problem.

### **5. Criteria for a Good Appraisal System**

Performance evaluation process is a process of assessing, summarizing and developing the work performance of an employee. The general criteria for this evaluation should be clearly outlined on the performance evaluation form.

These ratings given should describe the level of performance of the individual compared to a job description and standard of performance. For example:

**O** = Outstanding: exceeded all position goals or duties.

**A** = Above expectations: met all position goals or duties and in many instances exceeded them.

**M** = Met expectations: met practically all position goals or duties and in some instances them.

**B** = Below expectations: failed to meet position goals and objectives for the evaluation period.

**C** = Clearly unsatisfactory: performance of goals or duties is unacceptable.

The performance manager or supervisor will use these criteria to rate the employee's performance.

### **6. Methods of Performance Appraisal**

There are various methods of performance appraisal. Whatever the method of performance appraisal and organization uses, it must be job related. Therefore, to selecting a performance appraisal method, an organization must conduct job analyses and have to develop job descriptions.

Most of the performance measures currently in use can be characterized as either objective or subjective. Objective measures are typically results based measures of physical output, whereas subjective measures can be used to assess traits, behaviors, or results.



A. Objective measures: Objective measures assess performance in terms of numbers, such as the amount of a product an employee produces or sells, the number of defective products produced, the number of times an employee is absent or late to work, or some other direct numerical index of how well or quickly an employee can perform certain tasks. There are five types of objective measures that are as follows:

- a) Production measures
- b) Personnel data
- c) Performance tests
- d) Business unit performance measures.

B. Subjective measures: Some important, well-known and widely used performance appraisal methods under subjective measures are as follows (Landy and Farr, 1976):

1. Management by Objectives (MBO) or Goal setting: A very popular individualized method of evaluating the performance of managers and professionals is management by objectives (MBO). The MBO process involves three steps (Odiorne, 1979):

- i) The employee meets with his or her superior and agrees on a set of goals to achieve during a specified period of time. Goals should be quantifiable and should include an agree-on target.
- ii) Throughout this period, progress toward the goals is monitored, though the employee is left generally free to determine how to go about meeting them.
- iii) At the end of the period, the employee and superior again meet to evaluate whether the goals were achieved and to decide together on a new set of goals.

2. Management by Objectives and Results: Management by objectives (MBO) is the process by which managers and employees jointly define their goals, the responsibility for achieving these goals, and the means of evaluating individual and group performance.

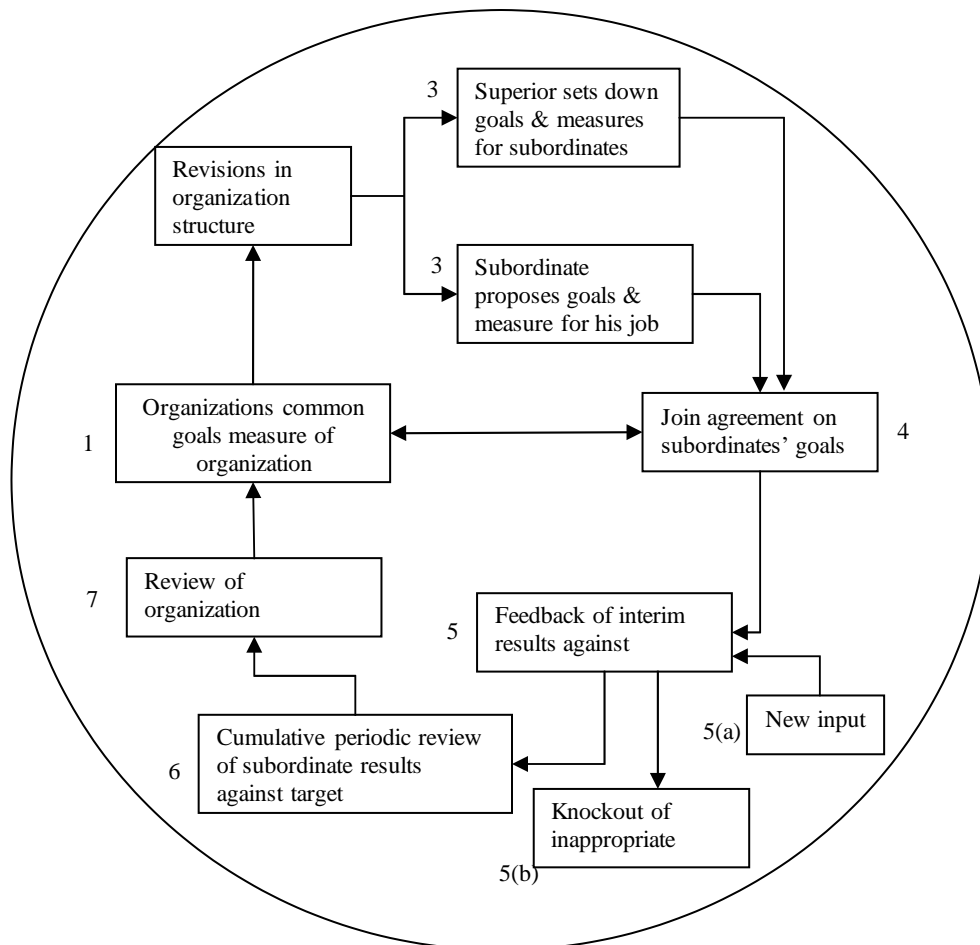
Popularized by management expert Peter F. Drucker, MBO provides a systematic method of setting goals for work units and for individuals so that all their activities are directly linked to achieving organizational goals.

Management by objectives (MBO) and its latest development, Management by objectives and results (MBO/R), have been a controversial subject partially because of the diverse interpretation of what the terms mean and partially because of the way the concept was implemented.

For some it describes a theory Y participative endeavor in which managers, and even employees, become involved in establishing objectives for the organization; For some it is a type of planning process; for some it is an organization wide system; for some it is a

control process; for some it is a theory X method employed by top management to gain systematically greater control over organizational processes; and for others it is any combination of these. The MBOR is shown in the Figure 4 (George S. Odime. (1965). *Management by objectives*. International Edition. Pitman Publishing Corporation. p. 78.)

**Figure 4: Management by Objective and Result**



The essential task of management is to arrange organizational conditions and methods of operation so that people can achieve their own goals best by directing their own efforts toward organizational objectives.

3. Work Standard Approach: The work standards approach to performance appraisal is most frequently used for production employees and is basically a form of goal setting for these employees. It involves setting a standard or an expected level of output and then comparing work standards should reflect the average output of a typical employee. Work standards attempt to define a fair days output.
4. Essay Appraisal Method: Essay appraisal method requires that the evaluation describe an employee's performance in a written statement describing an individual's strengths, weaknesses, and past performance.
5. Critical-Incident appraisal: The critical incident appraisal method of performance appraisal in which the rater keeps a written record of incidents that illustrate both positive and negative behaviors of the employee. The rater then uses these incidents as a basis for evaluating the employee's performance.
6. Graphic Rating Scale: In graphic rating scale method, the rater assesses an employee or factors such as quantity of work, dependability, job knowledge, attendance, accuracy of work and cooperativeness. The graphic rating scale method is subject to some serious weaknesses; one potential weakness is that evaluators are unlikely to interpret written descriptions in the same manner due to difference in background, experience and personality.
7. Checklist: Checklist method of performance appraisal in which the rater answer with a yes or no a series of questions about the behavior of the employee being rated. Normally human resource department keeps the scoring key for the checklist method; the evaluator is generally not aware of the weights associated with each question. But because raters can see the positive or negative connotation of each question, biased can be introduced. Additional drawback of the checklist method is that it is time consuming to assemble the questions.
8. Behaviorally Anchored Rating Scale (BARS): A behaviorally anchored rating scale combines the benefits of narratives, critical incidents and quantitative scales by anchoring a rating scale with specific behavioral examples of good or poor performance. Its proponents say it provides better, more equitable appraisals than do the other tools. Developing BARS typically requires five steps, those are :-
  - a) Generate critical incidents
  - b) Develop performance dimensions,
  - c) Reallocate incidents,
  - d) Scale the incidents,
  - e) Develop final instrument.

9. Ranking Method: In ranking method of performance appraisal the performance of an employee is ranked relative to the performance of others. Three most commonly used ranking methods are -
- a) Attention ranking
  - b) Paired comparisons ranking
  - c) Forced distribution.

### 7. Raters of Employee Performance

In most organizations, subjective ratings of employee performance are provided by supervisor. However, other options are certainly available and are increasingly used. The main performance raters are:

- (a) The immediate supervisor: Supervisor's ratings are the heart of the most appraisals. The supervisor should be and usual is-in the best position to observe and evaluates the subordinate's performance and is responsible for theft person's performance.
- (b) Peer appraisal: Nowadays some firms using peer appraisal method of evaluating the performance of the employee. In this method employees are evaluated by their peers (Wexley and Klimoski, 1984).
- (c) Rating committee: Many employers use rating committees, these committees usually contain the employee's immediate supervisor and three or four other supervisors,
- (d) Self rating: In this method employees should appraise themselves. The basic problem of this method is that employees usually rate themselves higher than supervisors or peers rate them (Thornton, 1988).
- (e) Appraisal by sub-ordinate: Sub-ordinate ratings are especially valuable when used for developmental rather than evaluative purposes. Evaluation by sub-ordinates may provide valuable information. They know how well a supervisor performs with respect to leading, organizing, planning, delegating, and communicating. In fact, evaluating the boss is becoming a popular mechanism in many organizations.
- (f) Customer evaluation: In service delivery organization customer evaluation is becoming a popular and effective method of performance appraisal, where the employee is evaluated by the client (Berry and Parasuraman, 1991).
- (g) Computers in performance evaluation: Computers have several roles in the appraisal of performance.
- (h) 360 – Degree appraisal: Many companies have implemented 360 - degree appraisal, where performance ratings are collected simultaneously from subordinates, peers, supervisors, and employees themselves. Typically, 360 – degree appraisals are used for development and feedback purposes (Reilly, 1994).

### **8. Comparing Employee Performance Appraisal System of a Local Bank With That of a Multinational Bank**

1. Rating appraisal system: From various kinds of performance appraisal system, local bank use the point rating system. On the other hand, Multinational bank also follow the same system. This system gives more emphasis on quality of work, Dependability, Job knowledge, attendance, accuracy, etc.
2. Time: Local bank evaluate the performance of employee yearly by the head office. But multinational bank evaluate the divisional performance of employee quarterly and head office evaluate the performance of all employee yearly.
3. Level: Local bank measure the performance at three levels.
  - a. Junior level
  - b. Mid-level
  - c. High level

Multinational bank measure the performance at three levels.

- a. Non-executive level
  - b. Executive level ( Mid-level)
  - c. Top Management.
4. Rating scale: Local bank rating the employee by the following way. Outstanding (80 and above): Superior actions and results that consistently deliver very high quality performance far exceeding expectation.

Very good (70 and 79): High quality performance where actions and result frequently exceed expectation.

Good (60-69): satisfactory performance that effectively meets expectation.

Average (50-59): Actions and results that sometimes fall short of expectation and do not always meet requirements of the job.

On the contrary the multinational bank rates the employees by the following ways:

1. Significantly above the performance level required by the business.
2. Consistently better than the performance level required by the business.
3. Consistently achieved the performance level required by the business.
4. Not consistently achieving the performance level by the business.
5. Significantly below the performance level required by the business.

1-2: Indicates above business expectation.

3: Benchmark Behavior (meets business expectation for effective performance)

4-5: Below business expectation.

5. Measurable field for appraisee: The head office delivers a questionnaire to be filled up by the appraisee. The questionnaire comprises the following things:

Sl. No.	Particulars	Local bank	Multinational bank
1	Knowledge of organization, product, services	√	√
2	Awareness of the policies/ manuals	√	√
3	Knowledge of banking rules and regulations.	√	√
4	Problem solving	*	√
5	Punctuality and time consciousness	√	√
6	Independent working	*	√
7	Communication skill	√	√
8	Commitment to the organization and it's advancement	√	√
9	Marketing and selling ability	√	√
10	Initiative and drive	√	√
11	Preparedness to learn and implement	√	√
12	Response to customer reactions	√	√
13	Leadership	*	√
14	Team Orientation	*	√
15	Decision-making	*	√
16	Multi-tasking	√	√
17	Readiness to work under pressure	√	√
18	Resilience	√	√
19	Senses of responsibility and belongingness	√	√

Yes-√, No-\*

Local and multinational bank give more or less emphasis on these measurable fields based on their level.

6. Measurable field for appraiser: The head office delivers a questionnaire to be filled up by the appraiser. The questionnaire includes the following things:

Sl. no	Particulars	Local bank	Multinational bank
1	Initiative, drive, enthusiasm	√	√
2	Acceptability to the colleagues and seniors	√	√
3	Acceptability to the customers	√	√
4	Time consciousness, attendance, punctuality	√	√
5	Sense of commitment and belongingness to the bank	√	√
6	Knowledge in banking, accounting, finance, laws practices.	√	√
7	Knowledge about the bank's product, services and policies	√	√
8	Skill of presentation in English and Bengali	√	√
9	Physical and mental health condition	√	*
10	Outer presentation and adherence to discipline	√	√
11	Preparedness to work under pressure	√	√
12	Desk related job accomplishment	√	√
13	Compliance with instruction in accomplishment of jobs assigned	√	√
14	Response to customer, Reactions response to supervisor's instructions	√	√
15	Accuracy in accomplishments	√	√

Yes-√ No-\*

Local and multinational bank give more or less emphasis on these measurable fields based on their level.

## 7. Marks Allocation:

### (A) Local Bank:

Sl. no.	Particulars	Total Marks	Marks secured
1	Appraisal of performance (assessment)	40	
2	Business performance	20	
3	Length of banking service	5	
4	Academic qualification	10	
5	Institute of bankers examination (Part 1-1 mark, part-2 -2marks)	3 (1+2=3)	
6	Professional training	2	
7	Interview performance	20	
Total		100	

(B) *Multinational Bank*: Multinational bank gives emphasis on Appraisal of performance and Business performance.

8. Corrective action: In local bank, Total evaluation marks are 100. as a financial institution 20 marks for deposit mobilization. Employee who gets below 60 marks is not eligible for promotion.

Promotion must be due after 2 years. Every employee gets 1 increment in a year. Training need is not assessed individually. The need is assessed divisionally. Whether an employee shall receive training or not depends on immediate supervisor's report and recommendation. The employee get two festival bonus & a single leave, medical allowance, house rent allowance which depends on their basic pay.

In Multinational bank 50% marks for deposit mobilization and rest of marks for business performance. Employee who achieve outstanding can get up to 10 increments in a year. Those who are below average, they give counseling, and training. It depends on their supervisors' assessment.

## 9. Findings and Recommendations

It has been seen that the concerned local bank sets its human resource strategies that emphasize efficiency, control and firm-specific knowledge. Such strategies include internal recruitment (*"making" skills*), on-the-job training, and high dependence of supervisors. It is evaluating the employees' performance mostly objectively and the final decision regarding the appraisee has been taken by the higher authority, where sometimes the appraiser's or immediate supervisor's recommendation is neglected. The liking and disliking of higher authority do matter and the personal influence from the appraisee distorts the true judgment by the evaluation board. On the contrary, as the multinational



bank experiences high growth in sales and engages in product innovation for a wide market segment, it benefits from those human resource strategies that include external recruitment (*"buying" skills*), decentralized pay decisions and customized appraisals.

The evaluation process is hindered by lack of positive communication, negative attitudes, inflexibility, defensiveness, and a non- developmental approach both in case of local and multinational banks.

Subjective judgment, prudence and the personal knowledge of the appraiser about the appraisee play significant role in deciding the reward or punishment for the concerned employee. Most of the employees do not have proper knowledge regarding the existing performance appraisal system and the factors or areas of the work they need to give emphasis.

Failure to use evaluations in personnel decision-making and personnel development negates the primary purpose of performance evaluations. The use and weighting of multiple criteria as well as the frequency of evaluation also present problems.

To overcome the errors in performance appraisals management can take some pragmatic approaches, like: to make refinements in the design of appraisal methods, to initiate a more promising approach to overcoming errors in performance appraisals is to improve the skills of raters by training. More research is needed before a definitive set of topics for rater training can be established. However, at a minimum, raters should receive training in the performance appraisal methods used by the company.

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