Performance Appraisal, Reward Management and motivation

Unit 10

Performance appraisal

Concept

➢Performance is defined as the record of outcomes produced on specified job activities during a specified time period.

➢Performance appraisal can be referred as a process of identifying, measuring, and managing employee's performance in order to enhance organizational efficiency and effectiveness.

Performance evaluation is a review of the job- relevant strengths and weakness of an individual or a team in an organization (**Wayne F. Cascio).**

Uses of performance appraisal

1. Performance improvement
2. Training and development
3. Promotion
4. Transfer
5. Compensation reviews
6. Career planning
7. Improve communication
8. Evaluation of HR programs
9. Validation of selection process
10. Performance feedback

Methods of performance appraisal

1. Graphic Rating Scale Method
2. Alternative Ranking Method
3. Paired Comparison Method
4. Forced Distribution Method
5. Critical Incident Method
6. Essay Method
7. Checklist Method

1. Graphic Rating Scale Method

❖Under this method, the appraiser (evaluator) provides the scales by measuring the employee's performance and personality traits along different scale.

❖It is subjective evaluation of the employee's performance , such as quality of work, quantity of work, job knowledge, co- operation, loyalty, dependability, attendance, honesty, attitudes, punctuality and initiative.

For example, on a scale 1 to 5 numbers where the highest number (5)would denote the best rating, where as the lowest number (1) would denote the poor rating.

items	Excellent (5)	Good (4)	Acceptable(3)	Fair(2)	Poor (1)
Employee's name: Department: Rater's name: Date: Job title					
1. Quality of work 2. Quantity of work 3. Attendance 4. Dependability 5. Initiative 6. Attitude 7. Honesty 8. Co-operation 9. Appearance 10. Job knowledge					
Total scores					

Advantages

❖Easy to develop and administer.

❖Less time consuming as more employee can be rated quickly.

❖Comparisons among employees are possible

Disadvantages

❖Possibility of biasness from the rater.

❖The evaluation criteria is not directly related to job performance

2. Alternative ranking method

❖ In this method, the appraiser ranks all employees from the best to worst on the basis of merits performance on particulars traits such as quality of work and knowledge of work.

❖ Under this method, the evaluator has to indicate carefully about who is the highest performer on the particular job and also lowest performer.

❖ Employees are listed in order from the highest to the lowest performer.

Advantages

❖It is easy to administer and understand.

❖It takes less time and costs.

❖Comparisons between employees are possible

Disadvantages

❖ It is complex to rank in descending order when number of employee is large.

❖ It doesn't consider differences in nature of tasks and abilities.

❖ It is subjective judgment

3. Paired Comparison Method

➢By this technique, the evaluator compares each employee with every other employee in pairs on a one- on- one basis in terms of overall performance.

➢Employees are paired and each employee is rated (evaluated) as either the stronger or the weaker individual.

➢Under this method, better performer in each pair is determined and a score is obtained for each employee by counting the number of pairs.

The number of pair is determined by the formula

$$\frac{n(n-1)}{2}$$

Where, 'n' denotes number of employees.

➢The results of these pair comparisons are tabulated and a rank is assigned to each individual.

Advantages

❖Employees are compared one- on- one basis on every trait.

❖It can provide the comparative result of one- on- one employee.

❖It provides reliable result of employees ranking with less error.

❖It is useful only 10 to 20 employees in the organization.

Disadvantages

❖Unsuitable for large number of employees.

❖It does not provide feedback about improvement of the performance.

❖Only the overall performance is considered rather than distinct performance dimension

4. Forced distribution method (forced choice method)

➢ Under this method, the appraiser (rater) has the forced choice of selecting a certain percentage of employees in various performance categories.

➢ The rater is forced to appraise an employee according to pre- determined distribution scale.

➢ In this method, the appraiser has no choice on the percentage of group to be rated in different categories.

Performance rating scale	Percentage of employee	Name of employee	Forced distribution
▪ Excellent (best performance)	10%	A, B,C	2
▪ Good (high average performance)	20%	"	4
▪ Acceptable (average performance)	40%	"	8
▪ Fair (below average performance)	20%	"	4
▪ Poor (low performance)	10%	"	2
Total	100%		20

Advantages

❖ Highly simple to understand and very simple to apply in organization.

❖ This method tends to reduce personal bias.

❖ Impression to employees. It is objectives.

Disadvantages

❖ This method is difficult and costly to develop.

❖ Lack of accurate standard.

❖ Raters dislike this method

5. Critical incident method

➢In this method, the rater prepares a list of statement on the basis of the effective and ineffective behavior of an employee in critical situations.

➢The rater periodically records the critical incidents and maintains it.

➢At the end of the rating period, these critical incidents are used to evaluate the overall employee performance.

➢These critical incident represent the outstanding (excellent) or poor behavior of employees on the job.

Advantages

❖The evaluation is based on actual job behavior.

❖It provides feedback to the employees for improvement.

❖This method judges performance rather than personalities.

Disadvantages

❖It focuses on the negative behavior of employees.

❖It will be difficult to quantify the critical incidents

❖Time consuming

6. Essay method

➢ The essay method is based on the qualitative information and is written down in an unstructured way.

➢ In this method, the rater writes a brief describing the employee's performance.

➢ The rater must describe the employee's strengths and weaknesses, job performance during the appraisal period, technical effectiveness, leadership ability, promotional potential, training and development needs, and suggestions for improvement.

➢ A major limitation of this method is that the quality of ratings depend on the writing skills of the manager (rater) rather than the performance of an employee.

Advantages

❖It is simple and does not require complex forms.

❖It provides in-depth information for decision making and feedback.

Disadvantages

❖It is time consuming.

❖Essay rating is difficult to compare.

❖It provides only qualitative information.

7. Checklist method

- The checklist is a list of descriptive statements of employee behavior and characteristics.

- In this method, a checklist of employee is prepared in two columns namely a 'Yes' column and a 'No' column.

- The rater (immediate superior) does tick the 'Yes' column if the answer to the statement is positive and in column 'No' if the answer is negative.

- After ticking off against each item, the rater only does the reporting to HR department, while actual evaluation is done by the HR department.

The checklist can be simple or weighted.

a. Simple checklist

- In simple checklist, the rater (immediate superior) does tick the 'Yes' column if the answer to the statement is positive and in column 'No' if the answer is negative.

b. Weighted checklist

➤When points are allotted to the checklist, the technique becomes a weighted checklist.

➤The weighted are assigned by HR department. Feedback is given to the rater and the employee.

Advantages

❖It is simple and easy to evaluate.

❖The checklist is standardized in form.

❖Since the raters and scorer are different, it reduces the biasness.

Disadvantages

❖It is expensive and time consuming.

❖It is based on personality criteria rather than performance criteria.

Checklist

Employee Behavior		Yes	No
1	Is the employee really interested in the job?		
2	Does he possess adequate knowledge about job?		
3	Is his attendances satisfactory?		
4	Does he maintain his equipment in good condition?		
5	Does he co-operate with co-workers?		
6	Does he keep his temper?		
7	Does he obey orders?		
8	Does he observe safety precautions?		

Reward management

Concept

❖Reward can be in terms of monetary or non- monetary.

❖Reward consists of a package of **pay** (wages and salary), **benefits** (addition to pay, paid holidays, vacation leave, pension, gratuity, insurance payments), **services** (housing, food, transport, loans, discount on purchase, children's educational expenses) and **job- related rewards** (promotion, interesting job assignment, job freedom, participation in decision making).

❖Reward management is the process of creating, implementing, and controlling an effective reward system in the organization that helps to maintain and improve organizational performance.

❖The main purpose of reward management is to attract, motivate and retain employee in the organization to achieve its goals.

"Reward management is essentially about designing, implementing, and maintaining pay systems which help to improve organizational performance"- **Michael Armstrong**

Types of rewards

1. Intrinsic and Extrinsic Rewards

2. Financial and Non-financial Rewards

3. Performance based and Membership based rewards

1.Extrinsic and Intrinsic Rewards

a. Extrinsic rewards	b. Intrinsic rewards
❖ Pay	❖Achievement
❖ Fringe benefits	❖Involvement
❖ Job security	❖Independency
❖ Good working environment	❖Participation
❖ Supportive supervision	❖Self-responsibility
❖ Status, promotion	❖Facing challenges
❖ Teamwork respect	❖Self-development
❖ Recognition, praise	❖Work itself

2. Financial and Non-financial Rewards

a. Financial rewards	b. Non- financial rewards
❖Pay ❖Allowances ❖Fringe benefits ❖Bonus ❖Profit sharing ❖Piece rate system ❖Retirement benefits ❖Prize, awards	❖Achievement ❖Recognition ❖Appreciation ❖Respect ❖Praise ❖Affiliation ❖Independency ❖Participation

3. Performance Based and Membership Based Rewards

a. Performance Based Reward

➢This rewards are such benefits which are provided on the based of an employee's job performance ability.

➢This reward is directly concerned with employee's job performance.

Examples this rewards are commission, piecework, incentive plans, group bonuses and merit based pay plans

b. Membership Based Reward

➢This reward are paid on the basis of being a permanent member of the organization.

Examples this rewards are salary, wages, paid holiday, vacation leaves, pension, insurance payment plans, housing, fooding, transport, loans, educational expenses, discount on purchases

Qualities of Effective Rewards

1. Importance
2. Equitable
3. Visibility
4. Flexibility
5. Low cost
6. Provision of team rewards
7. Motivating
8. Based on performance
9. Immediate after outcomes

Performance Appraisal Practices in Nepalese Organizations

1. Informal system
2. Lack of transparency
3. Low priority
4. Not considered as part of HR planning
5. Personal biases and judgment
6. Lack of MBO practice

Motivation

Concept

❖Motivation is a psychological and human aspect.

❖It is concerned with the process of inducing, inspiring, organizing and stimulating employees to do the better job in organization.

❖It is an inner state within individual.

"Motivation is an individual's willingness to exert effort to achieve the organization's goal, conditioned by this effort's ability to satisfy individual needs"
- **Decenzo and Robbins**

Theories of Motivation
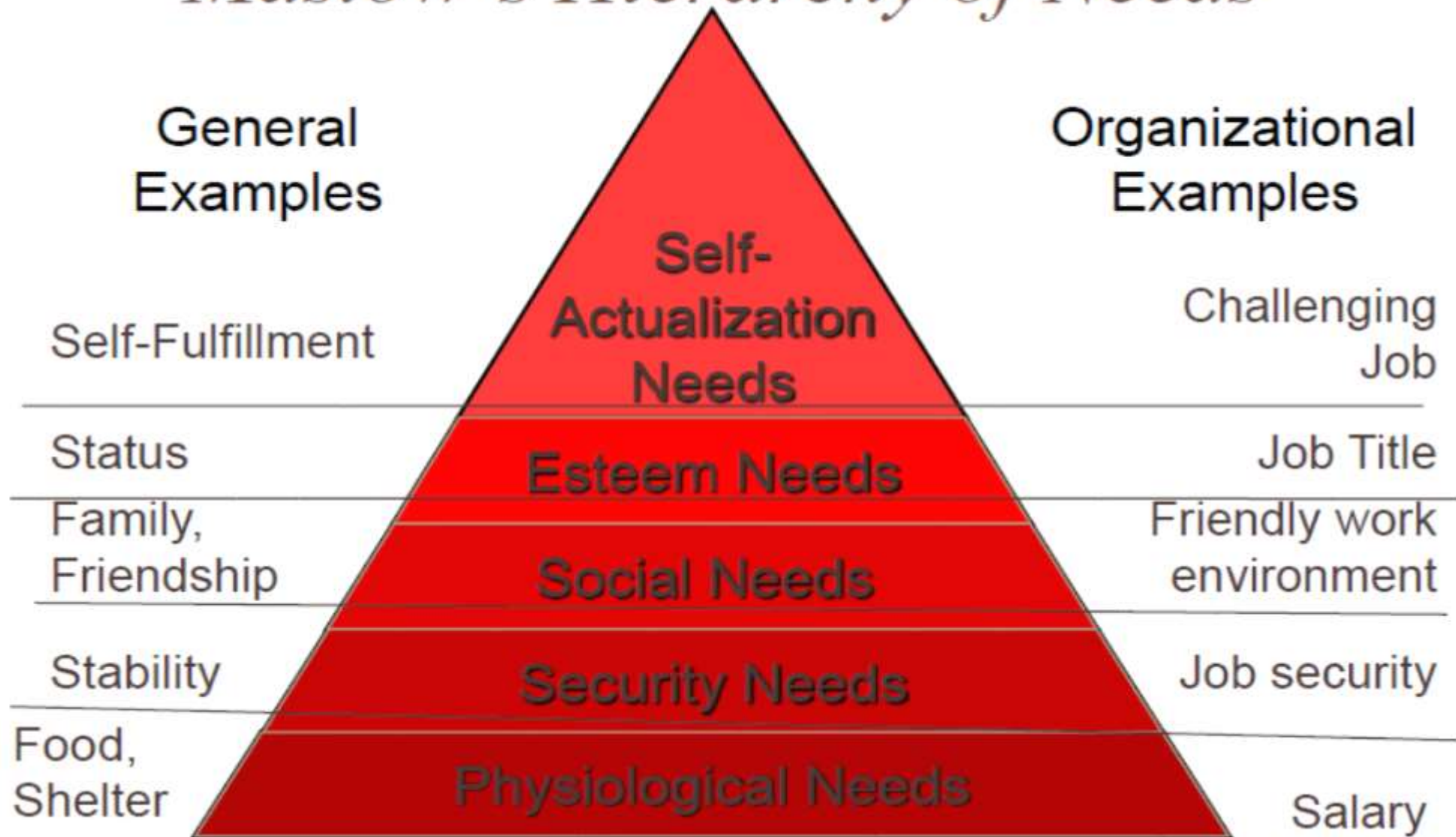1. Need Hierarchy motivation theory
2. Motivation- Hygiene motivation theory

1. Maslow's hierarchy of needs theory

❖Abraham Maslow, an American psychologist, viewed the motivation of human beings as arising from levels of hierarchy of needs.

❖Maslow's theory maintains that a person does not feel a higher need until the needs of the current level have been satisfied.

Maslow explained each level of hierarchy as follows:

1. Physiological needs

2. Safety needs

3. Social needs

4. Esteem needs

5. Self actualization needs

Maslow's Hierarchy of Needs

General Examples		Organizational Examples
Self-Fulfillment	Self-Actualization Needs	Challenging Job
Status	Esteem Needs	Job Title
Family, Friendship	Social Needs	Friendly work environment
Stability	Security Needs	Job security
Food, Shelter	Physiological Needs	Salary

1. Physiological Needs (Basic Needs)

❖ Physiological needs are those required to sustain life, such as: air, water, food, sleep, shelter, clothing

2. Safety/ Security Needs

❖Such needs might be fulfilled by: living in a safe area, medical insurance, job security, financial reserves , life insurance, provision for pension

3. Social Needs/ Affiliation Needs

❖Social needs are those related to interaction with others and may include: friendship, belonging to a group, giving and receiving love

4. Esteem/ Ego Needs

❖Esteem needs may be classified as internal or external.

❖Internal esteem needs are those related to self-esteem such as self respect and achievement

❖External esteem needs are those such as social status and recognition.

❖Some esteem needs are: self-respect, achievement, attention, recognition, reputation

5. Self-actualized Needs

❖Self-actualized people tend to have needs such as: truth, justice, wisdom, meaningful work

2. Herzberg's Two- Factor Theory

❖Frederick Herzberg, a behavioral scientist, proposed a two-factor theory.

❖The two-factor theory (also known as Herzberg's motivation-hygiene theory and dual-factor theory) states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction.

❖He and his associates used semi structured interviews to elicit from 200 engineers & accountants in Pittsburgh area, the factors which satisfy or dissatisfy the workers.

❖According to Herzberg, motivational factors are responsible for job satisfaction; and Hygiene or Maintenance factors are responsible for job dissatisfaction.

Motivational factors

❖The presence of these factors motivates workers & at the same time, absence of these factor does not cause dissatisfaction.

Hygiene or Maintenance factors

❖The presence of these factors maintains motivation at zero level, but absence of these factors causes serious dissatisfaction.

❖Maintaining motivation at zero level thus prevents negative motivation, hence they are called maintenance factors.

Two-factor Theory

Motivators	Hygiene factors
Achievement	Co. policy & admn.
Work itself	Interpersonal relations
Recognition	Supervision
Responsibility	Money
Advancement	Job security
Possibility of growth	Status
	Working conditions

Motivation Through Employee Participation, Quality of Work Life and Self-managed Teams

1. Motivation through employees participation

2. Motivation through quality of work life

3. Motivation through self-managed teams

Thank You