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Performance Appraisals

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Performance appraisals communicate to employees how they are performing their jobs, and they establish a plan for improvement. Performance appraisals are extremely important to both employee and employer, as they are often used to provide predictive information related to possible promotion. Appraisals can also provide input for determining both individual and organizational training and development needs. Performance appraisals encourage performance improvement. Feedback on behavior, attitude, skill or knowledge clarifies for employees the job expectations their managers hold for them. In order to be effective, performance appraisals must be supported by documentation and management commitment.

Appraisal standards include:

- Fair and accurate information
- As much direct observation as possible
- Consistency
- As much objective documentation as possible

Documentation allows anyone evaluating the performance of an employee to come to the same conclusion as the manager. Performance appraisals can be one of the primary tools for any organization's management to meet its goals and objectives in order to compete.

Performance is measured in terms of results. Job performance is the net effect of an employee's effort as modified by abilities, role perceptions and results produced. Effort refers to the amount of energy an employee uses in performing a job. Abilities are personal characteristics used in performing a job and usually do not fluctuate widely over short periods of time. Role perception refers to the direction in which employees believe they should channel their efforts on their jobs, and they are defined by the activities and behaviors they believe are necessary.

Performance appraisal methods vary. Many companies use Management by Objectives (MBO) in the performance appraisal process. MBO is based on the belief that the future of a company can be improved by active intervention now. Advantages of using MBO to review performance include the following: appraisals can be tied to on-the-job results, appraisals promote objectivity, appraisals allow for two-way feedback, appraisals encourage the pursuit of opportunities and appraisals encourage performance improvement. MBO provides guidance to management and employees, and it establishes a system that operates fairly and efficiently.

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Perhaps one of the most significant values of MBO is that employees tend to support goals if they agree the goals are acceptable. Employee acceptance is a powerful motivator in the MBO process.

The typical MBO process consists of:

- 1) Establishing a clear and precisely defined statement of objectives for the employee
- 2) Developing an action plan indicating how these objectives are to be achieved
- 3) Allowing the employee to implement this action plan
- 4) Appraising performance based on objective achievement
- 5) Taking corrective action when necessary
- 6) Establishing new objectives for the future

If employees are evaluated on objectives in the MBO, the objectives should be quantifiable and measurable. Objectives should be challenging, yet attainable. Objectives expressed should be in writing that is clear and concise.