Quantification of Qualitative Parameters for Performance Appraisal: A Case Study

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Abstract

Employee performance evaluation is designed to assess each individual's contribution to the organization. The performance of individuals against organizational goals determines whether the organization meets its goals. There are a variety of methods for the appraisal of employees' performance. Obviously, no method can claim that it has an integrated approach in performance appraisal. Therefore, human resource managers should select an appraisal method which is most efficient in their organizations. The basic objectives of performance evaluations are two-fold: firstly to reward employees for meeting organizational objectives and secondly to identify which objectives are not met and to develop action plans to ensure they are achieved in future. The present paper aims at explaining the profiles of quantification of qualitative parameters in performance appraisal. It reviews the classification of quantitative and qualitative job and differentiates between the subjective and the objective measurement. It is also intended to be used as a reference and procedural guide to the performance management and performance appraisal process. We also have tried to find out the practice of the concerned factors in Bangladesh.

Key words: Performance appraisal, Quantification, Qualitative, parameters, Balanced Score Card (BSC)

JEL Classifications: M00, M10, M12

Introduction

Performance appraisal is the most discussed and debated concept and its post mortem has been done a number of times in the corporate world in the last few years. It is also one of the most dreadful and subconsciously neglected issues. Although problem ridden, performance appraisal is nevertheless considered an important assessment tool by the executives. Performance evaluation is also one of the most widely researched management practices, and yet it continues to be a major source of frustration for the managers. When one talks about performance, a majority of the management gurus' right from Peter Drucker to Peter Senge have every now and then raised their opinions about performance. Kaplan's Balanced Scorecard followed by Human Resources Scorecard was a major breakthrough towards managing performance appraisals. In a nutshell, performance appraisal is still with us; yet, formidable barriers remain to bring maximum objectivity in its effectiveness as a useful management tool. The central theme of this paper is that performance and performance measurement systems constitute the most effective ways of managing business for its continuous improvement. The paper focuses on the objectivity of

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'Performance Appraisal' systems. It gives an insight into the nature of organization's performance appraisal system, and the gap that exists in different functions while appraising an employee. An effective and objective appraisal system in place definitely has a tremendous effect on the employee performance and hence business performance. The importance and relevance of performance appraisal systems to business management in the society is discussed. Performance appraisal is an old but dynamic subject of increasing importance to the effective management of business organizations and to the personal advancement of the managers themselves. Experts believe creating an effective performance appraisal and reward system in an organization, is one of the best talent retention strategies in the knowledge based industry. In fact the objective of the studies related to groups, structure of the organization, motivation, pay, rewards, etc. have one thing in common and that is to increase the level of performance.

Performance Appraisal Principles

Once expectations have been clearly established and communicated, then the performance appraisal process lets employees know how they are doing it. Nothing you say in an employee's annual review should be a surprise to the employee. Employee performance should be continually monitored, and feedback—both positive and negative—should be an ongoing process. This feedback to the employees can be verbal or written however whichever way it is provided, making a note to yourself will assist you in the objectivity of formal evaluation.

The quality of job performance, ability to get along with co-workers, willingness to cooperate, ability to lead, attendance, appearance and personal initiative, etc., should be evaluated and documented. This record then becomes a permanent part of the employee's personnel file.

Things to Avoid:
- Halo Effect. The tendency to rate an employee high in everything.
- Bias. The emotional tendency to reward our friends or those we like by giving them good ratings and conversely, a poor rating to those we dislike.
- Undue Credit for Length of Service. The tendency to overrate long-service employees and to underrate short-service employees based on the assumption that the longer an employee performs a job, the more proficient he is.
- Personal Projection and Self-Identification. The tendency to vie for those who resemble them in some way, e.g., personality, physical appearance or work habits, as opposed to those who are different.
- Judgment of Recent Behavior. The tendency to evaluate performance consistent with the most recently observed work behavior. This may cause more dated performance than what is essential for evaluation.

Objectives of the study

- To understand a performance plan that will facilitate quantification of qualitative parameters in performance appraisal.
- Recognize the feasibility of understanding the work of the subordinate.
- To find out the practice of the performance appraisal system in a leading Bangladeshi organization (ACI Limited).

Methodology of the study

A well defined methodological process has been maintained in the paper. It is mainly divided into two groups: Primary data and Secondary data. To collect primary data *a mixed questionnaire* and an *interview* have been used. Such type of interview and questionnaire of the top, middle and lower level management of organizations and the workers has helped us bringing out near-to-actual views of the sample group. During the time of interview, the main concern was: 'How does the organization evaluate the performance of its employees and what are the views of the employer and the employees in that respect? We have also used the secondary information and have consulted a wide range of publications including journals, books, manuals, annual reports, bulletins etc. We also have browsed the internet.

For the interview, two types of questionnaires were prepared. The first one is for the employers. It consists of questionnaires related to the view of employee performance evaluation, reward, their plan to motivate employees, etc. The second one is for the employees: It consists of questionnaires about the employee's personal information which is related to their organizations, their view of recognition and their jobs.

Literature Review

Role of Subjectivity in Performance

Pre-1980, Scientific status emphasize on objectivity where subjectivity pose & a threat to any scientific pursuit (Hebb, 1974). So the fact of subjectivity presents a fundamental problem for psychological science where. Subjective experience is fallible, imperfect, subject to illusion and unique and can be seen to threaten validity, objectivity and scientific status. As Wertheimer (1972) states: 'Only those concepts which can be externalized into publicly verifiable operations are admissible into the inner sanctum of science'. In the field of Performance Measurement, inevitability of subjectivity has to an extent been accepted. Klimoski and London (1974) observes that people supervising others will always make subjective evaluations. They recognize that elimination of judgmental criteria and their associated subjectivity are unlikely. Poulton (1977) sees subjective judgment as a means of complementing deplete or unobtainable objective measures while Landy and Trumbo (1976) argue that, as objective data only reflect behavioral results, subjective judgment is needed for information about the behavior itself. These suggest that not only is subjective judgment inevitable, but it is also potentially valuable. Barret (1966) believes that there is no such thing as an ideal rater who observes and evaluates what is important and reports his judgment without bias or appreciable error. The stumbling block in relying on subjective judgment appears to come with quantification. As Poulton (1977) suggests, quantitative subjective assessments are almost always biased and sometimes misleading. In elaboration, Robinson (1988) emphasizes that dependency on the subjective judgment typically gives rise to inaccuracies. In the opinion of Madden and Bourdon (1964), conditions which distort judgment and lead to invalid results should be identified and eliminated from judgmental situation.

Role of Subjectivity in Performance Appraisal

Post 1980: Subjective measures of an individual's performances are widely used in research and typically are interpreted as equivalent to objective measures. Studies of human resource management have focused on how practices such as selection, training, empowerment, and communications, collectively contribute to company performance (eg., Becker and Huselid, 1998; Huselid, 1995). Similarly, in strategy and marketing literature, there have been many attempts to link strategy to performance (Dess and Robinson, 1984; Pleshko and Souiden, 2002; Robinson and Pearce, 1988; Wensley, 1999). In operations management, interest has been on the performance benefits for the company practices such as just in time and total quality management (eg. Cua McKone and Shroeder, 2001; Sakakibara, Flynn, Schroeder and Morris, 1997). Although some studies use objective measures of company performance, such as productivity, profits, or return on assets, typically taken from externally recorded and audited accounts, yet some may rely on subjective measures as reported by the respondents.

Classification of Quantitative and Qualitative Jobs

Performance appraisal takes into account not only jobs where quantification is possible like sales, production and so on but also qualitative jobs or support/ staff functions like HR / administration which manages customer satisfaction, employee retention, managing employee relations and so on. The following is an illustrative table of qualitative and quantitative jobs. The jobs qualitative in nature are difficult to appraise quantitatively. A lot of research has been carried out by a number of people in the area of performance appraisal. Yet it remains one of the most crucial research area in HR management. After all, all the other talked and hyped areas like career planning, succession planning, rewards, promotions, transfers, variable pay, and stock options - all depends upon one's performance appraisal. In other words, performance appraisal forms a stepping-stone for a person's career and growth. However, appraisal of the qualitative jobs is difficult and many a times a matter of discretion. Objectivity and Subjectivity in Performance Appraisal Performances that are quantified can be measured easily. The task becomes difficult when certain qualitative aspects of jobs cannot be measured quantitatively. These include employee loyalty, job satisfaction, motivation, and accountability of recruiter, trainer's effectiveness and so on. For the appraisal of a trainer, the following parameters can be considered:

1. Knowledge of the subject.
2. Study or reading materials.
3. Examples used for explaining concepts.
4. Handling the class.

5. Interaction with the candidates.
6. Tone and voice clarity.
7 Experience of the trainer.
8. Answering questions.

Table 1: Identification of qualitative and quantitative jobs in the organization

Qualitative Jobs	Quantitative Jobs
• Administration	• Sales target achieved
• Recruitment and Selection	• Procurement of general stores
• Competency mapping	• Maintenance of plant
• Training	• Market research
• Succession planning	• Customer retention
• Managing employee relations	• Employee retention
• Brand management	• Preparation of accounts
• Enhancing Goodwill of a company	• Fund raising
• Counselor or Mentor	• Managing cash flows
• Annual accounting reconciliation	• Auditing

All the above parameters are subjective, especially while rating the trainer on such parameters. It is difficult to quantify these directly. Suppose one decides to rate the trainer on a five point 'Likert scale' with 5 very good and 1 very poor. Then, one trainee may rate the trainer on parameter 1 at 4, while other may rate the same trainer on the same parameter at 2. In such cases, bringing objectivity in the appraisal process becomes a prodigious task. While considering appraisals of managers in marketing / production department, the problem is not so difficult as they can be appraised on the objective basis of sales target achieved, revenue earned, customers gained, increase in sales, etc. But while appraising managers belonging to support and staff functions like HR and administration, quantification becomes difficult.

Performance Appraisal and Its Measurement

What gets measured gets done and what gets done needs to be measured. As advances in technique and technology finally make measurement viable for human resources, HR organizations are discovering a catalyst for true transformation. Many have begun to link the metrics to the pay of those who are accountable. These companies can move forward by engaging line managers in the measurement conversations to help them better manage their business. "They measure what matters, rather than what they've always measured". Often, these companies report their measures in an HR balanced scorecard that is integrated into the company's enterprise measurement system. Eventually, linking measurement to an incentive or rewards program is also critical to success, as is unwavering support from senior management. "Help your HR executives become passionate about importance of measurement," says Caplan. However, measuring what matters can meet some resistance, cautions Caplan, because "the value of the measure is often in inverse proportion   to the level of HR's control." Turnover for example, is a serious issue for many companies. "The job of human resources is to influence manager behavior, pay, benefit design, and other things that affect turnover. If you have a bad manager, or can't afford to pay at market levels, the solution may be out of your direct control – but the problem will still be reflected in your turnover numbers". Even so, studying turnover is strategically more important than studying something within your control, such as staffing cycle times, she notes.

Performance Appraisal System of ACI Limited

Performance Appraisal is a formal process in an organization whereby each employee is evaluated to determine how he or she is performing. In ACI Limited, this Performance Appraisal system is designed to be a vehicle for motivation and development of its human resource. The Appraisal System is also a communication tool designed to assess each employees' contribution to the company. The Appraisal system creates a culture of openness and provides a setting for dialogue between the incumbent and the superior to determine the jobs that need to be accomplished in the coming year. It also identifies areas for professional growth. It also enables administration of a fair and equitable reward system related to performance and achievement.

This performance appraisal is a review and discussion of an employee's performance of assigned duties and responsibilities with combination of his or her competencies which he or she should deliver for his or her best performance. Thus the appraisal system is based on results obtained by the employee in their job as well as evaluation of qualitative aspects. It is equally important that all those appraised are convinced that their appraisals have been fair and constructive and that a balanced view has been taken of their performance.

This appraisal system contains the following parts:
      Part A. Quantitative Evaluation through BSC which is 80% of the entire evaluation.
      Part B. Qualitative Evaluation which is 20% of the entire evaluation.
      Part C: Management Development Plan (MDP) for the next year.
      Part D: Personal BSC for the next year.
      Part E: Comments and Opinion Sharing

Purpose

The Appraisal System is now customized to address the performance reflected in BSC. This Performance Appraisal System is designed to bring more clarity in prioritizing resources, to ensure transparency in evaluation process and to recognize the individual/departmental contribution in achieving the organizational goal.

Management Competency Criteria

There will be two different sets of competency criteria to be assessed for the Non Supervisory Management Staff and the Supervisory Management Staff. It is understood that when a person has moved to a supervisory management position, he/she has already met the initial requirements of the non supervisory management position.

Table: 2 Management Competencies

Sl. No.	Non Supervisory Mgt.	Supervisory Management	Senior Management
1	Job Knowledge	Planning	Motivating Others
2	Initiative	Problem Solving	Team Building
3	Quality of Work	Fostering Team Creativity	Leadership
4	Communication	Supportive Communication	Strategic Thinking
5	Attitude	Empowerment & Delegation	Succession Planning

Each of the aforementioned criteria should be evaluated with different parameter for different levels which are attached as appendix.

Balanced Score Card

The Balanced Score Card (BSC) as a performance measuring tool has been introduced in ACI during the year 2004. BSC is a strategic management and learning tool based on transparent measurement techniques. It provides a method of aligning business activities to the strategy through monitoring performance of strategic goals over time.

The Balanced Score Card is a collection of the objectives and the measures that will be used to judge the achievement of such objectives. The objectives are clustered into four interlinked groups according to their focus areas; Financial, Customer, Internal Process and Learning and Growth. One of the major features of BSC is the weighted average on a percent scale which reflects the relative importance and priority of an activity with respect to other activities.

Balanced Score Card Formation: KRA & KJO

Key Job Objectives (KJO) are the activities given in the employee's Job Description which the employer wants him to achieve during the year i.e. these are the accountabilities specified in the Job Description. However while selecting KJO, attention should be given to identify applicable areas of the standard job accountabilities that require particular focus over the forthcoming period i.e. not the full list of accountabilities as per the Job Description.

Key Result Areas (KRA) is similar to KJO but different in that it demands something out of the box contribution to the job.
Example of KRA could be
- introduction of new system to improve efficiency in the function,
- finding a new way of brand evaluation,
- preparing a strategy paper for business enhancement and
- working in a cross functional team to improve business knowledge etc.

Combination of KJO and KRA will then form BSC for each employee and 80% of the total score will be taken as employee appraisal. The proportion of KJO and KRA will be 80:20 while formatting the Balanced Score Card.

The Objective Setting in Balanced Score Card

The objectives enlisted in Balanced Score Card must be SMART. The elaboration is;
S – Specific
M- Measurable (must be numeric)
A - Attainable (But must be stretching)
R – Relevant
T - Time Framed

Scoring System through Balanced Score Card

The BSC score will be converted to ratings on a nine point scale. For example, if the BSC score is 70, the nine point scale conversion will be 6.3 ((70/100)*9).

If someone exceeds the target then his/her achievement for performance appraisal will be considered up to the target only for keeping the weighted average within a range of 100 which will be later converted to nine point scale. However in case of the achievement beyond the target, the appraiser may propose extra increments for the appraisee. In that case, the appraiser is required to submit a written statement to the Managing Director explaining the magnitude of the contribution towards the business/function.

The Qualitative Part

This part of the appraisal is based on Management Competencies of the employee and will comprise the remaining 20% of the total score. Management competencies are the set of management skills and behaviours that all managers in the company must possess to lead and manage their people and services effectively. They define how the employees, across the company, within teams and as individuals, need to perform in addition to the quantitative targets. The appraiser will give a rating to the appraisee on the 1-9 scale considering the criteria discussed in management competency part.

The management competency framework is for everyone. It is for all employees as they need to understand how they can expect their managers to lead and manage and how they need to develop their own competencies if they are looking to take on a management role in the future.

The Total Score

If an employee achieves 100 in BSC part and 45 in qualitative part, the final rating will be:
$$80\% \text{ X } (100/100)*9 + 20\% \text{ X } (45/45)*9 = 9$$

Appraisal Interview

For the benefit of the Appraiser it is necessary to draw particular attention to the fact that the Appraisal Interview is a crucial part of the whole process. A constructive Appraisal Interview, which will be held at the initiative of the Appraiser, should have the following objectives:
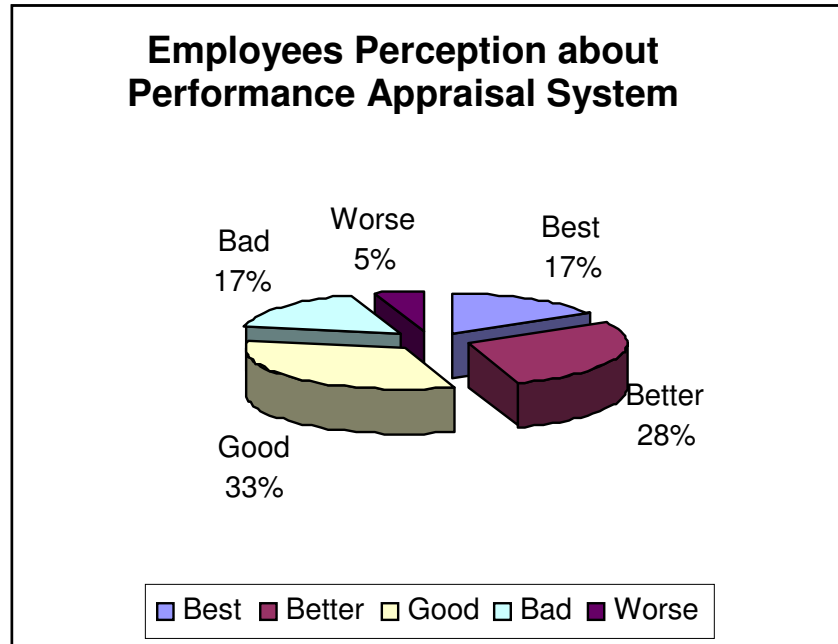- (a) Help to understand views of each other of the job objectives and performance standards.
- (b) Provide the Appraisee full opportunity to ventilate his/her problems, obstacles, expectations and aspirations.
- (c) Counsel the Appraisee on areas of concentration to overcome current deficiency.
- (d) Identify needs for training and development to harness full potential of the Appraisee.
- (e) Consider the Feasibility of Understanding the Work of the appraisee and develop appropriate appraisal system.

The interview will be considered successful if it builds better understanding and creates trust and confidence between the Appraiser and the Appraisee.

Discussion and Conclusion

There are many benefits of implementing a regular and systematic performance appraisal system within an organization. In order to gain the most benefit from performance appraisals, it is recommended that a system is developed in consultation with workers and managers, and clear links are established between appraisals and valued rewards and outcomes. If resources permit, information on work performance should be obtained from multiple sources. Performance appraisals can be a powerful tool for increasing motivation and improving work practice if conducted in a constructive, open and supportive manner.

In this study, we also find out a clear perception of the employees about the performance appraisal system of the particular organization. That also gives us a realization to work on this particular issue and have the following scenario:

Employees Perception about Performance Appraisal System

Worse
5%

Bad
17%

Best
17%

Better
28%

Good
33%

☐ Best ■ Better ☐ Good ☐ Bad ■ Worse

We have conducted a questionnaire survey among organization's existing employees (120 employees) about their perception of the performance appraisal system. It also suggests that organizations need to continue to do things that undermine the effectiveness of the appraisal process. Little time is spent on the appraisal process; raters are not systematically trained and are not held accountable. The employee's role in the performance process is overlooked as are many potentially valuable sources of performance information (self, peers, subordinates). The issues of interest to managers and researchers may be different but not mutually exclusive. Managers are concerned with fairness and use of appraisal systems which help them manage more successfully. Research attempts to understand how information is translated into ratings so that bias and error may be removed. Assuming bias and error contribute to suboptimal decisions, limiting these factors may result in better decision making and ultimately fairer appraisals. Therefore, managerial concerns for fairness are being addressed by research.

In conclusion, it is essential to consider the issues of motivation, and recommendations for best practice discussed above when seeking to develop an effective and well received performance appraisal system. To ensure the ongoing success of the system, the best practice will be to gain feedback from the employees on a regular basis.

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