**A Critical Assessment Of The Effectiveness Of Performance Appraisal Systems For Both The Employee And The Employer**

The essay will critically discuss the effectiveness of performance appraisal system. This essay will start by defining what performance appraisal and see why it is significant in an organizational context. It will further identify the effectiveness of performance appraisal and acknowledge the sole aim of performance appraisal from an organizational point of view. This will lead to the identification of the various types of appraisal systems, their mode of measurements and critically explore their impacts on both the organization and its employees. Subsequently, it will prove why performance appraisal is of importance to both the employee and employer.

Scholars of performance appraisal have considered the term as a fundamental part of any organization (Pettijohn *et al* 2006). Even though, several researchers have defined performance appraisal systems in different ways as observed from their perspective. According to Edwards and Pinnington (2000), performance appraisal is the formal means of setting, measuring and meeting performance expectations. To buttress this, Griffin and Ebert (2002) defined performance appraisal as the formal evaluation of an employees’ job performance in order to determine the degree to which the employee is performing effectively.

From Baix’s (2005) point of view, he describes performance appraisal as a management concept that is consistently practised in order to improve individual and organizational performance. He further elaborated that the structure put into place for measurement and assessment of employee performance in an organization is known as the Performance Appraisal System. Shahid (2009) on the other hand, regarded it as an essential employee practice of the overall human resources framework of an organization. On a similar note, Perkins and White (2008) deduced it as an essential opportunity for the individual and those concerned with their performance-most, usually their line-manager to get together to engage in a dialogue about the individuals performance, development and support required from the manager.

CIPD (2010) argued that performance appraisal is a vital part of performance management but not performance management all by itself. Armstrong (2010) further outlined that since performance appraisal is a form of performance management and organizations are faced with the challenge of keeping to standards, they have to decide on how to carry out the performance measurement in practise.

Notably, Amaratunga and Baldry (2002) shared their view on performance management prior to Armstrong’s view. They described performance management as the use of performance measurement information to effect positive change in organizational culture, system and processes, by helping to set agreed upon performance goals, allocating and prioritising resources, informing managers to either confirm or change current policy or programme directions to meet those goals and sharing results of performance in pursuing those goals.

In accordance, CIPD (2010) highlighted performance management as a holistic process that compiles various activities which collectively contributes to the effective management of individuals and teams in order to attain high level of the organization performance. The holistic term as used in the context signifies performance management as being strategic because it focuses on broad issues with the organization’s long term goals and links up several aspect of the business such as managing the workforce both as individuals and in teams.

Having noted that performance appraisal is a part of performance management, Mejia *et al* (2004) classified the major benefit of performance appraisal systems as being a developmental practise which serves both for training purposes or administrative linked to promotion or termination. In support of this, Murphy and Murgulies (2004) stressed that performance appraisal could be used for corrective reasons such as, coaching, promotions and pay reward. Similarly, Redman and Wilkinson (2009) stated that they are aimed at continuous improvement, annual cull; reward high achievers and enable managers address performance without conflict. Nonetheless, despite the stated positive effects of performance appraisal systems, other researchers have identified a number of flaws in its execution.

Brumback (2003) proclaimed the view that performance appraisal is traditionally done whereby workers are rated which often turn out to be biased. As a result of this, he stated that organizations need to work in hand with performance management to put things in place. Mejia *et al* (2004) also noted one of the defects of performance appraisal stating that worker’s morale may be lowered after appraisals and this can pose problems for peers and management, he recommended some measures of performance management be adopted to resolve such issues.

Putting several Authors’ views into consideration, CIPD (2010) deduced there is no right or wrong way to carry out an appraisal given the labour-force ethical standards is followed. It argued that different organizations carry out appraisals on their employees depending on the organization’s set up. It stressed employees could be appraised individually, collectively, or perhaps through their managers, customers and subordinates. Bratton and Gold (1999) previously observed this and buttressed that an effect is expected to emerge on both the employee and the organization as previous researches have acknowledged an existing gap amongst the managers and employees in performance management theory and its practise.

Thus, prior to the existing gap, an overview of the above analysis leads us to realize that the effectiveness of performance appraisal is when both an organization and its employees share a common perception of its purpose and the extent to which the needs of both groups strive to achieve stated objectives. Relatively, according to (Hodgetts, 1985), most organizations design their own performance appraisal techniques in a way that suit their operations. He identified the four most popular techniques which are; Graphic Rating Scales, Critical Incidents, Behavioural Anchored Rating Scales and Paired Comparison.

Hodgetts (1985) explained the graphic rating scales to be the most widely used method of performance appraisal whereby the forms are easily filled-out. He identified this as a file format which the employer’s key-in data is applied and the evaluation of the employees’ performances is being measured. On the second instance, he explained critical incident as a method that depicts employee’s strengths and weaknesses whereby the manager takes note of instances in which subordinates were observed to be unusually effective or ineffective.

On the third instance, it was detailed that behavioural anchored rating scales requires a great deal of construction. In this case, performance ratings are prone to be accurate and reliable where both employer and employee meet to define and identify important dimension of effective job performance. Lastly in this context, the paired-comparison technique is where individual in a unit or subdivision is compared with all of the others. This comparison is mostly done on an overall basis. Under this, the supervisor is required rate individuals from Best to Poorest by mentally combining all of the important evaluation factors.

Reportedly, an appraisal system measures the individual’s contribution to their organization mostly when rewards and sanctions are linked to performance levels. In providing feedback to individuals, they’re able to improve and work towards achieving a better performance result (Wilkinson and Redman 2009). But where individuals perceive to have been appraised incorrectly, their sense to carry out necessary duties tend to change (Mejia *et al* 2004). It was further buttressed that this can bring about an organizational conflict among the individuals and their employer.

According to Byrne and Hochwarter (2008), in an instance where individuals’ perceive a form of injustice, they may adopt a defensive approach for dealing with their assessment by their employer through the manager or peers. Yet again, other critics of the individual approach have argued that it distorts joint efforts and team works. This approach brings about fierce competition among employees due to the comparison made among them (Roberts 2003). Their major objective turns into boosting their self-proficiency neglecting the major responsibilities of the team roles and objectives of the organization. Yamaguchi (2003) confirmed this by remarking that the individual needs and wants to take priority over relationships, group harmony and functionality results to unusual rivalry and disrupt the collective spirit within an organization.

In recent times, there has been huge emphasis on team work. Organizations are sub-divided into groups and they are expected to jointly achieve organizational objectives (Washington and Foster 2009). The human relations theory according to Kanaki and Davies (2006) depicts that good interpersonal interaction are vital in an organizational functions. Ineffectiveness in this case is expected to be dealt with internally within the sub-divided groups. Performance here is judged by each group and every member of the group turns out to get an equal rating (Wilkinson and Redman 2009). This raises the question of how individual’s performance are measured within their groups. The deficiency of this approach as seen by Roberts (2003) points out that the system does not seem to put into consideration the fact that certain individuals might be rebellious or subdued in their groups.

Furthermore, individuals with urgent training needs might not be easily spotted using the approach (Roberts 2003). It also seems rather unfair that those who contribute little or nothing gets equal results with those who has put-in more efforts. Subsequently, Afolabi and Ehigie (2005) propose that individuals with high need for achievement would be less effective in teams as they would be on independent tasks so as to be solely linked with success. This might imply a form of inefficiency for the organization having to compensate irrelevant workers for duties carried out by the competent individuals.

Moreover, Halachmi (2005) and other theorists have argued that translating human interactions to measurement is impersonal and difficult. Halachami states that it is often unreliable to quantify a phenomena as complex as performance. Murphy and Murgulies (2004) previously identified the halo effect which reflects this instance. The term Halo Effect depicts the act of assessing employees excellent in many categories when they have performed well only in one. The term sees a first impression of their duty getting to reflect on the impact of the subsequent ones.

Inversely, Edwards and Pinnington (2000) noted the Horn Effect being a reverse of the halo effect. Here, the appraiser underestimates the performance of an individual from a negative first impression gotten from the assessment. In response to these effects, Lindbom (2007) recommends that direct observations will reduce halo and horn effects and avoid ethical and legal consequences. An adequate inspection and close outlook on the duties of employees will portray an accurate feedback in appraising them hence resulting to effectiveness and a fair sense of justice.

On another hand, Brown (2009) opines that the attitudes and approach of supervisors to the performance appraisal process have been identified as a source of quality variations in the performance appraisal process. Pettijohn et al (2001) suggest that supervisors conduct appraisal in an Arbitrary and Perfunctory manner as they believe that conducting the exercise requires considerate amount of time and efforts generating few rewards and adds to managers’ level of conflict and stress. As a result, Latham et al (1993) stressed that managers often avoid the appraisal process because they either fear the consequences or they feel the potential returns from their appraisal efforts are not worthy of the required investments.

In a survey carried out by Fletcher (1993), he observed that 80 percent of the samples of UK organizations were not satisfied with their performance appraisal system expressing that they fail as a means to develop and motivate employees. On the same note, Bowles and Coates (1993) reported 68 percent discontent with the performance appraisal process in a sample of 48 UK organizations. This was stated to be a result of many conflicting requirements that most organisations have in their performance appraisal system. Additionally, an interview held by Kikoski (1999) deduced that most line-managers seem reluctant to give negative feedbacks leading to a situation where employees receive incomplete and inaccurate comments about their performance.

Again, Purbey *et al* (2007) asserts that performance appraisal indicates what has happened without identifying its reason for happening or what to do regarding it. So despite what an employee may have to offer, he gets appraised only by his performance at a particular time regardless of certain situations beyond his control. Taking for instance the recent economic downturn, organizations were affected due to the fact of less consumer spending (Begg and Ward 2009). It will therefore seem inappropriate to appraise an employee who didn’t meet up to sales target at this given period of time given the harsh market condition. However, because performance appraisals are target oriented, some researchers have deduced that factors such as the recession are of little concern to the appraiser when making his judgment.

Having observed the defects of performance appraisal, creating an effective appraisal system that accurately reveals employee performance is seen to be a complex task within organizations. Performance appraisal systems are not generic or easily passed from one organization to another; their design and administration must be tailored to match employee and organizational characteristics and qualities (Herderson, 1984, p.54). According to Herderson, an organization’s aim needs to be clearly stated when designing their performance appraisal system which is then broken-down to various levels of objectives. Hodgetts (1985) seemingly agreed to this and stated some characteristics of a well designed performance appraisal system.

Firstly, he postulated that the appraisal system should measure the individual’s duty and be tied directly to the individual’s ability to successfully accomplish the requirements of their position. Secondly, he pressed that the appraisal system should be comprehensive thereby weighing all of the important aspects of the job. Thirdly, the appraisal system as used by every organization should be objective, evaluating performance rather than the relationship between the rater and the ratee. Lastly as stated by Hodgetts, the appraisal system should be designed to identify the strengths and weaknesses of personnel, analyse the reason for the weaknesses and provide necessary solutions for them.

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