UNTAPPED POTENTIAL OF EMPLOYEE PERFORMANCE APPRAISALS IN DRIVING ORGANISATIONAL EXCELLENCE

Availability of talent with required skills and competencies, leadership pipe line, work culture of continuous improvements and sound organizational health, all of these plays a very important role in enabling organizations to gain competitive business edge. In fact, they are biggest HR challenges in today's most competitive economic environment.

A well designed, effectively communicated, top management supported, objective, transparent and organizational goals linked EMPLOYEE PERFORMANCE APPRAISAL is one of most important requirements for addressing above challenges.

Unfortunately, if we look at current scenario, appraisals are one of most controversial and maligned HR function in most of organisations. Questions on objectivity, transparencies and credibility of the process by employees are usual scenes. In number of studies and organizational health surveys appraisal process has been cited as most important trigger point for employee disengagement and attrition. If someone calculates invisible and unrecognized losses on account of above, they will be in staggering numbers, demanding serious attention of industry leaders and HR Professionals for immediate micro analysis of reasons.

Learning from our failures while driving this process, we have identified following reasons for appropriate corrections in appraisal strategies:

1. Weak / lack of alignment of process design with organizational goals and their uniqueness. Invariably HR Process designs of good organizations are copied and implemented without tweaking and aligning them to their organizational realities. Relative importance of Key Result Areas and performance attributes are going to differ from organization to organization and if differences are not recognized while finalizing process design, outcome is bound to be affected.
2. Issues wrt quality of required employee appraisal infrastructure i.e., well-designed organizational structure based on organizational goals, clear reporting relationships, documented, communicated and accepted role descriptions and role deliverables aligned to organizational priorities, documented and adequately communicated appraisal policies, appraisal skills amongst appraisers, and appraisal feedback mechanisms etc.
3. One time performance review vs continuous periodic reviews during entire performance cycle and performance documentation and feedback. Continuous employee performance reviews and feedback is a very important managerial function but unfortunately, it's rare to see this in actions. Similarly documenting and maintaining performance records plays a very important role in ensuring

objective and bias free performance appraisal but again very few managers are doing this.

4. Appraisal process ownership. Since this process is driven by HR, process ownership is assumed to be with HR in most of organizations refraining line managers, most important stake holders, from playing involved role in the execution of process.HR needs to recognize that appraisal process execution responsibility is with line managers and unless they are fully involved at every stage of this process, they may not be able to deliver desired results.
5. Linkages with compensation reviews. In most of organizations annual compensation review is linked to employee performance reviews wherein employees with higher performance ratings are given higher compensation revisions and those with lower ratings are given lower revisions. Consequently, in many cases appraisal ratings are driven by compensation revision rather than objective performance defeating core employee development objective of appraisal. While overseeing my employers two units in Canada, I was impressed by prevalent system of compensation reviews wherein one component of compensation review is inflation based and uniformly applicable to all employees and another component is in the form of PERFORMANCE LINKED INCENTIVE.
6. Use/misuse of BELL CURVE. Number of companies are using bell curve, a statistical tool developed by a German Mathematician Karl Friedrich Gausa for explaining normal distribution of population wrt any common variable. Use of bell curve in appraisals calls for a forced choice distribution of employees on different levels of performance. Assuming that 5-10% employees will be outstanding, 10,15% will be superior,50-70% will be average,10-15% will be below average and 5-10%will be unsatisfactory in terms of performance appraiser are asked to rate employees accordingly. Controlling liberal performance ratings and rationalizing performance ratings given by different appraisers is cited as justification for this. Absence of required size of appraise population of comparable employees, inability of bell curve to take cognizance of extremely outstanding or bad team/functional performances and risk of low employee ratings in spite of meeting targeted and defined performance levels always raises questions on relevance of use of bell curve.

Last but not least is casual/indifferent attitude of top management and their inability to provide required support to HR.