

# Performance appraisal & promotion process: A measured approach

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Most of the companies have yearly performance appraisal process for their employees. This process involves rating of employees by their manager. And Companies rely purely on manager's state of thinking and perception. Humans have tendency to become biased, corrupt, give favor to some employees whom they like. This favor is due to some other reasons e.g. personal reason, social reason, political reason, flattering. All these reasons are not related to the work that the employee is doing for the organization.

Employee must concentrate only on doing their work, responsibility and activities that are useful to the organization and should not bother about their performance appraisal.

The growth of an organization is based on the work the employees do. Growth is not achieved by keeping and encouraging non performers. The organization should encourage "the doers". This will increase the efficiency of (a) the employee (who is doing the "work") (b) the process and (c) the organization.

## Some points worth mentioning:

- (1) Some managers lack evaluation and management skills. So, in most of the cases they are unable to handle the situation properly and tend to do mistakes. To hide their mistakes they present wrong data to the management .Because of this incorrect data, the subordinates have to do more work than prescribed by the organization. And in most of the cases, subordinates get wrong evaluation of their performance because of this wrong data.
- (2) Employees have to perform continuously. They can't use their past performance impression to gain benefits in the present work condition.
- (3) Employee work must be measured regularly. The time delay between two measurements must not be too long.
  - (a) We might miss some work items done by the employee
  - (b) Fail to give correct weightage to a piece of work.

Weekly measurement is ideal.

(4) Employee performance calculation is supposed to be on the basis of performance with respect to the goal set at the beginning of appraisal cycle. But in most of the cases employee goals that are set (1) are not clear (2) not precisely measurable (3) work to be done in future is not known clearly at the beginning of appraisal cycle and sometimes it changes. So manager must have access to change the goal depending on the need.

Calculation of performance on regular basis answers few questions like

- (a) What is employee's current status of performance?
- (b) What is required from the employee's?
- (c) How to improve?

Important thing is, these questions are answered regularly and not at the end of performance appraisal cycle. This improves performance, efficiency, commitment, confidence in employees.

## Below are the few examples of situations generally found in many of the organizations:

(1) In an organization under manager M there are two employees E1 and E2 working on the project P1. E2 has good personal relationship with M. Productive work done by E1 is more than E2. Now project P1 does not require two resources and there is plan to remove one resource. E2 is retained in the project (because of good repo with M). And a plan is there to remove E1 after the performance evaluation period. So this time, M decides to give bad rating to E1 (as E1 is not going to continue in P1 in future). In spite of doing good work E1 doesn't get the reward that he deserves and he gets frustrated.

Now after the end of appraisal cycle E1 is moved to some other project. Last performance evaluation data of E1 is now with E1's new manager M2. M2 gets the impression that E1 is not so good at work after seeing the previous performance evaluation .E1 now has to prove it again his worth in the organization.

On the other hand E2, in spite of not performing well, enjoys the good rating, good rewards and promotion.

(2) There might be a case in which an employee joins a new department.

Sometimes, the just entered employee does not get a good rating (in spite of doing good work) in the next appraisal process. This is because that employee is new to the department and has no "contacts" in the department.

(3) There are cases in which the manager M1, who is measuring the performance of an employee E1, does not work directly with E1. M1, in this case, depends on the feedback from another employee E2, who is currently monitoring E1. And M1 rely completely on the feed back from E2. E2 feedback might not be fair or correct.

## The Algorithm

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This is a general idea or guide for performance appraisal process. Organizations are free to do the changes in the algorithm, depending on their need but the core idea must not change. Below is the purpose of this algorithm

- (0) **Continuous evaluation:** Measure the work of employees regularly so that
  - (a) No measurement parameter is missed (b) measurement is effective
- (1) To put the performance evaluation process transparent to everyone in the organization.
- (2) To increase employees confidence in the performance appraisal process.
- (3) To increase the productivity of employee and of the organization.
- (4) Prevents employee from wasting their time in unproductive work and doing corruption to get benefit or reward.
- (5) Make the employee concentrate only on the work and not on unproductive activities.
- (6) Benefits and rewards given to employee must be directly proportional to the work they do.
- (7) To place an efficient, purposeful and good working culture in an organization.
- (8) To increase healthy competition among employees.
- (9) No Scope of favoritism.
- (10) No hidden agenda, mischievous intention for an employee by other employees or by the organization.
- (11) Feedback and areas of improvement is known regularly. This prevents year end surprise for an employee by the manager.
- (12) Employee gets clear idea about their goal, current performance and areas of improvement regularly.
- (13) Reduce conflicts.
- (14) Make the performance appraisal process easier for managers.
- (15) "Work" is the major parameter to measure an employee's performance. Organization may decide some other parameters in their policy which can be included along with "work" to measure an employee performance.

**Performance Appraisal (PA) Algorithm has following steps:**

**Step 1:** Define Performance number (PN) at organization and at project level.

**Step2:** Calculate the performance number regularly.

**Step 3:** Give rewards, increment based on performance number.

**Steps details are below:**

**(1) Performance number (PN) definition process:**

Performance number is a numeric value corresponding to a particular piece of work.

**This is defined at two levels.**

When defined at organizational level, this is called Organization Performance number policy (OPN).

When defined at project level, it is called project Performance number policy (PPN).

**OPN Definition:**

Organization must decide its organization performance number policy for each level and role.

Level here refers to designation or hierarchical level of the organization.

**Organization Performance Number (OPN)** → This has numeric value (may be floating point value, decided by organization)

Some examples of factors that contributes to OPN

- (a) On getting appreciations.
- (b) Doing some work which benefited the organization
- (c) Work which the organization has given some weightage that needs to be added in while calculating performance.
- (d) Analysis, design, testing, implementation etc.
- (f) Co-ordination, team building etc

It is better to break each OPN contributing factor into as many elements as possible and associate an OPN with each element.

More we break the work item, clearer and detailed definition of OPN will emerge.

OPN definition committee members are decided by the organization.

The OPN definition must be very comprehensive and revised frequently to improve the definition. On getting some better idea of OPN definition, the current definition must change. This new definition might come from project performance number (PPN) definition process or from some individuals or from some other source.

#### **PPN Definition:**

This number is similar to OPN. This is defined in detailed way at project level and the contributing factors are similar to that of OPN. This is also not fixed and it is a continuous improving process. On getting some better idea of PPN definition, the current definition must change.

PPN definition committee contains all the project team members, managers and at least one member of OPN definition committee. The PPN points must be in matching pattern with the OPN policy (in general).

There might be some cases where PPN definition does not match with the organization policy. But the difference must not be too high.

If the team is finding that it is not logical to be in the same pattern with the OPN policy, then they must propose this to the OPN definition committee. The OPN definition committee has to look into this and may change the OPN policy.

#### **(2) Performance Number calculation process:**

The manager calculates the weekly PPN and this calculation is not relative to other employees. No question of relativity arises in this process.

It is better to calculate the PPN twice in a week. First calculation at the mid of the week and last calculation at the end of the week. PPN calculation must not go beyond two weeks. Otherwise; it will not be effective because people tend to forget the things. The weightage of performance may not be identified after a long time effectively and correctly. If the calculation process is too late, we may forget something to add which is necessary or may add something which is unnecessary.

At the start of yearly performance appraisal process the PPN, also known as master PPN, of each employee is set to zero. To calculate PPN, a meeting is scheduled. In PPN calculation meeting the team, the manager and the moderator are present.

The Manager evaluates the performance of each team member and prepares current measurement cycle PPN. This current PPN is added to the master PPN in presence of the team.

During calculation process the whole team should be present so that they can see if the calculation of every one is happening properly. At PPN calculation time the master PPN and the current PPN, just calculated, is visible to the whole team.

Any issue arising out of the meeting must be routed to the moderator for resolution. And after getting resolution the current PPN is revised.

**Role of moderator:** Moderator is the hawk eye on the calculation process.

Moderator has to ensure

- (1) Calculation is taking place fairly and with no discrepancy.
- (2) Calculation is taking place according to OPN and PPN policy.

- (3) The grievance are addressed properly .If needed the moderator can seek the help of other moderators or OPN definition committee members.
- (4) If new PPN definition is proposed then it must be passed to OPN definition committee to evaluate.

Moderator is invisible to the whole team and the manager.

Only written and verbal communication is done. The setup is such that the team and the manager never get the idea about the identity of the moderator and vice versa. Make both sides invisible to each other. This will help in transparency and no favoritism by the moderator.

This invisibility and masking is important.

Example: case 1: Moderator M identity is known to team member M1.

M1 may influence M to give him favor in any dispute.

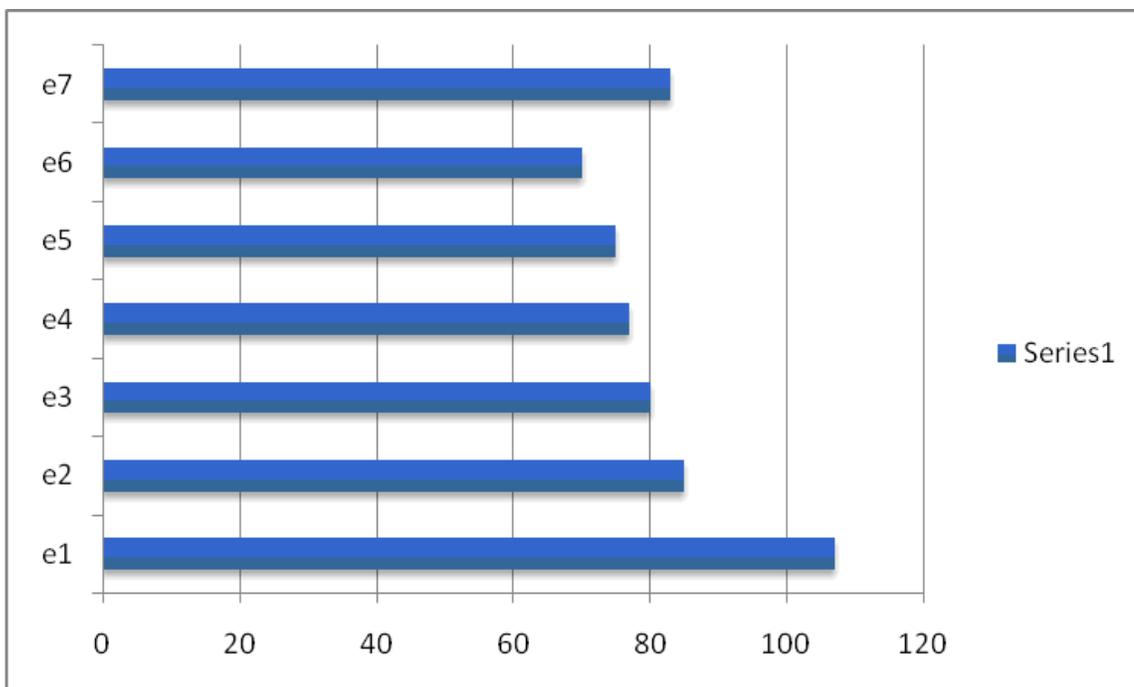
Case 2: Moderator M identity is known to manager MGR.

MGR may influence M to give him the favor in any dispute.

Case 3: Moderator M1 is manager of project P1. Moderator M2 is manager of project P2.

M1 and M2 know each other. There might be the case that M1 is moderating P2 and M2 is moderating P1. Both M1 and M2 might bend the rule in their favor and do incorrect calculation.

Below is an example of PPN versus employee graph.



Above flow chart indicates employees project performance number in a project.

X axis represents performance number and Y axis represents individual employee shown as e1,e2,e3..

### (3) Rewards and recognition process:

Rewards and recognition is directly proportional to the PPN earned by an employee. The Organization decides whether the reward is distributed based on Level or role of an employee.

For each employee, there will be a level performance number (LPN) for a level .Change in LPN will be done at the end of yearly appraisal cycle and the change is directly proportional to the PPN earned . When ever there is plan to move some employees from one level to other level (it is called promotion in most of the cases) then this LPN is the only reference document.

This movement may be from higher level to lower level or lower level to higher level. Top LPN holders are moved first (in the movement from lower level to higher level).

When ever one employee is moved from one level to other then the employees LPN is set to zero. And each year the LPN is revised (some points added or deducted).LPN will remain present till the employee stays in that level. So the life of the LPN is for a particular level only. New level corresponds to new LPN.

There is a Set rating number (SRN) .SRN is any floating or whole number decided by the organization. SRN is a variable. It might be same for a level or same for a project or same for a role, or some other factors. But it must be common for a group.

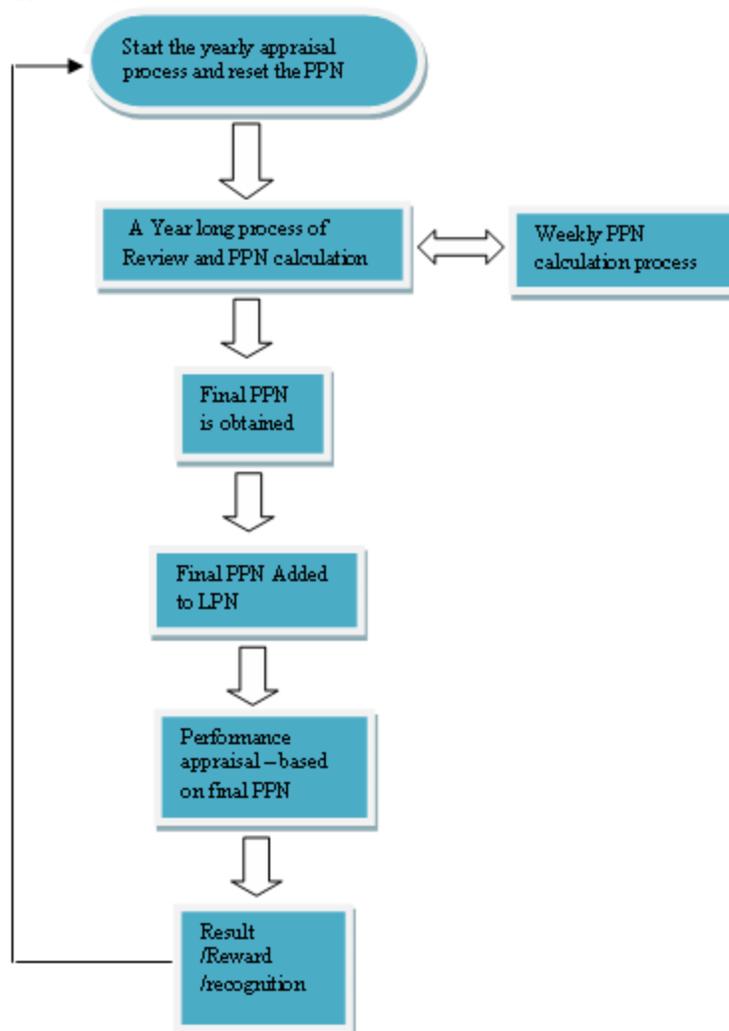
Reward or increment at the end of appraisal cycle is calculated as below:

$$\text{Total reward (TR)} = \text{PPN} * \text{SRN} * \text{base pay}$$

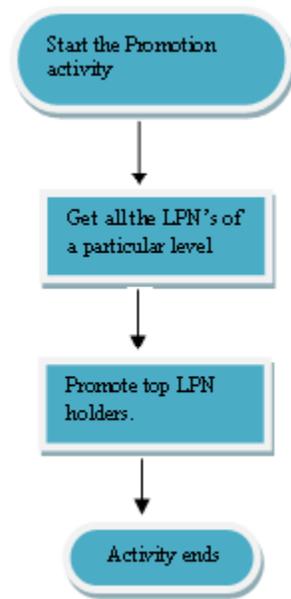
Base pay is decided by the organization. It might be (a) level base pay which is fixed for a level and this is implemented at every position or (b) the last years pay.

This total reward might be increment or one time payment or any other thing.

#### Yearly performance appraisal cycle flow:



**Promotion flow:**



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**REFERENCES: NO REFERENCES**