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### Performance Appraisal - Management by Objectives

Once an employee has been selected, trained and embarked on his duties, it is time for performance appraisal. What is performance appraisal? Why do companies need to take up this task?

According to Heyel, "it is the process of evaluating the performance and qualifications of the employees in terms of job requirements, for administrative purposes such as placement, selection and promotions, to provide financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally".

This concept dates back to the First World War and was then called **Merit rating program**. Over a period of time, this concept has been through an ocean of change. The areas of evaluation have also changed.

**Importance and objectives:** Performance appraisals have been considered to be the most significant and indispensable tool for the management as it,

1. Provides useful information for decision making in areas of promotion and merit rating and compensation reviews.
2. Links information gathering and decision-making process, which are the basis for judging the effectiveness of personnel subfunctions such as recruiting, selecting and compensation.
3. Helps pinpoint areas of concerns in the primary systems like marketing, finance and production.
4. Enhances understanding for training and counseling needs.

#### Methods of performance appraisal

There are several methods for evaluating performance. **Management by objectives** is the most popular one.

Management by objectives is primarily to change the behavior and attitude towards getting an activity or assignment completed in a manner that it is beneficial for the organization. Management by objectives is a result-oriented process. In this system, emphasis is on results and goals rather than a prescribed method.

For instance, the number of quality articles to be churned out in a week, at a publishing house is, let's say, five. This is the goal of the organization. This goal has to be set in coordination with the writers. The emphasis here again would be on accomplishing this task flawlessly over the week rather than the setting of a method to accomplish the same. You are giving them a free hand to decide as to how they want to work in order to accomplish target. This gives the employee both responsibility as well as authority to do a job. The employees are now responsible for its success and failure and it is their baby.



## TenStep Supplemental Paper

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It is a VERY SMART MANAGEMENT TOOL where the employee is involved in the decision making process.

### **The five magic sutras**

The mystery of management of objectives has the following basic steps.

**Set organizational goals.** This envisages that organizational goals and business strategies are expressed clearly, concisely and accurately. They are periodically reviewed. They should be challenging enough to motivate the employee. Clear and attainable goals help channel energies towards desired behavior and let the employee know the basis on which he will be rewarded.

**Joint goal setting.** This step establishes short-term goals, which are performance oriented, between the management and the employee. The responsibilities are clarified to the employees through organizational charts and job description. The goals decided by the employee need to complement the goals of the management. They also need to be flexible to accommodate new ideas without losing individual responsibilities. Moreover they should be easily quantifiable. For example,

To prepare, process and transfer to the office superintended, all account payable vouchers within three working days from the receipt of the voucher.

To hold weekly meetings with all employee.

To use program evaluation and review technique (pert) for all new plant layouts.

**Performance reviews.** This step suggests frequent performance review between the manager and the employees. During the initial stages the meetings be held once a month and later could be quarterly. For maximum benefit these meetings should be scheduled for more than once a year.

**Set check posts:** Establishment of major check posts to measure progress. This is merely to check that the employee surges towards his premeditated goal without any disruptions. These check levels should be higher in the initial stages and then gradually reduce. This demands that the manager should be on constant alert and exercise sound judgment.

**Feedback:** The employees who receive frequent feedback about their performance are highly motivated than those who do not. However, one has to ensure that the feedback is relevant and specific. This helps the employee and the manager understand where they stand.

The five-sutra process of management by objectives ensures that the manager and the employee define and establish goals and objectives for an employee to be achieved within a prescribed period of time. The employee is to be supervised and evaluated, periodically. To this extent, a frequent feedback and superior-employee interaction model must be evolved.