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THE MOST PROMISING EMPLOYEE EVALUATION METHODS IN MODERN ORGANIZATIONS

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Abstract

The essay is dedicated to the development of better understanding of the main goals of employee performance evaluation as an indispensable component of managing employees in modern organizations. It is suggested that most employers traditionally use a great number of appraisal methods to assess their employee performance. Traditional methods base their findings on the personality qualities of an individual like creativity, responsibility and leadership. Unlike them, the modern methods widely used in different companies, laid more stress on the employee evaluation work results.

Finally, it is concluded that employee performance evaluation is the most burning problem faced by employers in today's fast-moving business environment. That is why it is very important to understand the main organization's objectives to select the right employee evaluation.

1. Introduction

James Belasco, known as a talented business leadership strategist, who urges organizations to think of their management reconsideration for further employee professional development, career growth and success, once said, “Evaluate what you want – because what gets measured, gets produced (Belasco James. Celebrity Speakers. World Leading Speaker Bureau. Retrieved from http://www.speakers.co.uk/our-speakers/profile/james_belasco)”. Indeed, people will always be faced with a series of problems whose right solutions require evaluations so that prompt and effective actions can be taken. That is why the given essay is dedicated to the determination of the main goals of employee performance evaluation as an indispensable component of managing employees in modern organizations.

2. The Nature of Employee Performance Evaluation

The history of formally organized performance evaluation can be dated back to the early 20th century, when the “Man-to-man” rating system was created for evaluating military personnel (Toppo& Prusty, 2012). From the army this concept gradually entered to business field and was predominantly restricted to the hourly-paid workers. However, with the evolution of performance evaluation procedures in the USA and other countries, the traditional emphasis on reward outcomes was progressively reduced. Instead, the potential usefulness of performance evaluation as a tool for employee professional development and motivation was recognized.

In the overall context of the modern organization, performance evaluation is considered as a systematic and objective way of judging the relative worth or ability of an employee in performing his tasks (Monappa et al., 2006). Performance

evaluation can also be described as a process which reveals that how well employees perform their jobs, when their actual performance compared with the predetermined set of quality, quantity, timeliness and cost-effectiveness standards (Toppo&Prusty, 2012). Performance evaluation can be defined as a structured formal interaction between a subordinate and supervisor, in which the work performance of the subordinate is examined and discussed, with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development (Alvi et al., 2013).

It goes without saying that employee performance evaluation is the one way in which individual employees can be motivated and their efforts can be aligned with the strategic aims of an organization in today’s fast moving business environment. A fair employee performance evaluation system is essential in any organization to retain valuable employees and to provide valuable information for other important human resource management functions.

For this reason it is important to keep in mind that employee performance evaluation is a multi-purpose tool used in organizations to:

- provide an opportunity for open communication about clear expectations to be performed by the employees, and to ensure a feedback;
- identify employee training and development needs, and plans for career growth;
- provide the basis for determining eligibility for compensation adjustments based on merit.

Essentially, all these goals can be more easily realized if the employer makes an effort to establish the employee evaluation process in any organization as a dialogue in which the ultimate purpose is the betterment of all parties.

3. The Most Widely-Used Methods of Employee Performance Evaluation

The various methods for employee performance evaluation, used throughout the world today, can be categorized into two separate groups: traditional and modern methods. None of these methods for employee performance evaluation is absolutely reliable. Each of them has its own strengths and weaknesses.

We completely agree with Ashima Aggarwal and Gour Sundar Mitra Thakur (Aggarwal et al., 2013) that traditional employee performance evaluation methods has been used by organizations for a very long time as a tool for determining and justifying salaries for the past employee performance. We can safely assume that these overall and past-oriented methods are based on studying the personal qualities of the employees, which include not only their knowledge, but also creativity, responsibility and leadership.

The most recognized of these methods are listed below.

1) Essay evaluation method, also known as free form method, is useful in gaining an in depth evaluation of individual employee performance, if done properly. The system gives absolute freedom to the rater to write about the job knowledge, attitudes, strengths and weaknesses, past performance of an individual employee and suggestion for his/her improvement. This type of evaluation system is generally used to evaluate the top management in an organization. Its positive aspects are that it is simple in use and it does not require a specific training to complete it. However, Muhammad Faseeh ullah khan (Muhammad, 2013) points out that the different writing skills of raters can upset and distort the whole process. Thus, the process of employee performance evaluation is subjective and, in consequence, it is difficult to compare and contrast the results of

individuals or to draw any broad conclusions about organizational needs.

2) Graphic rating scale is one of the oldest and the most commonly used methods for employee performance evaluation alongside. In this method, an employee's quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular trait (Sharma et al., 2012). The rating is done on the basis of points on the continuum. The common practice is to follow five point scales. The common value of this method is that it allows managers to compare the performance of several employees simultaneously, is simple to develop and has low cost to implement. The key factors taken into consideration by raters, include not only the personal characteristics, but also characteristics related to the on-the-job performance of the employees.

3) Checklist Evaluation Method is the simplest way of employee performance evaluation. The checklist, presented to the rater, traditionally comprises a list of set objectives or descriptive statements which might be appropriate in describing the employee's performance based on the following parameters: capacity and on-the-job knowledge; attitude, behavioural pattern and perceptions, relation with the peers and the superiors; planning, organizing and handling capacities in times of need; knowledge and understanding of the organizational policy (Traditional methods of appraisal. Retrieved from <http://info.shine.com/Career-Advice-Articles/Appraisal/Traditional-Methods-of-Appraisal/938/cid776.aspx>). The duty of the rater is to find out which description suits the individual employee in the best way. The value of each question can differ from other ones based on its importance. The total score from the checklist is taken into consideration for evaluating the individual employee's performance. Though this method is highly

time-consuming, it is widely used for performance evaluation in modern organizations.

4) The factor comparison evaluation is the most systematic and scientific method of job evaluation. In this method certain key factors are selected, such as mental effort, skills, physical effort, responsibility etc. and each factor is ranked on a scale according to its importance to the job. Based on the ranks of these individual characteristics, an ideal model (a peculiar “key man”) is created. Each employee is compared with the main factors and a ranking of the employee is established relative to the created ideal “key man”. This method can be applied to a wide range of jobs, even the newly created jobs in any organization. However, the main disadvantages of the system are that the pay for each factor is based on subjective judgments. This is a very expensive evaluation method, which cannot be quickly explained to each employee in an organization (Chand Smriti. Four Principal Systems of Job Evaluation. Retrieved from <http://www.yourarticlelibrary.com/business/4-principal-systems-of-job-evaluation/2599/>).

5) Two-Alternative Forced Choice Evaluation Method, used to avoid bias and the preponderance of high ratings in organizations. The primary goal of such an important evaluation method is to correct the tendency of a rater to give too high or low ratings to some employees. This method makes use of several sets of pair positive or negative phrases and the rater is asked to indicate which of them are the most and least descriptive of a particular worker. All the proposed statement items are based in such a way that the rater cannot easily judge which one apply to the most effective employee (Forced Choice method. Retrieved from <http://www.expertsmind.com/topic/individual-evaluation-methods/forced-choice-methods->

94310.aspx) This method is very costly to implement and does not serve the purpose of developing the employees. It can also frustrate the rater as he does not know which the right option is.

We identified that all the traditional methods of employee performance evaluation contain the element of bias and are not absolutely impartial. While some organizations still rely on the simple traditional methods, others follow the modern ones, which are more formal and structured. These methods are future-oriented and focused on the development of each employee in organization:

1) Management by Objectives (MBO) Method. The use of this evaluation method was first widely advocated in the 1950s by world-wide known management theorist Peter Drucker (Muhammad, 2013). Starting in the early 1960s, Management by Objectives (MBO) was the most discussed topics in the sphere of organization management development, and George S. Odiorne was its best-known proponent. As a famous business consultant considered MBO to be “a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual’s major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members” (Modern Methods of Performance Appraisal. Retrieved from <http://www.whatishumanresource.com/modern-methods-of-performance-appraisal>).

That is why the essence of MBO is the goal setting, choosing the further course of action and, finally, decision making. This requires an organization to establish “SMART” goals (S – specific, M – measurable, A – achievable, R – result-focused and T – time-bound) for the overall business and departments, and then assign these goals to

each employee.

According to Shubhangi Sharma, Shalini Singh, Priyanka Singh and Pratibha Singh (Sharma et al., 2012), an important part of MBO is the measurement and the comparison of the employee's actual performance with the standard set of goals. In general, this method, widely used for managerial and professional employees, depends on accomplishing the goal rather than how it is accomplished. It is self-evident that when employees themselves are involved with goal setting, they are more likely to fulfill their responsibilities in an organization. In this case, ultimate benefits realized by the organization will be increased productivity, efficiency, job satisfaction, and morale and decreased turnover.

2) Performance test and observation method. This method deals with testing the knowledge or skills of the employees. It can be implemented in the form of a written test or can be based on the actual presentation of specific skills (Muhammad, 2013). The test must be conducted by a reliable rater who has sufficient knowledge in the field of the prepared test (Performance Evaluation Methods. Retrieved from <http://www.buzzle.com/articles/performance-evaluation-methods.html>). However, if the human resources department decides to outsource the compilation of the necessary test, it may incur additional cost for the organization.

3) 360 Degree Feedback Evaluation Method, also known as Multi-source Assessment and Full-Circle Appraisal, is a popular performance appraisal method that involves performance evaluation input from multiple levels within the organizations as well as external sources. Unlike traditional performance reviews, which provide employees with feedback only from supervisors, the 360 degree feedback appraisal provides a more objective performance feedback from the full circle of

daily contacts that an employee may have (Mohammad, 2013). This means that in this method people all around the rated employee may provide their ratings including senior managers, the employee himself or herself, supervisors, subordinates, peers, team members, and even internal or external customers – anyone, who come into contact with the employee and can provide valuable insight of his or her on-the-job performance (Alexander, 2006) .

Generally, this evaluation method is viewed as an optimal tool for identifying areas for further improvement and guiding behavioural change of each employee in an organization because it is not dependent on a single individual's perceptions. However, the biggest risk with the practical use of 360 degree feedback is confidentiality. Many firms outsource the process to make participants feel comfortable that the information they share and receive is completely anonymous, but the information is very sensitive and, in the wrong hands, could impact careers.

4) Self-Evaluation Method provides the opportunity for employees to evaluate their own performance and express how they think they've performed without being influenced by their supervisor's judgments. The main advantage of this method is that it provides more interaction between supervisors and subordinates, greater agreements on performance expectations, and greater accountability for performance through increased employee participation in the evaluation process (Performance evaluation. Official Portal for North Dakota State Government. Retrieved from <http://www.nd.gov/hrms/managers/guide/perfeval.html>).

In short, the employee evaluation methods mentioned above are a few of the most promising methods, used across various organizations in different countries. With these methods, modern organizations

are surely building the capacity of employees as well as making attempts toward creating a supportive working environment for everyone.

Many organizations all over the world choose to develop their own evaluation system in order to accurately reflect a performance of each employee in the light of the organizational goals and culture.

The findings of this research indicated some of the essential pre-requisites without which employee performance evaluation system will not function effectively in an organization. They are the following ones: performance evaluation process should be based on accurate and current job description; raters must have adequate knowledge and direct experience of the employee's performance; employee performance evaluation should be provided via aggregated anonymous feedback when multiple sources of information are used; performance evaluation should be conducted on a regular basis (at least two times a year) rather than annually.

5. Conclusions

Coming to the conclusion, it should be mentioned that people have different skills, abilities and aptitudes and there is a great need to have suitable performance evaluation system to measure the relative merit of each employee in modern organization.

Employee performance evaluations traditionally vary by organization, and management may struggle with selecting the best evaluation methods for their own employees. That is why a comprehensive employee appraisal is often made up of several different methods of performance evaluation. Of course, managers can choose to use only one of them when judging an employee's performance, but multiple evaluation methods are able to get a broader

picture of the areas where the employee needs improvement. Regular performance evaluations not only provide feedback to employees, but also provide employees with an opportunity to correct deficiencies.

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