

Conceptual study on Ethics in Performance Appraisal

Dr. Harmeet Matharu

Assistant Professor, St. Claret College, Bengaluru

Abstract: *Ethics should be the cornerstone of performance evaluation, and the overall objective of high ethical performance reviews should be to provide an honest assessment of the performance and mutually develop a plan to improve the rate's effectiveness. Appraisal is one of the most important tools in the management of Human Resources. However, made in an inappropriate way, it can be harmful. Therefore, one should, follow a set of rules to which employees will perceive the system as ethical. The article is aimed at defining ethical aspects of appraisal and regulations governing the creation of moral or ethical appraisal system in a given firm.*

Keywords: HRM, Ethical system for employee performance appraisal, model of appraisal.

1. Introduction

Throughout the current business environment there is rapid change, with globalisation comes international, deregulated markets, and competition is high. Businesses need to constantly evolve to maintain a competitive advantage and stay alive. In order to do this, organisations need to both improve and maintain strong levels of performance. Increasingly, an organisation's success depends on their workforce and their abilities. Good employees are a major asset to an organisation and are also a source of competitive advantage. Human Resource Management is becoming more and more important in the strategy of a company and is seen as extremely vital for strategic success. In managers' dynamic, real-world environments, they often feel it is necessary to exercise some creative discretion over employee ratings. Most managers do not describe their ratings of subordinates in performance appraisals as completely honest or accurate. The inaccuracy is often in the form of inflated ratings. They justify the inaccuracy by sighting, among other things, the need to avoid confrontation with subordinates, damaging working relationships, and creating permanent written documents which may later harm a subordinate's career. Many of these motives are not only well intentioned, but are designed to enhance individual, unit, and organizational performance. It is concerned with longer-term people issues and macroconcerns about structure, quality, culture, values, commitment and matching resources to future need' (CIPD, 2012). The role HR practices play in organisational performance is increasingly becoming more important, as it is known that the way an organisation manages its people can influence its performance. Many HR departments are taking more of a strategic view and ensuring its procedures are in line with the goals of the business. Strategic HRM is more so how Human Resources can affect the organisations performance and how to improving the HR strategies in the organisation will improve the company as a whole. It is concerned with the strategic choices associated with the workforce in companies and are inevitably connected to the performance. Strategic HRM is critical to the company's survival and success (Boxall& Purcell, 2003). Only recently, the potential role of HRM in improving an organisations performance has been realised. HRM practices can develop the performance of an organisation by contributing to employee satisfaction

(Zakaria, Zainal & Nasurdin, 2012). Among the HR practices that have been studied, performance appraisal is arguably one of the more crucial ones in terms of organisation performance and appears to be an indispensable part of any HRM system (Shrivastava and Purang, 2011). 'The success, survival and competing power of organisations depend on the commitment of their members, and this may, to a large extent, depend on how satisfied the employees are in respect of the organisation's appraisal mechanism' (Abdulkadir, Isiaka&Adedoyin, 2012, p.124). Performance appraisal is one of the most crucial human resource tool and a vital part of every organisation. Nonetheless, the procedure continues to create dissatisfaction among subordinates and can often be seen as ineffective and unfair. Bretz, Milkovich and Read (1992) indicated that perceived fairness of the appraisal system has emerged as the most important issue to be faced by managers. Performance Appraisal can be defined as a system that involves setting employee standards, looking at employees' actual job performance, assessing that performance against the standards, giving feedback to the employee on the performance, how to improve it in the future and setting new goals and expectations for another period (Dessler, 2008). Employee appraisal has been one of the most widely studied areas 9 within Human Resource Management literature. It's an essential component of HRM in most organisations and one of the most vital responsibilities for human resource and line managers. The researcher will look at the performance appraisal system within the organisation and how the staff that are appraised feel about the system and whether they believe it is effective in managing their performance and for the organisation. 'Increasingly, companies are relying on their human assets - the knowledge, competence and capabilities of the workforce - as a source of competitive advantage' (Nolan 2002, p.89). The assessment of employees' performance is one of the most common practices in almost every organisation, and so performance appraisal is an essential procedure for the better performance of employees and the organisation itself (Karimi, Malik & Hussain, 2011). Many businesses regularly use performance appraisal scores to determine the distribution of pay, promotions, and other rewards; however, few organisations attempt to evaluate how employee perceptions of performance appraisal fairness impact employee attitudes and performance (Swiercz, Bryan, Eagle, Bizzotto&Renn,

Volume 5 Issue 12, December 2016

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

2012). It is vital that such appraisal systems are effective and for that reason the performance appraisal must be viewed as a tool for developing and motivating staff. The usefulness of performance appraisal as a managerial decision tool depends partly on whether or not the performance appraisal system is able to provide accurate data on employee performance (Poon, 2004). The areas the research will focus on include how an effective performance appraisal is carried out and staff's opinion on how it affects their contentment in their roles. 10 The researcher will investigate what the main features of effective Performance Evaluation are and how employee behaviours and attitudes towards Performance Appraisal can affect the structure. Some research has been previously done on this area, but it has seemed to focus more on the angle of how the performance appraisal affects the organisations and not so much on the employee's perspective. 'Organisations need to eliminate performance appraisals that are an exercise in going through the motions. They need to take time to question the way things are always done and build a performance appraisal methodology that is fair and effective' (Pritchard, 2007, p.156).

Research Problem and Aims of Research The topic the researcher conducted the dissertation on is how effective performance appraisals systems are according to the employees who are involved the appraisal. Whether an appraisal system is effective or not may have either a positive or negative effect on the employees and the organisation. The overall aim of this study is to look at the performance appraisal system from employees' point of view. Do they feel it is an effective tool and does it do what it sets out to do? Throughout the literature it is evident that many academics feel performance appraisal is not as practicable as it is made out to be and has several flaws. The research will examine what the employees of the organisation being studied feel about the Performance Appraisal system and if they believe it is an effective tool.

2. Literature Review

Performance Appraisal Performance can be defined as "What is expected to be delivered by an individual or a set of individuals within a timeframe. What is expected to be delivered could be stated in terms of results or efforts, tasks and quality, with specification of conditions under which it is to be delivered" (Kumari & Malhotra, 2012, p.78). Armstrong (2006) defined Performance Appraisal as the formal assessment and rating of individuals by their managers at, usually, an annual review meeting. While The Chartered Institute of Professional Development (CIPD) have a more comprehensive and in-depth definition which argues that 'Performance Appraisal is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about their performance and development, as well as the support required from the manager' (CIPD, 2013). Performance appraisal is not just about rating employees, Meenakshi (2012) identified that organisations carry out Performance Appraisal as a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs. 'Appraisal is preceded by establishing general objectives or a description for the job, identifying specific job

expectations, providing feedback and, when necessary, coaching' (Hillman, Schwandt & Bartz, 1990, p.20). Fletcher (2004) believes that the general aims of Performance Appraisal also include Motivating staff, Succession planning and identifying potential, promoting managersubordinate dialogue and formal assessment of unsatisfactory performance. However, Khan (2007) states that the fundamental objective of performance appraisal is to facilitate management in carrying out administrative decisions relating to promotions, firings, layoffs and pay increases. From carrying out the performance appraisal, management then have to make choices in relation to retention, future assignments and training and developmental needs (Hillman et al, 1990). According to Obisi (2011, p.92), 'Organisational performance and its resultant efficiency and effectiveness can only be achieved when individuals are continuously appraised and evaluated. This explains why almost every organisation carries out some form of performance appraisal either on its own or as part of their performance management system'.

'Performance Appraisal became a widely used management tool in businesses around the 1980's. Its modern uses had previously been restricted to Army Officers and Senior Management' (Taylor, 2005, p291). However appraisal has been present throughout history and has advanced significantly over time. Some of the earliest evidence of Performance Appraisal was seen in the 3rd century when a Chinese philosopher Sin Yu criticised a biased rater of the Wei Dynasty on the grounds that the Imperial Rater of Nine Grades rarely rates men by their merits but always rates them according to his likes and dislikes (Patten, 1977). Appraisal was seen further on, in 1648 when it was stated that the Dublin Evening Post evaluated legislators using a rating scale based on personal qualities (Hackett, cited in Wiese and Buckley, 1998). Appraisal then became a more formal process, firstly in the 1800's when a General in the US Army submitted an assessment of his soldiers to the War Department. The Army General used a global rating, which defined his men as for example 'a good-natured man' or 'a knave despised by all' (Bellows and Estep, 1954). The first recorded appraisal system in industry was by Robert Owen in New Lanark Mills, Scotland around 1800. He used character books and blocks to rate staff. The character book recorded each worker's daily report. The blocks were coloured differently on every side to represent an assessment of the worker rating them from strong to weak. These blocks were then displayed in the employee's workplace. Owen was happy with the how the blocks improved the workers behaviour (Cardy & Dobbins 1994). Following the success of the appraisal system used in the Armed Forces, senior management of large US corporations wanted to test this technique within their organisations and so hired many of these people who were associated with the practice used in the Army. The tools for rating evolved over time from Global Rating towards Man-to-Man Rating and then to Trait based Rating. These appraisal tools tended to exclude top management and also used the same forms for all workers regardless of skills and duties. They tended to focus on past actions instead of future goals and were always conducted by the supervisor with little input from the employee (Wiese & Buckley, 1998). Because of this a change was brought about in the tools used and consequently the critical incident

and forced choice methods were introduced. These methods were more advanced and substantive than previous approaches, but their intricacy meant that they are not readily used in today's world (Flanagan, 1954). The popularity of performance appraisal in an industry setting was growing and by the early 1950s, 61% of organisations carried out performance appraisals frequently, compared to only 15 per cent immediately after the Second World War (Spriegel, 1962). Smith and Kendall (1963) created the Behaviourally Anchored Rating Scales (BARS) hypothesized to be superior to alternative evaluation methods in several. This replaced numerical or adjective ratings used in the graphic or trait rating scales, with behavioural examples of actual work behaviours. BARS meant supervisors could rate employees on observable behavioural elements, rather than on a scale. The major advantage of such measures is that the evaluator has to make fewer inferences about the employee. The evaluator is cast more in the role of observer and less in the role of judge (Schwab, Heneman, & DeCotiis, 1975). 'Numerous spin-offs to BARS have been developed since. The contribution of these developments has been an emphasis on the behavioural bases of performance ratings' (Wiese & Buckley, 1998, p241). One of the most influential events in the evolution of performance appraisal was the legal requirements that changed how appraisals could be carried out. The enactment of the 1964 Civil Rights Act in the United States, which prohibited administrative action on the basis of colour, religious beliefs, sex, etc., led to a legal use for Performance Appraisal. This legal constraint was the final blow to subjective, traitbased approaches (Banner & Cooke, 1984). This meant that the use of personality traits in Performance Appraisal and the links between appraisal and human resource consequences had become strictly regulated. This change has played an enormous part in the shift towards Performance Appraisals as they are now, where there are numerous ethical concerns to take into consideration.

Performance Appraisal still plays a huge part in organisations today. A report carried out by the CIPD in 2009 found that 81.3% of organisations surveyed were carrying out performance appraisal in their organisation as part of their performance management. In recent years, performance appraisals have been used in organisations for numerous reasons, as opposed to the historical method it was used for, making administrative decisions. According to Cleveland, Murphy & Williams (1989) there are four main uses for Performance Appraisal in organisations today. These are Between Individual Comparisons, Within Individuals Comparisons, Systems Maintenance and Documentation. Between individuals relates to comparison of individuals in terms of performance, Within Individuals concentrates on identifying and developing individuals strengths and weaknesses. Systems Maintenance can mean using Performance Appraisal as a source to link company procedures and strategy with the performance of employees and the goals that they have achieved and are working toward. Linking Performance Appraisal to the business goals of the company has been seen as an innovative way of focusing employees' actions to the priorities of the business. The purpose of Documentation is the use of performance appraisal to document or justify personnel decisions and ensure they are meeting legal requirements (Cleveland et al,

1989; Wiese & Buckley, 1998). Throughout the vast amount of journal articles and research on performance appraisal, there is a substantial view that while performance appraisal seems like a great tool and should be of huge benefit to every organisation, they can be moderately ineffective and so have taken a lot of criticism. Lawler (2012) discusses how a lot of literature poses the idea of dismissing performance appraisal completely, but he believes that Performance Appraisal is a vital procedure for effective talent management. He recommends that the way forward for Performance Appraisal is not to eliminate it but to work on making it an effective tool. 'The key is to make them part of a complete performance management system, which includes goal setting, development, compensation actions, performance feedback and a goalsbased appraisal of performance' (Lawler, 2012)

Objectives of the Study

- What elements of effective Performance appraisal exist in the organisations system?
- Does effective Performance Appraisal motivate employee to work harder and improve performance?
- Is Performance Appraisal a worthwhile tool and does it helps to develop employees?

Performance Appraisal and Performance Management

The majority of recent literature on Performance Appraisal states that it needs to be carried out as part of a whole Performance Management system and none solely on its own. Performance Management can be defined as a systematic process for improving organisational performance by developing the performance of individuals and teams (Armstrong, 2006). Walters (1995) defined Performance Management as the 'process of directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation'. Williams (2002) believes the notion of Performance Management is creating a shared vision of the aims and purpose of the organisation, helping each individual employee to understand and recognise their part in contributing to them, and thereby managing and improving the performance of both individuals and the organisation. Performance Appraisal plays a central role in Performance Management Systems; it is normally the vehicle behind which the organisational goals and objectives are translated into an individual's objective. It also remains the primary way of discussing and acting on the development of the individual (Fletcher, 2004). When a part of performance management, appraisal is much more tightly linked with the larger business environment. De Nisi and Griffen (2008, p.318) state that Performance management refers to 'a general set of activities which are carried out by the organisation to improve employee performance'. Although performance management is typically reliant on performance appraisals, performance management is a broader and more encompassing process and is the ultimate goal of performance appraisal activities (De Nisi & Griffen, 2008). Performance Management has been seen to be more successful and brings a lot of benefits to an organisation. A study carried out by Fletcher and Williams (1996) in 9 UK organisations showed that features of performance management lead to organisational commitment and in particular, job satisfaction. Performance management

systems are effective when they are based on goals that are jointly set and are driven by an organisation's business strategy (Lawler, Benson & McDermott, 2012). Performance Appraisal from a social-psychological perspective as opposed to the traditional tool for measurement is becoming more popular, viewing Performance Appraisal as a communication and social process.

“Performance appraisal isn't about the forms. The ultimate purpose of performance appraisal is to allow employees and managers to improve continuously and to remove barriers to job success, in other words, to make everyone better. Forms don't make people better, and are simply a way of recording basic information for later reference. If the focus is getting the forms "done", without thought and effort, the whole process becomes at best a waste of time, and at worst, insulting”(Bacal, 1999).

The six factors are:

- Performance goals must be specifically and clearly defined.
- Attention must be paid to identifying, in specific and measurable terms, what constitutes the varying levels of performance.
- Performance appraisal programmes should tie personal rewards to organisational performance.
- The supervisor and employee should jointly identify ways to improve the employee's performance, and establish a development plan to help the employee achieve their goals.
- The appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process.
- The performance appraisal system, regardless of the methodology employed, must comply with legal requirements (notably, Equal Employment Opportunities guidelines).

Performance Appraisal Performance appraisal (PA) is a formal system of review and evaluation of individual or team task performance. A critical point in the definition is the word formal, because in actuality, managers should be reviewing an individual's performance on a continuing basis. PA is especially critical to the success of performance management. Although performance appraisal is but one component of performance management, it is vital, in that it directly reflects the organization's strategic plan. Although evaluation of team performance is critical when teams exist in an organization, the focus of PA in most firms remains on the individual employee. Regardless of the emphasis, an effective appraisal system evaluates accomplishments and initiates plans for development, goals, and objectives. Performance appraisal is often a negative, disliked activity and one that seems to elude mastery. Managers do not like giving them and employees do not like receiving them. In fact, in one survey, almost 80 per cent of workers stated dissatisfaction with their PA process. If this is so, why not just eliminate it? Actually, some managers might do just that if they did not need to provide feedback, encourage performance improvement, make valid decisions, justify terminations, identify training and development needs, and defend personnel decisions. Performance appraisal serves many purposes, and improved results and efficiency are

increasingly critical in today's globally competitive marketplace. Therefore, abandoning the only program with performance in its name and employees as its focus would seem to be an ill-advised overreaction. On top of these considerations, managers must be concerned about legal ramifications. Developing an effective performance appraisal system has been and will continue to be a high priority for management.

Uses of Performance Appraisal :For many organizations, the primary goal of an appraisal system is to improve individual and organizational performance. There may be other goals, however. A potential problem with PA, and a possible cause of much dissatisfaction, is expecting too much from one appraisal plan. For example, a plan that is effective for developing employees may not be the best for determining pay increases. Yet, a properly designed system can help achieve organizational objectives and enhance employee performance. In fact, PA data are potentially valuable for virtually every human resource functional area.

Human Resource Planning :In assessing a firm's human resources, data must be available to identify those who have the potential to be promoted or for any area of internal employee relations. Through performance appraisal it may be discovered that there is an insufficient number of workers who are prepared to enter management. Plans can then be made for greater emphasis on management development. Succession planning is a key concern for all firms. A well-designed appraisal system provides a profile of the organization's human resource strengths and weaknesses to support this effort.

Recruitment and Selection: Performance evaluation ratings may be helpful in predicting the performance of job applicants. For example, it may be determined that a firm's successful employee's exhibit certain behaviours when performing key tasks. These data may then provide benchmarks for evaluating applicant responses obtained through behavioural interviews. Also, in validating selection tests, employee ratings may be used as the variable against which test scores are compared. In this instance, determination of the selection test's validity would depend on the accuracy of appraisal results.

Training and Development: Performance appraisal should point out an employee's specific needs for training and development. For instance, if Pat Compton's job requires skill in technical writing and her evaluation reveals a deficiency in this factor, she may need additional training in written communication. If a firm finds that a number of first-line supervisors are having difficulty in administering disciplinary action, training sessions addressing this problem may be appropriate. By identifying deficiencies that adversely affect performance, T&D programs can be developed that permit individuals to build on their strengths and minimize their deficiencies. An appraisal system does not guarantee properly trained and developed employees. However, determining T&D needs is more precise when appraisal data are available.

Human Resource Development: Career Planning and Development is an on-going process whereby an individual

sets career goals and identifies the means to achieve them. On the other hand, career development is a formal approach used by the organization to ensure that people with the proper qualifications and experiences are available when needed. Performance appraisal data is essential in assessing an employee's strengths and weaknesses and in determining the person's potential. Managers may use such information to counsel subordinates and assist them in developing and implementing their career plans.

Compensation Programs: Performance appraisal results provide a basis for rational decisions regarding pay adjustments. Most managers believe that you should reward outstanding job performance tangibly with pay increases. They believe that the behaviours you reward are the behaviours you get. Rewarding behaviours necessary for accomplishing organizational objectives is at the heart of a firm's strategic plan. To encourage good performance, a firm should design and implement a reliable performance appraisal system and then reward the most productive workers and teams accordingly.

Internal Employee Relations: Performance appraisal data are also used for decisions in several areas of internal employee relations, including promotion, demotion, termination, layoff, and transfer. For example, an employee's performance in one job may be useful in determining his or her ability to perform another job on the same level, as is required in the consideration of transfers. When the performance level is unacceptable, demotion or even termination may be appropriate. Assessment of Employee Potential Some organizations attempt to assess an employee's potential as they appraise his or her job performance. Although past behaviours may be a good predictor of future behaviours in some jobs, an employee's past performance may not accurately indicate future performance in other jobs. The best salesperson in the company may not have what it takes to become a successful district sales manager, where the tasks are distinctly different. Similarly, the best systems analyst may, if promoted, be a disaster as an information technology manager. Overemphasizing technical skills and ignoring other equally important skills is a common error in promoting employees into management jobs. Recognition of this problem has led some firms to separate the appraisal of performance, which focuses on past behavior, from the assessment of potential, which is future-oriented.

Performance appraisals are useful for the administrative and developmental aspects of a company. The most important administrative uses are pay adjustments, promoting/demoting, and terminations of employees. These changes are usually derived from the appraisal. The most important developmental uses are being able to identify the strengths and weaknesses, offering training opportunities, and outlining of future career plans.

3. How They're Measured

To determine performance appraisals, the management must measure different aspects of the employee's job. This will vary from job to job, but for the most part, an employee will be measured on these factors:

- Quantity of output
- Quality of output
- Timeliness of output
- Presence/attendance on the job
- Efficiency of work completed
- Effectiveness of work completed

4. Reasons for Unethical Reviews

Performance managers have been known to skew their results intentionally for many reasons. In a research done by Clinton Longenecker and Dean Ludwig, over 70% of managers did so for the following reasons:

- Belief that accurate ratings would have a damaging effect on the subordinates motivation and performance
- The desire to improve an employee's eligibility for merit raises
- The desire to avoid airing the departments dirty laundry
- The wish to avoid creating a negative permanent record
- The need to protect good performers whose performance was suffering because of personal problems
- The wish to reward employees displaying great effort when results are relatively low
- The need to avoid confrontation with certain hard-to-manage employees
- The desire to promote a poor or disliked employee up and out of the department

5. Ethics involved in Performance appraisals

Having ethics as a manager doing performance appraisals is very important for many reasons. These appraisals can be highly subjective, which can impact the relationships between the managers and the employee being reviewed. There are many different ways that a meeting can do from ethical to unethical. Listed are some of the general appraisal characteristics and an understanding on how it can be unethical:

Rewards, punishments and threats

- These should be used in a positive way. If they are negatively used, it can affect the morale of the employee
- An appraiser should not be able to reward an employee that he/she likes more than another, when the other is more qualified

Reliability and validity

- The appraiser should provide consistent, reliable, and valid information
- Job Relatedness
- Standardization
- The performance appraisal process, forms, administration techniques, and ratings should be standardized so it affects all employees of the group. For example, if they provide one form or rating system for one employee, they must provide the same for another

Legal Sanction

- Rater Errors
- The person filling out the forms and rating the other employee or manager may distort the information by using their own values or prejudices.

- This is where the rater creates a bias for a person whose characteristics are similar or different from their own. Instead of measuring the individuals job performance, they end up measuring the individual against another person

Training and Appraisers

- Providing training for the appraisers will help familiarize them with the different rating errors which can improve the rater performance. If they are unaware, they may make these unethical errors during the appraisal

Employee Access to Results

- Feedback is necessary for growth or change to occur. Keeping any results away from the employees is unethical

Confidentiality

- The feedback that the appraiser provides should be confidential. Leaking it to unnecessary employees is unethical

6. Conclusion

Performance appraisals are a great way for a company to assess their employees. In a perfect world, the appraiser would leave all bias and unethical decisions away from the meetings. Since this is not always the case, implementing training and awareness for performance managers is a good way for them to become familiar with the unethical possibilities so they can prevent themselves from having them occur during a performance appraisal.

References

- [1] Admin. (July 15, 2006). Managerial Ethics in Performance Appraisals. Retrieved from <http://www.citeman.com/810-managerial-ethics-in-performance-appraisal.html>
- [2] Genesis Framework. (2013). Evaluation Forms. Retrieved from <http://www.evaluationforms.org/>
- [3] Longenecker, Clinton, & Ludwig, Dean. (Dec, 1990). Ethical Dilemmas in Performance Appraisal Revisited. *Journal of Business Ethics*, Vol. 9, no. 12. Retrieved from <http://www.jstor.org/discover/10.2307/25072119?uid=3739728&uid=2&uid=4&uid=3739256&sid=21101924781267>
- [4] Mathis, Robert L., and John H. Jackson. *Human Resource Management*. 13th ed. Mason: South-Western Cengage Learning, 2011. 157-165. Print.