

Near East University
Faculty of Economics and Administrative Sciences
Department of Business



Man 400

Performance Appraisal in Human Resource Management

Submitted by: Evin UNUTMAZ

20001224

Submitted to: Mrs. Şerife EYÜPOĞLU

Date : September 3, 2003



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ABSTRACT

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To understand and analyze the importance of the performance appraisal process, one organization in TRNC was selected. This organization's performance appraisal activity was examined.

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I.INTRODUCTION

1.1 Human Resources Management is the Defined

Human resource (or personnel) management , in the sense of getting things done through people , is an essential part of every manager's responsibilities , but many organizations find it advantageous to establish a specialist division to provide an expert service dedicated to ensuring that the human resource function is performed efficiently "People are our most valuable asset" is a cliché which no member of any senior management team would disagree with. Yet the reality for many organizations is that their people remain under valued , under trained and under utilized.

The rate of change facing organizations has never been greater and organizations must absorb and manage change at a much faster rate than in the past. In order to implement a successful business or small , must ensure that they have the right people capable of delivering the strategy. The market place of talented , skilled people is competitive and expensive . Taking on new staff can be disruptive to existing employees. Also it takes time to develop cultural awareness , product / process / organization knowledge and experience for new staff members.

As organizations vary in size , aims , functions , complexity , construction , the physical nature of their product , and appeal as employers , so do the contributions of human resource management. But , in most the ultimate aim of the function is to: "ensure that all times the business is correctly staffed by the right number of people with the skills relevant to the business needs" , that is neither overstaffed nor

understaffed in total or in respect of any one discipline or work grade.

In order to understand what HRM is it , is first necessary to remember what managers do .All managers perform five functions namely planning , staffing , leading and controlling. HRM is basically the function of staffing and can be defined as the practices and policies needed in order to carry out the “people aspects of a managerial job”

These include

- Conducting job analyses
- Planning labour need and recruiting job candidates
- Selecting from among job candidates
- Orienting and training new employees
- Managing wages and salaries
- Providing incentives and benefits
- Development of employees
- Building employee commitment

The common element in all organizations is people. People create strategies and innovations for which organizations are known. An organization's ability to survive , prosper and continue prospering in the future is increasingly a function of the people human resources which they have without bright , capable and motivated human resources organizations would be nowhere.

The management of human resources has become a more complex and critical determinant of any organizations effectiveness. Finding , selecting , and keeping highly qualified human resources can become a source of sustained competitive

advantage. The HRM must be committed employees who do their jobs as if they own the organizations.

Human resources determine every organization's success. Improving the human contribution is so ambitious and important, however, that all but the smallest firms create a specialized personnel or HR department. It is ambitious because HR departments do not control many of the factors that shape the employees' contribution, such as capital, materials and procedures. The department decides neither strategy nor a supervisor's treatment of employees, although it strongly influences both. Simply put, the HR department exists to support managers and employees as they pursue the organization's strategies.

In order to find the best person for the job it is first of all necessary to have an understanding of the job itself. Job analysis is the procedure through which organizations determine the duties of positions and the characteristics of the people who should be hired for them. JA provides information on job requirements, which in turn is used to develop job descriptions and job specifications. Data derived from JA have an impact on virtually every aspect of HRM, therefore JA is known as a basic HR tool. The figure 1.1 shows the relationship.

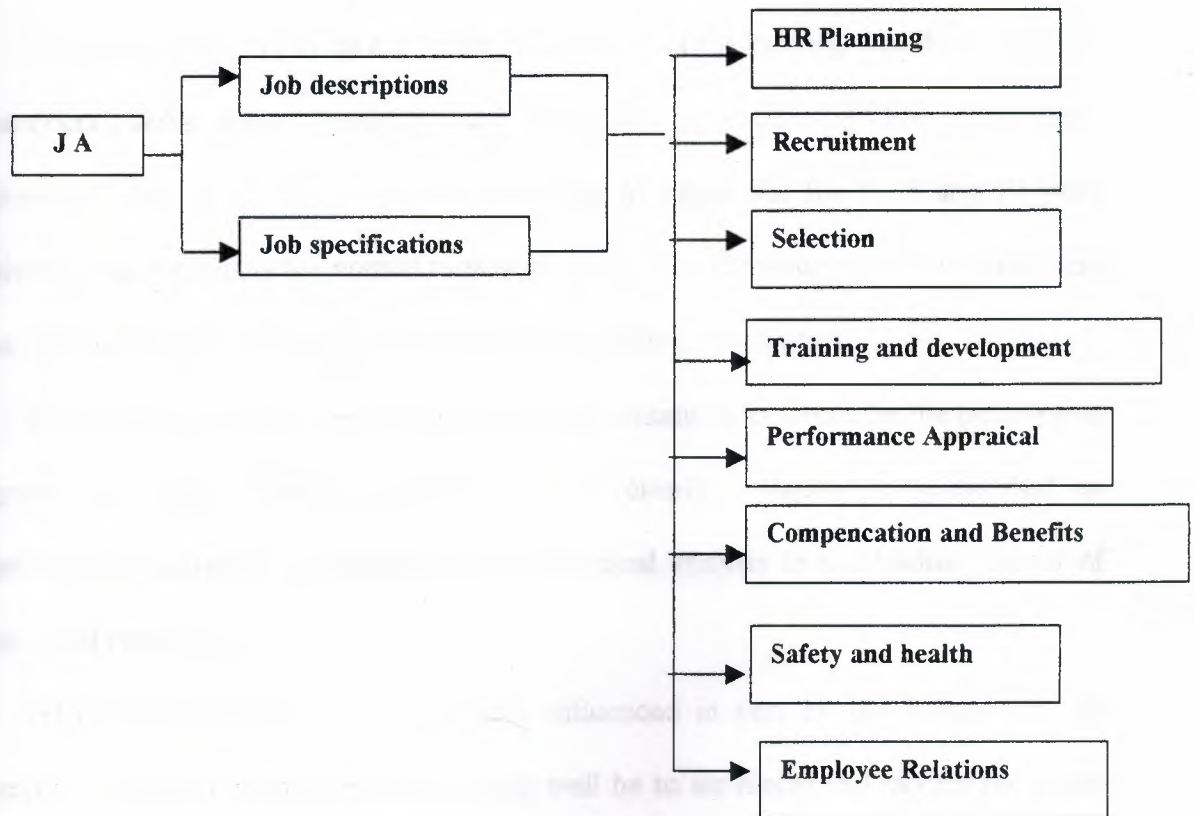


Figure 1.1 The relationship between JA and the HR tools

- **HR Planning:** Is the process of systematically reviewing human resources requirements to ensure that the required skills, are available at the required time. The penalties for not being correctly staffed are costly. Understaffing loses the business economies of scale and specialization, orders, customers and profits. Overstaffing is wasteful and expensive, if sustained, and it is costly to eliminate because of modern legislation in respect of redundancy payments, minimum period of notice, etc.

Very importantly, overstaffing reduces the competitive efficiency of the business. Staffing level planning requires that an assessment of present and future needs of the organization be compared with present resources and future predicted resources. Appropriate steps then be planned to bring demand and supply into balance.

Thus the first step is to take a “satellite picture” of the existing workforce profile (numbers, skills, ages, flexibility, sex, experience, forecast capabilities, character, potential, etc of existing employees) and then to adjust this for 1, 3 and 10 years ahead by amendments for normal turnover, planned staff movements, retirements etc in the line with the business plan for the corresponding time frames.

The result should be a series of crude supply situations as would be the outcome of present planning if left unmodified. (This, clearly, requires a great deal of information accretion, classification and statistical analysis as a subsidiary aspect of personnel management)

What future demands will be is only influenced in part by the forecast of the personnel manager, whose main task may well be to scrutinize and modify the crude predictions of other managers. Future staffing needs will derive from.

- *Sales and production forecasts

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What should emerge from this “blue sky gazing” is a “thought out” and logical staffing demand schedule for varying dates in the future which can then be compared

with the crude supply schedules. The comparisons will then indicate what steps must be taken to achieve a balance.

That, in turn, will involve the further planning of such recruitment, training, retraining, labor reductions (early retirement/ redundancy) or changes in workforce utilization as will bring supply and demand into equilibrium, not just as a one-off but as a continuing workforce planning exercise the inputs to which will need constant varying to reflect "actual" as against predicted experience on the supply side and changes in production actually achieved as against forecast on the demand side.

● Recruitment and Selection of Employees

Recruitment of staff should be preceded by:

An analysis of the job to be done (i.e. an analytical study of the tasks to be performed to determine their essential factors) written into a job description so that the selectors know what physical and mental characteristics applicants must possess, what qualities and attitudes are a decided disadvantage;

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The main sources of recruitment are:

- *Internal promotion and internal introductions (at desirable for morale purposes);
- *Careers officers (and carers masters at schools);
- *University appointment boards;
- *Agencies for the unemployed;
- *Advertising (often via agents for specialist posts) or the use of other local media (e.g. commercial radio).

Where the organization does its own printed advertising it is useful if it has some identifying logo as its trade mark for rapid attraction and it must take care not to offend the sex , race , etc. antidiscrimination legislation either directly or indirectly. The form on which the applicant is to apply (personal appearance , letter of application , completion of a form) will vary according to the post vacant and numbers to be recruited.

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Once the selection process has taken place , managers and the HR department help the “new hire” fit in. This help extends to current employees who are reassigned to new jobs. Organizations devote considerable time and resources to hiring people . By the first day , the employer already has an investment in the worker. And there is a job-or at least a potential job-that needs to be done. To help new employees fit in , orientation programs familiarize employees with their roles , the organization , its policies , and other employees.

***New Employee Turnover**

Turnover is expensive . Besides recruiting and selection expenses , the cost associated with creating new employee records in the HR department , establishing payroll records in accounting , giving new employees training , and providing them with safety equipment are lost when employees leave. These costs never appear on the profit and loss statement as “turnover expenses”, although if they did , hiring

managers might pay closer attention to turnover. Instead, turnover costs are reflected in the budgets of the HR, accounting, training, and safety departments. The exact cost per employee probably cannot be determined accurately. For entry-level unskilled workers who quit in the first day or so, the expense is likely to be a few thousand dollars. For newly hired salaried managers and professionals-particularly if the employer had to pay a search firm fee-the cost of turnover can be many thousands of dollars.

To a large firm a few thousand dollars may seem inconsequential, but if thousands of employees leave each year, the costs of turnover can quickly escalate into the millions of dollars. When experienced, long-service employees quit, the loss may be incalculable because of the training, knowledge, and skills these workers take with them. In general, the HR departments can reduce turnover by using orientation to help meet the personal objectives of employees. When that happens, both the employee and the organization can benefit.

● **Training and Development**

Placing employees in jobs does not ensure their success. New employees are often uncertain about their roles and responsibilities. As Figure 1.2 shows, job demands and employees' capabilities must be balanced through orientation and training programs. Both are needed. Once employees have been trained and have mastered their jobs, they may need further development to prepare for their future responsibilities. And with ongoing trends toward greater workforce diversity, flatter organizations, and increased global competition, training and development efforts enable employees to assume expanded duties and greater responsibilities.

Although training helps employees do their current jobs , the benefits of training may extend throughout a person's career and help develop that person for future responsibilities. Development , by contrast , helps the individual handle future responsibilities , with little concern for current job duties.

Looked at from the overall corporate perspective , the distinction between training for a current job and development for a future one blurs even further. What most firms seek to create is an organization where people engage in continuous learning.

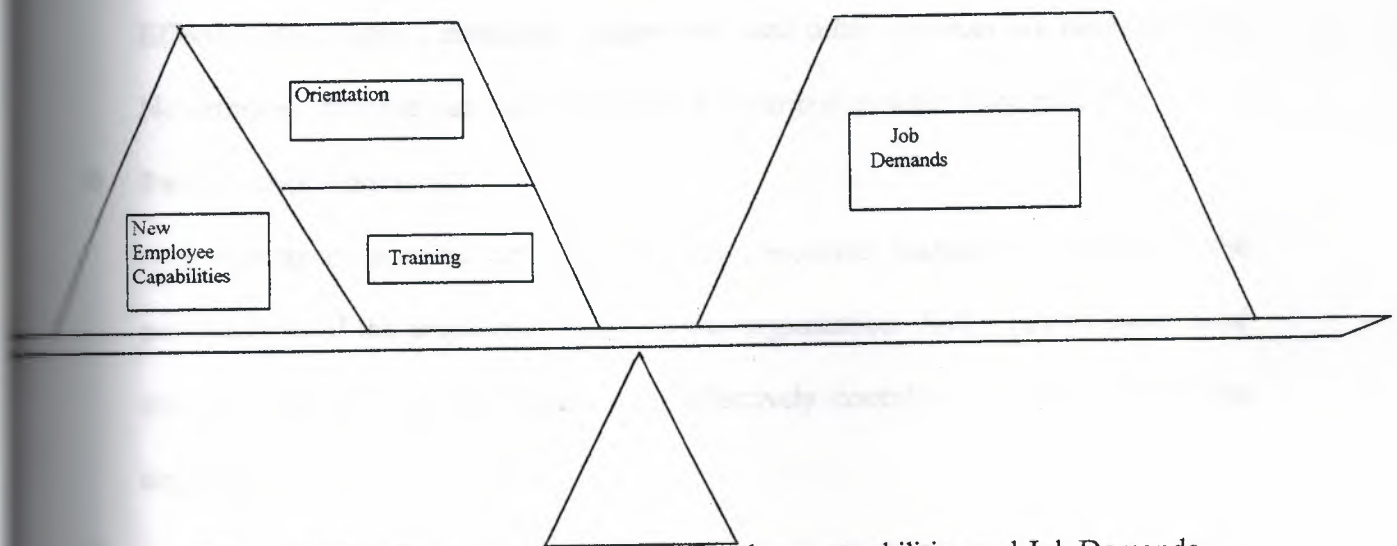


Figure 1.2 The Balance between New Employee capabilities and Job Demands

As businesses become more global , competition demands a more competent workforce. When a nation's educational system does not provide sufficiently educated workers , the burden falls on businesses. It has been estimated that U.S. businesses spend more than \$30 billion annually on training and development. A survey by the American Society for Training and Development found that firms should invest at least 2 percent of payroll in training and development. In France , by comparison , employees with ten or more employees are required to spend 1.4 percent of payroll on training or pay what is not spent to the government as a tax. Some

leading U.S. companies, such as General Electric, Texas Instruments, and Motorola, spend even more than the French mandate or the U.S. average of 1.2 percent of payroll. IBM, Motorola, Xerox, McDonald's, Ford, and others have built education centers to meet their commitment to the training and development of their workforces. These and other companies have been called "learning organizations" because they treat training and development as an "investment" in their future, not an "expense".

However, training and development are not universal solutions to every need. Effective job designs, selection, placement, and other activities are necessary too. Nevertheless, training can make a substantial contribution when done properly.

● **Performance Appraisal**

Performance appraisal activity of human resources management evaluates the performances of the employees, who work for the organization. And it can be understood that the employees of the organization effectively contribute to objectives of the organization or not.

● **Compensation**

EMPLOYEES EXCHANGE their physical and mental efforts for compensation, but compensation means more than wages and salaries. It may include incentives that motivate employees and relate labor costs to productivity. Almost always, a wide range of benefits and services are part of the total compensation package each worker receives in developed nations. Financial and physical security also are provided to employees because of laws that impose social responsibilities on employers in a variety of areas. These concerns play an important role in any manager's or HR department's efforts to obtain, maintain, and retain an effective workforce.

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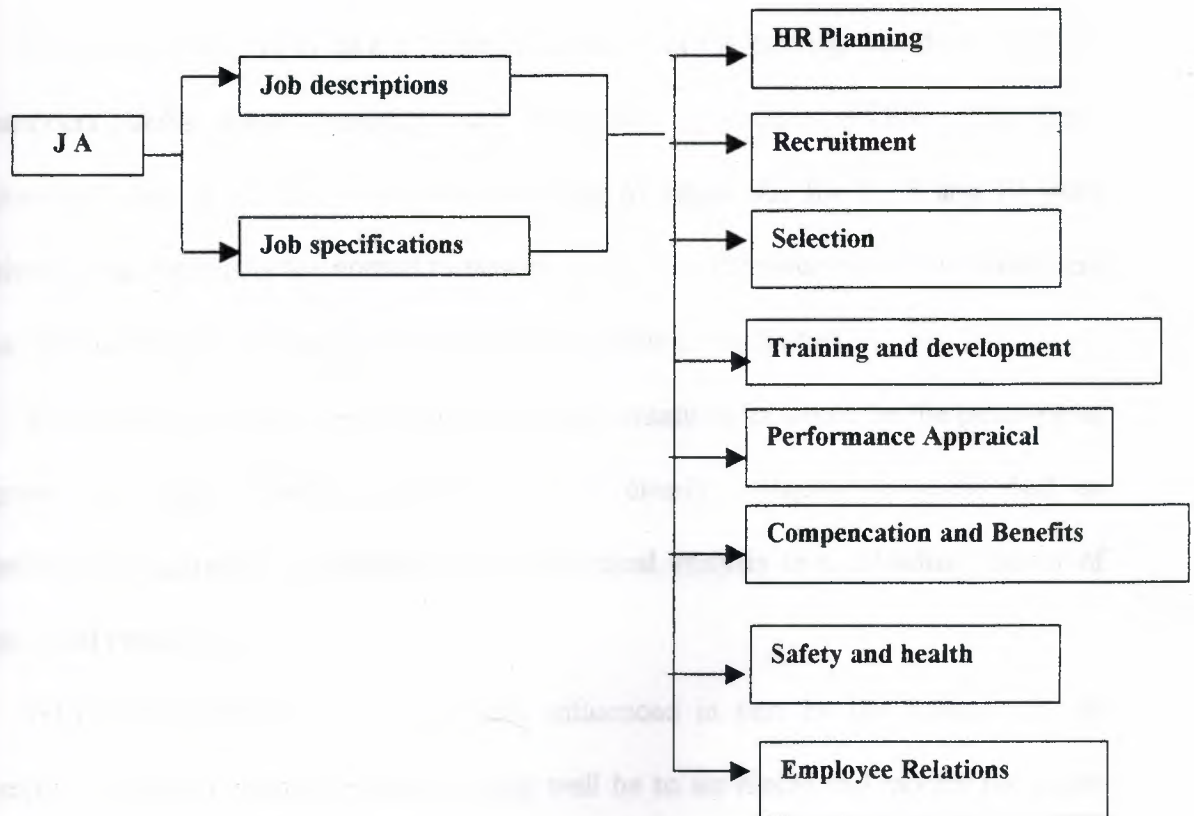


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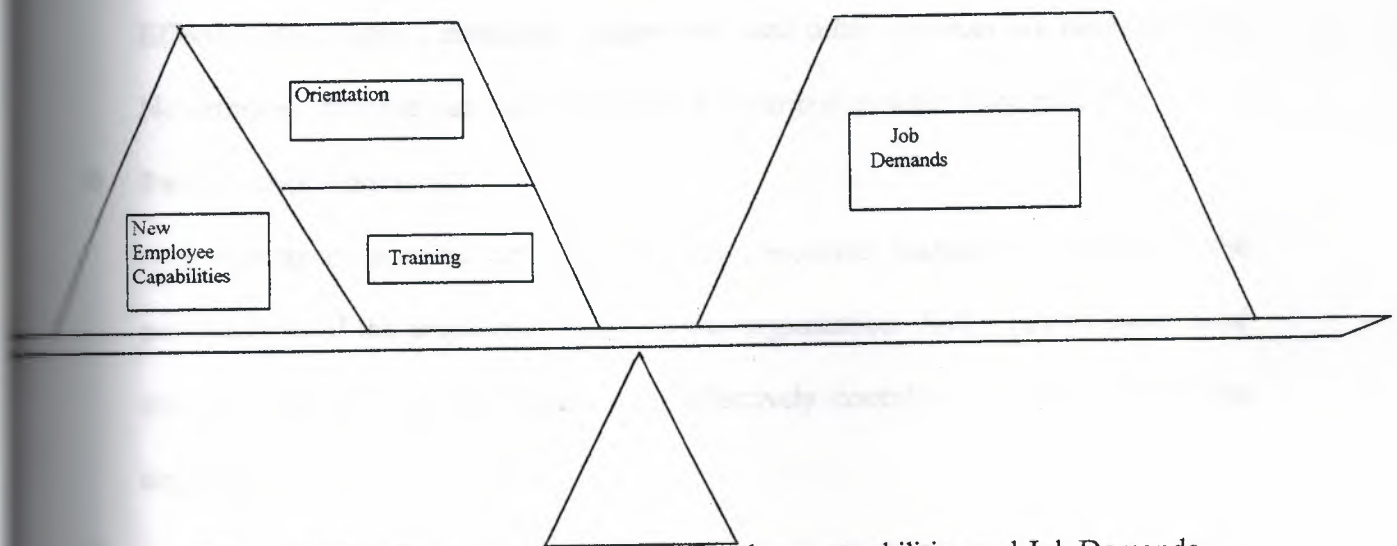


Figure 1.2 The Balance between New Employee capabilities and Job Demands

As businesses become more global , competition demands a more competent workforce. When a nation's educational system does not provide sufficiently educated workers , the burden falls on businesses. It has been estimated that U.S. businesses spend more than \$30 billion annually on training and development. A survey by the American Society for Training and Development found that firms should invest at least 2 percent of payroll in training and development. In France , by comparison , employees with ten or more employees are required to spend 1.4 percent of payroll on training or pay what is not spent to the government as a tax. Some

leading U.S. companies, such as General Electric, Texas Instruments, and Motorola, spend even more than the French mandate or the U.S. average of 1.2 percent of payroll. IBM, Motorola, Xerox, McDonald's, Ford, and others have built education centers to meet their commitment to the training and development of their workforces. These and other companies have been called "learning organizations" because they treat training and development as an "investment" in their future, not an "expense".

However, training and development are not universal solutions to every need. Effective job designs, selection, placement, and other activities are necessary too. Nevertheless, training can make a substantial contribution when done properly.

● **Performance Appraisal**

Performance appraisal activity of human resources management evaluates the performances of the employees, who work for the organization. And it can be understood that the employees of the organization effectively contribute to objectives of the organization or not.

● **Compensation**

EMPLOYEES EXCHANGE their physical and mental efforts for compensation, but compensation means more than wages and salaries. It may include incentives that motivate employees and relate labor costs to productivity. Almost always, a wide range of benefits and services are part of the total compensation package each worker receives in developed nations. Financial and physical security also are provided to employees because of laws that impose social responsibilities on employers in a variety of areas. These concerns play an important role in any manager's or HR department's efforts to obtain, maintain, and retain an effective workforce.

Compensation is what employees receive in exchange for their contribution to the organization. When managed correctly, it helps the organization achieve its objectives and obtain, maintain, and retain a productive workforce. Without adequate compensation, current employees are likely to leave and replacements will be difficult to recruit.

In severe cases, pay dissatisfaction may lower performance, cause strikes, increase grievances, and lead to forms of physical or psychological withdrawal ranging from absenteeism and turnover to increased visits to the dispensary and poor mental health. Overpayment also can harm the organization and its people, reducing the firm's competitiveness and causing anxiety, guilt, and discomfort among the employees.

Broadly defined, the objectives of compensation management are to help the organization achieve strategic success while ensuring internal and external equity. Internal equity ensures that more demanding positions or better qualified people within the organization are paid more. External equity assures that jobs are fairly compensated in comparison with similar jobs in the labor market. Sometimes these objectives, which are listed in Figure 1.3, conflict with one another, and trade-offs must be made. For example, to retain employees and ensure equity, wage and salary analysts recommend paying similar amounts for similar jobs. But a recruiter may want to offer an unusually high salary to attract a qualified recruit. At this point, compensation strategy must make a trade-off between the recruiting objectives and consistency objectives. Other objectives of compensation are to reward desired behavior and control costs.

Figure 1.3 Objectives Sought through Effective Compensation Management

- *Acquire qualified personnel.
- *Reain current employees.
- *Ensure equity.
- *Reward desired behavior.
- *Control costs
- *Comply with legal regulations.
- *Facilitate understanding.
- *Further administrative efficiency.

1.2 Why is HRM Increasingly Important ?

“It is hard to imagine that it is scarcely much more than a decade since the time when the term ‘human resource management’ (HRM) was rarely used –at least outside the USA. Yet nowadays the term is utterly familiar around the globe.”

One may summarise that the 80s were all about automation. In the manufacturing industry FMS , FAS , Robots , AGV’S etc. Were commonplace. The 90s have been about people , this is evident in the development of TQM concepts throughout the 90’s focusing on delegation , involvement , ownership cross functional teamwork , self managed works teams and so on. The European Business Excellence Model (EFQM) together with other developments , such as Investor In People in the UK , makes the role and importance of people and the need for robust processes to manage people explicit.

“HRM (people Management) is a critical input enhancing the business results. In EFQM , HRM criteria covers the planning , managing and improving the Human Resources: identifying , developing and sustaining people’s knowledge and competencies; involving and empowering people. All these things have an effect on business results , because Human Resources are key assets. HRM has a significant impact on the performance of the manufacturing business.

One of the most significant developments in the field of organization in recent times is the increasing importance given to human resources. More and more attention is being paid to motivational aspects of human personality , particularly the need for self-esteem , group belonging , and self-actualization. This new awakening of

humanism and humanization all over the world has in fact enlarged the scope of applying principles of human resource management in organizations. The of human resource management.

Human resources , which have a very vital place for the future and survival of the organization , are in the responsibility of the human resources management. This responsibility determines the performance and productivity by managing the bestqualified people , who can carry out the works in the organization. And also human resources management follows the new technological changes and innovations , which affect the organizations. So an effective human resources management takes advantage of those changes in order to reach the best results when it succesfully adopts itself to the technological changes and innovations.

Because of this , it has role to adopt the people , who work for the organization to the changes , which influence the market. If this role cannot be performed by human resources management , the organization can loose its position in the market.

And the other benefit of the human resources management , it helps to another departments of the organization by establishing communication between them. It provides that the people of the organization effectively contribute to be objectives and strategies of the organization.

Also , JW:Marriott Chairman of the Board and President of Marriott International emphasized the importance of human resources management by making the following statement , "Human resources is at the core of our business. Because of the importance of human resources, the senior vice president of human resources reports to me is on my executive committe and is a corporate officer.

A study conducted in the U.S showed that 70% of firms with above-average financial performance considered developing their human capital an important factor in building competitive advantage.

1.3 The Evaluation of Human Resource Management

In the early 1900s, personal people first took over the activities of hiring and firing, ran the payroll department and administrated benefit programs. With the emergence of new technologies in areas like testing and interviewing, the personal department began to play a bigger role in employee selection, training and promotion.

In the 1930s, the emergence of union legislation led to a new human resources emphasis on protecting the firm in its interactions with unions. The discrimination legislation of the 1960s and 70s meant the potential for more lawsuits and affective personal practices became even more important. Up until then , human resources emphasized on protecting the organization, however, today this emphasis has changed to the positive contribution towards the organization's effectiveness.

1.4 The Objective of The Study

The human resources management activities of performance appraisal do not strike one as being of major importance. It is only once one has studied the field of human resources management that this becomes obvious and of the fact of great impact H.R.M as a whole has on any organization.

This study aims to bring this fact out into the open. It involves a detailed study of the human resources management activities of an organization in the T.R.N.C , namely Cemsas & Co. Ltd. Special attention has been given to the human resources management activities of performance appraisal

The information collected from the organization was obtained through interviews with the human resources manager.

II. PERFORMANCE APPRAISAL

2.1 What is Performance Appraisal

A performance appraisal is when an employee's current or past performance is evaluated against his or her performance standards. The appraisal process involves setting work standards, evaluating the employee's actual performance to these standards and providing appropriate feedback to employee.

A. Performance appraisal is a system by which an employee's job performance is measured against some expectation or standard.

B. A primary goal of performance appraisal is to provide feedback to employees on how well they are doing in their jobs and to provide direction to future development and accomplishments.

C. Performance appraisals also serve as a tool for managers in:

- *Determining who is eligible for raises and promotions;
- *Recognizing training needs for employees;
- *Documenting the reasons for disciplinary action and, in some cases, assisting in the defense of actions which may be legally challenged;
- *Encouraging employees to advance their job skills and knowledge; and
- *Motivating employees in their jobs.

D. Every supervisor practices performance appraisal-whether formally or informally.

*In formal appraisal systems, the supervisor goes through a periodic process of evaluating an employee's job performance and communicating that evaluation to the employee.

*In an informal system, the supervisor evaluates the performance of employees in his/her mind but seldom communicates those feelings to employees.

2.1.1 Why Performance Appraisals Fail

- A. **Guilt** –Many supervisors feel uncomfortable in making judgements about the performance of others.
 1. Adverse appraisals could have a negative effect on the potential for raises, promotions, or job security for an individual
 2. The level of power that a performance appraisal gives a supervisor over his/her employees makes many supervisors feel uneasy and , as a result, they tend to give everyone high ratings.
 3. To avoid potential liabilities, supervisors must overcome these feelings and give honest ratings.
- B. **Lack of Accountability**–Managers often go through the motions of performance appraisal without giving any real thought to the process because they are not held accountable for the accuracy of the appraisals.
 1. Often , the result is very high ratings for all employees.
 2. It should be a part of the manager's job to conduct accurate appraisals, set goals with the employees , coach the employees based on the appraisals, -AND- each supervisor should be accountable to his/her supervisor for preparing accurate performance appraisals.
- C. **Ineffective Application of Standards**–Overrating often results when supervisors do not have a good grasp of the standards being applied

1. Supervisors often view ratings of “satisfactory” or “average” as being negative ratings.

2. For an appraisal program to be effective, both the supervisor and the employee must understand what each level of rating means, and the supervisor must be willing to make the tough decisions necessary to give honest and accurate ratings.

D. Fear of Hurt Feelings—Some supervisors would rather give everyone a high rating rather than risk “hurting someone’s feelings” by pointing out performance deficiencies.

1. It must be remembered that performance appraisal systems are designed to provide honest feedback on performance to employees and are not a “feel good” program.

2. Rating an employee high in all areas fails to recognize areas in which the employer can assist the employee’s growth and development—thus possibly hindering the employee’s chance for raises and promotions in the future.

2.1.2 The Legal Side Of Performance Appraisal

A. Since many personnel actions are based on employee performance, performance appraisals may play an important role if a personnel action is challenged through a lawsuit.

1. Adverse personnel actions taken for legitimate reasons are normally viewed as acceptable by the courts.

2. The absence of factual , documented evidence concerning the reason adverse personnel action was taken makes it extremely difficult to prove there was a justified business reason for such action.

B. An employee who has not been advised of specific performance problems may feel that any adverse personnel action taken against him/her was for an illegal reason , such as discrimination , thus creating a greater likelihood of a lawsuit.

C. For a performance appraisal system to be an effective tool for an employer in court , it must be legally defensible.

1. A well designed , honest , and accurate appraisal program can be a tremendous asset to an employer where a lawsuit is filed because of adverse action taken on the basis of performance problems.

2. On the other hand , a poorly designed performance appraisal system , or appraisals that do not accurately reflect specific performance problems , can be an employer's downfall in such lawsuits.

D. The Human Resources Management Series published by Commerce Clearing House says that a legally defensible performance appraisal system should contain the following elements:

1. Be in writing;
2. Contain specific procedures;
3. Include specific instructions of supervisors;
4. Provide training for supervisors in how to evaluate employees;
5. Use standardized forms for related groups of employees;
6. Be thoroughly communicated to employees;

7. Be given formally at least on an annual basis; and
8. Evaluate specific work behavior and not personal traits.

2.2 The Effective Appraisal Program

A. Characteristics of a good appraisal program include:

1. A system of evaluating specific job functions;
2. An established performance standard for each function being rated;
3. Standards that they are specific, observable, and measurable;
4. Communication of expected standards to each employee at the start of the appraisal period;
5. A system of documentation of performance to show why standards were met, not met, or exceeded;
6. A program of training supervisors in defining the levels of performance, documenting performance, preparing an evaluation, and conducting the appraisal interview;
7. A process by which employees can respond to the appraisal;
8. Recognition by supervisors that the primary purpose of the program is to motivate employees, to help with their personal development, and to help resolve problems. (The issue of discipline should be secondary.); and
9. A process that does not overburden the supervisors.

B. As stated previously, a part of each supervisor's job should be to conduct effective appraisals and he/she should be evaluated on how well this is done.

2.2.1 Problems With Appraisal

A. Many problems creep into appraisal systems causing them to lose their effectiveness. Among the more common are:

1. Use of vague terms which really say nothing specific about the supervisor's expectations for performance. Examples include, "You need to do better," "Your attendance problem needs to be taken care of," or "Keep up the good work."
2. Use of subjective, emotional phrases which are based on conclusions made by the supervisor and which may or may not be valid. Examples include, "You don't have an interest in your job," "He is lazy," or "You have a bad attitude." A supervisor needs to stay with specific, observed behaviors that are causing problems rather than trying to second-guess the employee.
3. Failure to define expected standards of performance which often creates a difference in how an employee perceives the appraisal and what the supervisor intended;
4. Evaluating elements that are not a part of, or which are not significant to, the employee's job;
5. Distortions in the appraisal based on the "halo and horns" effect;
6. The NIGYYSOB (Now I've Got You, You SOB) game;
7. Quickly skimming over the appraisal with the employee and not giving the employee the opportunity to respond or ask questions; or
8. Evaluating the employee on things over which he/she has no control.

2.2.2 Job Descriptions and Performance Appraisal

A. Before standards can be set for evaluating job performance , the job must be defined.

B. Well written , thorough job descriptions are the basis for any effective performance appraisal program.

C. The elements of most job descriptions include:

1. **Identifying Information**-This includes information such as job title , department , reporting relationships , normal work schedule , exempt or non-exempt status , payroll status , and other information which helps identify the job.

2. **Job Summary**-This is a several sentence statement giving a brief overview of the scope and duties of the job.

3. **Essential Job Duties**-These are the duties that the employee must be able to perform , either with or without accommodation.

4. **Marginal Job Duties**-These are the duties that are desirable for the employee to perform but which are not essential to the job. Under the Americans With Disabilities Act (ADA), an employer should not make a job related decision on whether an employee can perform these marginal job duties. For this reason , many employers do not include this section.

5. **Working Conditions**-This as a general description of the conditions under which the employee would be working. Any adverse working conditions should definitely be noted in this section.

6. **Education , Training and Experience**-This is a statement of the minimum level of education , training ,and prior experience need to perform the essential job duties.

In some cases , a higher level might be desired and , if so ,it should be indicated as being preferred , not required.

7.Licenses and Certifications-Included in this section is a list of any specific or certifications an individual needs to be qualified to perform the job. Examples are driver's license or CPA certification.

8.Physical Requirements-This should list all physical requirements that are necessary to perform the essential job duties. These should be specific to help ensure compliance with ADA.For exmple , instead of stating that a job involves lifting , the description might say , "Involves lifting bowes weighing up to 35 pounds to a height of three feet."

9.Special Skills and Abilities-This is a statement of any specific skills or abilities that are necessary to effectively perform the essential job duties.Examples might include fluency in a specific language , knowledge of welding techniques , or strong writing and verbal communication skills.

D.In developing performance appraisals , the most important area of the job description is the essential job duties.

1. These should be stated in terms of specific duties and begin with an action verb (plans ,prepares ,operates ,examines ,etc.)followed by additional information which completes the description of the duty.

2.Duties that are broadly stated fail to give a clear definition of what the employee is to do and , thus , are hard to appraise.

E.In an effective appraisal system , standards of performance need to be developed for the key essential duties.

1. The best performance standards are based on criteria that are **specific , observable , and measurable.**

2. If standards are well written , the employee should be able to continually self evaluate and know whether he/she is meeting those standards.

2.3 Types of Performance Appraisals

A. Ranking- This system involves comparing the performance of each employee against the performance of all other employees in similar jobs.

1. Even in the absence of a formal appraisal system, supervisors tend to rank employees in their minds.

2. The following describes two of the more common methods of appraisal using the ranking method.

- a. Two employees are compared and the performance of one is ranked higher than the other. Another employee is compared to the first two and is either ranked above, below, or between the first two.

Next, a fourth employee is compared to the three already ranked and either comes out above, below, or somewhere in the middle of the three. This goes on until all employees have been ranked.

- b. Each employee is compared to each other employee. The employee who, in the mind of the supervisor, is the better worker gets a check mark. This process continues until all comparisons are complete.

The employee with the most check marks is the best performer, the one with the next highest number is second best, and so on until all employees fall into a relative ranking.

3. The advantages of the ranking method include simplicity, cost effectiveness, and time efficiency. However, it also has major disadvantages.

- a. Ranking is highly subjective and often is no more than a popularity contest based on a supervisor's personal feelings about employees.

b. Ranking does not address specific issues about an employee's performance which makes it difficult to address problems or plan for the employee's future development.

c. The lack of specific issues also makes it practically worthless from a legally defensible point of view.

d. In the appraisal interview, it is extremely difficult to justify the ranking to employees without any specific measurements of performance.

B. Trait Scales- This method involves rating a series of job related characteristics against a pre-established scale.

1. The simplest trait scale systems list a series of job related characteristics (such as productivity, attendance, initiative etc.) and each is rated against a numerical scale, often 1 through 5.

2. More advanced trait scale systems list a series of job related characteristics being rated and the different levels on the scale.

3. Advantages of trait scale systems include:

- a. Ease of preparation
- b. Addressing specific job related characteristics; and
- c. Providing a visual look at the rating.

4. Disadvantages of trait scales include:

- a. Failure to give clear definitions to specific standards and levels of performance;
- b. Rating employees on characteristics not relevant to their jobs; and

- c. The tendency of raters to start at "average" and work outward which leads to inflated ratings.

C.Critical Incident- This system involves recording on-the-job behavior over a period of time and the rating is prepared from those notes.

1. Under this method, the supervisor keeps a diary of effective and ineffective job performance on each employee. At the end of the recording period, this information is used to produce an appraisal which is frequently in the form of one of the others discussed.

2. Advantages of the critical incident method include:

- a. Basing the appraisal on actual, recorded incidents which makes it more legally defensible;
- b. Covering the full appraisal period instead of concentrating on the most recent few weeks; and
- c. Ease in justifying the appraisal to employees since it is based on factual information.

3. Disadvantages include:

- a. The tendency to record extreme behavior rather than representative performance;
- b. Encouraging too close supervision of employees;
- c. Creating an air of secrecy or "being watched";
- d. The potential for recording a disproportionate number of positive incidents on employees liked by the supervisor and negative incidents on less favored employees;

- e. The amount of time involved in recording incidents; and
- f. The potential for the NIGYYSOB situation at the appraisal interview since this system is not conducive to daily feedback.

D. Narrative: This system requires the supervisor to prepare a written narrative report on each employee's performance at the end of the appraisal period.

1. This system gives the appraiser a great deal of flexibility in what to include in the report since structure and guidelines are usually minimal.
2. The advantages of the narrative system include;
 - a. The freedom of the appraiser to include a wide range of performance aspects allowing the appraiser to pick up unique or unusual features of the job; and
 - b. The fact that the appraiser must give more serious thought to actual performance rather than just checking ratings on scale.
3. Disadvantages include:
 - a. The fact that it is highly subjective and can be influenced by personal feelings about an employee;
 - b. The difficulty that some rates in expressing themselves; and
 - c. The amount of time needed to prepare narrative ratings.
4. Narrative appraisals are often included as part of other systems to give them more flexibility.

E. Criteria Based: In this system, performance ratings are tied directly to standards set for key essential job duties.

1. To be effective, job duties must be clearly defined and the standards established for each duty must be specific, observable, and measurable.
2. Advantages to this system include:
 - a. The use of clearly stated performance standards that the employee can understand and use to self evaluate his/her performance;
 - b. The fact that it is highly legally defensible since subjectivity is virtually removed from the rating; and
 - c. The ability of the supervisor to objectively point out why the employee met , failed to meet, or exceeded the established standards.
3. Disadvantages include:
 - a. A problem in establishing standards for some duties that meet the requirements of being specific , observable , and measurable;
 - b. The fact that it is normally quite time consuming to develop such a system and
 - c. The difficulty in measuring some performance standards.

2.3.1 Appraisal Interviews

- A. Preparation for the performance appraisal interview is extremely important and should include:
 1. Notifying the employees several days in advance as to when and where the appraisals will be conducted;
 2. Taking steps to ensure that there will be no interruptions during the interviews; and
 3. Reviewing in advance what will be covered in each interview.

B. It is important that the supervisor remember that the interview be viewed as a positive process.

1. An employee's achievements and strenghts should be recognized.
2. Areas in need of improvement should be openly discussed and the goal should be to determine how performance can be brought up to an acceptable standard.
3. The appraisal interview also provides the opportunity to discuss future career development with certain employees.
4. The interview should close with a discussion of the supervisor's expectations of the employee during the next appraisal period .

C. Many interviewers like to start on a positive note by recognizing an employee's strengths before discussing areas that need improvement. They then close with additional recognition of some strength the employee has.

D. Some of the problems that occur with appraisal interviews include:

1. Ignoring problem areas and only discussing the employee's strong points;
2. Playing the NIGYYSOB game ;
3. Failing to let the employee ask questions or respond to the interview;
4. Allowing the employee to take control of the interview;
5. Discussing performance in broad or vague terms instead of being specific;
and
6. Letting emotions get involved.

2.3.2 Day to Day Appraisals

- A. While periodic formal appraisals are important, day to day feedback is just as – if not more- important than the formal appraisal process.
- B. The “One Minute Manager” concept of giving praise when it is earned and correcting problems as they occur is a good principle to follow.
- C. Remember that employees should be praised in public and corrected in private.
- D. As with formal appraisals, day to day feedback should be based on specific instances rather than broad statements.

2.3.3 Problem Employees

- A. Sometimes a problem arises that needs to be addressed with an employee before the next formal appraisal.
- B. If it is a minor problem with an employee who has a good work record, it can usually be corrected by counseling or a reprimand.
- C. If the problem persists, or is severe enough, it may be necessary to go to higher level of discipline.
- D. Usually, serious discipline issues are addressed through a formal document that contains the following sections:
 - 1. A statement of the problem;
 - 2. A statement of why it is a problem;
 - 3. Previous actions taken to resolve the problem;
 - 4. What standard must be reached to be acceptable to the supervisor;
 - 5. By when must the standard be achieved;
 - 6. What the supervisor will do to help the employee achieve that standard; and

7. What will be the consequences if the employee fails to achieve the standard in the established time frame.

a. If the employee meets the standard, all is well and the employee should be recognized for doing so.

b. If the employee fails to meet the standard, the consequences stated should be immediately carried out.

E. The same rules apply to preparation of disciplinary documents as apply to performance appraisal documents.

1. The statement of the problem should be based on specific observed incidents which have been thoroughly documented.

2. The standards which are set must be clearly defined and developed in such a way to leave no question as to whether they have been met.

3. Vague words or emotional statements should never be used in a disciplinary document.

2.4 Common Performance Appraisal Rating Errors

Below are some examples of common rating errors that are found in many performance appraisals.

1.The Halo Effect: It occurs when the rater's personal opinion of the employee influences the measurement of performance. For example, if a supervisor likes an employee, that opinion may distort estimates of the employee's performance. This problem is most severe when raters must evaluate personality traits, their friends or people they strongly dislike.

2.The Central Tendency: Giving everyone the same average rating or avoiding conflict. Some raters do not like to rate employees as effective or ineffective, and so they distort the ratings to make each employee appear average. On rating forms, this distortion causes evaluators to avoid checking extremes, such as very poor or excellent. Instead, they place their marks near the center of the rating sheet.

3.The Leniency And Strictness: Giving higher ratings than deserved to avoid conflict. It results when raters tend to be easy in evaluating the performance of employees. Such raters see all employee performance as good and rate it favorably. The strictness bias is the opposite; it results from raters being too harsh in their evaluations.

4.The Cross Cultural Biases: Every rater holds expectations about human behavior that are based on his or her culture. When people are expected to evaluate others from different cultures, they may apply their cultural expectations to someone who has a different set of beliefs or behaviors.

5.The Personal Prejudice: A rater's dislike for a group or class of people may distort the ratings those people receive. For example, some HR departments have noticed that male supervisors give undeserved low ratings to women who hold "traditionally male jobs".

6.The recency Effect: Focusing on most recent examples rather than across the entire performance cycle. When one uses subjective performance measures, ratings are affected strongly by the employee's most recent actions. Recent actions- either good or bad – are more likely to be remembered by the rater.

7.The Length of Service: Giving higher ratings to employees who have been employed the longest period of time.

2.4.1 What Makes Performance Appraisals So Dreeeadful?

It's almost that time of year! You know, the time when you sit at your desk wondering if you're going to get that raise you've been hoping for or wondering if all that work you haven't been doing well is finally going to catch up with you. Many people painfully dread appraisal interviews. It's often thought that it's just the employees that are dreading this day, when in fact, the employers are dreading it just as much. When you have not only the employee coming into the appraisal upset, but also the employer, of course there's going to be problems.

Often times the employee comes into an interview thinking nothing good is going to be said and that no raise is to be had, while the supervisors come into it thinking "what if the employees gets defensive if I have bad news?". Another problem with appraisal interviews for the employers is that they just take up way too much time.

Supervisors have many more things they can be doing besides giving appraisal interviews to so many employees. Both the employer and the employee want to get this painful process over as quickly as possible. When this feeling exists, a lot of important things are missed during the appraisal interview process. In most most cases, appraisal interviews are only conducted one time each year. If you think about it this is absolutely ridiculous. This means that only one time a year the employees learn what it is they're doing right and what it is they are doing wrong.

2.4.2 What can We Do To Make Performance Appraisals Less Dreadful?

Many people do not realize just how beneficial a performance appraisal can be to employees. This is the reason why more thought and time needs to be put into appraisals, instead of just trying to get the whole process over with as quickly as possible. If taken seriously and the appraisal is done effectively , performance appraisals can help strengthen the strong employees and help push the average employees. Effective appraisals can also help the more poor employees as well. This is time the manager can take advantage of in order to inform their employee of what they are doing incorrectly and what they can do to fix the problem.

Two main ways to help performance appraisal to be less dreadful include improving communication and eliminating fear through clarity of expectations. First , let's discuss improving communication. According to Charles N Painter , the author of "Ten Steps to Improved Appraisals" from Supervision magazine , enhanced communication will result if supervisors remember 10 steps in preparing , delivering and following up appraisals. These ten steps include the following:

- Consistently Dokument Employee Performance
- Solicit Employee Input
- Appraise Behaviors not Personalities
- Write the Appraisal Well
- Avoid Common Appraisal Pitfalls
- Plan How to Present the Written Appraisal
- No Surprises
- Develop an Action Plan
- Review How you Did
- Follow Up on the Appraisal.



III. ANALYSIS OF CEMSA BOYA KARALIM & CO.LTD.

3.1 CEMSA

3.1.1 The background of Cemsa

The organization is owned by Mr.Mehmet Karalim In the organization they produced decoration panints and powder ceramid fixers. They owned application teams as well , which paint the houses and other buildings if it is asked. The organization's main department and the factory is at the Lefkoşa , TRNC. They have also 72 branches in different cities of TRNC.

It is founded in 1979. They obtained the formal organization name in 1986. In the first years , their products were "Santex-Roltex" which were used in the construction of buildins. In 1986-1987 yeras they began to produce water-based plastic paints and ceramid fixers .Since it was growing so fast , they moved to a bigger place in 1995 , and in 1998 they bought the buildings for raw materials , storages and motcor vehicles repairment.

They hawe a place of 330 m2 which 2700 m2 of this was closed.

***The Vision of Cemsa:**Following and learning the changes in the world and getting all the new technogies and knowledges related with the sector and sharing them with the domestic and foreign customers. Their aim is to develop towards to be excellent.

***The Mission of Cemsa-**To catch up the new technologies and produce better products. Trying to satisfy the needs and wants of their customer's and by doing this to be the leader in its sector in TRNC. They want to open to the word market as well.

- **The Organization's Culture:**Cemsa have a democratic management. They always talk with their customers , get their ideas and needs and act to overcome the problems and make the customers happy.

- **Common Values:**

- *.to give importance and respect to people
- *.domestic and foreign customer targets
- *.to finish the work on time
- *always trying to develop and do better things
- *respect to the enviroment
- *total quality
- *philosophy of team working

3.1.2 Performance Appraisal in Cemsa

Every organization has performance appraisal activities of human resource management in order to measure an employee's current and past performance against his or her performance standards. The appraisal process involves setting work standards , evaluating the employee's actual performance to these standards and providing appropriate feedback to employee. This activity may differ in organizations.

Cemsa is one of the organizations in TRNC and Cemsa has a human resource department , which carries out the performance appraisal process in the organization.

They give great importance to their human resources , who paly an important role for the success of the organization because this is required in order to have an effective human resource management.

Cemsa have got the licencenses of "ISO 9001:2000" and "TSE" in the year of 2002 and this made the organization to open a department of human resources and apply all the steps of HRM. According to this , the manager of the Cemsa (owner) applys the performance appraisal to his employees and according to that he decided whether to send the employee to training , to give him a raise or rewared or to do something else. The criterias that are used in the process of performance appraisal is at the appendix 1.

The other functions of HRM is carried out by the human resource department manager.

IV.CONCLUSION

The performance appraisal activities of human resource management play a very important role for the succes of the organization. As already mentioned , the performance appraisal is the process of evaluating the performance of employees against some standards related with their jobs. It is known that the human resources of the organization have a vital role on the productivity , performance and the success of the organization. Because the strategies and long-term and shart-term objectives , annual plans which directly influence the future of the organization are developed and carried out by the human resources of the organization.

So most organizations have the human resources deportment , which performs the performance appraisals activities of human resources management. So , the organization defines the job description and job specification which makes them to understand the standards that they will measure. After measuring with great care to be objective and subjective with the most suitable method , the department understand each employee's perfomance feedback is done by interviewing. As a result either they rewarded , sent away , or send to training. By using an effective performance appraisal process , the organization increases its productivity or performance.

In this study , the hypothesis which is "the human resource management activities of performance appraisal have a positive relationship with the organizationalsuccess", is tested. In order to analyze the positive relationship between performance appraisal and the organizational success , Cemsa is analyzed and the performance appraisal is

evaluated by interviewing the responsible people , who are from the human resources department and the owner of the factory. According to the statements of the responsible person , who conduct performance appraisal process in Cemsa , the performance appraisal activities play major role for the productivity of the organization. So according to organization examined the human resource management activities of performance appraisal activity has the positive relationship with organizational success.

However , this could not be supported with figures because the organization did not keep any records evaluating the effectiveness of their human resource activities and they did not provide any information regarding their financial positions.

V.RECOMMENDATIONS

The performance appraisal activity of the human resource department play a very important role for the success of the organization. So the performance appraisals of the organization should be carefully carried out by the human resource department of the organization in order to reward and motivate the good working employees and to train and improve the ones who are in need to make them help the organization to achieve its goals.

The reasonable people , who conduct the performance appraisal process of the organization in the human resource department should have necessary information about the job description and job specification for understanding the work and do the job according to that in the organization. Because of this , the persons , who are responsible from the performance appraisal process of the organization , should be in contact with the line managers of the organization in order to obtain the innovations , technological and other changes relevant to the jobs. The reason for this is , innovations and changes in the job affect the necessary skills , abilities and knowledge of the people whose their performance appraisal will be done-And these changes , which influence the job in the organization bring new job descriptions and specification effect the instruments and methods used in performance appraisal process of the organization. As a result of this the people ,who conduct the performance appraisal process of the organization should be in contact with the line

managers of the organization in order to have the job related information and carry out an effective performance appraisal process by using this job related information.

If we look at the Cemsa we can see that the manager of the human resources department is a construction engineer who has no idea about the human resources and the relations with employee. So the HRM functions or steps is not done effectively. Also the owner of the factory who make the performance appraisal process have a from related with the jobs and he does it semi-annually. But according to our interview , I understand that there is no feedback to the employees. It seems he is avoiding to tell them they are doing well and raise their salaries because this makes the organization financially earn less. (decrease in profit). And also he see the training not an investment but a cost to the factory. Also , I understand that there is no specific working hours , or specific job duties e.g a driver can be sent to clean the garage of the owner of the factory if he has any free time.

So the measurement couldn't be done subjectively and objectively. And as a result if the employees are good and didn't reward they didn't motivate and not involved in the job so much.

If they want to do the HRM job properly , they have to find a manager related with his job and make the JS and JD properly. Then according to that they can apply the other functions of the HRM and the performance appraisal as well.

By doing this , they can be an organization that act proactively and be the leader of the TRNC.

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