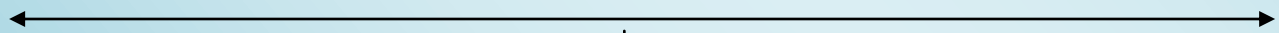


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## PERFORMANCE MEASURES AND EFFECTIVE STAFF PERFORMANCE APPRAISAL

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### ABSTRACT

*Most organizations, particularly in the Third World and even more particularly Small and Medium Scale enterprises; do not give appropriate performance management the central place it deserves in organizational development. Where a system of performance appraisal and management exists, it is improperly conducted, the right performance measures are not used, and the results of such evaluations are not made to determine other human resource management decisions. The main objective of this paper is to demonstrate that effective performance appraisal is an imperative for peak performance in corporate organizations. Theoretical and empirical evidences indicated that a critical success factor for effective performance appraisal is to develop and utilize appropriate performance measures in the evaluation process. And that the whole field of human resources management is a virile field for further intellectual development, given the existing lacuna between management practice and academic development, particularly in developing economies. The study recommended that performance measures must consist of two broad aspects; measurable key performance indicators that are directly derived from the employee's job description and behavioural competences that capture the attitude and behaviour that the ideal staff of an organization and incumbent of a job position should normally possess.*

**Keywords:** Appraisal, Management, Human Resources, Performance and Organization.

### INTRODUCTION

Performance appraisal, otherwise called staff/employee appraisal, performance review, or performance evaluation is the process by which the job performance of an employee is evaluated (generally in terms of quality, quantity, cost and time). This is most often done by the corresponding manager or supervisor. The concept of 360 degrees appraisal is however a more recent concept, by which all contact persons with an employee makes some input into his evaluation process, apart from the immediate supervisor who is the principal appraiser – peers, subordinates, as well as internal and external customers (Price, 2011).

Performance appraisal is better understood when it is seen in the following dimensions, as part of the process of guiding and managing career development of staff; the process of obtaining, analysing, and recording information about the relative worth of an employee to the organization; the analysis of an employee's recent successes and

failures, personal strengths and weaknesses, and suitability for current job, promotion and/or need for further training; the judgement of an employee's performance in a job, based on productivity and other considerations, such as demonstrated attitude, competencies and capabilities; a systematic and objective way of evaluating both work-related behaviour and potential of employees, and a process that involves determining and communicating to an employee how he has performed on the job in a given period of time, which should ideally lead to a plan for improvement (Akindele, 2007).

While some people use performance appraisal and performance management interchangeably, there is a thin but significant line of difference between the two. Performance appraisal describes the process of evaluation or rating of the performance of a staff over a given period of time, leading to the placement of the staff within an overall rating category. Performance Management on the other hand encompasses both the rating process as well as what the organization does with the outcome of that rating to enhance the composite productivity of its staff. An organization that effectively manages performance does not stop at rating or evaluation of staff, but uses the result for such human resource management processes as training and development, succession planning, compensation and reward management, staff placement and redeployment, career management and exit management.

Armstrong and Baron (2004) define performance management as a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved. Oyadiran (2008) rightly links an organization's performance management system with its corporate culture. According to him, performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, behaviours and contributions. It is about sharing expectations. He also emphasizes the relationship and communication aspect of performance management. He asseverates that:

Performance Management is about interrelationships and about improving the quality of relationships – between managers and individuals, between managers and teams, between members of teams and so on, and is therefore a joint process. It is also about planning – defining expectations expressed as objectives and business plans – and about measurement; the old dictum is 'If you can't measure it, you can't manage it' (Oyadiran, 2008: 214).

Documented evidences (Price, 2011; Ogunbameru, 2008) reveals that many organizations limit their human resource activity to staff performance appraisal but not staff performance management, as they simply evaluate staff and come up with overall rating, without actively making use of the results of that appraisal for other critical human resource decisions as just outlined.

An effective and value-adding performance management system must cover the whole gamut of objectively and comprehensively evaluating the performance of an individual or a team within a specified period, communicating and discussing the result of that evaluation, and using the conclusions for material and practical human resource related decisions. Summarizing this process, Cole (1996) submits that, any systematic approach to performance

appraisal will commence with the completion of an appropriate appraisal form and that this preparatory stage will be followed by an interview, in which the manager discusses progress with the member of staff. The result of the interview is some form of agreed action, either by staff member alone or jointly with his manager. The action generally materializes in the shape of a job improvement plan, promotion to another job or to a salary increase.

In line with the above, this paper therefore set itself the task of demonstrating that effective performance appraisal and management is an imperative for peak performance in corporate organizations.

## LITERATURE

The system and practice of staff performance management in modern organizations can trace its theoretical and conceptual root back to the classical, formal organization theories. The whole practice of the formalization of organization system is traceable to the early works of Frederick Taylor's (1911) Scientific Management, Henri Fayol's (1949) administrative theory and Max Weber's (1922) bureaucratic model. According to Daft's comments on classical, formal organization theory, the scientific management theory, pioneered by Frederick Taylor, decisions about organization and job design should be based on precise, scientific procedures after careful study of individual situation (Daft, 1995).

Some of the key principles of scientific management as enunciated by Taylor include: the development of the true science of management; the scientific selection of workers; the scientific education and development of the worker; and division of work responsibilities. Expatiating on the same theme using different phraseology, Vasishth (2003) avers that the principles of scientific management can be best understood on the basis of the following propositions; that the rule of the thumb should be replaced with science: no trial and error approach should be followed for taking decisions; rather, scientific way of working along a course of action should be followed; there should be harmony, not discord in group action. Such harmony would include the kind of collaborative and communicative effort involved in target setting, job monitoring and the evaluation process, even though Taylor did not specifically make such extension; maximum output; and development of workers to their fullest capacity.

Other enumerations of Fayol's and Weber's work on the Administrative Model and Bureaucracy, undertaken by Ogunbameru (2008), reiterates the significance of authority relationship, clear responsibilities, training and development, and the overall focus on peak performance as being the defining factors of formal organizations. While the whole field of organization systems have greatly developed, following criticisms of other aspects that the classical school did not address, such as the informal set up in organizations and the contingency approach to organization development, it has been impossible to jettison the works of the classical theorists. Various works in organization system and development have had to bear some reference to the classical works, as long as the issues of formalization, predictability, measurement, management by objectives, performance monitoring and the pursuit of peak performance are involved.

The effectiveness and success of the performance appraisal process strongly hinges on the appropriateness of the performance measures used in the evaluation process. When wrong, inappropriate and non-specific performance measures are used, the whole process and its outcome are largely in vain and futile, or at least greatly limited in utility, due to the bane of irrelevance.

Many authors provide high-level explanation of what performance appraisal is all about (Akindele, 2007; Oyadiran, 2008), but do not go so far as to emphasize the imperative of developing appropriate performance measures which will hit the bull’s eye in terms of actually evaluating the work performance of employees, and without providing helpful guide to developing such measures. Performance measures refer to the factors, indices or indicators that are used to determine how well an appraisee has fared during the appraisal period, relative to expectations or targets. Raia (1974) posits that the use of appropriate performance measures in the performance management process is part of the overall concept of Management by Objectives. Hence, effective performance management system will require that we set performance objectives for the employees that are tangible, measurable and verifiable. In the same context, Price (2011) submits that individual objectives are derived or cascaded from organizational goals. Top managers agree their own specific objectives are compatible with the organization’s goals but restricted to their own areas of responsibility. Subordinates do the same at each lower level, forming an interlocked and coherent hierarchy of performance targets. Price recapitulates the key elements of Management by Objectives in relation to staff performance management as follows:

**Table 1: Key elements of Management by Objectives in relation to Staff Performance Management**

Essential Elements	Key Stages
Goal Setting	1. Establish long-range strategic objectives 2. Formulate specific overall organizational goals 3. Agree departmental objectives 4. Set individual performance targets
Action Planning	Draw up action plans
Self-Control	Implement and take corrective action
Periodic Reviews	Review performance against objectives
Purpose	Agree overall performance, reinforce appropriate behaviour and strengthen motivation through: <ul style="list-style-type: none"> <li>- Management development</li> <li>- Reward</li> <li>- Career and HR Planning</li> </ul>

(Price, 2011:417)

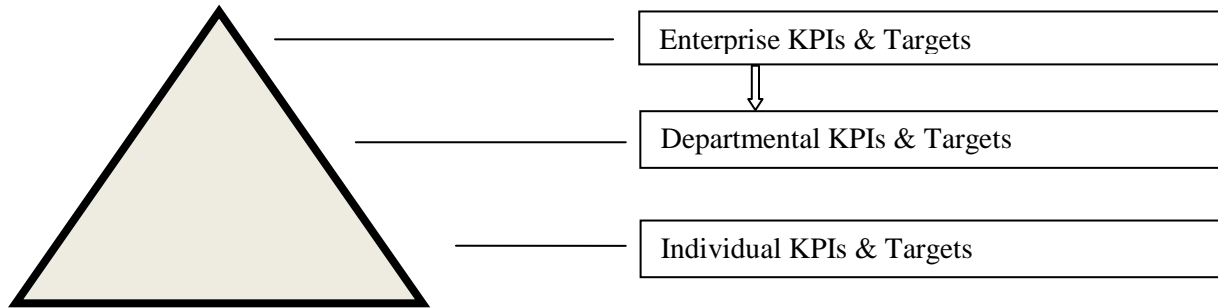
The remaining part of this paper is devoted to examination in greater details of how the setting of objectives and targets should be done (and are done by organizations that pursue global best practices in human resource management, and how behavioural competencies complement the measurable and quantifiable objectives and targets in the evaluation process.

For an organization’s performance measures to be appropriate, two categories of measures must be employed. These are Job specific KPIs and Targets and Behavioural competencies. Key Performance Indicators are



performance metrics that are directly related to the individual’s job description for the appraisal period. KPIs are the indices that are look out for in placing figures on our performance, to determine the extent to which employees have achieved their set objectives and targets.

KPIs, by their nature, are cascaded from top to bottom, as follows:



**Fig.1 – Cascading KPIs & Targets**

The enterprise scorecard is anchored on the strategic objectives; mission and vision of the organization, and Key Performance Indicators (KPIs) are also defined from the key value drivers of strategic objectives, mission and vision. To demonstrate how this works, an organization in the financial services industry may develop its top-level enterprise KPIs in this manner:

**Table 2: Modelled KPIs for financial services industry**

Mission and Vision Elements	Strategic Objectives	Enterprise Key Performance Indicators
To be the national leader in the financial services sector	Achieve 1 <sup>st</sup> position in the financial services sector in terms of industrial ranking, total assets, deposit base, gross earnings, branches, Return on Equities etc.	Desired and Targeted nominal value will be given to each of the indicators mentioned under strategic objectives
To achieve clear leadership position in the Continent	To be among the top 5 in the financial industry in the Continent	Exact desired continental ranking is stipulated within a timeline in terms of countries of presence, branch network, capitalization, profitability, asset base etc.
To ensure global presence	To rank among the top 500 organizations in the world	Exact desired global ranking is stipulated within a timeline in terms of countries and continents of presence, branch network, capitalization, profitability, asset base etc

A further dimension of global best practices in developing Enterprise Performance Measures is to ensure that the measures conform to the tenets of a balanced scorecard. Kaplan and Norton (1992) introduced the balanced scorecard performance management concept in a paper, "The Balanced Scorecard: Measures that Drive Performance". The focus of the balanced scorecard is to provide organizations with a "balanced" range of metrics against which to measure their performance. "Balance" implied that organizations can gain a broader view of forward-looking indicators of performance by including non-financial metrics (e.g. learning and growth of employees, efficiency of internal business processes, and customer satisfaction), with the traditional historical backward-looking indicator of the industry.

Price (2011) defines the Balanced Scorecard as a conceptual framework used to translate an organization's vision into a set of performance indicators, including measures of financial performance, customer satisfaction, internal business processes, and learning and growth. Price rightly notes that, by effectively using the balanced scorecard tool, both current performance and efforts to learn and improve can be monitored, using these measures. The name 'Balanced Scorecard' thus reflects the balance provided between short- and long-term objectives, between financial and non-financial measures, and between external and internal performance measures.

Further using the financial institution illustration undertaken above, some examples of performance measures for each strategic objective area of the balanced scorecard for an organization are presented below. The examples given below are by no means exhaustive.

**Table 3: Examples of performance measures for different strategic objective areas**

Financial	Size and Growth in Balance Sheet, Total Asset, Deposit, Gross Earnings, Return on Equity etc.
Customer	Market Share, Customer Satisfaction Index, Customer Acquisition and Retention rate, Brand Perception rating etc.
Internal Business Process	Operations Turn-around time, Regulatory Compliance Rating (Vs. Cases of Infractions), Legal Risk Exposure etc.
Learning and Growth	Volume & Growth in Utilized Training Budget, Employee Satisfaction index, Employee Retention, Employee Productivity etc.

## DISCUSSION

Once the performance measures of the organization are articulated at the enterprise level, they are cascaded down the organization - through the directorates, departments and down to the individuals. This is to ensure that the performance management across the whole organization is linked to the organization's overall objectives and key performance indicators. Considerable clarity of goals is needed to achieve unanimity and comfort on strategies, objectives, measures and targets, before the organization can successfully attempt to implement the balanced scorecard methodology as a standard tool for regular performance measurement and review. While agreement on



KPIs and targets should be sought, management may have cause to determine the targets for each area that will bring about the achievement of the organizational or enterprise targets already set. Consensus on KPIs and targets must therefore have a limit, and executive management will have to take the final position, as the need may arise, with the expectation that set targets will be realistic, though stretching. Such KPIs should address the four aspects of the balanced scorecard as much as possible; arise from Enterprise and Department KPIs; distilled or drawn from our job descriptions and must be reducible to targets at the next level.

In the light of global best practices, there is no job for which measurable performance measures cannot be developed, regardless of how apparently qualitative the job may be. Such measurable performance indicators may be in terms of turn-around time, quality, volume, profit generated or degree of errors. More specifically, aspects of measurement for an employee's KPIs will include the following, among others: Revenue generated; Profit generated; Cost saving; Degree of error; Turn-around time; Number of clients won; Number of calls made; Volume of cases handled; Customer satisfaction rating and Completion of a definite deliverable within a specified period.

Performance targets involve putting measurable figures on the KPIs. The standard is that good performance must meet the SMART test. Performance targets for individual staff must be specific; measurable; articulated; realistic and time-bound. It must involve putting definite figures to whichever of the relevant KPIs we have set for the particular job (or for the whole enterprise or department). Some illustrations are presented below.

**Table 4: KPIs /Targets for Head Industrial Relations and Work Ethics**

Job Related KPIs/Targets	Mark Obtainable	Mark Obtained
Schedule disciplinary committee (DC) meetings not later than the next dedicated DC day after receipt of report	8	4
Prepare DC reports not later than 3 days after DC sitting	12	10
Sign off DC reports not later than 5 days after DC sitting	5	5
100% and prompt attendance in court on ex-staff cases	8	4
Nil case of industrial unrest	10	4
Communicate HR policies to staff within 2 hours of approval	8	6
Implement approved DC cases within 3 days of approval	12	6
Minimum 70% score in customer service index	7	5
Total	70	44

**Table 5: KPIs/Targets, Head of Administration**

Job-Related KPIs	Mark Obtainable	Mark Obtained
Ensure procurement of required assets and materials within stipulated deadline (actual time required for each type of procurement)	10	7
Achieve 5% cost saving on procurement budget	12	4
Ensure that electrical faults are effectively addressed within 24 hours	8	4
Carry out market survey of stipulated products quarterly and ensure reports are ready within one week	8	8
Submit appropriate and accurate weekly report not later than midday on Monday	8	6
Nil case of payment for faulty materials	10	10
Ensure that observed complaints in buildings are effectively addressed within one week	7	4
Minimum 70% in customer satisfaction rating	7	6
Total	70	49

**Table 6: KPIs for Marketing Staff in Banking Organization**

Job Related KPIs	Budget	Actual	Weight	Mark Obtainable
Demand Deposit	100,000,000	50,000,000	5	2.5
Savings Deposit	200,000,000	250,000,000	10	10
Domiciliary Account	100,000,000	100,000,000	5	5
Bankers Acceptance	150,000,000	100,000,000	7.5	5
Bonds & Guarantees	150,000,000	100,000,000	7.5	5
FX Volume	400,000,000	500,000,000	20	20
COT	100,000,000	100,000,000	5	5
Collections	100,000,000	50,000,000	5	2.5
Risk Asset	100,000,000	100,000,000	5	5
Total	1,400,000,000	1,350,000,000	70	60

The above tables show how KPIs and targets can be set for non-marketing and marketing functions. Mark obtainable here is 70%, the remaining 30% being mark obtainable in Behavioural Competency section of the appraisal form.

The following are some of the challenges an organization or unit may confront in setting individual performance KPIs and targets based on documented evidences. It is always easier in setting objective performance targets in marketing or income-generating functions than in support, non-marketing areas. Some subjective judgment will always be involved in performance appraisal, particularly in non-marketing functions. To advance objective justifications for one's rating is always a challenge. Thus, the goal in staff performance appraisal is to increase the objectivity and reduce the subjectivity of performance measures and targets through making our targets as measurable as possible; diarizing; asking the appraisee to rate himself first; discussing the result of the appraisal between appraisee and appraiser before finalizing and there are often some dependencies outside the job for the achievement of the targets, or for the measures being used, job being dependent on the deliverables or input of others, constraints of management policies and decisions, constraints of resources or rating in a team work.

The challenges enumerated above can be addressed through the following measures among others, KPIs and targets must be determined and agreed at the beginning of appraisal period (not at the beginning of the actual appraisal exercise), during which these dependencies should be discussed. The discussion may determine whether or not to include that KPI, the phraseology, or the weight; when these dependencies are affecting job performance, staff should raise them immediately and not wait till performance appraisal exercise begins; rating of a team in a project or assignment will affect all members of the team, with all team members having equal mark; and finally all staff should however note that it is not realistic to develop or expect targets that are totally dependent on one's job alone, given the interdependent nature of work environment. This awareness will strengthen team work and synergy within a unit and in the whole organisation.

Behavioural Competencies are the skills, behavioural or attitudinal characteristics that are required to drive outstanding performance in a given role, job or position. They are often qualitative in nature. The extent to which these are exhibited at work is an important component of performance appraisal. Behavioural competencies refer to how jobs are done and the level of compliance of the employee with the organization's core values, in carrying out his duties. There are hundreds of possible job competencies globally. However, it is both impossible and undesirable to use all in the course of performance appraisal for an organization, because not all are relevant in a particular corporate environment. Some competencies are particular to corporate environment; job and grade/cadre within the organization. The following are a list of possible competencies which are not listed in any particular order:

- i. Communication – Ability to pass the right information across to the right people at the right time, using the right channel – either in writing or orally.
- ii. Leadership - Ability to direct and motivate a group of people to effectively carry out a task or accomplish set goals.

- iii. Team work/team spirit - Ability to work cooperatively with others, to be part of a team, as opposed to working separately or competitively.
- iv. Integrity – Ability of an individual to exhibit honesty and truth, and ensure consistency between values and action.
- v. Client service orientation - Active desire to help or serve clients, to meet their needs. Focusing one’s efforts on discovering and meeting client’s needs.
- vi. Initiative – Ability to identify a problem, obstacle or opportunity and take appropriate action to address the situation, without being instructed to.
- vii. Proactive – Ability to anticipate problems and take appropriate action before the problem becomes real or obvious.
- viii. Quality orientation – Ability to value, plan and act to meet or surpass a standard of excellence, and to drive and measure outcomes against goals.
- ix. Respect for the Individual – Disposition to show honour and respect to all individuals, particularly at work, regardless of grade, class or other social categories.
- x. People skills– Ability to build relationship of trust, cordiality and productive interactions with people.
- xi. Continuous Improvement Drive – Disposition of being dissatisfied with status quo and actively and always searching for ways of doing things smarter and better.
- xii. Adaptability – Ability to adjust oneself to new or changed circumstances in the workplace.
- xiii. Decision Making - Purposeful selection from among a set of alternatives in light of a given objective.
- xiv. Analytical skills/Problem solving - Ability to visualize, articulate, and solve complex problems and concepts, and make decisions that make sense, based on available information.
- xv. Resilience – The ability to recover and bounce back into good shape or position after an adverse situation.
- xvi. Team building – Ability to select a mix of workers and/or build synergy and develop required skills among them, to foster the achievement of agreed or set objectives.
- xvii. Strategic Thinking - The ability to identify patterns or connections between situations that are not obviously related, and to identify key or underlying issues in complex situations. It includes using creative, conceptual or inductive reasoning to determine how internal and external factors would affect the business and ability to develop appropriate response.
- xviii. Management of meetings – Ability to determine when to convene meetings that are crucial, and ensure that the meetings are timely, participative and effective.
- xix. Objective/Timely appraisal of subordinates – Ability to hold timely, objective and effective appraisal with staff.
- xx. Relationship Management – Ability to build and maintain friendly, reciprocal, warm, value-adding, mutually beneficial network of relationships, particularly with customers.
- xxi. Multitasking – The practice/capability of handling many unrelated tasks within a given period.
- xxii. Flair for Details – Ability to pay attention to minute details, believing that everything counts, in the performance of a task.

- xxiii. Numeracy – Ability to be at ease with numbers, to reason with arithmetical/mathematical concepts, at a level necessary for effective job performance.
- xxiv. Knowledge sharing – The ability and disposition to share and impact knowledge, information and expertise with other staff, particularly with members of the team.
- xxv. Planning/Organizing – Ability to select priorities and objectives, while identifying the mix of methods and resources for achieving them within appropriate timeline.
- xxvi. Staff Development – Ability to identify the skills & competency gaps in a staff, and assisting the staff to fill the identified gaps through appropriate coaching, training and counseling initiatives.
- xxvii. Time management - Ability to organize and execute around priorities.
- xxviii. Cost management - Ability to deliver good value to customers and maximize profit to the organization through planning, controlling, and optimizing cost - by identifying cost drivers, eliminating wastes and improving business processes.

The competencies listed above are by no means exhaustive, as hundreds of competencies exist. Since all competencies cannot possibly be captured in a performance appraisal form or process, each organization should determine the competencies that are most critical for its business and for each staff category. A competency that is relevant to a junior staff position, such a Technical Competence or Numeracy Skill, may be safely taken for granted, for someone who has reached senior management cadre. Besides, a competency that must have had a full opportunity of expression in the pursuit of job-related targets need not be included in the behavioural competency section.

Some organizations completely ignore behavioural competencies, claiming that only job-related targets are important for performance appraisal purpose. This clearly is an error of judgment. Behavioural competences help evaluate staff not just in his narrow functional role, but as an asset that contributes to the present strength of the organization, as well as its future growth. Experiences have shown that organizations that focus only on job-related KPIs and ignore behavioural competencies always have challenges in inculcating the values of teamwork, human relations, emotional intelligence and the development of management skills and competencies in his staff. Behavioural competencies do help in bringing out the strengths, weaknesses and growth potentials of the officer.

The limitation of behavioural competences is that they are difficult to measure quantifiably and objectively. They do not meet the SMART test of measurement. They are easily disposed to subjective appraisal, which could defeat the whole essence of performance appraisal. Yet they are very important and must be included in the measurement factors in performance appraisal. For these reasons, any organization that uses only behavioural competencies in its performance appraisal exercise cannot obtain the desired values and gains from the exercise. Such situation is only slightly better than not undertaking any employee appraisal programme at all.

Two ways around the limitations identified in the use of behavioural competencies in employee appraisal are to reduce the competencies to standards that will assist the appraiser in fairly objective rating. Standards are a description of the general levels of performance on the stipulated competency, usually in ascending order; and to ensure that the job-related targets carry more weight than the behavioural competencies. The ideal practice is to

ensure that behavioural competencies do not carry more than 25-30% of the total mark obtainable in the whole appraisal exercise.

The addition of the performance in both job-related targets and the behavioural competences gives the overall performance of the appraisee. The Overall Rating Categories may take this form Exceptional (90-100%); Very Good (80-89%); Above Average (60-79%); Average/Needs Improvement (50-59%); and Exit Support (Below 50%). The above rating descriptions and percentage bands are not stone-cast, and are open to variations according to different organizations. Having defined the various rating categories, each organization will proceed to describe the implications of an employee's rating for such human resource decisions as Career Development; Succession Planning; Redeployment; Promotion; Compensation; and Probation/Separation of staff.

A good and standard staff appraisal form will normally provide opportunity and space for the review of the appraisal by a second-level supervisor, for comments by the appraisee, appraiser, and Human Resource department after an open and comprehensive post-appraisal discussion between the appraiser and appraisee. The details of this are outside the scope of the present discussion.

## SUMMARY AND CONCLUSION

This paper has defined what staff performance appraisal and a staff performance management are, and the imperative of having appropriate performance measures. It has also identified the two critical performance measures categories as: Job-related Key Performance Indicators and Behavioural Competencies, with some details of how each should be developed and used appropriately, and how the combination of the performance of a staff on each category will determine and add up to his or her overall performance.

It is expected that the discussions above would assist organizations in getting their staff performance appraisal system right, particularly the Small and Medium-Scale Enterprises (SMEs), and even some big organizations that do not carry out staff performance appraisal and management effectively, according to global best practices, and therefore do not derive the expected gains from the exercise. The discussion contributes to the existing literature of human resource development and organization studies, as amplification and addition to the body of knowledge existing in this field.

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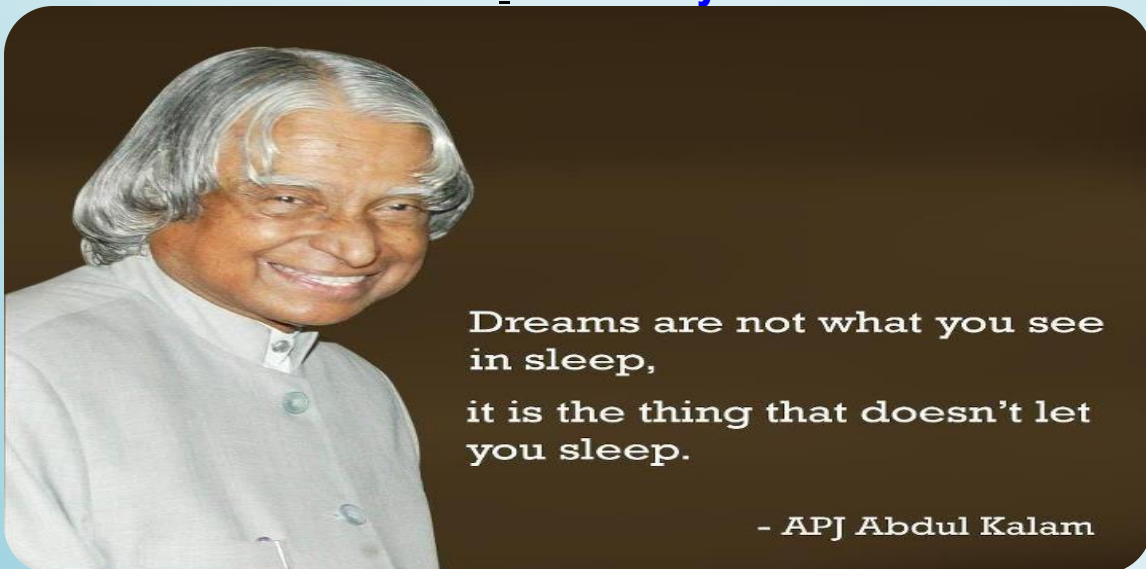
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Dreams are not what you see  
in sleep,  
it is the thing that doesn't let  
you sleep.

- APJ Abdul Kalam