

The analysis of the frequency of performance appraisal methods use in businesses

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Abstract: The essence of the functional performance management penetrating into the performance appraisal system in businesses involves choosing appropriate evaluation methods, which thus requires a comprehensive and systematic approach. This article's objective is to analyze the methods of performance appraisal from the viewpoint of the frequency of their use in businesses operating under the condition in the Slovak Republic.

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1. Introduction

Employee performance appraisal belongs to one of the most important evaluation tools in a set of human resource management practices. In order to select the most suitable assessment method several aspects such as company size, business activities, type of job position, personnel and organizational goals, which result from a cooperation process among individuals across the vertical management, shall be taken into account. Employee performance appraisal includes assessments of various areas of work performance, such as employee's characteristics, behaviour assessment and performance results (Sojka 2015).

Other criteria include the factor of time which makes it possible to select a set of methods oriented towards the future, present or past. From another perspective, it is possible to divide the assessment methods into qualitative and quantitative. This article provides theoretical background and also the analytical part. Theoretical background tackles the issue of performance appraisal and the classification methods. The analytical section highlights the current status of the individual performance appraisal methods in business practice.

2. Theoretical background of the issue of performance appraisal

Many authors deal with issues of human resource management and the related issue of performance appraisal, which is one of the core practices of human resource management. Šikýř (2014, 21) defines a performance as "an expected result of the performance and behavior of people expressed in quantity, quality, timeliness, approach to work assigned and presence at work." Kubalák (2013) sees the performance appraisal as the most important aspect of the management itself. It is a starting point in determining who is to be promoted and it also has a particular significance for the development of management. The performance appraisal is or should be an integral part of any management. When businesses, government agencies or even universities want to effectively and efficiently achieve their goals, they must establish the perfect system for management performance appraisal. Performance appraisal is therefore a "regular assessment of employees' results based on the pre-agreed appraisal criteria - goals" (Wagner 2008, 11). According to Vetráková (2001, 129) it is a process that identifies employees' results, their behavior and attitudes in carrying out their assigned activities. Among other things, the appraisal is crucial for setting a fair wage structure. Every employee has different conditions, resulting in different quality of work. The performance appraisal is therefore a process whose purpose is to map performance results of employees, their behavior and attitudes when performing their activities (Vetráková 2001).

According to Stýblo, the basic functions of performance appraisal (1993, In: Vetráková 2001) are:

- cognitive, i.e. continuous monitoring of performance and behavior of employees based on a specific request,
- comparative, i.e. comparison with other comparable performances,
- regulatory, i.e. the possibility of implementing operational changes based on the evaluation results,
- stimulation, i.e. inciting employees to desired performance.

2.1 The analysis of performance appraisal methods

The performance appraisal can be carried out by using various methods. Each method has its advantages and disadvantages, so the management should carefully evaluate which appraisal method they choose in order to achieve the objectives set by the business. In business practice it is a common phenomenon to combine different methods of performance appraisal. Combination of different methods can eliminate some drawbacks posed by individual appraisal methods. However, their number should be kept to a minimum since a greater number of methods increase red tape and the time and resources necessary for the overall performance appraisal process. Vetráková (2001) divides the performance appraisal methods into the past-oriented (the work already done) and the future-oriented (the work yet to be done) methods.

Past-oriented performance appraisal methods

These are the methods that deal with the work that has already been carried out and meets the quantification

specifications. This method is thus measurable and perceived as an advantage in the performance appraisal. Employees can be given feedback, informed about the results of their efforts. This may increase the efficiency and work effort. The results of the work, however, cannot be changed, which is one of the disadvantages of this method (Vetráková et al. 2001).

The methods oriented to the past include questionnaires, rating scales focused on behavior, the key events method, the forced choice method, the method of auxiliary judgment, comparative assessment procedures, testing and observation of work performance.

1. **Checklists** are a helpful tool in assessing whether the performance contains a certain type of behavior. The questions are formulated so as to cover a given work behavior, the formulations may vary. Questions basically have yes or no answers. The main disadvantage of the method lies in a careful preparation. Each group of jobs requires special forms with specific formulations, which make this method quite time consuming. Another problem is a need to retrain specialist staff. Nevertheless, questions and answers may be interpreted differently by different evaluators, thus resulting in the reduced assessment objectivity (Koubek 2009).
2. **Behaviorally Anchored Rating Scales** – BARS is a method that does not focus on the actual results of the work but on employee behavior (attitude to work, compliance with procedures or expediency). It could be said that this method examines and evaluates the behavior needed for a successful performance in work. According to Koubek (2009) the appropriate work behavior results in the effective execution of the work-related tasks. BARS method takes the form of a modified checklist or a rating scale. The scale features work tasks that are being carried out at a given workplace. Work behavior during the performance of a specific task is assigned a rating from the scale. The scale is divided into five or seven numerical degrees, each featuring verbal characteristics. The evaluator then marks the most appropriate verbal characteristics for each task. The final assessment is expressed by the sum, average, or a combination of values. The main advantage of BARS method is a feedback. Its greatest disadvantage is time required and the overall complexity of the preparatory phase (Koubek 2009).
3. **Paired Comparison Method** compare the performance of two or more employees. This method ranks employees based on their performance. The purpose of the method is to create a competitive environment and to motivate employees. Methods based on rankings are considered relative. This means that the assessment of one's performance directly affects the performance of other employees. However, it is not possible to compare the performance of different groups of employees. Therefore, it is impossible to assess whether the best employee from one group is better or worse than the best employee from another group. Thus the methods are not useful for the purposes of remuneration (Koubek 2009). The most commonly used methods of comparative assessment include: alternating comparison, paired comparison, the mandatory distribution.
4. **Critical Incidents Method** is based on recording information on employee behavior (marked either as satisfactory or unsatisfactory). It is necessary for an evaluator to keep written records (regularly updated) on such cases in order to assess the performance of employees. The method is thus time-consuming and tedious. The understanding of critical cases is ambiguous and could be understood differently. The fact that a superior keeps writing notes in employees' presence may cause negative emotions among them, leading to tensions and disputes (Koubek 2009).

Future-oriented methods

Unlike the previous methods this group of methods focus on future performance, which means that attention is drawn to employees' possibilities or it can be used to set future tasks (Vetráková 2001).

The future-oriented methods include assessment centers, psychological evaluation, self-assessment, assessment based on set objectives and task setting.

1. **Assessment centers** are primarily used when a business is choosing and training its employees. This method, however, can be used for performance appraisal, job abilities or development potential, especially in managers and specialists. The method is relatively complex, which can be regarded as an advantage. On

- the other hand, employee performance in artificial situations and man-made environment may not always be the same as in a real situation, which can be perceived as a disadvantage (Koubek 2009).
2. **Psychological evaluation** is used mainly in staff recruitment, reclassification of staff and also for their development. It is an evaluation that uses psychological tests, interviews or it can be a part of other methods such as assessment center. Usually, evaluator is an expert – psychologist since the results are extremely difficult to interpret. This method collects data about the personality of employees, their values, attitudes, skills and qualities. For a manager it is necessary to specify exactly what should be tested and then choose a quality non-clinical psychologist from the field. The outcome of psychological testing is usually a graphical processing of the results, a written evaluation of given criteria, conclusion and verbal interpretation of the results (Wágnerová 2008).
 3. **Self-assessment** usually takes place during an assessment interview where an evaluator asks an employee to assess his/her performance. This type of interview progresses towards the path chosen by an interviewee himself/herself. An employee talks about finished tasks, the results achieved, difficulties encountered when working and on alternatives found when solving the problems. Self-assessment can be carried out using a self-assessment form. The self-assessment form consists of questions regarding various components of employee's tasks. This form can give the evaluator useful information that in turn help the career development of staff. Such information will also help improving results of businesses (Vetráková 2001).
 4. **Management by objective** MBO is designed primarily to assess specialized employees. Employees themselves should be involved in the goal-setting (in accordance with the performance management objectives that should be agreed with employees in advance). Objectives must be clearly defined and time-limited, an action plan should be drawn up to achieve goals and create conditions for their fulfilment. According to Koubek (2009, 219) the procedure for this method is as follows:
 - setting clear, well-defined and time-bound goals employees should achieve,
 - developing a plan clearly showing how these goals are to be achieved,
 - creating conditions allowing implementation of this plan,
 - feedback on progress toward the set goal,
 - adopting a set of measurements, if necessary,
 - setting new goals.

3. Data and Methodology

In order to map the current state of the use of performance appraisal methods in local conditions, we collected data through an online questionnaire survey. The sample consisting of 203 subjects of local and multinational businesses helped us in assessing the current state of knowledge and issues of performance appraisal methods.

The set of performance appraisal methods and their application in practice was assessed with a respect to the selected identifying characteristics and:

- size of a business in terms of staff;
- business sector;
- business sector in the national economy;
- share in the equity;

4. Results and discussion

The research sample consisted of 203 businesses. The proportionality criteria were complied with since small businesses (up to 50 employees) accounted for 23.15%; N = 47, medium-sized businesses (51-250 employees) accounted for 20.69%; N = 42, large businesses (251 to 500 employees) accounted for 27.58%; N = 56 and businesses employing over 500 workers represented 28.57%; N = 58. The study featured 65.52%; N = 133 businesses operating in the private sector. The remaining one third of businesses 34.48%; N = 70 operated in the public sector. Local or national businesses accounted for 52.71%; N = 107 and multinational businesses accounted for 47.29%; N = 96. The distribution of samples from the point of view of business activities was also an important factor. A quarter of the sample operated in the services sector 24.14%; N = 49, slightly fewer number of businesses operated in the industrial sector 22.17%; N = 45, the third largest sample operated in public and government sector 15.76%, N = 32,

information technology sector accounted for 14.78%; N = 30, construction sector accounted for 14.28%; N = 29 and the smallest number, less than a tenth, operated in the field of agriculture and food industry 8.87%; N = 18. The file was subsequently assessed in terms of the highest frequency of performance appraisal methods used. The results are presented in the following table (average of the marked values).

Table 1. The most commonly used performance appraisal methods

	Performance appraisal methods													
	Met. 11a	Met. 11b	Met. 11c	Met. 11d	Met. 11e	Met. 11f	Met. 11g	Met. 11h	Met. 11i	Met. 11j	Met. 11k	Met. 11l	Met. 11m	Met. 11n
Average	2,46	2,88	2,80	2,75	3,04	2,91	3,48	3,24	3,31	3,32	2,57	3,20	3,45	3,39

Legend: 11 a) MBO, 11 b) Rating Scales, 11 c) Forced choice method, 11 d) Ranking, Interview, 11 e) Checklist, 11 f) Paired Comparison Method, 11 g) Critical Incidents Method, 11 h) Essay Method, 11 i) BARS, 11 j) 360-Degree Feedback, 11 k) Self Appraisal, 11 l) Assessment center, 11 m) BSC, 11 n) Benchmarking

1st best score 2nd best score 3rd best score

(Source: own processing)

As it can be seen, the most frequently used method of performance appraisal is MBO, followed by a questionnaire and self-assessment.

Methods with the highest frequency of occurrence were categorized in terms of the businesses' size. The differences are shown in the following table.

Table 2. The most commonly used performance appraisal methods in terms of business size

Size	Performance appraisal methods													
	Met. 11a	Met. 11b	Met. 11c	Met. 11d	Met. 11e	Met. 11f	Met. 11g	Met. 11h	Met. 11i	Met. 11j	Met. 11k	Met. 11l	Met. 11m	Met. 11n
1-50	2,75	3,55	2,98	2,82	3,34	2,95	3,34	3,54	3,45	3,68	2,46	3,39	3,75	3,66
51-250	2,43	2,76	2,81	3,05	3,02	3,14	3,52	3,12	3,05	3,12	2,67	3,24	3,17	3,19
over 251	2,37	2,57	2,96	2,72	2,85	2,74	3,59	2,76	3,13	3,15	2,72	3,09	3,11	3,11

Legend: 11 a) MBO, 11 b) Rating Scales, 11 c) Forced choice method, 11 d) Ranking, Interview, 11 e) Checklist, 11 f) Paired Comparison Method, 11 g) Critical Incidents Method, 11 h) Essay Method, 11 i) BARS, 11 j) 360-Degree Feedback, 11 k) Self Appraisal, 11 l) Assessment center, 11 m) BSC, 11 n) Benchmarking

1st best score 2nd best score 3rd best score

(Source: own processing)

It can be seen that this category also features MBO as the most frequently used method of performance appraisal (management/ assessment by objectives) and the size of the business does not play a decisive role here. The rating scale is used mainly in medium and large businesses, assessment interview is the most popular in small and large organizations and self-assessment method is used in all sizes of businesses.

The following table takes into account the frequency of use of methods in terms of businesses operating in a given sector.

Table 3. The most commonly used performance appraisal methods in terms of sectors

Sectors	Performance appraisal methods													
	Met. 11a	Met. 11b	Met. 11c	Met. 11d	Met. 11e	Met. 11f	Met. 11g	Met. 11h	Met. 11i	Met. 11j	Met. 11k	Met. 11l	Met. 11m	Met. 11n
Private	2,2	2,72		2,47	2,88	2,95	3,41	3,33	3,33	3,26	2,53	3,26	3,46	3,5
Public	2,97	2,94	2,98	3,27	3,32	2,84	3,61	3,05	3,24	3,41	2,64	3,08	3,42	3,18

Legend: 11 a) MBO, 11 b) Rating Scales, 11 c) Forced choice method, 11 d) Ranking, Interview, 11 e) Checklist, 11 f) Paired Comparison Method, 11 g) Critical Incidents Method, 11 h) Essay Method, 11 i) BARS, 11 j) 360-Degree Feedback, 11 k) Self Appraisal, 11 l) Assessment center, 11 m) BSC, 11 n) Benchmarking

1st best score 2nd best score 3rd best score

(Source: own processing)

While the private sector prefers MBO, rating scale and assessment interview, the public sector favours rating scale, comparisons and self-assessment.

Use of performance appraisal methods is assessed also in terms of the sectors in which businesses operate.

Table 4. The most commonly used performance appraisal methods in terms of national economy sectors

Sectors	Performance appraisal methods													
	Met. 11a	Met. 11b	Met. 11c	Met. 11d	Met. 11e	Met. 11f	Met. 11g	Met. 11h	Met. 11i	Met. 11j	Met. 11k	Met. 11l	Met. 11m	Met. 11n
Public and government	2,9	3,06	3,06	2,78	3,56	2,87	3,75	3,38	3,25	3,38	2,53	3,28	3,62	3,41
Industry	2,17	2,26	2,33	2,53	2,51	3,15	3,46	3,2	2,93	3,37	2,29	2,95	3,26	3,31
Services	2,29	3,18	3,04	2,55	3,2	2,73	3,4	3,49	3,53	3,14	2,79	3,53	3,59	3,65
Agriculture and food	2,66	3,5	2,72	3,38	3,11	3	3,38	2,66	3,11	3,38	2,61	3	3,16	2,88
Construction	2,86	3,55	3,2	3,2	3,31	2,93	3,34	2,96	3,34	3,62	2,48	3,06	3,17	3,41
Information technology	2,2	2,06	2,5	2,53	2,7	2,8	3,53	3,33	3,63	3,1	2,73	3,2	3,76	3,36

Legend: 11 a) MBO, 11 b) Rating Scales, 11 c) Forced choice method, 11 d) Ranking, Interview, 11 e) Checklist, 11 f) Paired Comparison Method, 11 g) Critical Incidents Method, 11 h) Essay Method, 11 i) BARS, 11 j) 360-Degree Feedback, 11 k) Self Appraisal, 11 l) Assessment center, 11 m) BSC, 11 n) Benchmarking

1st best score **2nd best score** **3rd best score**

(Source: own processing)

The most commonly used method regardless of sector, with the exception of businesses operating in the public and state administration, is MBO. Other frequently used methods are the comparison method, as observed in the government sector, services and construction sector, and the method of self-assessment frequently used in all sectors.

In terms of equity the most frequent methods used are as follows.

Table 5. The most commonly used performance appraisal methods in terms of equity

Terms of equity	Performance appraisal methods													
	Met. 11a	Met. 11b	Met. 11c	Met. 11d	Met. 11e	Met. 11f	Met. 11g	Met. 11h	Met. 11i	Met. 11j	Met. 11k	Met. 11l	Met. 11m	Met. 11n
MNC	2,25	2,58	2,72	2,43	2,94	2,76	3,6	3,28	3,58	3,18	2,66	3,07	3,23	3,34
Local	2,65	3,06	2,87	3,03	3,13	3,05	3,37	3,2	3,06	3,44	2,56	3,32	3,65	3,44

Legend: 11 a) MBO, 11 b) Rating Scales, 11 c) Forced choice method, 11 d) Ranking, Interview, 11 e) Checklist, 11 f) Paired Comparison Method, 11 g) Critical Incidents Method, 11 h) Essay Method, 11 i) BARS, 11 j) 360-Degree Feedback, 11 k) Self Appraisal, 11 l) Assessment center, 11 m) BSC, 11 n) Benchmarking

1st best score **2nd best score** **3rd best score**

(Source: own processing)

MBO dominates again. Supranational businesses use rating scale and assessment interviews which can be seen as complementary tools in relation to MBO.

Based on the previous findings, the most frequently used performance appraisal method is MBO. This method is especially used in medium and large businesses operating in the private sector with transnational involvement in specific sectors of industry, services and information technology. Because the method itself belongs to future-oriented methods, we argue that its suitability and applicability is justifiable due to the progressive nature of the sectors such as industry, services or information technology.

5. Conclusions

Performance appraisal is one of the most important processes in human resources management since its effective implementation has an impact on the financial and program policy of the whole company no matter what sector it operates in. It should be kept in mind that when a business is setting up its performance appraisal practices, standards and methods, it requires an individual approach resulting from many internal and external factors.

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