

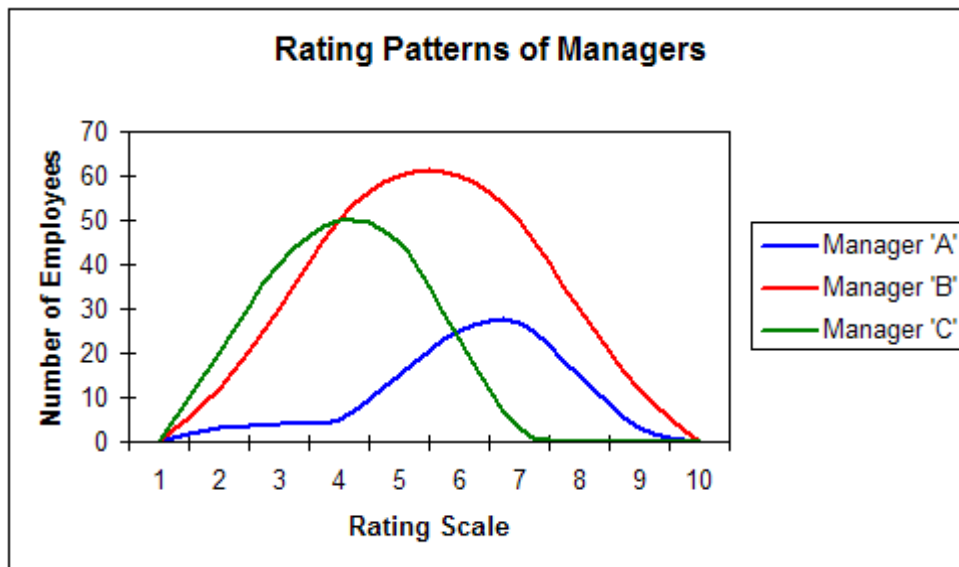
# NORMALIZATION OF PERFORMANCE APPRAISAL SCORES

A White Paper by: Maj. Gen. BK Bhatia

## Abstract

Rating tendencies of Managers in an organization vary from a 'very lenient' ratee to a 'very harsh' ratee. The employees reporting to them experience the impact of these variations. This impact becomes crucial in an environment where employees are given performance based remuneration/ incentives. Normalization of scores is intended to introduce greater objectivity in the Employees Performance Management (EPM) System of an organization.

## Rating Patterns of Managers



It may be observed from the figure above that Manager 'A', compared to Manager 'B', has the tendency to rate most of his subordinates at 7 to 8 points on a Performance rating scale of 1 to 10. Manager 'C', on the other hand, is highly conservative and awards given to the best of his subordinates are in the range of 5- 6 points. Thus an average performer with Manager 'B' gets equated with the Best employee reporting to Manager 'C' and with a low average subordinate of Manager 'A'. The training of Managers A, B & C on the rating norms may improve this trend marginally during the subsequent years. But what happens to the evaluations already done by them? How has the company management looked into this problem which has an impact on promotions, compensations and career management of all employees? Some outstanding performers (placed under a harsh ratee like Manager 'C') may quit the organization and some low calibre people (placed under a lenient ratee like Manager 'A') may themselves be the Managers of tomorrow. This vicious cycle tends to boost the average performers who cling to their jobs and promote mediocrity in the organization. A performance driven company can ill afford the luxury of losing their best talent. They have to normalize the rating trends of their Managers and weigh employees performance in the correct perspective.

## What does normalization mean?

Assume there are ten Managers in an organization who are reporting on 10 different executives each and

these Managers, in turn, report to three different Senior Managers, in their respective departments. In this scenario of EPM, there are 13 different 'Appraisers' who are reporting on 110 employees in the organization. Amongst these employees, 100 are at the same level (ie, Executives) and 10 are at the level of Managers. Each of the thirteen Appraisers has a rating style which is different from the others. So the employees reporting to them have a high degree of variability in their performance appraisal scores. The process of balancing this variability is called 'Normalization'.

## Normalization Process

The process comprises of the following steps:

- ▲ 'Statistical Mean' of organizational rating pattern of all the Managers (ie, Appraisers) at the same level, across various departments, is computed. Let this Mean be ' $M$ '.
- ▲ Statistical Mean for each of the Appraisers at the same level (ie, for all the 10 Managers in the example given above) is computed. Each Manager should have done the Appraisal for 40 to 50 employees (may be over the last 5 years). Let this Mean be ' $M_i$ ' ( $i = 1$  to 10).
- ▲ A correction Factor (CF) for each of these Managers (Appraisers) is then computed =  $M_i / M$ . Its value, for example, will be 1.0 if the rating pattern of a Manager is the same as the statistical Mean for all the Managers.
- ▲ Performance Score of each individual employee is divided by CF for his/ her Manager to compute its normalized value. This normalized score is utilized for all management decisions.

## Connected issues

- (a) To implement the normalization process, there may be a need to extract information from the Appraisals completed during the last few years so that the statistical Mean for each Manager could be computed based on the 40 - 50 appraisal reports written by him/ her. This requires a data base approach.
- (b) When a Manager has not completed 40 to 50 appraisals, how to find out his/ her Correction Factor (CF)? The approach, normally adopted, is to compute the mean  $M_i$  & CF for the Manager based on the number of Appraisals so far completed, but not to apply the CF to the Performance scores of the employees without discreet approval by the Management. (Note: Some organizations prefer to use in such cases, the normalized score awarded by the Reviewer).
- (c) Since the Appraisers tend to refine their rating tendencies automatically as the years roll by, some organizations prefer to use the Moving Mean concept ( $MM_i$ ) for each Manager rather than the  $M_i$ . The moving mean for a Manager is an indicator of the improvement in his/ her rating trend.  $CF = MM_i / M$  is the computing algorithm used in this case.
- (d) In mid to large organizations, with 4 to 5 different levels of Appraisers, a number of departments/ functions and employees varying in strength from 200 to 5000 (+), it is not possible to normalize the Appraisal scores without automation of the entire process.

## Conclusion

In some organizations, normalization of performance scores is managed by a high level committee and the process is not made transparent to the employees. If such committees keep in view the rating patterns of various managers such as  $MM_i$  (discussed above), their decisions would be data based & hence objective.

'EmpXtrack eAppraisal' caters, in its enterprise level solution, all the normalization features discussed above. Whether to utilize the auto-normalization process or not is an option available to the client.

(For more information visit : <http://www.empxtrack.com>)