PERFORMANCE APPRAISAL SYSTEM: VITAL PART IN TODAY’S INDUSTRIAL UNITS DEVELOPMENT

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Abstract

Performance Appraisal (PA) has been one of the most researched issues in the fields of Industrial Organizational Psychology and Human Resource Management. The purpose of appraisal is to make the most effective use of its human resources by developing them in a systematic way, in the interest of both the organization and the individuals being appraised. Survey of literature on various aspects of the subject reveals that there is still exists a need to highlight some of the aspects of the performance appraisal. This study will examine the performance appraisal system for the various HRM decision like incentives, promotions, wages, transfer, training and development. This research is regarding various types of appraisal systems adopted by various industrial units selected for research. The main aims and objectives of the study are to critically evaluate the existing performance appraisal system in the selected industrial units of Haryana. Significance of the study is to examine the negative aspects of the present systems and to suggest methods for the improvement in the existing system with introduction of improved appraisal system. It is revealed that appraisal system is required a lot of improvement and awareness among the employees at various industrial units in Haryana. Majority of employees do not know about the true meaning of performance appraisal. This research work is based on primary data. The study observes that Performance Appraisal is indispensable to be aware of each employee’s abilities, competencies and relative merit and worth for the organization. Finally, PA is a pre requisite for the success of any organization as it aims at identification of competency gaps and taking steps to bridge such gaps through appropriate HR development measures to face the challenges of competitive world.

Keywords: Performance Appraisal System, Self Appraisal, Performance Counseling, Effective Training and Development

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Introduction:- It is one of the most crucial and productive aspects of performance management for various decisions with regard to promotion, transfer, increment, training and development are based on it. It is a periodic process of evaluating or assessing the efficiency and performance of employee in term of job requirement.

The dictionary meaning of verb “to appraise” is “to value an object or thing”. The term ‘performance Appraisal’ is concerned with the process of valuing a person’s worth to an organization, with a view to increasing it. Hence, most appraisal systems are linked to reward systems as well as employee development systems.

The history of performance appraisal system can be traced back to as early as the third century A.D. It is believed that formal appraisal of an individuals performance began in Wei dynasty (A.D.221-265) in China with an Imperial ratter appraising the performance of members of the official family. As far as the use of appraisal system for managerial personnel in Indian industries is concerned, researches reveal that Union carbide had such a system in operation as far back as 1940. The Tata Iron and Steel Company (TISCO) and Volta’s introduced such systems in 1953 and 1954 respectively.


Many of the early research on performance appraisal are based on the test theory perspective. This perspective focuses on the issues of reliability and validity of performance constructs (e.g. Austin et al. 1993; Smith, 1967), performance standards (e.g, Bobko & Collela, 1991; Huber), rating format (e.g., Latham & Sarri) and so on. With regard to the reliability and validity of performance constructs, Smith (1976) proposes the importance of "criterion-problem". Campbell and his colleagues (e.g., Campbell, 1990) proposed the theory of performance, which suggests that performance is basically multidimensional and behavioral. Research on influence tactics (e.g. Wayne & Liden, 1995; Ferris et al. 1999) shows that rates' impression management such as supervisor focused tactics (e.g., ingratiation) increases performance rating through liking and perceived similarities. Therefore, these researches suggest that organizational context and political behaviors should be considered seriously in order to increase accuracy and fairness of performance appraisal.
Statement of the problem:- Survey of literature on various aspects of the subject reveals that there is still exists a need to highlight some of the aspects of the performance appraisal. The importance of performance appraisal is being increasingly realized in industrial and service organizations both in India and abroad. A great deal of knowledge available in this regard is found in research results abroad. Indian researches are rather few; a few of these are not published as companies conduct them for internal consumption.

Scope of the study:- This study will examine the performance appraisal system for the various HRM decision like incentives, promotions, wages, transfer, training and development. This research is regarding various types of appraisal systems adopted by various industrial units selected for research.

Objectives:- The main aims and objectives of the study are: - To critically evaluate the existing performance appraisal system, to study the difference in P.A practices, traits/attributes are given more importance by appraisers while appraising the performance of lower and high level staff, how successfully the self-appraisal system is working, reaction of employees to the performance appraisal system, and the influence of personal bias and leniency on appraisal in the selected industrial units of Haryana.

Significance of the study is to examine the negative aspects of the present systems and to suggest methods for the improvement in the existing system with introduction of improved appraisal system. It is revealed that appraisal system is required a lot of improvement and awareness among the employees at various industrial units in Haryana. Majority of employees do not know about the true meaning of performance appraisal.

Research Design:- This research work is based on primary data. Information was obtained from the personnel departments concerned and through informal interviews with the managerial personnel, supervisors and workers. On the basis of information thus obtained two types of structured interview schedules were constructed, one for the appraisers and the other for the appraisees.

Limitations:- The study suffers from various limitations, these are:- The study mainly depends primary and secondary data, the opinions expressed by various human resource department heads and other personal interviews, period of study was only from the year 2006 to 2010, only published data and data collected through interviews and discussions were analysed and interpreted, I did not have any access to the internal records, during interview a general feeling of suspicion and hesitation among management people and workers to provide required information.

Theoretical aspects: - The purpose of appraisal is to make the most effective use of its human resources by developing them in a systematic way, in the interest of both the organization and the individuals being appraised.

There are a number of performance criteria, which may be used to measure the proficiency of an employee. There is a different criteria to measure the performance
of managers, middle line managers, front line supervisors and top managers.

The performance appraisal process follows a set pattern and it consists of the following steps:- Establishing performance standards, communicating the standards, measuring performance, comparing the actual with the standards, discussing the appraisal, taking corrective actions.

Several methods and techniques of appraisal are available for measurement of the performance of an employee. The methods and scales differ for opinions reasons. Firstly, differ in the sources of traits or qualities to be appraised. The qualities may differ because of differences in job requirements, statistical requirements and the opinion of the management. Second, they differ because of the different qualities of workers who are being rated, viz, factory workers, executives or salesperson. Third, the variations may be caused by the degree of precision attempted in an evaluation. Finally, they may differ because of the methods used to obtain weightings for various traits. The main methods of performance appraisal system are ranking scale, comparison method, critical incident method, forced distribution method, annual confidential reports, work standard method, essay method, point allocation method, check list, forced choice method, and cost accounting method. The modern methods are Management by objectives (MBO), Behaviorally Anchored Rating Scales (BARS), assessment centre, human resource accounting and 360 degree feedback system.

In Indian companies boast of having an extensive performance management system. But most of them are not more than form filling exercises. Appraisals are more about increments and separations rather than contributing to employee development. The Indian organizations have to change the way they look at their appraisal system. It should not be looked as an administrative activity. For appraisals to be justified, they contribute to the organizational bottom line. The performance appraisal system of ICICI bank, TELCO, SAIL, UTI, Modixerox, Voltas, Larson & Toubro, CROMPTON GREAVES LIMITED, SAIL (Steel Authority of India Limited), ONGC (Oil & Natural Gas Corporation), Bharat Petroleum Corporation Limited (BPCL), Titan, Infosys, National Stock Exchange of India, NOCIL (National Organic Chemical Industries), STATE BANK OF INDIA (SBI), The Indian Overseas Bank, The Union Bank of India, The Punjab National Bank, Rainbow Information Technology and Hindustan Liver Limited is studied under the study. The two most popular forms of appraisal are 360 degree feedback and upward assessment, the latter being a relatively new concept in India.

Haryana is also considered one of the most industrialized states in India with many SEZs. Haryana’s achievements in the Industrial Sector have also been quite phenomenal during the last 33 years. The number of large and medium industries has gone up from 162 in 1966 to more than 1020 today with a capital investment of Rs. 200 billion. The State has more than 1,100 big and medium industrial units with foreign technical/financial collaborations. To mention a few: Maruti Udyog, Escorts,
Hero Honda, Sony India, Whirlpool India, Bharti Telecom, Perfetti India, DCM Benetton, TDT Copper, Modi Alcatel, Carrier Aircon, COMPANY 1, Jindal steel etc. Some major units in public sector are HMT Ltd. National Fertilizers Ltd., Indian Drugs and Pharmaceuticals Ltd., Bharat Electronics Ltd., IBPL etc. The latest addition to this group is the Rs. 60 billion Oil Refinery set up by Indian Oil Corporation in Panipat district. Haryana has a large industrial base having more than 1,271 large and medium and 80,000 Small Scale Units in the State. Haryana is the largest producer of passenger cars, tractors, motorcycles, bicycles, refrigerators, scientific instruments, etc.

**Findings of the study:** - It is found that appraisers and appraisees of selected companies have given first rank to ‘Work knowledge’ while appraising the performance of workers and managers. It is observed that ‘Knowledge ability and skill in taking down professional work’ is given priority by appraisers and appraisees to evaluate technicians. It is found that appraisers have given first rank to ‘contribution towards work planning and setting up of targets for the departmental performance appraisal, self and subordinates’ to appraise managerial skills.

It is observed that 68.6 percent appraisers are aware about the true meaning of performance appraisal. It is found that 31.4 percent appraisers consider it as a form filling exercise. 65.0 percent appraisers responded that they are aware of the new annual appraisal report forms introduced in the organization.

Regarding various sources of information it is found that 64.5 percent appraisers have given priority to the ‘Personal records’ and second to the ‘Self appraisal’ last priority has been given to ‘Appraisers notes on critical incidents’ by the appraisers of selected companies performance appraisal. Only 12.5 percent appraisers felt that ‘appraiser’s memory is a possible source of information in the performance appraisal system.

It is found that only 38.0 percent appraisees and 60.0 percent appraisers of selected companies believe that appraisers evaluate personal loyalty of the subordinate rather than his actual job performance.

It is found that 87.0 percent appraisers and 65.0 percent appraisees are of the view that personal relationships of the appraisers influence the ratings. It is believed that those appraisees who are liked by the appraisers are given high ratings. A very great majority of appraisees (76.3 percent) and (76.5 percent) appraisers believe that the last few months before the appraisal date are crucial in influencing the assessment of the appraiser. Some of the appraisers believe that appraisees do not perform seriously throughout the year. It is only towards the end when the time of writing a report is close; the appraisees start doing well and try to impress the boss.

It is found that 84 percent appraisers avoid negative ratings. It is found from the results that a large number of appraisers believe that they avoid giving negative rating since they have to take work form the subordinate.

This study also revealed that appraisers generally avoid giving negative feedback to appraisees since they want to take work from them. It is found that 70.0 percent appraisers believe that negative feedback results in frustration among
appraisees and 83.0 percent are of the view that negative feedback results in job dissatisfaction. 58.0 percent appraisers are of the view that it leads to poor relations between appraiser and appraisees.

It is found that from the responses of appraisers that they try to handle poor performers in the best manner. Appraisers usually do counselling to improve the performance of employees. It is also found that 61.0 percent appraisers found change in the behaviour of subordinates after giving them negative feedback.

Regarding the success of MBO in organization it is found that 48.33 percent appraisees and 35.5 percent appraisers felt that MBO system is successful.

Performance appraisal system can be used in taking many decisions like promotions, transfers, increment, training and development of employees. In selected companies’, it is found that more than 18.0 percent appraisees responded that promotions are always based on performance appraisal results, whereas 47.05 percent appraisers felt that promotion are based on performance appraisal result. With regards to placement and transfer only 9.6 percent appraisees and 28.5 percent appraisers responded that this decision is taken on performance appraisal results. It is found that majority of appraisees (52.0 percent) and appraisers (54.5 percent) believe that most of the increment decisions are based on the performance appraisal results.

Decision on identifying training need is not given much importance by the appraisees. Less than fifty percent (44.0 percent) appraisees and more that fifty percent (51.0 percent) appraisers of selected companies felt that identification of training need is based on performance appraisal results. It is further found that decision on career planning, (36.0 percent appraisees), special recognition of employees for meritorious service (25.33 percent appraisees and 47.0 percent appraisers) are given less importance by the appraisers and appraisees of selected companies.

Regarding effectiveness of the performance appraisal system, it is found that around 70.0 percent appraisees and 49.5 percent appraisers responded that present performance appraisal system is effective in improving the present performance of the employees. General recommendations to the engineering units of Haryana and India.

In view of the above study, the following recommendations should be considered for the improvement of present appraisal system of engineering industrial selected for the research.

1. AWARENESS ABOUT PERFORMANCE APPRAISAL SYSTEM

The true meaning of performance appraisal system should be communicated to the appraisees, so that appraisees should be aware of the present performance appraisal system of the company. It should be understood by the appraisees that performance appraisal is not only related with rewards but also related with their career development.

2. FREQUENCY/PERIOD OF APPRAISAL

The selected companies’ performance appraisal presently follows an
annual appraisal system. It is recommended that formal appraisal should be conducted half-yearly. An informal mid-review of work plan should also be done quarterly so as to provide feedback to employee regarding the performance and also to avoid surprise appraisal, at the end of the appraisal period.

3. SKILLS REQUIRED FOR WRITING SELF APPRAISAL

The employees are found lacking in the required skill as to how to write their self appraisals. Casually written self appraisal notes do not help the appraiser to make his assessment constructively and forces him to depend more on his memory, impressions.

Self appraisal is not meant to be a ritualistic form filling exercise. It is a significant initial step for performance development. A lot should happen in self appraisal which may not be reflected in the forms filled by the appraisee. In fact a good self appraisal need not result in good form filling although it results in increased self awareness through a process of review and reflection on the performance appraisal of the appraisee.

Every manager should develop a discipline of reviewing his own performance as a manger at least once a year. Such remains should be systematic and truthful. As no one else is involved in this process the manager can say him self things as he may not like to share with others. Such self appraisal process may focus on the following questions.

- What have I accomplished in the last one year?
- What contributes to my performance?
- How are my attitudes affecting growth and development as a Competent manager?
- How do I rate my accomplishments or contributions as against last year and as against all that was possible this year?
- What do I want to communicate to my superiors to help them understand me better and also to help them to empower me for better performance?
- What are my own competencies and attitude that helped me perform better and that prevented me from giving my best.

4. PERFORMANCE COUNSELLING

The term performance counseling is quite often misunderstood and wrongly interpreted as a process of the boss correcting and controlling employee behaviour by giving him negative feedback in an assertive manner. Counseling is the best way to improve the working of poor performers. Feedback accompanied by counselling increases job effectiveness, which ultimately result in balanced appraisal and a workable plan of action for the future.

Performance counseling is normally done in the regular course of performance and not only in the face of the problems. The following conditions are necessary for counseling to be effective:-

- General climate of openness and mutuality
- General helpful and empathic attitude of management
- Sense of uninhibited participation by the subordinates in the performance review process
- Dialogic relationship in goal setting and performance review.
- Focus on work related problems and difficulties.
- Avoidance of discussion of salary and awards during counselling.

5. FEEDBACK

Present appraisal system is one sided where no feedback is given to the subordinates in some organizations. It results in development of frustration and confusion. Moreover, the system doesn’t give the importance to work being done by the subordinate over a period of time. Communication of positive remarks about the appraisees would help them towards even better performance. A detailed post appraisal interview should be conducted for the purpose. It helps in identifying any problems faced by the employees in performing their jobs as well as finding the aptitude and interest of the employees for making job rotation decisions.

Feedback will be effective if the person who gives the feedback makes sure that it is:-

- Descriptive and not evaluative
- Focused on the behaviour of the person and not on the person himself
- Data based and specific
- Reinforces positive behaviour
- Suggestive and not prescriptive
- Need based and solicited

- Intended to help focused on modifiable behavior
- Well timed
- Contributes to mutuality and building up relationship

In view of the above the following steps are suggested to improve the working poor performance:-

- Discuss the areas of the poor performers with the appraisees and try to elicit ways to improve their performance.
- Boosting of morale, giving proper guidance and hearing their genuine problems is another way to improve poor performers
- Help in redirection of action plan in areas where the appraisee is lacking.
- Counseling of poor performances by their bosses help to improve their problems.
- Personal problems if any, can be discussed and try to share their difficulties. If they are affected by any problem then suggest solutions in friendly way and motivate them to perform better.
- Encourage involvement of the employees in important jobs, inculcate in them a feeling that they are also important for organization, giving them patient hearing and all possible support.
- Counseling should be done regularly and in congenial atmosphere. It should be done by experts, or by the appraiser who must act as a friend, philosopher and guide.
6. IDENTIFICATION OF APTITUDE AND INTEREST

Performance appraisal form should have a column to be filled by the immediate and next supervisor about the areas where employee can better be utilized so that the principle of ‘appropriate man at the appropriate’ job can be achieved.

Squeezed space should be provided in the performance appraisal form to highlight the work performance of employees. Work performance and experience should be the main criteria for measuring performance appraisal. Further, known. Aptitude and interest tests should be conducted so that inherent work performances of employees can be calculated.

7. BIAS AND LENIENCY

In order to reduce bias in appraisal there should be a provision of appeal by the appraisees and suitable action should be taken if the claims made by the appraisees are found to be without factual basis the findings should be voted in the performance appraisal report of the employee.

The following steps are suggested to eliminate bias for selected engineering industrial units.

- There should be personal communication with the staff regularly regarding their official and personal matters.
- Appraisal report should be written with a detached mind in cool and calmly in order to eliminate bias.
- While writing an appraisal report, weightage should not be given to interpersonal relationships. Write the appraisal report after evaluating the personnel records, traits and self appraisal of the appraisee.
- Before reviewing the report, try to compare the report written by the appraisee him self.
- Rating should be checked by a second level superior, in order to ensure that the appraisers’ opinion reflects the reality.
- Appraiser should avoid assessment on the basis of a few recent incidents of success or failure. Extreme ratings on either side of the scale should be supported by justification and examples.

8. TRAINING AND DEVELOPMENT

Employees require training for a variety of reasons it is usually done to fill a performance gap as identified during the performance appraisal process or a growth gap, that is to be promoted or be able to fill another open position in the organization. Effective training and development includes using sound principles of performance appraisal system and effective training techniques. It requires carrying out the following steps:-

- Analyze the organization need and identify training goals, which, when reached, well equipped learners with knowledge and skill to meet organization needs.
- Designer training system that learner and trainers can implement to meet the learning goals typically includes
identifying learning objectives, needed facilities, necessary funding, course content, lessons and sequence of lessons.

- Training programmes should be designed by trainers to achieve certain overhaul goals. Care must be taken while designing training programs and learning objectives.
- Programme development requires developing right from the programme outline to training manuals, trainer manuals, specific cases, so that the programme the objectives and learning goals can be achieved with optimum efforts for training.
- Every training programme must contain a set of learning activities consisting of a mix of role plays, exercises, instruments, cases, etc.
- Selecting a proper trainer is the most important activity. The appropriateness of trainer will determine the effectiveness of the programme as well as the cost.
- Training evaluation is extremely important phase and preferably must be done before, during and after implementation of training.

9. SUGGESTIONS FOR APPRAISERS / HR MANAGERS

- As and when, the performance appraisal system is introduced; HR manager must know why it is introduced? Establish a clear purpose and then use this purpose as template through out the organization.
- Often managers, do not know how to interpret employees feedback. A well documented guide line will help.
- Selected company’s performance appraisal follow one time appraisal in a year. It may be good idea to have quarterly, if not monthly, appraisals so that there is continuity and two way accountability between the superior and the appraisal report.
- Subjective element in appraisal system should be reduced. If clear measurable bench marks are set, the appraisal system will be perceived to be unbiased.
- Ideal appraisal systems are five, but work worth’s in one place may not work else where, every appraisal must support the broad organizational need.
- Appraisers doing the appraisal must have a clear idea of what exactly looking for. Everyone can’t be assed on the same performance parameters.
- Often managers lack the skill required to do the performance appraisal. The art of setting goals and giving feedback and coaching is uncommon. Mangers need coaching too.

10. DO AND DON’TS FOR EFFECTIVE PERFORMANCE APPRAISAL SYSTEM

DO’S

- Have a consistent appraisal procedure.
- Focus on the why and how aspects. If targets have or have not been met, find out why and how, instead of just
to focusing on a mathematical measurement.

- Define goals and performance matrix clearly. The idea is to minimize the subjective element.
- Learn to manage expectations through counselling. Everyone expects top class increments but that is not possible.
- Do the engagement survey regularly to understand the issue that employees may have with the appraisal system.
- Automate the appraisal system to save time.

DON’T’S

- Avoiding focus on salary increase alone, otherwise, it becomes a pure gaming exercise.
- Appraisal system must be a flexible, so remove artificial structural rigidities.
- The CEO must champion the system; no system will work if the CEO is seen to be distancing himself from the entire system.
- Don’t ignore self assessments by employees because you already have rough ideas about his competency level.
- Don’t make it a department driven efforts. This is necessary for aligning appraisal system with organization goals.
- Don’t implement a variable performance appraisal system without a lot of thought. The design of the system must be a business goal and seen as fair and unbiased.

THE CONTRIBUTION MADE TO THE BODY OF KNOWLEDGE ON THE SUBJECT TREATED

Industrial organizations have undergone tremendous change after the onset of globalization and liberalization. Multinationals poured into India, bringing with them diverse culture and work ethics. Organizations have also become unpredictable, in the age of cut-throat competition and increasing customer expectations.

In this scenario, the study of PAS is most vital and important for the survival of modern industry in India. From the perusal of the study and its findings, it is quite clear that different engineering units have performance appraisal systems in use in their organizations.

After studying the appraisal systems of various industrial units, the study reveals that different methods are used to evaluate the performance of employees. The present study will help the selected companies to take various types of administrative and development decisions regarding the promotions, transfers, increments, selection, training and development. Employees will come to know about the true meaning and working of Performance Appraisal System. The employee’s participation in appraisal system will lead to better clarification and satisfaction towards the effectiveness of appraisal practices. The study focuses on the short comings in existing system and improvements in appraisal system are suggested to the management of the selected companies. Improved Performance
Appraisal System will be a development oriented instead of just form filling exercise.

Further, this study facilitates the organizations to overcome the deficiencies in the employee’s assessment methods and reduce intentional and unintentional human errors in appraisal. If improved Performance Appraisal System will be utilized in its true sense, and rightly perceived and implemented in the light of conclusion of the study along with the suggestions and policies implications will certainly yield very good results in the area of Human Resource Development.

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