Chapter 3: Literature Review: Performance /Employees  Productivity Management

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Chapter 3.1: Performance Management

1. Introduction

Every organization performs its task with the help of resources as men, machine, materials and money. Except manpower other resources are non-living but manpower is a live and generating resource. Manpower utilizes other resources and gives output. If manpower is not available then other resources are useless and cannot produce anything. Out of all the factors of production manpower has the highest priority and is the most significant factor of production and plays a pivotal role in areas of productivity and quality. In case, lack of attention to the other factors those are non-living may result in reduction of profitability to some extent. But ignoring the human resource can prove to be disastrous. In a country where human resource is abundant, it is a pity that they remain under-utilized. In wording of Oliver Sheldon “No industry can be rendered efficient so long as the basic fact remains unrecognized that is human.” The people at work comprise a large number of individuals of different sex, age, socio-religious group and different educational or literacy standards. These individuals in the workplace exhibit not only similar behaviour patterns and characteristics to a certain degree but also they show much dissimilarity. Technology alone, however, cannot bring about desired change in economic performance of the country unless human potential is fully utilized for production. The management must therefore be aware not only organization but also employees and their needs.

The human resource is critical and difficult to manage. It is because human behaviour is highly unpredictable. It differs not only from individual to individual but often on the part of same individual at different points of time. In spite of biological and cultural similarities, human beings not only differ in their appearance but also in their capabilities based on their background, training and experience. Human resource or a person at work is the most important component of the undertaking. Management cannot afford to ignore human resource at any cost. Management is the process of efficiently getting activities completed with and through other people. The management process includes planning. Organizing, leading and controlling activities those take place to accomplish objectives. Being a branch of management, personnel management also performs the same functions towards the
achievement of objectives. Different terms are used for personnel management. The different terms are labour management, labour administration, labour management relations, employee-employer relations, personnel administration, human assets management, human resources management etc. In simple sense, human resource management means employing people, developing them, utilizing, compensating and maintaining their services in tune with the job and organizational requirements.

2. Human Resource or Employees

The principal component of an organisation is its human resources or 'People at work'. Human resources have been defined from the national point of view as, "the knowledge, skills, creative abilities, talents and aptitudes obtained in the population: whereas from the view point of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees". Jucius calls these resources 'human factors' which refer to "a whole consisting of inter-related, inter-dependent and interacting physiological, psychological and ethical components.

It is this human resource which is of paramount importance in the success of any organisation because most of the problems in organizational settings are human and social rather than physical, technical or economic. Failure to recognise this fact causes immense loss to the nation, enterprise and to the individual. In the words of Olivery Sheldon, "No industry can be rendered efficient so long as the basic fact remains unrecognized that it is principally human. It is not a mass of machines and technical processes but a body of men. It is not a complex of matter, but a complex of humanity. It fulfils its function not by virtue of some impersonal force, but by human energy."

People at work comprise a large number of individual of different sex, age, socio-religious group and different educational or literacy standards. These individuals in the work place exhibit not only similar behaviour patterns and characteristics to a certain degree but they also show much dissimilarity. The term 'human resources' at the macro level spells out the total sum of all the components possessed by all the people, where as the term 'personnel' even at the macro level is limited to all the employees of an organisation. Human resources even at
the organisational level include all the component resources of all employees like managing
director, board of directors, persons who work on honorary basis, experts drawn from various
organisations and those people influencing the human resources of all the former groups. In
short, it includes the resources of all the people who contribute their services in the attainment
of organisational goals and others who contribute their services in the attainment of
organisational goals.

The concepts of human resource, personnel, employees, labour force and manpower are
interchangeable. We frequently use these terms one in place of the others. The term employee
is most widely used and it has been defined by different authors and laws as follows:

(a) A person who is hired to provide services to a company on a regular basis in exchange
for compensation and who does not provide these services as part of an independent business.

(b) Individual who works part time or full time under a contract of employment, whether oral
or written, express or implied, and has recognized rights and duties is called a worker.

(c) Employment is a contract between two parties, one being the employer and the other being
the employee. An employee may be defined as: "A person in the service of another under any
contract of hire, express or implied, oral or written, where the employer has the power or right
to control and direct the employee in the material details of how the work is to be performed."

(d) An employee contributes labor and expertise to an endeavour. Employees perform the
discrete activity of economic production. Of the three factors of production, employees
usually provide the labor.

(e) Specifically, an employee is any person hired by an employer to do a specific "job". In
most modern economies, the term employee refers to a specific defined relationship between
an individual and a corporation, which differs from those of customer, or client. Most
individuals attain the status of employee after a job interview with a company. If the
individual is determined to be a satisfactory fit for the position, he or she is given an official
offer of employment within that company for a defined starting salary and position. This
individual then has all the rights and privileges of an employee, which may include medical benefits and vacation days. The relationship between a corporation and its employees is usually handled through the human resources department, which handles the incorporation of new hires, and the disbursement of any benefits which the employee may be entitled, or any grievances that employee may have.

(f) Employee is a person who is hired for a wage, salary, fee or payment to perform work for an employer. This is important to determine if one is acting as employee when injured (for worker's compensation) or when he/she causes damage to another, thereby making the employer liable for damages to the injured party.

3. Definition of Employee under Various Acts

Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 -2B Any person who is employed in an establishment to do any work for remuneration

(a) Employee's Provident Fund and Miscellaneous Provisions Act, 1952 -2F Any person who is employed for wages in any kind of work, manual or otherwise, in or in connection with the work of an establishment, and who gets his wages directly or indirectly from the employer, and includes any person- (i) employed by or through a contractor in or in connection with the work of the establishment; (ii) engaged as an apprentice, not being an apprentice engaged under the Apprentices Act, 1961, or under the standing orders of the establishment.

(b) Employees Provident Fund Scheme, 1952 2F Excluded (i) an employee who, having been a Member of the fund, withdrew the full amount of his accumulations in the Fund under clause (a) or (c) of sub-paragraph (1) of Paragraph 69; (ii) an employee whose pay at the time he is otherwise entitled to become a Member of the Fund, exceeds five thousand rupees per month; Explanation.-"Pay" includes basic wages with dearness allowance, retaining allowance (if any) and cash value of food concessions admissible thereon (iii) (iv) an apprentice; Explanation.-An apprentice means a person who, according to the certified standing orders applicable to the factory or establishment, is an apprentice, or who is declared to be an apprentice by the authority specified in this behalf by the appropriate Government.
(c) Employee State Insurance (General Provident Fund) Rules, 1950 2(e) "Employee means a person appointed to or borne on the cadre of the staff of the Corporation, other than persons on deputation”.

(d) Employee State Insurance Act, 1948, 2(10) Exempted Employee: An employee who is not liable under this Act to pay the employee's contribution; 2(9) Employee Any person employed for wages in or in connection with the work of a factory or establishment to which this Act applies and- (i) who is directly employed by the principal employer on any work of, or incidental or preliminary to or connected with the work of, the factory or establishment, whether such work is done by the employee in the factory or establishment or elsewhere; or (ii) who is employed by or through an immediate employer on the premises of the factory or establishment or under the supervision of the principal employer or his agent on work which is ordinarily part of the work of the factory or establishment or which is preliminary to the work carried on in or incidental to the purpose of the factory or establishment; or (iii) whose services are temporarily lent or let on hire to the principal employer by the person with whom the person whose services are so lent or let on hire has entered into a contract of service; and includes any person employed for wages on any work connected with the administration of the factory or establishment or any part, department or branch thereof or with the purchase of raw materials for, or the distribution or sale of the products of, the factory or establishment or any person engaged as an apprentice, not being an apprentice engaged under the Apprentices Act, 1961 (52 of 1961), or under the standing orders of the establishment; but does not include- (i) any member of the Indian naval, military or air forces; or (ii) any person so employed whose wages (excluding remuneration for overtime work) exceed such wages as may be prescribed by the Central Government a month: Provided that an employee whose wages (excluding remuneration for overtime work) exceed such wages as may be prescribed by the Central Government a month at any time after and not before the beginning of the contribution period, shall continue to be an employee until the end of the period;

(e) Minimum Wages Act, 1948. 21 Any person who is employed for hire or reward to do any work, skilled or unskilled, manual or clerical, in a scheduled employment in respect of which minimum rates of wages have been fixed; and includes an out-worker to whom any articles or materials are given out by another person to be made up, cleaned, washed, altered, ornamented,
finished, repaired, adapted or otherwise processed for sale for the purposes of the trade or business of that other person where the process is to be carried out either in the home of the out-worker or in some other premises not being premises under the control and management of that other person; and also includes an employee declared to be an employee by the appropriate Government; but does not include any member of the Armed Forces of the Union.

(f) Payment of Bonus Act, 1965. 2(13) Any person (other than an apprentice) employed on a salary or wage not exceeding three thousand and five hundred rupees per mensem in any industry to do any skilled or unskilled manual, supervisory, managerial, administrative, technical or clerical work of hire or reward, whether the terms of employment be express or implied.

(g) Payment of Gratuity Act, 1972. 2E Any person (other than an apprentice) employed on wages, in any establishment, factory, mine, oilfield, plantation, port, railway company or shop, to do any skilled, semiskilled, or unskilled, manual, supervisory, technical or clerical work, whether the terms of such employment are express or implied, and whether or not such person is employed in a managerial or administrative capacity, but does not include any such person who holds a post under the Central Government or a State Government and is governed by any other Act or by any rules providing for payment of gratuity.

(h) The Sales Promotion Employees (Conditions Of Service) Act, 1976 2D Sales promotion Employees Any person by whatever name called (including an apprentice) employed or engaged in any establishment for hire or reward to do any work relating to promotion of sales or business, or both, but does not include any such person- (i) who, being employed or engaged in a supervisory capacity, draws wages exceeding sixteen hundred rupees per mensem; or (ii) who is employed or engaged mainly in a managerial or administrative capacity. Explanation. For the purposes of this clause, the wages per mensem of a person shall be deemed to be the amount equal to thirty times his total wages (whether or not including, or comprising only of, commission) in respect of the continuous period of his service falling within the period of twelve months immediately preceding the date with reference to which the calculation is to be made, divided by the number of days comprising that period of service.
(i) Working Journalists and Other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 2(c) Newspaper Employee "newspaper employee" means any working journalist, and includes any other person employed to do any work in, or in relation to, any newspaper establishment;

4. **Main Characteristics**

From the study of the above mentioned definitions of employee the following are the main characteristics:

(a) A person renders his or her service which is surplus with the person.

(b) Person offers the service under the terms and conditions of employment.

(c) The person gets remuneration in lieu of the services offered to employer.

(d) A variety of services are being offered by the employees as per their knowledge and skills.

On the basis of their skills and job the employees may be called unskilled, semi-skilled and skilled employees. Further as per the nature of the job performed they are classified as technical and non-technical employees.

5. **Employee Performance**

Every organization has been established with certain objectives to achieve. These objectives can be achieved by utilizing the resources like men, machines, materials and money. All these resources are important but out of these the manpower is the most important. It plays an important role in performing tasks for accomplishing the goals. The question arises that how these resources are utilizes by manpower. Further, the business environment is changing drastically. The environmental factors are uncontrollable. These are beyond control of management of the firms. One has to adjust with the external factors to do the business in the market. Every environmental factor like social, cultural, legal, political, economic, technology and competition gets changed very fast. For effective working the knowledge of these factors is must otherwise the plan will misfire. In present situation it is difficult to predict about anything. It is uncertain to say that what will happen tomorrow. Again the need for highly skilled and dedicated manpower is felt who can give the best output. Nowadays the markets
are also very competitive and there is cut throat competition. For every organization it is
difficult to start, survive, stabilize and excel in the business. The firm that gets the advantage
over other competitors through their talented and dedicated manpower can take the lead in the
market. The contribution of employees on job is the most important factor for development and
excellence in business. The performance of employees on different jobs in close coordination
is needed for success of the unit.

Employees are performing different jobs in an organization depending upon the nature of the
organization. They mainly perform tasks like production, storage, manufacturing,
transportation, marketing, purchasing, distribution, promotion of business, finance and
accounting, human resource, research and public relations. All these activities are inter-related
to achieve the targets. These are to be performed by the employees properly so they can give
their best out put at the job. This will have great impact on the total production, sales, profit,
progress and market position of the company in the market. Various factors like skills, training,
motivation, dedication, welfare, management policies, fringe benefits, salary and packages,
promotion, communication etc. are responsible to encourage the people to work sincerely and
give their best output. The importance of employees’ performance must be understood by the
management and sincere efforts must be put in that direction. The management of the company
taking timely steps in that direction will be in position to develop and motivate the people to do
so. Finally the company may take the lead the market and grab the opportunities available in
the market.

6. Advantages of Higher Employees’ Performance

Following are advantages of higher performance to the individuals, organization, society and
nation as a whole:

(a) The productivity of individual on job increases.
(b) Employee gets job satisfaction at job.
(c) Psychological problems of employees come to low level.
(d) Involvement of employees in their jobs increases.
(e) A sense of commitment and loyalty among employees develop.
(f) Employees get higher salaries and incentives on production basis.
(g) Quality and quantity of the total production increase.
(h) Sales and market shares of the company in the market improves.
(i) Profit improves and that leads to progress of the business.
(j) Good will of the organization goes high.
(k) All these contribute in the development of national economy and living standard of the society as a whole.

7. Performance Management

The main objective of human resources management is to utilize the human resources in a most optimal manner so that targets can be achieved very effectively and efficiently. For this purpose managing performance of employees as a whole is very important. Performance management takes care of this function. Performance management maintain, develop and motivate the people at work to give better results. In the present competitive situation the organisation that gives better results can survive, stabilize, grow and excel in the performance. It helps a lot in achieving the objectives of HRM. Performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on performance of the organization, a department, processes to build a product or service, employees, etc. This concept has been defined by various authors as follows:

(a) Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization. Many writers and consultants are using the term “performance management” as a substitution for the traditional appraisal system. A performance management system includes the following actions:

(i) Develop clear job descriptions.
(ii) Select appropriate people with an appropriate selection process.
(iii) Negotiate requirements and accomplishment-based performance standards, outcomes, and measures.
(iv) Provide effective orientation, education, and training.
(v) Provide on-going coaching and feedback.
(vi) Conduct quarterly performance development discussions.
(vii) Design effective compensation and recognition systems that reward people for their contributions.
(ix) Provide promotional/career development opportunities for staff.
(x) Assist with exit interviews to understand WHY valued employees leave the organization.

(b) Performance management is the larger process of defining what employees should be doing, ongoing communication during the year, linking of individual performance to organization needs, and the evaluating of appraising of performance.

(c) Performance management involves enabling people to perform their work to the best of their ability, meeting and perhaps exceeding targets and standards. For successful performance management, a culture of collective and individual responsibility for the continuing improvement of business processes needs to be established, and individual skills and contributions need to be encouraged and nurtured. Where organizations are concerned, performance management is usually known as company performance and is monitored through business appraisal.

(d) Performance management: A framework that identifies opportunities for performance improvement through use of performance measures such as standards and indicators.

(e) Performance measurement: a process of assessing the achievement of pre-determined goals and objectives through the measurement of the following types of indicators: inputs, processes of delivery of activities and services outputs, and outcomes.

(f) Performance management: Using a set of tools and approaches to measure, improve, monitor and sustain the key indicators of a business.

(g) Performance management: The process of quantifying, measuring, correcting and reporting system service levels.
(h) Performance management: An empirically based approach to evaluating operational, clinical and financial segments of a provider. It is a program evaluation methodology to measuring results by benchmarking internal statistics against those of empirically based standards

(i) Performance management system (PMS) is the heart of any “people management" process in organization. Organizations exist to perform. If people do not perform organizations don't survive. If people perform at their peak level organization can compete and create waves. -TVS Rao

(j) Armstrong and Baron (1998) defined it as “A strategic and integrated approach to increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors”

(k) Performance management is ‘The development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organisation which supports and encourages their achievement’ (Lockett.).

(l) ‘Performance management is managing the business’ (Mohrman and Mohrman.).

(m) Performance management is the process of ‘directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation’ (Walters.).

(n) Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization.

The PM approach is used most often in the workplace but applies wherever people interact—schools, churches, community meetings, sports teams, health setting, governmental agencies, and even political settings. PM principles are needed wherever in the world people interact
with their environments to produce desired effects. Cultures are different but the laws of behavior are the same worldwide.

8. Functions of Performance Management

The performance management is mainly concern with the performance of the people, systems and organization. To achieve this objective performance management performs a variety of functions. These functions are summarized below:

(a) **Create Healthy Work Environment**
HR or performance manager works with the people. Their objective is to create an environment of openness, trust, mutual understanding, team spirit and cooperation. In this environment only the manpower can be utilize more effectively to contribute to organizational goals. They create environment with the help of HR policies, day to day dealing, rules and regulations regarding leaves, welfare, promotion, discipline, incentives, training etc. It creates confidence in persons to work without worry.

(b) **Develop Performance Plans**
Management goes for planning of the job, competencies required for performing the jobs and standards required for performance of the jobs. It includes job description, job specification and fixation of job performance standard. Through these plans only the type of person required can be ascertained.

(c) **Selection of Appropriate People**
To carry out the various types of jobs in the organization manpower is needed. The required type and number of people are to be selected from the aspirants. So they may be made available at right place in right time for accomplishment of the tasks at required time. This is possible through proper recruitment and selection of employees.

(d) **Decision Regarding Performance Standard**
Performance management as a function of human resource management, The management takes decision regarding the required standards of the performance in consultation with top
level management, head of departments and experts or consultants. They consider the lowest, highest and average performance of the people at work. After detail discussion the most realistic standards are fixed by the management.

(e) Plans for Development of Employees
Performance management is interested for development of both employees and organization. With the development of one is the development of both. He conducts orientation of the persons, provides education, and finds out the need for training and conduct training programme for development of skills, knowledge and competencies. This can contribute in improvement of the performance of persons and company.

(f) Measurement of Performance
After planning and development activities the next task of performance management is to measure the performance of the people at work. For measurement of performance the different criteria has been fixed such as output per hour/shift quality of work, behaviour, discipline, level of commitment etc. This helps to find out the poor and good performers out of the lot. On the basis of the measurement of performance further remedial action can be taken.

(g) Conducts Performance Feedback
After measurement of performance of all employees the management finds the slow moving persons. The objective of performance management is to find out the reasons for slow going. They conduct coaching session for such people and give feed back to them. They suggest ways to improve their performance also. This clarifies many doubts of the employees. It helps a lot the persons to understand their caliber and difficulties. Through the coaching and counseling session the attitude of the employees is changed positive.

(h) Design Compensation, Recognition and Reward System
Through performance appraisal system the slow and fast working persons are identified. As per the output the management designs the compensation, recognition and reward system. For good performers the incentives are designed as per the output. They are given better incentives whereas slow working persons may be given less incentives or may be denied. Good
performers’ tasks are recognized by giving appreciation letter, prizes or rewards. Sometime they may be considered for further promotion also. This keeps on motivating the people whether a slow or fast working person.

(i) **Contributes in developing good will**
By performing the functions like creating good working environment, planning for performance, measuring performance, providing performance feedback, designing suitable compensation, recognition and reward system the management helps in improvement of the performance as a whole. The work related employees problems are shorted out. IT gives a sense of confidence and motivation among persons. These persons create publicity by words of mouth in side and in the public out side. It contributes a lot in creating high goodwill of the company. Provide promotional/career development opportunities for staff.

According to TVS Rao the performance management system includes the following actions:
(i) Identifying the parameters of performance and stating them very clear.
(ii) Setting performance standards
(iii) Planning in participative ways where appropriate, performance of all constituents
(iv) Identifying competencies and competency gaps that contribute/hinder to performance
(v) Planning performance development activities
(vi) Creating ownership
(vii) Recognizing and promoting performance culture

**9. Concerns of Performance Management**

Performance management is an important function of human resource management. HRM is mainly interested for proper utilization of manpower and contribute to a good extent in achieving the objectives of the organization. In nutshell, it can be said that through better performance it is to make the organization more effective in the present competitive situation. The following are the main concerns of performance management:
(a) Concern with Productivity
It is first of all concerned with the output per person/system/machine/group. It is concerned with the results achieved, the performance of activities, competencies needed to perform these activities from every individual, group or team/department and organization as a whole. In present uncontrollable, risky and rapidly changing environment it is difficult for everyone to survive, stabilize, grow and excel in their performance. Those who are in position to give excellent performance they are leader in the market. They are only grabbing maximum opportunities. Performance management is mainly concerned for better result through processes, input and required competencies. It is possible through planning, developing, measuring and review of the performance of every one. Performance management plays an important role for effective working of HR management.

(b) Concern with Planning of Performance
Performance management is concerned with planning of the performance of people at work for better result in future. This means defining expectations expressed as objectives and in business plans. It plans the roles of everyone, standards of performance to be given in advance so that the actual performance can be compared with these standards. The performance of individual or group is aligned with the goals of the organization.

(c) Concern with Performance Measurement and Review
The next concerned of it is to measure the output of individuals and systems periodically. Further it is to compare with the standards already fixed. This shows the position of the performance whether the result is in the required direction or not. If the result is as per the planning then it is to be maintained otherwise it needs the remedial action for improvement. This position must be reviewed further for better result also. Though this concern many irregularities will be removed and there may be better and smooth performance of everyone concerned in achieving the objective of the organization.

(d) Interest in Continuous Improvement
Performance management philosophy is based on innovation in every area of the organization. Concern with continuous improvement is based on the belief that continually striving to reach
higher and higher standards in every part of the organization will provide better performance and will be in position to give competitive advantage to the organization over its competitors. This means clarifying what organizational, team and individual effectiveness look like and taking steps to ensure that those defined levels of effectiveness are achieved. As Armstrong and Murlis said that helps in establishing a culture in which managers, individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, competencies and contribution.’

(e) Concern with Continuous Development

It follows the Japanese concept of Kaizen. Performance management is concerned with creating a culture in which organizational and individual learning and development is a continuous process. HR managers are putting their efforts for creating a healthy working environment for every one. That is very helpful for learning and work. People learn from success and face the challenges in their routine functioning.


Performance management is a very important part of human resource management. The focus of it is on development aspects of individual and organisation performance. The approach of performance management is positive. In present highly competitive environment, a high degree of skill and commitment is needed to understand the environment and perform accordingly. Everybody is benefited by actions of performance management. It is bit difficult to summarise the benefits of it in detail. It is possible to get all employees to reconcile personal goals with organizational goals. One can increase productivity and profitability for any organization and that leads to progress of the organisation. It can be applied by organisations or a single department or section inside an organisation as well as an individual person.

The process is a natural, self-inspired performance process and appropriately named the self-propelled performance process (SPPP). It is claimed that the self-propelled performance management system is:

(a) The fastest known method for career promotion;
(b) The quickest way for career advancement;
(c) The surest way for career progress;
(d) The best ingredient in career path planning;
(e) The only true and lasting virtue for career success;
(f) The most neglected part in teachings about management and leadership principles;
(g) The most complete and sophisticated application of performance management;
(h) The best integration of human behaviour research findings, with the latest management, leadership and organisational development principles;
(i) The best automated method for organisational change, development, growth, performance and profit;
(j) The quickest way for career building, career development and moving up on the stepping stones of the corporate career ladder;
(k) The surest and fastest way for increased motivation, productivity, growth, performance and profitability for both the individual and the organisation;
(l) The best career builder and career booster for any career; and inspirational, as it gets people moving, makes them self-starters in utilising own talents and initiative, automatically like magic.

It helps in creating good working environment of openness, mutual trust, cooperation and team spirit. People work with their high degree of motivation and without work stress. In healthy working environment people work in team and that leads to multidimensional benefits to individuals, teams, departments, sections, divisions and organisation as a whole. The benefits of it are numerous and these are financial and non-financial both. Managing employee or system performance facilitates the effective delivery of strategic and operational goals. Following are the gains from performance management:

(a) Financial Gains
Financial gains from performance management are following:
(i) Improve productivity and production of the company.
(ii) Reduce costs due to sincere and skilled manpower.
(iii) Complete the projects well in time because every one is giving his best performance at work.
(iv) Aligns the organizational and individuals goals and that avoids all delays in performance.
(v) Through proper and timely communication the objectives are clarified and desired action can be achieved from employees as management wants.

(b) Non-Financial Gains
Following are non-financial gains from performance management:
(i) Healthy working environment avoids work stress of the employees,
(ii) Optimizes incentive plans to specific goals for over achievement, not just business as usual
(iii) Employees feel satisfied when the working environment is friendly.
(iv) Employees get chance for further career development, training and promotion etc.
(v) A sense of belongingness, attachment and commitment develops among employees.
(vi) It leads to a high degree of motivation in employees and further creates a sense of loyalty towards the organisation.
(vii) Persons understand the importance of their roles and get engaged in contributing to the organisational goals.
(viii) Create transparency in approach and dealing among employees.
(ix) High confidence in organisation and its different processes like salary, bonus, promotion etc.

(c) Effective Management Control
(i) Approach of person is flexible, responsive to management needs and performing the tasks.
(ii) Displays better data relationships
(iii) Helps to comply in inspection, audit and other legal
(iv) Simplifies communication of strategic goals and gets involvement of lower level employees too.

11. Performance Management and Performance Appraisal

Performance is often defined simply in output term that is needed for achievement of pre-decided goals. Performance is concerned what job is done, how it is done and what has been achieved. The Oxford English Dictionary confirms this by including the phrase ‘carrying out’
in its definition of performance: ‘The accomplishment, execution, carrying out, working out of anything ordered or undertaken.’ High performance is the outcome for positive behaviour, proper use of knowledge, skills, ability, capability and competencies. Performance management must examine how results are attained because this provides the information necessary to consider what needs to be done to improve those results. The concept of performance has been expressed by Brumbach as follows: ‘Performance means both behaviours and results. Behaviours are the product of mental and physical efforts applied to tasks and that can be observed apart from the result from the job. This definition of performance concludes that when managing performance both inputs (behaviour) and outputs (results) need to be considered. In present turbulent and highly competitive business environment the question of survive and grow matters a lot. Management is under pressure to increase the productivity of everyone so that competitive advantage over competitors can be achieved. This is the main objective of performance management.

Performance management is a process for establishing a shared understanding about what is to be achieved and an approach to managing people that increases the probability of achieving success (Weiss & Hartle).

It is about the everyday actions and behaviors people use to improve performance in themselves and others. It cannot be divorced from the management processes that pervade the organization. Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization. The overall goal of performance management is to ensure that the organization and all of its subsystems (processes, departments, teams, employees, etc.) are working together in an optimum fashion to achieve the results desired by the organization. Performance management strives to optimize results of everyone and results of the organization. Any focus of performance management within the organization (whether on department, process, employees, etc.) should ultimately affect overall organizational performance management as well.
Achieving the overall goal requires several ongoing activities, including identification and prioritization of desired results, established means to measure progress toward those results, setting standards for assessing how well results are achieved, tracking and measuring progress toward results, exchanging ongoing feedback among those participants working to achieve results, periodically reviewing progress, reinforcing activities that achieve results and interviewing are also measures. Organisation is established to achieve certain objectives. Achievement of goals or targets depends upon the performance of individual employees. Hence it is quite necessary to understand as to what extent employees have been successful at their jobs for achievement of their goals. Thus performance appraisal forms an important part of HRM. This necessitates the study of the topic of performance appraisal.

"It is the evaluation or appraisal of the relative worth to the company of a man's services on his job." (Alford and Beatty)

"Performance appraisal is a systematic periodic and impartial rating of employee's excellence in matters pertaining to his present job and to his potentialities for a better job." (Flippo)

Performance appraisal is mainly used for three purposes. (i) As a basis of reward allocation such as salary increments, promotion and other rewards etc. (ii) Performance appraisal will point out the weaknesses of employees and will spot the areas where development efforts are needed. Performance appraisal is a tool for identification of deficiencies. (iii) It can be used for the selection and development programme. It will differentiate satisfactory performers from unsatisfactory ones. The performance appraisal will help the management to perform functions relating to selection, development, salary, promotion, penalties, lay-off and retrenchment.

It is sometimes assumed that performance appraisal is the same thing as performance management. But there are significant differences. Performance appraisal can be defined as the formal and periodical assessment and rating or ranking of individuals by their managers or immediate supervisors at, usually, an annual review meeting. Where as performance management is a continuous, broader, more comprehensive and natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected
to act as coaches rather than judges and focuses on the future. Performance appraisal has been criticized by people because here approach is like bureaucratic and top-down under the control of human resource managers. It was often backward looking, concentrating on what had gone wrong, rather than looking forward to future development needs. Performance appraisal schemes existed in isolation. There was little or no link between them and the needs of the business. Line managers have frequently rejected performance appraisal schemes as being time consuming and irrelevant. Employees have resented the superficial nature with which appraisals have been conducted by managers who lack the skills required, tend to be biased and are simply going through the motions. As Armstrong and Murlis assert, performance appraisal too often degenerated into ‘a dishonest annual ritual’. The differences between them as summed up by Armstrong and Baron (4) are set out in Table 1.1.

Table 3.1.1 : Performance Appraisal & Performance Management

<table>
<thead>
<tr>
<th>Performance appraisal</th>
<th>Performance management</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Top-down assessment</td>
<td>Joint process through dialogue</td>
</tr>
<tr>
<td>(b) Annual appraisal meeting</td>
<td>Continuous review with one or more formal reviews</td>
</tr>
<tr>
<td>(c) It is a part of performance management process</td>
<td>It is a wider concept than appraisal</td>
</tr>
<tr>
<td>(d) Use of ratings and ranking</td>
<td>Ratings less common</td>
</tr>
<tr>
<td>(e) Monolithic system</td>
<td>Flexible process</td>
</tr>
<tr>
<td>(f) Focus on quantified objectives</td>
<td>Focus on values and behaviour as well as objectives</td>
</tr>
<tr>
<td>(g) Looks back to find out what has gone wrong in performance.</td>
<td>Looks forward for further development</td>
</tr>
<tr>
<td>(h) Often linked to pay</td>
<td>Less likely to be a direct link to pay</td>
</tr>
<tr>
<td>(i) Bureaucratic paperwork</td>
<td>Documentation kept to a minimum</td>
</tr>
<tr>
<td>(j) It is carried out by immediate Supervisors</td>
<td>Line managers are involved and in discussion with experts and consultants</td>
</tr>
</tbody>
</table>
12. Principles of Performance Management Plan

For effective working of performance management, management must keep certain guidelines in mind. These guidelines may help in proper working and avoid much confusion during work. Experts have suggested the following principles:

(a) Continuous Coaching, Feedback and Communication
Performance management is considered a continuous process, not an event. For its proper and effective working the principles of continuous coaching and feedback are integral to success. These will definitely coordinate the related activities properly.

(b) Effective Communication
The Performance Management Plan gets involved line managers, supervisors, experts and consultants. To coordinate between them a proper timely and effective communication is needed. If is not there the objective of the plan will be defeated. It will ensure mutual understanding of work responsibilities, priorities, and performance standards and measurements.

(c) Discussion and Evaluation
Discussion and evaluation of specific job should be there. The discussion and evaluation should be regarding nature of jobs, tasks, competencies needed to perform these jobs, major duties and responsibilities and the performance standards. These must be specifically defined and communicated as the first step in the process.

(d) Performance Standards
Performance standards for each major duty / responsibility must be defined and communicated to all concerned. These standards are to be decided in mutual discussion with line managers, manager in charge of the job, persons performing the jobs, in house experts and consultants. Through detailed discussion the lowest, highest and average performance of the performers are to be taken in to account before finalizing the performance standard. These must be feasible to achieve by an average performer.
(e) Employee Involvement and Development
The performance management revolves around the manpower. The management must keep in mind that they must be involved in it and efforts must be there for their development and improvement of performance at work. They must be motivated to develop their competencies, involve in the jobs and give best output to contribute in achievement of the organizational goals. Without proper involvement and development of employees it is not at all effective.

(f) Fair Performance Evaluation
The evaluation of the performance of people at work should be carried out timely. It should be fair without favour and fear. If it is done so then the exact poison of the performance given by the employees will be clear. Otherwise misleading result will be there. The very objective of the performance measurement will not be served. The performance evaluation should not be frequent but at least annually it should be carried out because it is time and efforts consuming.

(g) Proper Documentation
The principle of proper documentation should be considered an important principle for effective working of the plan. The plan should be drawn and documents should be prepared. It should be communicated for all concerned who have been identified. The development, recognition, compensation and reward plan should be in black and white. Proper records are to be maintained. Further, proper documents of performance appraisal are needed for further remedial action. It these are not prepared then whenever confusion is there the documentary evidence cannot be given and management has nothing to refer in case of doubts arise regarding past decisions taken.

(h) Performance Evaluation for Every One
The performance appraisal of all employees should be carried out. It is not only applicable to lower and middle levels. It should be applied to the top level also. The senior level performs must be evaluation on the basis of the successful administration of the plan and ongoing performance management responsibilities.
(i) Training for Managers, Supervisors and Employees
The training should be made available for everyone in the organization. It should be encouraged. It will keep the knowledge of the persons up to date. With changing technology, working procedures and new methods the present competencies becomes outdated. This has the effect on the performance. Special importance must be given for training of all levels people.

(j) Consistent Performance Management Plan
The plan should be consistent. It should not be changed frequently. Further, should be consistent with federal and state laws. If proper attention is not given to this principle then confusion can be created among people those who are involved in performance management directly or indirectly.
3.2: Performance Management Process

1. Introduction

2. Steps in Performance Management Process

3. Characteristics of Performance Management Process

4. Roles of Supervisors, Employees and Reviewers
3.2: Performance Management Process

1. Introduction

Process can be explained as a set of activities and these activities are arranged in a logical sequence of occurring. The sequence of activities cannot be disturbed. If it is disturbed then the function cannot be performed out of sub activities performed. The activities in performance management are similar to the other process in organisation like planning, organising, controlling and management by objectives. In it a set of activities are involved. To perform the functions of performance management these activities are to be carried out in their required sequence. The performance management process requires many ongoing activities in the organization. This includes identifying and prioritizing goals, defining what constitutes progress towards goals, setting standards for measuring results, and monitoring performance, counseling, coaching, communication, motivation and feedback of performance to employees, review of performance, development plans, implementing effective goal-oriented activities, and intervening to create improvements when needed. For effective working of this process, business performance management software is mainly used in organizations.

The performance management process focuses on overall performance of the unit. Great importance is given to the activities above mentioned for effective accomplishment of the goals of the organization on the methods. In most of the organizations these activities are performed but it is not hard and fast for every organization. The steps in the performance management process may vary from one organization to another organization. But special focus will be given to the activities of higher priority. Most programs include certain core activities working from the highest level of the organization down to the smaller components. The performance management process can be explained the diagram shown below:
2. Steps in Performance Management Process

After depth study of various organisations, it is found that in every organisation different steps have been taken and there is no similarity in steps in performance management process. It entirely depends upon the requirement of the organisation and the management working pattern. Some organisations take help form the consultants and some are having their own internal experts for scanning the business the business environment, identifying and prioritizing the goals, fixing responsibility and accountability, expected performance standards and many more work related aspects. In large organisation mostly the below mentioned steps are followed but in small and further smaller organisations some of the steps may be or may not be followed. It is summarised that the following steps have been involved in different organisations in general but exactly not similar in all:

(a) Step 1: Planning

Planning is the process in which the future course of actions has been decided in advance. This helps in giving the direction while performing the tasks. Without planning the objective of doing the work will not be clear. There may be many confusions such as what is to be done, how it is to be done, when it is to be done etc. That is why to go for performance management process the first step will be planning. The first step during which the supervisor and employee accomplish will discuss regarding current business environment, mission of the organization, present goals, and jobs to be performed for achieving goals. Methods of performing the jobs, competencies needed performance standards and assigning the responsibility and accountability of employees. Planning stage will make the whole process working smoothly. In the beginning the performance management will go for planning of the following items:
Diagram 3.2.1: Performance Management Process

- Step 1: Planning
  - Scanning business environment
  - Mission and Goals
  - Developing description and specification
  - Fix performance standard to achieve

- Step 2: Action or Execution plan
  - Communication
  - Counseling, Coaching
  - Training & education
  - Feedback
  - Motivation

- Step 3: Performance assessment
  - Observations
  - Mid-year access.
  - Year-end access.
  - Documentation of assessment work

- Step 4: Final Review and Development Plan
  - Review of performance standards achieved.
  - Review of compensation.
  - Strength & weakness
  - Action Plan
  - Development Plan
  - Identifying rewards, recognition and compensation plan
(i) Scanning of business environment: Every business is carried in an atmosphere or surrounding. That is called business environment. There are internal and internal factors of it. The internal environmental factors are within control of the management where as the external factors like social, cultural, economic, legal, political, technology and competition etc, are beyond control of management. These factors are uncontrollable and out of reach of management to control. They change very rapidly and create a lot of uncertainty. A high degree of risk is involved in the business. For proper and effective planning the study of environment becomes inevitable. The study of these factors is to be carried out and try to find out the threats and opportunities for the business of the company. This will provide inputs to the planning for performance management.

(ii) Mission and goals: Every organisation has been established with an objective in the business. The mission shows the objective of existence in the business. To achieve the objectives the certain goals or targets are to be fulfilled. The goals are to be decided for everyone concerned. The goals can be for individuals, team, section, department and organisation as a whole. The managers, supervisors, and employees through discussion will agree for the goals to be achieved. The special care should be taken that the goals should be realistic and feasible to achieve. These should not be beyond capacity to achieve.

(iii) Developing job-description and job specification: To fulfil the goal requirement the certain tasks are to be decided. What jobs are to be performed and how these will be performed. First of all the jobs profile is to be prepared. The work, jobs and tasks are to ascertained. The decision is to be taken regarding the major work, its components, level of responsibility, reporting system, location of the jobs and sub jobs etc. Next, the procedure or method of doing the jobs is to be finalized. In method the involvement of manpower, machines, equipments and steps for performance of jobs are to be decided. After finalizing jobs and methods of doing the jobs, the job specification is to be finalized. For performing the skills, knowledge, educational qualification, work experience, attitude, ability, capability, the level of risk involved etc. are to be discussed and finalized. If the required competencies are available then it is alright. Otherwise efforts should be there to find out how the required competencies can be acquired and developed. Finally in this the job responsibility and
accountability of everyone is to be agreed and fixed. This will give the clear guidelines regarding the jobs is to be performed, method of performing the job, competencies required for performing the jobs, responsibility and accountability of the jobs.

(iv) Fixing performance standard: For accomplishment of the goals the jobs are to be performed. Now, what level of performance is expected from the employees is to be discussed. For fixing the performance standard the comprehensive discussion should be there among managers, supervisors, employees, experts in house and consultants. The performance standard should be feasible to achieve. These should not be very low or high. The performance of slow, fast performer may not be suitable for everyone. That is why the average performance should be taken into account. Performance Standards are the statements that specify what constitutes good work. The all concerned persons involved in fixing performance standards develop the list of specific job tasks, and then they write statements that specify how the quality of the work will be determined. The performance standards should be specific, measurable, attainable, relevant and time-based. The performance standards should be decided regarding the quality of work, quantity of output, with reference to the time taken, manners of work performed, method of doing the tasks, behaviour and costs involved in performing the jobs. These will give a clear idea to the supervisors and performers regarding what are expected from them on job.

(b) Action or Execution of Plan

After planning of performance management the next step is action or execution of the plan. If the plan is good and not implemented properly the result will be poor and poor plan implemented strongly then many irregularities can be overcome. This stage is very important. In execution stage, the actions are to be taken simultaneously with work. The action regarding communication of performance plan, coaching, training and education, motivation and feedback of the performance should be taken by the managers or supervisors responsible for the jobs. Whatever has been planned by the authority, must be communicated to all concerned regarding objectives, jobs, methods or procedures, competencies, goals, responsibility and accountability and performance standards expected from the performers. This will help a lot in understanding the requirements and confusions will be avoided. This will help to get the
support of everyone concerned. The objective of the planning will be made easier to achieve if proper, purposeful and timely communication has taken place. When the need for training and education has been identified, the sincere efforts should be put to train and educate the people on and off the jobs. This will help to develop knowledge, skills and competencies of the employees. The trained people will get confidence in the jobs, confidence will give better performance and it will give further the job satisfaction to the job performer.

During the work there may be many difficulties faced by the employees. The manager or supervisor must coach and guide the persons if any problem is faced. The problems are to be solved on the spot. The proper coaching must be carried out regarding the system, its parts, performance procedure, and most likely difficulties faced on the jobs. This will avoid confusion on the spot and performance will improve. This finally will give job confidence and satisfaction to the performers. Another important action during the work is motivation of the employees. They employees must be motivated by the managers and supervisors by giving timely support, proper behavior of supervisors showing interest in jobs of juniors, rules and regulation are implemented with human touch. The motivational aspects will create a desire to work strongly on the job. It will contribute to improve the performance standard related to quality and quantity of output, time, cost and manners. This is the ultimate goal of the performance management process.

Talented and motivated workforce can create a wonder for the organization. This may give the multidimensional benefits to the organization. Finally the image of the unit may be created and developed further. When the persons are assigned the jobs and they start performing, they themselves do not know how they are performing. Time to time they must be informed by the supervisors regarding what they are doing and how they are doing. Getting feedback the confusions can be clarified. If any problem is faced or confusion is there then action can be taken by them during the work. This problem will not prolong. People will work without any work stress. If the managers and supervisors are taking these actions in time, the ultimate goal of improving the performance will be achieved undoubtedly.
(c) Performance Assessment

The next phase will be performance assessment or appraisal. After planning and execution of the plan it becomes necessary to see whether the job is performed as per the planning and guideline. The performance is to be reviewed. If it is not done then the employees and managers will not take interest in the whole process of performance management. The performance will be assessed during the work, mid of the year and finally at the end of the year. It is a difficult work to be done properly. The following jobs are to be done in the assessment of performance:

(i) Observation: Under planning the works have been assigned to the employees. The employees have been communicated, guided, motivated and feedback taken time to time from them. Further, it is to be seen whether they are doing the work as per expectation and goals set. The managers and supervisors will observe the working on day to day basis. Whenever they visit to the work, discuss the issues with the employees or interacting, they must observe the attitude, interest, manner, approach, involvement and output given on shift or daily basis. When employees interact with their peers, supervisors, managers, vendors, clients and other staff members, the information should be gathered on day to day basis regarding their behaviour and performance. This will help in assessing the performance of the employees.

(ii) Mid year assessment: The performance review takes place twice during the year. During the Mid-Year Review, performance is reviewed almost after six months. It is to be done without writing down the comments in the assessment report. At this stage no documentation is required formally. During the review the work done by the person, difficulties faced during the work, competencies shown, discipline, type of behaviour expressed and level of commitment give should be recorded. Through observation the information gathered will help the supervisor to prepare the mid year assessment report. After report a review meeting is to be conducted. For this it should be communicated to all concerned. Through mutual discussion the date and time for the review meeting will be decided. It should be communicated to all concerned. At the specified date, time and venue the review meeting will be conducted. The focus of the review meeting will be on overall performance and interruption will not be allowed during discussion. The supervisor should explain the purpose of conducting the meeting, present
overall assessment of employees. During discussion if any doubt is there then it should be clarified. At the end of the meeting the supervisor should assure the employees for help regarding the assessment problems and must thank to all participants for their participation. After the meeting the final performance review form is to be filled up and the responses and comments from supervisors and employees should be summarized. The members should be encouraged to give if they have any other comments. Finally, the complete report is to be signed by the supervisor and members. The proper file is to be maintained for further reference.

(iii) **Year end assessment:** On completion of the year the performance assessment is to be carried out. In every organization the appraisal practice is adopted. This brings the success, failure and obstacles faced during the year to the knowledge of managers and employees. All work related aspects are considered for evaluation of the performance. The performance appraisal is generally done by supervisors, self, peers, juniors and all who are directly or indirectly attached to the employees relating to the work. The major difference between the two review is that that no results or ratings are put on the paper in mid year review. The supervisor should tell the employee that the mid-Year review explains the present result and it is the preparation for the final assessment. For year end assessment the supervisor should collect the information and motivate the members to get involved actively so that the better result can be achieved. They can raise questions regarding new ideas for development of performance, career development and examples for achievements. The employees should explain the situations beyond control of the employees and these should not be considered for appraisal. For final appraisal different criteria like job proficiency, attitude, discipline, behaviour with other persons, competencies on job, leadership, team-spirit etc. are generally considered. These may vary from organization to organization. Supervisor must motivate the persons for self-appraisal. The appraisal form will be filled by the supervisor. He must take proper time to study the work of every one before giving result or rating. Proper care should be taken to give fair and impartial assessment. Generally the **following errors** are likely to take place in assessment:
• **General bias errors** – It depends upon the attitude of the assessor. Some may be very strict and other may be very liberal during the assessment work. They may not consider the actual performance of the employees for assessment work. It affects everyone in general.

• **Halo effect** – During assessment when the assessor considers or gives importance to one criterion of the assessment and ignoring the other factor, the error is likely to take place. This is called halo effect. It gives wrong assessment of the employees.

• **Relation rating error** – When one task is related to another task then the assessor gives importance to that logical relationship more. It creates the error in the assessment.

• **Contrast and similarity errors**– The assessors assess the other employees based on their own assessment. The assessment may be similar or contrast to assessment of the employees.

• **Central tendency errors**– When the evaluator does not take the extreme steps for evaluation. He avoids the extreme two ends. He follows the central path and gives and average rating for the performance. The range of assessment is very narrow. It dissatisfies the excellent performers but protect the poor performers also.

• **Proximity errors** - when raters assess one high side then he assesses others also high side this is called proximity error. He wants to justice with every one but in the beginning he has done the assessment on wrong side and that affects the whole assessment.

• **Rating inflation** - when supervisor’s rating goes very high without any reason is called inflated rating. The supervisor should make that the ratings are on fact basis and not based on emotions or feeling of individuals.

There is no hard and fast rule that these errors will take place with every assessor. But these are like to affect the assessment work of the assessors. The assessors should keep these points in mind and review the rating errors on regular basis. If the proper care is taken then the assessment work will be adequate. Accountability can be rated as, does not meet standards, needs improvement, meets standards or exceeds standards. One each rating the assessor is supposed to give clear comments on the appraisal form. For example if the person exceeds standard them comment should be,” very good, keep it up in future also”. Similarly the other criteria like behaviour, leadership, quantity and quality of output, discipline, commitment to the work, level of competencies etc. are to be rated. Finally the overall performance of the
employees is to be rated. It should be followed by the comments from the assessor. The assessor is to sign the assessment form and submit to the concerned cell in HR department.

(iv) Documentation of assessment: In performance assessment stage the final activity is to be performed is documentation. This activity is very important. In this the assessors have to fill up the assessment form. It should signed and if needed should be sealed. The rating of the performance is to be kept confidential. Proper care should be taken so that the documents should not be tempered or altered by anybody. This document will be reference for review meeting for development plan preparation. The remedial or development action will be taken on the basis of the assessment report. The assessment report should be in black and white. The oral assessment report is not going to serve the purpose. The person who is experienced in maintaining the documents must be consulted. Further, the storage of the documents also should be taken care of. If proper care is taken in preparation, signature, communication and storage of documents the further planning work will become very easy.

(d) Final Review and Development Plan
After performance assessment at the end of year the management go for final review of the performance. They review of responsibility and accountability, performance standard achieved, the competencies the employees possess, leadership quality shown, discipline during work, team work, level of commitment and comments from supervisors and employees will be studies in detail. The efforts should be put by the management to find out the weak points in the process and work on that so that for future there should not be any problem. The very objectives of the performance management should be achieved. Timely and prompt action can be initiated to control the problem in the beginning itself. The management should have the proactive approach regarding the performance management process. The final review and development stage must involve the following activities:

(i) Review of performance standard achieved: In the performance assessment the appraisal has been done. That performance will be reviewed. There may be better performance standard the employees have achieved but management is having innovative approach to look forward and find out how the performance can be achieved better over the present performance standard.
The jobs have been assigned to the employees to perform. There accountability has been fixed to perform and they are answerable to the management. How far they have achieved or fulfilled the responsibility. The standards of the performance in terms of quality, quantity, discipline, leadership, initiative in problem solving, costs etc. will be reviewed. The comparative study will be carried out to find out the deficiencies in these criteria. The management will suggest the points to improve further if any deficiency is found in the assessment. Further the management will review the consequences of the present performance in future in highly competitive situation in the markets. Management is not interested to take any chance of failure in the efforts.

(ii) Review of competency strengths and weakness: The different types of jobs are being done in an organization as per nature and size of the organization. To perform these jobs a set of competencies is required. In competency we may include skills, knowledge of job, ability, capability, attitude, behaviour etc. Management will see that the people selected for the jobs to perform are right type of people. They are having these competencies or not. If they are having then they expressed these during the work or not. The difficulties faced by the employees during the year while performing the jobs will be reviewed. They will find out why the difficulty has been faced and who faced on which job. Further, the areas where the employees have shown their required competencies and did not face the problems will be reviewed. From these review the management will pin point the areas where the development is needed. The suitable steps will be taken or suggested for improvement.

(iii) Action plan: On the basis of performance assessment the review committee will have the input relating to the performance standard, competencies, difficulties, behaviour, discipline, commitment, initiative etc. On the review of these where the deficiencies are found out the action plan will be prepared. If the performance standard has not been achieved the jobs and performs will be under the action plan for improvement. The plan will be prepared for improvement in standard on the job and of individuals. If any person is not having good behaviour, discipline or initiative in the work then the corrective action will be suggested against those persons. If the competencies are not shown by the persons then steps will be initiated against them to correct them. If there is not problem with the manpower but problem is found out with the machines then the corrective steps will be suggested to improve the availability of the
machines for use through proper maintenance of the machines. The action plans will be prepared to remove the problems with the machines, materials, manpower, and working procedures.

(iv) Development plan: From the review of the performance assessment or appraisal the review committee gets the input for development plan. The experts are having the prevailing knowledge of the prevailing market conditions and business environment. They get the update knowledge about environmental factors like social, legal, economic, political, cultural, technology and competition. They are informed regarding the threats and opportunities for the company business in the national and international markets. To survive in new business, grow and stabilize in the existing business and further where the company is doing well to excel in performance, the development plans are prepared by the review committee. The committee can prepare development plans for training, education of employees, arranging refresher courses for existing employees, changing of working procedure, on replacement of technology totally fresh training programme, leadership development programme, customer orientation programme and many more programmes can be included in the development plan as per the need of the time. The main objective of development plan is to keep the organization young and more effective to do the business effectively and efficiently in the present cut throat competitive market situation.

(v) Identifying rewards, recognition and compensation plan: During the work assessment some of the employees have achieved the standard more than expectation. They must be identified and plan for their rewards and recognition should be prepared. Their efforts should not go unnoticed. Their efforts should be recognized and accordingly they should be appreciated. Further the compensation plan also should be prepared. The company is getting better results, sales and profits. Out of these the employees should be paid. The payment can be made in different forms. It depends on the compensation plan of the review committee. This will contribute to improve the morale and motivation of the people. This will enable them to create interest to do the work. The many labour problems can be avoided. Further it will make the things easier for the management to achieve the standard of performance. Ultimately it will contribute a lot in accomplishment of goals of the organization decided. The objective of the organization will be fulfilled.
3. Characteristics of Performance Management Process

From the study of performance management definitions and steps involved in performance management process, nature and practices followed in different organization in different sectors and sizes the following characteristics have been found:

(a) Continuous Process

The performance management is a continuous process. It involves communication from top to bottom and feedback from bottom to top. It takes place round the year. The process cannot be completed within a short period. When one year performance process is completed then it starts for the next year. It is a never ending process. There are continuous dialogues between supervisors, managers and employees regarding communication, coaching, counseling, motivation and feedback. The objective behind these dialogues is to make the people to understand and perform as per the expectation so that the goals can be achieved.

(b) Use of Ranking and Ratings

In this process for evaluation purpose repeatedly and ranking and ratings have been used for different factors. The ranking and ratings are used for communication, coaching, performance standards, behaviour, discipline, level of commitment to achieve the tasks, leadership quality shown, initiatives taken for problem solving etc. There are different ratings and rankings required for completion of the assessment work. For example meets standards/ does not meet standards/ exceeds standards or first, second, third, fourth ranking in the lot.

(c) Focus on Behaviors

The tasks have been assigned to the employees and their accountability has been fixed. While performing the tasks the employees express their actions and reaction relating to the work. It is called the behaviour of the persons at work. It is very important aspect and management give special focus on it. During work employees shows different aspects of behaviour such as happy, unhappy, like, does not like, arguments, not arguments, obey, disobey, support, does not support, cooperate, does not cooperate, initiatives, not initiatives, discipline, indiscipline, commitment, no commitment etc. There are many aspects like this. Here some of them are mentioned. For
evaluation purpose different agencies have developed different performance appraisal system. The employees are rated on the basis of these factors.

(d) Cooperative Approach
The performance management process involves a cooperative approach between managers, supervisors employee, focusing on regular discussions about responsibility, accountabilities, performance standards expectations, performance appraisal, review of action, development and compensation plans. They begin the year with an extensive discussion regarding these points time to time. All concerned persons take initiatives for giving expected performance standards and better behaviours during the work. The approach among them is very cooperative and contributes in accomplishment of the targets fixed.

(e) Training for All Concerned
Training provides knowledge, skills and contributes in development of overall competencies of the persons. The training is needed for all persons working at different levels. For managers they should be trained in planning process and communication. The supervisor will be required to go through a training program for counselling, coaching, motivation and performance appraisals. They should be trained regarding these points so that he can do the needful to help the employees whenever they need the help. It will solve many problems and employees can be guided and motivated to do the work so the expected results can be easily achieved.

(f) Scope for Performance Improvement
In performance management process the efforts have been put to find out the strengths and weakness of all concerned so that the action and development plans can be prepared. This will help in overcoming the problems and strengths will be further strengthened. Ultimately the performance of everyone will improve. Further, the companies are facing tough competition in the markets. The company which gives better performance will take the competitive advantages over their competitors. So the focus is to improve the performance with better team work. Management is looking forward for further improvement repeatedly.
4. Roles of Supervisors, Employees and Reviewers

Several people share the responsibility in performance management process activities like planning, communication, coaching, feedback, training and education, motivation, feedback, assessment of performance, review of plans etc. The detailed descriptions of the roles played by the people in this process are explained below:

(a) Roles of Manager and Supervisor

**Coaching:**
- Conduct counselling and provide coaching whenever required to the employees whose performances are below standards.
- Identify and suggest ways to the employee for improvement in performance. Accept suggestions from employees for motivation and active roles for further planning of development plans.
- Timely communicate to employees regarding better opportunities and improved procedure for improving the work. Create confidence among employees for suggestions for further improvement in performance.
- Make proper observations regarding the performance of the employees and the gathered information that help them in mid year, final assessment at the end of the year and other planning work.
- Keep records of achievements and complaints got from customers regarding employees work.

**Review:**
- Maintain the records about the employee’s performance and on the basis of that final assessment of performance is done.
- Ask the employee for feedback regarding their good and poor performances, and problems faced that may affect their working efficiency.
- Complete appraisal form and discuss ratings and comments with the employee.

(b) Role of Employees

**Planning:**
- Meeting and discussion with their managers and supervisors in the beginning.
- Regarding accountability, performance standards and behaviour.
- Give suggestions for better performance to the managers.
- Discussion with managers about expectation from them relating to accountability, performance standards and behaviour.
- Clarification of doubts if exist from managers and supervisors about accountability, performance standards and behaviour at work.
- For better performance they discuss with their managers and supervisors
- Regarding managers’ and customers’ expectations, job priorities and budget etc.

**Coaching:**
- Accept their responsibilities for continuous improvement, development, accountability, performance standards, behaviour etc.
- Considering the periodical feedback from seniors as suggestion for further
- Improvement in performance and not to take it in negative way. It should be taken as opportunity to learn more and improve skills
- Discuss with them regarding their progress at work and difficulties faced during the work for getting coaching from supervisors for improvement in performance
- Inform managers when they perform their work properly and fulfil the required standards. It should be known to them regarding their achievements.
- As and when required, they ask for meeting with supervisors for problem solution and suggestions for further improvements.
- Remember the points discussed in planning meeting regarding the accountability, performance standards and behaviour time to time.

**Review:**
- Monitor their performance, ask others and keep records of their progress.
- Prepare for review discussion with the support of their notes on performance.
 Participation in the review meeting and highlight their accomplishments and suggestions made by them to the supervisors in appraisal form.

(c) Role of Reviewers

Planning:
- Discuss with the managers and supervisors regarding how their Planning meeting was planned and conducted.
- Check the ratings for the accountability and performance standards whether these are feasible to achieve or not,
- Make sure that the planning points discussed in the meeting have been communicated to the employees or not and find out the point of disagreement also during planning meeting.

Coaching:
- Cross check with the managers and supervisors whether the counseling and coaching sessions have been conducted or not,
- Discuss with supervisors regarding the progress of various employees, their involvement and helping the weak performers

Review:
- Discuss with supervisors regarding review meeting and type of feedback they are going to give.
- After every planning and review meeting, they should sign the minutes of the meetings and ask the supervisors also to do the same thing properly.
- Check the filled up appraisal form, the entries made by supervisors and employees, rating and results given by the supervisors. Ask the supervisor how the appraisal process was conducted and suggestion for improvement for future.
- Make sure supervisor has discussed with employees each rating and rankings with written comments wherever applicable in the result part of the form.
• Check the consistency of supervisors and managers in performance appraisal, use of appraisal system, appraisal of number of employees, explanation of ratings to employees

• Discuss with the supervisor regarding the type of feedback given to the employees regarding their performance. It may be oral or written.

• Remind them to praise the performers if not done because it may encourage the employees to do better in future.
3.3: Employees / Labour Productivity

1. Meaning and Definitions of Productivity
2. Labour Productivity Measurement
3. Objectives of Productivity Measurement
4. Productivity Measurement Issues
5. Factors Affecting Performance/ Productivity
6. Production and Productivity
7. Higher Productivity and Progress
8. Forms of Productivity
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10. Productivity Improvement
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3.3: Employees/Labour Productivity

1. Meaning and Definitions of Productivity

(a) Meaning
The terms production and productivity are often used interchangeably. But there is difference between the two. Production refers to the total output of all employees at a point of time. Productivity refers to the output relative to the inputs per person or system with reference to a point of time. Stated more clearly, productivity refers to the amount of goods and services produced with the resources used. Productivity is measured with the help of a formula which runs as follows:

\[
\text{Productivity} = \frac{\text{Quantity of goods and services produced}}{\text{Amount of resource used}}
\]

If it is required to know the result in percentage then it is to be multiplied by 100. It gives the clear idea about the output because we are more familiar with percentage. Productivity is the efficiency with which output is produced by a given set of inputs. Productivity is generally measured by the ratio of output to input. An increase in the ratio indicates an increase in productivity. Conversely, a decrease in the output/input ratio indicates a decline in productivity, time. For example, labor productivity is typically measured as a ratio of output of labour per into account both the monetary value (price) of what is produced and the cost of inputs used, and also distinct from metrics of profitability, Productivity is the relationship between production of an output to one or more or all of the resources inputs used in accomplishing the assigned task. It is measured as a ratio of output per unit of input over time. It is a measure of efficiency and is time. If not done so then the objective of measuring productivity is defeated.
Production and productivity are two different concepts and these are explained below:

**Production** – The total quantity of goods and services produced by utilizing different resources is called production.

**Productivity** - The amount of output that is produced per unit of input; usually expressed in terms of output per unit of time

(b) Definitions
The experts, consultants, academician and practitioners have expressed their views on productivity. Some of the accepted definitions of productivity are given below:

(i) Productivity is a measure relating a quantity or quality of output to the inputs required to produce it. Often means labor productivity, which is can be measured by quantity of output per time spent or numbers employed. Could be measured in monetary term like rupees per hour—Dictionary

(ii) From Wikipedia, the free encyclopedia, productivity is a measure of output from a production process, per unit of input. For example, labor productivity is typically measured as a ratio of output per labor-hour, an input. Productivity may be conceived of as a metric of the technical or engineering efficiency of production.

(iii) Relative measure of the efficiency of a person, machine, factory, system, etc., in converting inputs into useful outputs. Computed by dividing average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period, productivity is a critical determinant of cost efficiency. -- Business Dictionary

(iv) Productivity is a measurement of the output produced using a quantity of inputs. The production process is a representation of the relationship between outputs and the inputs used to produce them. –Diane Huber
(v) Labor productivity is the amount of goods and services that a labourer produces in a given amount of time. It is one of several types of productivity that economists measure. Labour productivity can be measured for an individual, a firm, a process or a country- www.wikipedia.org

(vi) The quantity of goods and services that someone can produce with a given expenditure of effort, usually measured or averaged out in terms of time spent working or labour time.— Web.ict.ac.za.

(vii) The OECD defines it as "the ratio of a volume measure of output to a volume measure of input". Volume measures of output are normally gross domestic product (GDP) or gross value added (GVA), expressed at constant prices i.e. adjusted for inflation. The three most commonly used measures of input are: hours worked; workforce jobs; and number of people in employment.

(viii) Productivity is the amount of work produced in a given period of time. Productivity relates to the person's ability to produce the standard amount or number of products, services or outcomes as described in a work description. It is not considered in isolation but is considered based on the interrelationship with, performance and profitability.

Labour productivity is the value added per employee divided by the average number of employees during the year converted into full-time equivalents. The quantity of goods and services that someone can produce with a given expenditure of effort, usually measured or averaged out in terms of time spent working or labour time. It is the ratio of the amount produced to the amount of labour put in it, measured as product per person-hour or person-year. Productivity growth reflects growth in output not attributable to growth in inputs (such as labour, capital and natural resources). Increases in productivity can be driven by technological advances (through innovation and increases in skills) or improvements in efficiency (making better use of existing technology). Over the long term, productivity improvements are considered to be the main contributor to higher results, profitability, earning and rising living standards.
Measured labour productivity will vary as a function of both other input factors and the efficiency with which the factors of production are used (total factor productivity). So two firms or countries may have equal total factor productivity (productive technologies) but because one has more capital to use, labour productivity will be higher. Output per worker corresponds to the "average product of labour" and can be contrasted with the marginal product of labour, which refers to the increase in output that resulted from a corresponding (marginal) increase in labour input.

Labor productivity is average real output per hour of labor. The growth of labor productivity is defined as the growth of real output that is not explained by the growth of labor input alone. Total factor productivity is average real output per unit of combined labor and capital inputs. The growth of total factor productivity is defined as the growth of real output that is not explained by the growth of labor and capital. Labor productivity and total factor productivity differ in that increases in capital per worker raise labor productivity but not total factor productivity.

2. Labour Productivity Measurement

Labour productivity is the measure of efficiency at which the inputs are converted into output through various manufacturing processes. To know the relative worthiness the measurement is necessary. This measurement is very helpful for the management for future planning and actions. The measurement can be carried out as per the need of the organization. There are the following ways of measuring labour productivity:

(a) Output per Man-Hour

Labour Productivity = \( \frac{\text{Output}}{\text{Man-hours used}} \)

It can be known that whether the performance is going as per the pre-decided standards or not. Labour productivity only partially reflects the productivity of labour in terms of the personal capacities of workers or the intensity of their effort. The ratio between output and labour input depends to a large degree on the presence of other inputs, as indicated above. Gross-output based labour productivity traces the labour requirements per unit of (physical) output. It affects the change in the input coefficient of labour by industry and can help in the analysis of labour
requirements by industry. Advantages of it are ease of measurement and readability. In particular, the gross-output measure requires only prices indices on gross output, not on intermediate inputs as is the case for the value-added based measure. Limitation of labour productivity is a partial productivity measure and reflects the joint influence of a host of factors. It is easily misinterpreted as technical change or as the productivity of the individuals. In this method the total output given by employees is divided by total man hours. We get the labour force productivity.

(b) Labour Hours per Unit Output
Labour Productivity = \( \frac{\text{Total labour hours used}}{\text{Output}} \)

In second method the total labour hour are divided by total output given by the employees. From this the labour hours taken for production of one unit of output is calculated. From this method the labour hours planning can be done so that the target orders can be supplied in time to meet the customers’ requirements.

(c) Added Value per Unit of Labour Cost
Labour Productivity = \( \frac{\text{Added value for the products}}{\text{Total wages}} \)

3. Objectives of Productivity Measurement

Productivity is a measure of efficiency and defined as a ratio of output to input use. There are not differences over this definition among scholars, consultants, experts, and practitioners. There are different measures of productivity. The objectives of productivity are also general and not special. These are explained below:

(a) Search for Suitable Technology
Technology can be defined as a tool, technique, system, design and a process that has been utilized for production of products or services. It has been utilized to convert the resources into output s(products and services) as planned by the management of the company. There are three
components of technology. These are hardware, software and brain ware. These three elements
together are utilized to get the finished output. To do this work the search is there is find out the
suitable method that can meet the requirement in the present competitive situation so that the
company can get competitive edge in the business. The technology giving or contributing in
providing the higher productivity is the only choice. For that reason also the productivity is
measured. The technology needs a huge capital to invest and if proper care is not taken then it
may not meet the requirement of the company. In future it becomes very difficult to replace it.
Further, the existing technology productivity is also measured to find out whether it is as per the
requirement of time. If not meeting the required level of productivity then the existing
technology might be replaced by the new one. Due to these reasons the productivity has been
measured.

(b) Improve Working Efficiency
The present scenario across the world is drastically changing. In this situation the changes are
taking place very rapidly. The condition is very risky and uncertain. Over and above stiff
competition is being faced in the market worldwide. Every firm is putting its best efforts to
perform the work better and before other. This is the only mantra in present situation for
survival, grow, stabilize and excel in the business. Efforts are put to increase the quality,
quantity, decrease the time taken and cost involved. This improves the efficiency. To know
whether their efficiency is high or low, it is measure. The productivity is the measure of
efficiency. Efficiency is the ability to perform the tasks with available resources i.e. manpower,
machine, money and materials. With the help of productivity measurement the remedial and
improvement actions can be planned by the management so that their working ability stay in tune
with the need of the time to fulfil the objectives. That is why the productivity is measured.

(c) Reduce Production Costs
For carrying out a smallest task resources are needed. Without resources the tasks can not be
completed. In every organization different types of big and small jobs are being performed. The
list of those jobs is very big. All these need resources like manpower, machines, money,
materials and information. In purchasing or acquiring these resources a lot of capital is need
.Now the question arises how these resources are being used. If the resources are used properly
then total cost would go high and it would have effect on the profitability of the company. When the resources are utilized properly, there is not waste of any type then the total cost would be less. When the production cost is high, the products or services would be available in the market at the higher price. But we may get products of competitors at lower prices in the market. This situation would not be favourable for the company because it would have deterrent effect on the sales of the company. To improve the profitability the costs are to be reduced. The costs can be reduced by finding out the productivity of every person, system, plant and job. The unwanted activity and unwanted time are to be identified and eliminated. This is possible by measuring the productivity of all concerned persons and system. That is why it is needed to reduce the total operation costs. This is a step ahead of cost control.

(d) Benchmark Production Process
In competitive markets there is need to improve the production quantity and quality. A comparative study in the industry is being carried out to find out the inefficiencies in the total production system. A leading company from the global or national market is selected. The products, production system, employees’ performance and facilities are compared with the selected company. The products and production system of the selected company is considered as benchmark in the market. With the help of the comparison the company finds out the position of the products of the company in the market. On the basis of comparison the weak areas are identified and management takes remedial action for improvement. To do all these things the productivity is to be measured otherwise this comparative study cannot be carried out. That why the productivity is measured.

(e) Assessment of Living Standards
To find out the living standard at national level the level of per capita income is to be found out. The income of individual reflects the living standard level. As per income everyone spend on the requirement of life. The per capita income is the measure for living standards. When the productivity of the individual is high their earning also go high. Out of higher income a person spends on their day to day requirement like food, clothes, shelter, education, medical, entertainment and luxury items. It reflects on the living standards. The higher living standard would affect the growth of the economy also. When the authority is interested to know the level
of living standard the productivity at individual, division, department and organizational level are required to be measured. For having the clear idea of income and living standards of people the need for productivity measure is strongly felt. The living standard of different countries’ people is measured on the basis of productivity and income level. This is the clear indicator of living standard.

4. Productivity Measurement Issues

Labour productivity can be measured in physical terms in numbers. Meter, liter, Further if required it can be measured in money term like price, profit and cost. The measurement can be carried out as per the requirement of the organization. But, for this there is no hard and fast rule for measuring unit. The output varies as per the industry. In some the output is easily measured but in some cases the output cannot be measured. The quantitative dimensions can be measured easily but where the qualitative dimensions are there the measurement is not possible. Where we go for different or heterogeneous labour it is more difficult to measure the productivity. Measurement of productivity involves the problem of expressing the related factors numerically to arrive at the mathematical expression of productivity. The main objective behind productivity measurement is to provide management with a concise and accurate base for comparison of actual result with expected levels of productivity. It shows the relative worth of employee to the organization. However, in measuring actual productivity, the following problems are generally encountered:

(a) The quality and intensity of labour-efforts cannot be measured because these are qualitative aspects of productivity. The rough estimates can be done. The fair justice cannot be done in this case.

(b) Where creativity aspect is involved in performance of the job to produce innovative product or development of new design and model of products. This takes time and there is no guarantee of the result. The result may be or may not be there at a particular point of time.
(c) Where the output is resulted due to different systems of management, organization, coordination or engineering. The more number of teams are involved. In this case it is difficult to measure the efficiency of individual or a team.

(d) When the result is due to different labour, the effect of one on other labour form, the results cannot be measured for one type of labour separately.

(e) Work manufacturing processes are complex and uncommon. It is bit difficult to understand these by other than expert persons.

(f) Proper care is to be taken for selection of productivity measures. There are different measures used for different industries and jobs. The experts are to be consulted for selection purpose. Over and above the legal requirements are to be fulfilled. The regulations relating to health, safety and pollution are to be complied without fail. The selection process for productivity measure becomes a bit difficult

(g) It is very difficult to develop productivity measures for multi-products with multi-inputs are used. Further the productivity measures also vary with the changing time and how these are going to affect productivity in future.

(h) Further, in case of service sector the output cannot be measured properly. It cannot be said that how much has been produced by one person or team. The output can be measured in number of customers contacted, complaints attended, customers added etc. So for service sector the output can be measured in different form. That is different from manufacturing sector.

(i) Management might me interested for productivity of their employees but it is very difficult to know the productivity of management itself. Modern management experts focus on effect of organizational culture on productivity. But, again it is difficult to say that how much is the impact of culture on productivity and production.
When the productivity in different counties is compared on the basis of working hours and price, it is difficult to give the right comparison. The working hours may vary from country to country. Where the working hours is longer the result will be different from the country where working hours are short. Further, foreign exchange rate also varies time to time. In these cases the productivity measurement and comparison both are a bit difficult.

5. Factors Affecting Performance / Productivity

The productivity is affected by multiple factors. Some time one or more factors play there role to increase or decrease the labour productivity. The factors those affect the performance or productivity are the same. Because when the productivity of individual is increased automatically his performance is also increased. We should not get confused with the factors affecting productivity or performance.

The management experts have classified these factors under following heads:
(a) Physical, organisational, location, and technological.
(b) Cultural and behavioural.
(c) Global influences, innovativeness, strategic alliances, liberalized policies etc.
(d) Managerial and organizational business environment.
(e) Levels of flexibility in internal labour markets and the organization of work activities – e.g. the presence or absence of traditional craft demarcation lines and barriers to occupational entry.
(f) individual rewards and payment systems, and the effectiveness of personnel managers and others in recruiting, training, communicating with, and performance-motivating employees on the basis of pay and other incentives.

The individual factors those affect the performance or productivity are listed below:
(a) Working conditions                    (b) Working hours
(c) Nature of job.                         (d) Employees competencies.
(e) Job security.                          (f) Welfare and social security.
(g) Training of employees.                (h) Salary packages.
(i) Liberty at work to perform.           (j) Quality of leadership.
(k) Motivation of employees.              (l) Career development opportunities.
Out of the above mentioned factors some are controllable and some are uncontrollable. The controllable factors are to be managed in line with the uncontrollable factors. There should be proper match between these two then only the productivity can be improved or maintained further. Otherwise the objective of improving productivity can not be fulfilled. Special care is to be taken for uncontrollable factors like business environment, government policies and competition. The suitable strategy is needed to match the two types of factors. If the company wants to stay in the market the knowledge of uncontrollable factors is necessary and further strategy is to be designed to maintain controllable factors in line with environmental factors. The factors are to be managed as discussed in the following paragraphs.

Companies focus their attention on increasing productivity. It has become more mechanical process. The first and foremost thing for improving productivity, the management should understand the factors those affect the work, behaviour of workers at work and environment in which the work is being carried out. There are many factors those influence productivity. The pattern of influence on productivity should be understood. By increasing the workers efforts the productivity cannot be increased significantly in long run. The direct and indirect impact of factors on productivity in long run should be clearly identified.

Human resource is the most important resource that affects productivity. A company may purchase or acquire the best technology and manpower. But manpower without interest to work, dedication to organization, and commitment to duty can not give the expected performance. The job performance depends upon their competencies and motivation. The management should change their mind set and consider manpower as the most important resource and should be taken care of properly. It is only manpower that makes the difference in the performance. Efforts should be put to maintain talented, motivated and committed man power in the organization.
Next the other factors like technology, working conditions, location of work, rules and regulations, management approach, business environment etc affect the working of persons. These are to be taken care of. This should not be ignored. Productivity can be improved through different management processes like following scientific management principles. Specifically it includes, production planning, and control, production cost, inventory control, operation research, specialization, cost control, budgetary control, marketing research, matching demand and supply, replacement of old technology, preventive maintenance etc. contribute in improving productivity.

It can be concluded that there are different factors influencing the productivity. The list of some of the factors is given above but still there can be other factors also. At a particular time a one factor may play role and at other time the other factor may be responsible. Again it is difficult to say which factor has contributed how much. The approximately estimates can be made. Generally the factors affecting the productivity play their role collectively. If the factors above mentioned taken care of and the situation is favourable then the productivity can be increased. If the factors are not taken care of or ignored then they may play in different way and the productivity might be affected adversely. The management should take special care otherwise it may be counter productive also.

6. Production and Productivity

These two concepts seem to be similar but these are two different concepts. On cannot be replaced by the other. Production is the process through which the inputs are used in the machine and through manufacturing process the values are added to the inputs. Finally it gives the finished products or services. This is called production. As per the information from research work, the demands of the products are identified in the market. Accordingly the products are identified for manufacturing. The item in demand or in short supply is to be considered for manufacturing. This will be in position to serve the target customers in appropriate way. If not taken care of then there are chances of misfiring the planning. The inputs are arranged for manufacturing purpose. In inputs we can include manpower, machines, materials, money and
information. These are made available as per the need and work starts. According the needs of the products the technology is arranged. The manufacturing processes are performed and values are added to the inputs. This is called the products or services. The total output given by the total manpower employed is called the production. Where as productivity is the ratio of output per person or machine or system with reference to a point of time to the given input. The confusion should not be there. When we take the total quantity of products produced in a day by all employees is called production. When we take the quantity of output of one person in a day is called productivity of that person. The productivity shows the relative worth of the individual to the organization. It shows the usefulness of every employee in his organization.

7. Higher Productivity and Progress

When the factors affecting the productivity are managed properly the situation becomes favourable. The affecting productivity may include working conditions, technology, training of employees, motivation, leadership, favourable rules, regulations, policies, management attitude and career development opportunities. When these are managed properly, these create interest to work and give the best of the capacity. The employees’ problems are reduced or finished. The workers take their responsibility to perform. The unwanted time and activities are saved and in turn these save the time to give more output. Accidents, wastes and reworks are avoided. This improves the quality and quantity of the output per person. With the same input the output and quality of the output go higher. These in turn directly contribute to achieve the performance standards and targets. When these products or services are sold in the markets the customers use these and get the perfect functions from them. It leads to satisfaction of the customers. The satisfaction of the customers is very valuable for the business organization. The satisfied customers repeat the purchase of same products or services in future. The customers are retained. Further, they make the publicity by words of mouth to their family members, friends, relatives and colleagues. It leads to enhance the sales of the company. The company market share increases. The higher sales contribute in increasing the profits of the company. The employees due to their higher productivity get higher salary packages, incentives, promotion opportunities, bonus, welfare-facilities etc. from employers. The living standard of the employees improves. The organization as a whole earns profits every year and it leads to the progress of the business.
The employees and business organizations are part of the society and national economy. Finally, they all contribute in development of the national economy. So the importance of higher productivity can be understood. Specially, in the tough competitive situation the management is very much concern to improve the productivity of every employee, system, machine and unit for survival, development and excel in the business. If not taken care of it is going to affect adversely.

In under developed countries the labour productivity is very low. The salary packages paid to the workers is also very low. In developing countries the efforts are being put to increase the productivity, the profitability of the organizations are going high. The salary packages of the employees are of average level. This situation prevails in India, Brazil, Argentina, China, Malaysia, Indonesia etc. In developed economies the profitability of the organizations is very high due to higher productivity. The employees are also paid higher packages. All these are contributing the development of the national economy. Here we have examples of USA, United Kingdom, France, Japan, and Germany.

8. Forms of Productivity

Productivity is an overall measure of the efficiency or ability to convert the inputs into goods or services. More specifically, productivity is the measure that shows how efficiently the required resources are utilized to achieve the objectives in terms of quantity and quality with reference to a point of time. Productivity may also be defined as an index that measures output (goods and services) relative to the input (labor, materials, energy, etc., used to give the finished goods or services). The productivity is the ratio of output to input. The ratio can be increased or decreased by decreasing or increasing the denominator. Further, in similar way the productivity can be increased by increasing the inputs and outputs but the output is increased faster than input or the inputs and outputs decrease but the inputs decrease faster than output. The utility of productivity ratio is very wide in an organisation. It can be used for a person, team, department, organisation, industry and nation as a whole. It can be applied to labor productivity, system productivity, machine productivity, plant productivity, capital productivity, energy productivity, and so on. Productivity is an objective concept. As an objective concept it can be measured, ideally against
a universal standard. As such, organizations can monitor productivity for strategic reasons such as corporate planning, organization improvement, or comparison to competitors. It can also be used for tactical reasons such as project control or controlling performance to budget.

Productivity is a useful measure of actual output produced compared to the input of resources, measured across time or against common entities. Therefore, a productivity ratio expresses how efficiently resources of an organization are utilized to give output. Productivity and efficiency are the two concepts often confuse. Efficiency shows the time needed to perform a job to standard time. It can be said that the productivity is a measure of effectiveness (doing the right thing efficiently), which is outcome-oriented or result-oriented. Productivity is can be expressed different forms like partial factor productivity, multifactor productivity, and total productivity. These forms are explained in the following paragraphs.

(a) Productivity Partial-Factor
While measuring the productivity only one factor is taken into account. All factors affecting the productivity are not considered because the data are readily available pertaining to one factor. It is known as partial factor measure of productivity, in this calculation only a single input is considered in the ratio. The formula for partial-factor productivity can be the ratio of total output to a single input. This formula is being utilized by the management for their convenience as the information available relating to individual factor. Further, management can easily find out and relate to the particular activity. On the basis of this management can increase or decrease the individual factor easily to get the desired ratio of productivity. If management is interested then total of all individual factors can be taken to have multi factor productivity. Timely and prompt action can be taken by the management to meet the requirements. This partial factor productivity can be applied to capital, energy, machine, materials etc.

(b) Multifactor Productivity
There are many input factors that affect the productivity. While calculating the productivity ratio the different input factors are considered. It takes into account the factors like labour, energy, materials and capital. These may be taken two or more at a time. Therefore, the multifactor productivity is the ratio of total output to a total of multiple factors inputs. There is no hard and
fast rule that two particular factors would be considered in productivity ratio. It depends upon the requirement of the organisation and management approach. Labour and energy or labour and capital or all the three may be taken into account. These factors give effect to the productivity so it is called multifactor productivity. The data relating to the multifactor productivity are not available readily. These are to be calculated and its is bit difficult to do so. It is timing consuming also. That is why management do not prefer unless it is compulsory.

(c) Total Factor Productivity

When productivity is measured by taking into account the effects of all factors used in production of goods or services. Total factor productivity is a broader gauge of productivity and it is calculated as follows:

\[
\text{Total factor productivity} = \text{total of (Labour hours actually produced} \\
+ \text{Actual machine hours produced in a given time/ total of machine and labour hours available in time period)}. \\
\]

Total output must be expressed in the same unit of measure and total input must be expressed in the same unit of measure. However, total output and total input need not be expressed in the same unit of measure. Resources are converted from one factor to the other. For example the standards can be converted to dollars and vice versa. This is done so that a single figure can be used as an aggregate measure of total input or output. For example, total output could be expressed in numbers/ meter/ kilograms/liter etc, and total input could be expressed in hours or rupees.

Total productivity ratios reflect simultaneous changes in outputs and inputs but it does not show the relation between the each factor of input and output. It does not give the separate factor wise effect that is why it is a broader approach. The management cannot take any decision for improvement in the productivity by adjusting individual input factor. It is not suitable for improvement in specific factor or area. The different forms of productivity are used in different countries across the world. Total Factor Productivity is a measure favored by the Japanese for measuring the national productivity. Whereas the labour factor productivity is accepted by USA.
In India labour productivity and total factor productivity are being used separately for employees and national productivity

9. Uses of Productivity Measure

Productivity is a measure of efficiency to show how the result is given by utilizing the different resources. It is a very good and helpful tool in evaluating and monitoring the performance of an employee, machine, system, team, section, department, division, organization, industry and national economy. When directed at specific point it shows the relative worthiness of that unit to the organisation. It becomes the yardstick for comparison of the effectiveness at work. It is used for finding out the comparative effectiveness of individual, machine, team, department while performing the work. If it is not measured it is not possible to know who is doing good work and who not. The slow performers cannot be identified. With the help of this the problematic unit can be picked up and remedial actions can be taken for further improvement. Managers are interested with productivity as it relates to making improvements in performance of their company. Proper use of productivity measures gives idea where the problem lies and how the productivity of problematic area can be improved. If it is taken care of timely the performance would not be affected much. Otherwise in the long run the effect may be non-recoverable.

Productivity contributes in providing the competitive advantage to the company in cut throat competition in the market. The company takes advantage over their competitors and performs better in business. When the performance of everyone is improved through productivity measure, the production quantity and quality go high. The products are accepted in the market. The sales and market share of the company improves. The company becomes leader in the market and goodwill develops. This is the ultimate goal of every business unit. Productivity measure can be used to measure and compare the performance of each individual, team, group, department and division within the organisation. Further it is utilized for comparing the performance of the organisation with similar company or competitor. It can be used as a benchmark in the industry for comparison of performance of products or services. It is a very useful tool for the management in present time and for future also.
Productivity improved saves time, efforts and money. It improves the effectiveness of everyone. This contributes to excel in the performance, profits, progress and goodwill of all concerned. Productivity measures can also be used to evaluate the performance of an entire industry or the productivity of a country as a whole. On the basis of productivity measure the comparative study of different economies across the world can be carried out. In nutshell, it can be said that it is a very useful tool for finding the weaker areas and improving the performance in that weak area.

Since productivity is a relative measure, for it to be meaningful or useful it must be compared to something. For comparative study the productivity index is being prepared by the companies. A productivity index is the ratio of productivity measured at a particular point of time to the productivity measured in a base period. For example, if the base period's productivity is calculated 2 and the productivity of the following year is 3. The productivity index will be $2/3 = 1.5$. It shows that the productivity of the company is improving. If it is going down then management can take the remedial action to improve the productivity. By tracking productivity indexes over time, managers can evaluate the success and failure of the organisation and accordingly timely decision can be taken so that the goals of the organisation can be accomplished in time. This finally, contributes in improving the overall effectiveness of the company in the business.

10. Productivity Improvement

Productivity improvement is the concern of every one who ever is related to the work. The may be employee, team, division, department, organization and government for national economy. There is not doubt that the productivity can be improved and further it can be maintained also if proper and timely care is taken. In the competitive situation only the company giving good performance through products and services stay in the market. It has become very difficult to grow, stabilize and excel in the performance. It is only through good performance and higher productivity. For improvement of productivity different academicians, practitioners and managers have suggested many points. These points or concepts are very simple but the implementation of these points is not very easy. A lot of efforts and attention is needed. In implementation the changes are to be made as per the situation, rules and regulation, available resource and employees. The productivity improvement process should have the following steps:
(a) Setting Mission of the Organization

To give the clarity regarding the objectives of the organization is very important. If it is clear in the mind of people what for the organization is in the business and where it wants to reach in due course of time, accordingly the employees will understand and work. To fulfil the objectives of the organisation the goals are to be decided. It should be clear in mind of everyone. The goals are to be finalized in joint meeting of management, union and employees. There should be acceptance from all parties for smooth functioning. The goals setting should be realistic and should not be very high to achieve. Special care should be taken and the consultants and internal experts should be consulted. This will taken everyone into confidence and objections would not be there in future. This contributes in mental preparation of the employees and managers. It would provide the clear guideline to the employees and the sense of commitment would develop.

(b) Setting Goals and Performance Standards

Once the company's mission and objectives are set then these are to be achieved. The organizational objectives would be divided into divisional or departmental objectives. To achieve each objective the goals are to be decided. These goals or targets are to be decided with reference to a point of time. Further, the departmental objective should be divided into individual objective and goals. Individual goals are to be decided in consultation with the employees and their acceptance is necessary because they have to achieve the goal they agree. To achieve the goals next is deciding the performance standards. These are to be decided by the top management in discussion with the departmental heads and employees concerned. The performance standards include the quality and quantity, cost, level of responsibility to be fulfilled, leadership quality, initiative for problem solution and discipline.

Generally performance planning is often neglected at the department and individual levels. Employees need to know how and how much they can contribute in meeting the company and department goals. They should be given opportunity in developing the plan for productivity improvement. The management should meet he employees at regular interval and discuss regarding their performance, difficulties faced during the work and get the other inputs. This can contribute in motivating the persons to take the responsibility to meet the performance standard for achieving the goals. The goals and performance standards should be properly and timely
communicate to everyone without any delay. During the job performance the employees should be counseled, coached and performance feedback should be given. This would help in overcoming many difficulties faced during the work. The performance planning and time to time review of the performance should be carried out. It would pin point the deviations in performance and planning done. If any deviation has taken place in the performance then the employees can be guided, trained and helped so that the performance should not be affected. During the performance period and at the end of the year the performance appraisal should be conducted. It should be fair and unbiased. This would be very helpful for identification of new talents, development and remedial actions.

(c) Motivate Employees
For getting the desired performance from the employees they should be taken care of properly. Their motivation is very important. There are different methods of motivation of employees. The management should understand the importance of motivation methods and where these can be applied. The employees should be properly selected and placed on the jobs. They should be trained on the job before assigning the job responsibility. During the job if any new procedure of technology is replaced then they should be trained properly. They should be placed in good salary package so that their monetary requirements can be fulfilled. In addition to salary they should be provided with performance incentives, welfare facilities, bonus, promotion, job and social securities. These facilities would contribute to retain the trained persons in the job. It is difficult to get a good employee but it is more difficult to retain and maintain the employee. The trained and motivated person can contribute a lot because he is happy and committed person.

Further, the managers and supervisor should have frequent discussion between then regarding the goals, performance standards, emerging trends in the market and the competitive situation prevailing in the industry. They would make up the mind of the employees in line with the requirement of the organization. Management must develop the habit to listen the points suggested by the employees and timely action should be taken if the suggestions are proper. The employees should be informed that everybody is useful in the company and no body is inevitable. Their contribution is valuable in achieving the goals of departments and organizations. Communications must be frequent, clear, and positive and must come from every
level of management to the employees. It should be properly informed that the performance of everyone would be considered and it would not go unnoticed. The good performers would be rewarded accordingly. The poor performers would be tried to improve their performance also. Further if not improved despite of repeated sincere efforts the remedial actions would be taken.

The performance review should be carried so that the planning, development and correcting actions can be initiated. The higher performance should be considered to higher pay increase, incentives and rewards, the poor performances should be treated for wage cuts, denying facilities and dismissal. Success and achievements of the company should be highlighted to everyone and they should be thanked accordingly. The team spirit and their contribution should be acknowledged. All these steps would get the high level of commitment of employees towards the company and its objectives.

(d) Identification of Strengths and Weaknesses

In almost every organization the demographic situation of employees is changing with the time. In past, the more number of males were working in the jobs. Female were interested only for household activities or were not cable to do the other work. With the changing time the demographic scene has undergone a drastic change. Due to development in education more number of females getting education and they started coming in jobs. Now at national and international level the percentage of female employees is increasing. People are coming from different caste, creed, region, religion, language and sex. The diversified workforce is now available in most of the companies. All these people are having their own strengths and weaknesses. These strengths and weaknesses are to be identified. The strengths can be utilized and weaknesses can be overcome by timely remedial actions.

The employees are to be selected out of the lot applied on the basis of their merits. The weak candidates are to be denied and capable should be taken by considering the strengths. During the work the performance appraisal would help to find out the strengths and weaknesses of every employee. The potentials can be identified for new future jobs or higher responsibilities. The employees’ strengths can be considered in assigning the new jobs or assignments. The management would take the corrective action to overcome the weaknesses by guiding, coaching,
counseling, training etc. By doing all these, the performance of the employees would be higher. And once the performance of employees improves the required resources are used effectively to give the output. The productivity automatically goes high. The objective of performance and productivity improvement can be achieved. The leading companies in the market got the success in this area to a good extent.

(e) Training and Development of Employees
Training is the process of imparting the knowledge and skills to the persons. It gives knowledge and skills and in turn these give confidence to the person performing the job. The confident persons perform the jobs in a better way. The performance and productivity both improves. If the persons are not trained on the job then they do not know the basics of the jobs. Many difficulties are to be faced in understanding the doing the jobs. Many problems are likely to be faced. These cannot be overcome easily. The time, efforts and money all are wasted. To avoid all these, the importance of training is felt in the beginning and during the job also. The development facilities also should be provided to the employees in their career. Training and development activities are to be conducted regularly. The employees should be trained on the job and they should be provided training for improvement of productivity also.

Productivity oriented training should focus on setting objectives, performance standards, leadership quality in group problem solution, job knowledge and skill and communication. Similarly the supervisors and managers also should be trained for productivity improvement. The productivity oriented training should be designed as per the jobs and requirement of the company. It is not going to work for all jobs and industries. It should be tailor made according to the specific requirements. The training responsibility should be assigned to the supervisor or manager in-charge. They should identify the need for training of different jobs and then the training should be conducted. Further the effectiveness of training system from productivity improvement point of view should be reviewed. The steps should be taken to improve for future.

(f) Performance Appraisal
The objectives, goals, objectives and performance standards have been fixed through mutual discussion. These are properly communicated to all employees. They are properly guided and
trained on the job for giving better performance. Whenever they face problems on the job they are helped by their supervisors and managers. Further, it becomes necessary to measure their performance during the year. Once it is measured it can be managed also properly. The supervisor should conduct performance appraisal in mid and end of the year. The quality, quantity, cost involved in production, level of involvement shown, competencies exposed, initiatives taken for problem solution and leadership quality shown in guiding or helping the others and problems faced during the work. All these are to be measured.

On the basis of this measurement the management would get the clear picture of the responsibility fulfilled, level of performance standards achieved, available of potentials, strengths and weaknesses, behaviour at work etc. This appraisal would give the timely reporting to the management regarding the performance achieved to achieve the objectives. Here the focus is more on result rather than activity. On the basis of performance appraisal or measurement the other management decisions like rewards, incentives, pay increments, promotion, demotion, training, bonus, welfare facilities etc. would be taken. This would help to channelize the efforts to improve performance and productivity of employees so that the objectives or goals of the organization as a whole can be achieved effectively and efficiently.

(g) Future Planning, Development and Corrective Actions

On the basis of performance appraisal the management would get the clear idea whether the objectives of the organization are fulfilled or not. If it is done so then the existing situation is to be maintained. If not then to improve the situation the planning is to be done for resetting objectives, goals and performance standards. These are to be aligned in line with the emerging trends in the market and competition. If the competency level of employees is not found up to the mark then training and development programme are to be implemented. Through this the knowledge and skill of employees would improve and this would contribute in improving the performance and productivity.

Further, the employees those who have given good performance and higher productivity, they should be motivated further to continue with the same level of performance. If they are not motivated then they would also do the work like others. Higher performers should be selected
and given incentives, rewards and recognition etc. Their case should be considered for higher pay increase, promotion and bonus. Those who are not improving their performance despite of repeated efforts of management; they should be denied increments, bonus, promotion and other facilities. They should be motivated by fear of wage cuts, demotion and dismissal. These practices are being utilized in leading companies in India and abroad. In addition to these a lot of other innovative techniques can be utilize to motivate them to give higher performance and higher productivity. Proper and timely actions are needed on the part of the management for productivity improvement. There is no hard and fast rule and only on technique would work for this purpose. These may work in combination but it is difficult to specify which technique has contributed for productivity improvement over a particular point of time.

(h) Performance Improvement Plan
The performance improvement plan is to be prepared and implemented timely and properly. The importance of improvement plan should be communicated to everyone. They would have the clear idea where it is going to be used and what would be its impact in future. The performance is measured and timely the feedback is communicated to employees. This would reply to the questions of employees in their mind. If plan awareness is not created then they may not take interest in work because they do not know the uses of improvement plan. The employees should be communicated regarding their importance in accomplishment of objectives of the organization. The business of the company is due to the performance of employees. Better performance means better business. They should be taken into confidence and then the performance plan is to prepared and implemented. This would be in position to get the whole hearted support of employees and in turn the productivity and performance both would increase.

The productivity improvement programme can be planned and implemented with the initiative of top management. It needs time and efforts to perform. The quality of leadership matters a lot to bring the changes in the mind set of employees. It should be driven by the top management. Top management should understand the importance of better quality of performance in the competitive situation. If the management is determined then the directions can be given to the other managers and employees. The management can take the help of experts internal and consultant. Some time the personnel managers may oppose this move because they have to do a
lot of work for this programme. They should be properly convinced. If it is done then willing support is likely to come from every one. The productivity improvement plan can be prepared and implemented properly. The expected level of productivity can be achieved. The performance management process is to be applied on continuous basis so that the continuity can be maintained further also.

Many academicians, consultants and practitioners have advocated for different point in this direction. Mainly William J. Stevens suggested the following steps to improve productivity:

(i) Develop productivity measures for all operations
(ii) Look at the system as a whole and over-all productivity is more important.
(iii) Develop methods for achieving productivity improvement and timely review them also to keep them tuned in line with organizational requirements.
(iv) Establish reasonable goals for improvement which can be achieved.
(v) Make it clear that management supports and encourages productivity improvement.
(vi) Consider incentives to reward workers for contributions.
(vii) Measure improvements and publicize them.
(viii) Don't confuse productivity with efficiency. Efficiency is a narrower concept that pertains to getting the most out of a given set of resources; productivity is a broader concept that pertains to use of overall resources. For example, an efficiency perspective on mowing the lawn given a hand mower would focus on the best way to use the hand mower; a productivity perspective would include the possibility of using a power mower.

While taking these steps the company should not focus mainly on productivity but other factors like quality, timing, innovation, market competition and strengths and weaknesses of it.

11. Role of Employees in Service Sector

Service is the facility that has been provided by the service providers to the customers for a price. Services is defined as any facility or benefit that one party offer to another that is essentially intangible and does not affect the transfer of ownership. The facility offered by the service provider is intangible and it can be availed. But it cannot be carried away, touch or
transfer from providers to the customers. The ownership is not transferred. For example service of a teacher, barber, restaurant, STD booth etc. In some cases the services are offered purely and in some cases offered with the help of tangible products. The major characteristics of a service are intangibility, inseparability, ownership, perish ability, and heterogeneity, The services offered are intangible as it cannot be seen, touched or carried away but it can be availed. It cannot be transferred from provider to the customers. The services offered by different service providers are different from others. It cannot be separated from the service providers so the presence of them is necessary at the place of services provided. The services are available for a particular point of time and it cannot be stored. So the inventory of services cannot be made. At the time of availability if the services is availed then it is okay otherwise it cannot be availed later on.

In past the most of the economies in the world were dominated by agriculture and allied activities like agriculture, piggery, forestry, diary and fishery, But from last a few decades the scenario has been changed. The economies later on were dominated by manufacturing activities. In the later part of twentieth century the development of services sector took place and started dominating economies worldwide. More than fifty percent of the economies are dominated by service sector. This is the third level of development in the economies. The service sector developed due to the development in education, income, more leisure time, increasing number of female in jobs and complexity of life. Now a days when we go in the markets we find everywhere the service providers are available. The different types of services in the market are available like news, entertainment, transportation, communication, medical, healthcare, banking, insurance, legal, technical, professional, and domestic. A couple employed and living in city needs a lot of services because all their needs cannot be fulfilled by themselves. They are ready to afford for services because they are earning a good amount every month as wife and husband both are employed. Further, in future and contribution of service sector in economy is going to increase definitely.

Goods and services are different from each other. For this reason the marketing efforts needed for both are different. The marketing activities performed for goods are product, price, promotion and placement. With these four major activities the requirement of goods for marketing purpose
are fulfilled. When we talk about services the marketing requirements cannot be fulfilled by these but additional activities are to be performed. For services the marketing mix includes product, price, promotion, placement, people, process, and physical evidence. Here the interest in this topic is people who provide the services to the customer. The people or employees who directly provide the services to the customers are more important in service delivery. The presence of provider is necessary without it the service cannot be provided. The role played by them is very crucial from business point of view.

Out of 7Ps of elements of service marketing mix, people are the most important. When they meet, explain, deal and provide the service then their behaviour, competencies, promptness, initiatives to handle the customers and motivation affect the services offered. They are in direct contact with the customers so they represent the organization. They directly affect the quality of service offered and satisfaction of customers from the services availed. They are the marketers for customers. The customers know the persons direct in contact and do not know the owner of the company. The employees are providing the services to the customers as they are the employees. They act as marketers for their company. Out of products, goodwill, physical evidence, name of company and employee the most important is employee. Because it matters how does he provides the services. The interest, behaviour, initiatives, motivation, competencies etc, affects the performance of the services. It finally contributes to the perfect function, quality and satisfaction of customers. That is ultimate objective of service marketing. It can be said the employees are the most important resource for the marketing company. The special care should be taken to recruit, train, motivate and maintain them.

In present time it has been realized by the employers and managers that the employees are the most important resource. Services are provided at remote places also so they cannot be available there. The employees are deployed for providing services. They meet, interact and deal with the different customers. They bring the business for the company. They are who contribute in getting business, increasing and retaining customers, quality of service and satisfaction of customers. Finally the profitability and goodwill of the organization go high. They are the services, organization for customers, brand and marketers. They are all in all for customers. They are who make or break the business. That is the final objective of every business unit. Without the
qualified, trained and motivated employees the goals decided cannot be fulfilled. Management should change the attitude towards employees. They should be considered as partners in the business and then they should be dealt. In the competitive situation if management is interested to take the competitive advantage over the rivals in business the support of employees is must.

In banking sector the different types of services are being offered. The owners of the banks are located at one place. But their branches are scattered and located across the country. They jobs of offering the services are assigned to employees. The performance they are giving on the job matters a lot. That affects the customers’ satisfaction, getting and retaining existing customers, complaints handling, targets achieved, sales turnover, profits, market shares and good will of the company. The performance of employees is being focused not only in banking but every service sector. The better performance gives satisfaction to the customers. The services are to be provided with minimum processing and waiting time, proper response, promptness and desire to handle more and more customers. With these objectives the employees are selected on merit basis.

Next the other factors like technology, working conditions, location of work, rules and regulations, management approach, business environment etc affect the working of persons. These are to be taken care of. This should not be ignored. Productivity can be improved through different management processes like following scientific management principles. Specifically It includes, production planning, and control, production cost, inventory control, operation research, specialization, cost control, budgetary control, marketing research, matching demand and supply, replacement of old technology, preventive maintenance etc. contribute in improving productivity.
Chapter 3.4: Performance Appraisal

1. Introduction

2. Importance and Uses of Performance Appraisal

3. Definitions of Performance Appraisal

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5. Objectives of Performance Appraisal

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3.4: Performance Appraisal

1 Introduction

Organisations are set up to achieve certain objectives. Achievement of goals or targets depends upon the performance of individual employees. The objectives can be fulfilled when the tasks are assigned to the employees and they perform the tasks. Otherwise these cannot be fulfilled. Now the question arises how far the work has been done as per the planning. The responsibility, accountability and performance standards have been met or not. Hence it is quite necessary to understand as to what extent employees have been successful at their jobs for achievement of their goals. This information will be available when the performances of employees have been evaluated at the end of the year. If it is not done then the management will not come to know the exact position about the targets achieved. They will be in the dark and there will be chances of planning failure. The planning is done in the beginning of performance management process. The performance appraisal is an important stage in this process. It shows as per planning of objectives, performance standards and behaviour the communication, counseling, coaching, motivation and feedback have been given or not. Finally to see what is the impact of these planning and action on the performance of the employees. The performance standards regarding quality, quantity, cost and behaviour have been achieved or not. So it becomes necessary to carry out the performance appraisal of every one for smooth working of the organisation. Thus performance appraisal forms an important part of HRM. This necessitates the study of the topic of performance appraisal.

Performance appraisal is mainly used for three purposes:

(a) As a basis of reward allocation such as salary increments, promotion and other rewards etc. In performance appraisal systems slow and fast working employees are identified. Under compensation, rewards and recognition plans the employees are given higher pay scales, higher incentives for better performance and appreciation for the work. Some time the cases of good performers are recommended for further promotion. It leads to development and motivation of employees.
(b) Performance appraisal will point out the weaknesses of employees and will spot the areas where development efforts are needed. The weaknesses in initiatives, leadership quality, problem solving approach, behaviour, discipline, difficulties faced during the work and competencies for performing the tasks. The deficiencies can be pinpointed. Performance appraisal is a tool for identification of deficiencies. On the basis of identification the remedial action can be taken to overcome the deficiencies. This way the performance of employees may improve to a good extent.

(c) It can be used for the selection and development programme. It will differentiate satisfactory performers from unsatisfactory ones. The performance appraisal will help the management to perform functions relating to selection, development, salary, promotion, penalties, lay-off and retrenchment.

2 Importance and Uses of Performance Appraisal

Following are uses of performance appraisal:
It can be used for career advancement of an individual. On the basis of an individual's performance his promotion, training and development and career plans are formulated. It can be used for transfer as it discloses various abilities of individuals which can form a basis to identify as to who is eligible for transfer in respect of different categories of jobs. It provides guidelines for training and development of individuals. The training needs for individuals can be established on that basis. It encourages employees to work hard since they are aware that their performance is being appraised and it can result into a reward also.

Performance appraisal facilitates the determination of incentives, perquisites, fringe benefits and piece rate wages. It is also helpful for the development of organisation, as company's objectives and development programmes can be matched with employee's competence. By identification and correction action taken under performance appraisal the productivity of the employees, systems and of organization as whole can be increased. It gives clear picture into the work being done and the employees who have contributed in work achievement. Through feedback from the managers and supervisors the employees get clear ideas about the competencies, difficulties
faced and the performance achieved. On the basis of this the employees take the responsibility for their improvement. The performance appraisal is a regular opportunity to find out and deal with the important issues employees facing while performing jobs.

3. Definitions of Performance Appraisal

A performance appraisal is known by other terms like employee appraisal, performance review. It is a method by which the job performance of an employee is measured in terms of quality, quantity, cost, behaviour and time. It is conducted by self, peers, seniors and junior. But generally in formal method it is conducted by the immediate manager or supervisor under whom the person is directly working. A performance appraisal is a part of measuring, comparing, finding, guiding, correcting and managing career development of the employees. It is the process of gathering, recording and critically analysing information about the relative importance of employees to the organization. Performance appraisal is study of present achievements, and failures, personal strengths and weaknesses, and suitability for incentives, rewards and recognition, increased pay scale, promotion or further training. Finally it shows the suitability of the person at present job to the organisation. Appraisal is the evaluation of worth, quality or merit. Appraisal should measure both performance in accomplishing goals, plans and performance as a manager. It is the evaluation of present performance and future capabilities. Different experts have defined this concept as follows:

(a) "It is the evaluation or appraisal of the relative worth to the company of a man's services on his job." (Alford and Beatty)

(b) "Performance appraisal is a systematic periodic and impartial rating of employee's excellence in matters pertaining to his present job and to his potentialities for a better job." (Flippo)

(c) "It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require
differential treatment among the members of a group as distinguished from actions affecting all members equally." (Heyel)

(d) Douglass
Performance appraisal is a method of acquiring and processing the information needed to improve an individual employee’s performance and accomplishments.

(e) Newstrom
It is the process of evaluating the performance of employees, sharing that information with them and searching for ways to improve their performance.

(f) Performance Appraisal
A process in where an individual's performance is scored and feedback is given. A large component in psychology is trying to measure human behavior. Performance appraisals are often used in the work place to inform employees on their work progress. Promotions, bonuses and training needs are often based on the information provided by a performance appraisal.

(g) “Performance appraisal is a meeting between workers and their manager to discuss how well they are doing in their work.” Macmillan Dictionary

(h) Process by which a manager or consultant (1) examines and evaluates an employee's work behavior by comparing it with preset standards, (2) documents the results of the comparison, and (3) uses the results to provide feedback to the employee to show where improvements are needed and why. Performance appraisals are employed to determine who needs what training, and who will be promoted, demoted, retained, or fired.

Some people confuse performance appraisal with merit rating. But both are basically different. In merit rating, employee's internal merits and qualities are studied like his nature, physical and mental merits and so on; while in performance appraisal, evaluation is made of quantitative factors based on production quantity, quantity of accepted and unaccepted jobs and strata of
work, etc. Thus, in merit rating the stress is on what he is, while in performance appraisal the emphasis is on what he does and what potentiality does he possess.

**4. Approaches to Performance Appraisal**

The concept of performance appraisal came to light with the development of management. After industrialization when competition crept in the market, the need for effectiveness was felt. In past, the roots can be traced in the time and motion study. For effective working the need for capable and dedicated worker was felt. In time and motion study the efforts were there to save time and activities so that the performance output can be improved. This became more and more popular with the tough competition in the market. As on today the company get differential competitive advantage over their rivals whose employees are well trained, motivated, committed and achieving the performance standard. The formal use of performance appraisal procedure was used in the time of Second World War. The history of it is not very long. It is hardly a few decades old. The approached to performance appraisal can be explained as follows:

**(a) Old Approach**

In broader sense, the practice of appraisal is a very old technique or art. In short it can be claimed one of the oldest profession. Performance appraisals are widely used in the society. The history of performance appraisal can be dated back to the 20th century and then to the second world war when the merit rating was used for the first time. An employer appraising their employees is a very old concept. Performance appraisals are an important part of performance measurement process. Dulewicz (1989), said that "performance appraisal is a basic human tendency to make judgement about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace. Without a structured appraisal system, there are chances that the mistakes are likely to take place and these may be unlawful, biased and improper.
Performance appraisal systems was used in the past whether the payments have been made to the workers are justified or not. It can be said that is was a simple income justification. The process was firmly linked to material outcomes. The employees were paid as per the output. If the output was good the good salary was paid otherwise there was a cut in the salary. A pay increment was given when the performance was more the expected standard. There was no consideration for the human touch to the performance appraisal system. There was no scope for the development of employees. The motivational factors were only the wage cut or a rise to improve or continue to perform well. Sometimes this basic system could succeed in getting the results that were expected but most of the times it failed.

For example, early motivational researchers were aware that the employees with almost similar ability to work were paid same salary but with the different levels of motivation while performing the jobs. These observations were confirmed in empirical studies. There were many factors to influence to perform well. The factors were good salary, morale, self esteem and appreciation. But out of these the salary was a major factor to affect the performance of the workers. As a result, the traditional emphasis on reward outcomes was progressively rejected. In mid of twentieth century the performance appraisal was recognized as a tool for motivation and development of employees. The present form of performance appraisal started from that time onwards.

(b) Modern Appraisal
Performance appraisal may be defined as a structured formal appraisal system in which the subordinate’ performance is appraised by his supervisor, that usually takes place in mid and end of the year assessments. In this the performance of employee is measured, compared and discussed with the objectives to find out the strengths, weaknesses, difficulties faced, and the deficiencies in competencies so that these things can be developed. The management is looking forward for improvement in individuals’ performance and increase the effectiveness of human resource. This may leads to proper utilization of all resources and finally the comp-any get competitive advantage in the market over the rivals. In many organizations the appraisal system is used as base for deciding rewards, recognition, compensation, training, promotion, bonuses and many other opportunities for employees’ development.
On other side the poor performers are also identified who may need counseling, coaching, guidance or any other help for further problem solution and improvement in performance. Despite of sincere efforts of the management if the employee is not interested to improve them remedial action can be taken to correct him. Such action can include wage cut, dismissal, demotion and loosing seniority subject to provisions of law of the land prevailing. Now it is difficult to say that it is a good method for deciding the corrective and development action. Right now it is a matter for comprehensive discussion.

(c) Criticism of Performance Appraisal
Performance appraisal is a good method for improvement of performance of employees and increase effectiveness of organization in the business. Despite of its advantages it has been criticized by some management experts, researchers and consultants. They argued that the reliability and validity of performance appraisal id uncertain. Due to its different types of errors it is impossible to say it is a perfect method for performance evaluation. Derven support this criticism in 1990. The appraisal of people is like to be biased due to different factors. It creates confusion, frustration and employees reject the feedback given by the appraiser. Some time favour, nepotism, preference and other factors play their role in appraisal. In most of the cased the appraisal given by the appraiser are not uniform given at the different times of the same person or same person appraising the different persons. It leads to dissatisfaction. Further it is a time consuming and traditional method. It is not going to give any concrete decision for further action.

(d) In Favour of Performance Appraisal
On other side the experts give the extremely opposite view about performance appraisal. They are strong supporters of performance appraisal. Lawrie said that is the most crucial aspect of organizational life. The latest statement accepted world wide by different organizations is– "get paid according to what you contribute" – the focus of the companies is toward performance management process and particularly to individual performance. Performance appraisal helps to evaluate the performance and contribution of employee towards the organizational goals. If the whole process formal and properly structured and implemented, it helps in giving the clear ideas
to the employees regarding their roles and responsibilities, targets achieved and difficulties faced while performing the jobs. It helps to align the individual performances with the organizational goals and also suggest how the effectiveness of employees and organization can be achieved further.

Further there are people of different opinions between the two extreme sides of performance appraisal. They have differences regarding the methods and time of application of performance appraisal. On group believe that performance appraisal is important to find out the strengths and weaknesses and development uses. But when it is related to rewards, pay rise or cut, promotion and demotion then it is taken as negative point. When it is related to these it eliminated the development part of the appraisal. They very objective of performance appraisal is hidden in punitive actions and not in development of employees. It is not providing the opportunity for development, encouragement but it is a deterrent approach of the management. When employee knows that his next pay rise is due, the employee is not going to disclose the difficulties faced by him. This may be taken as a weakness of the employee and wage rise may be denied.

Further, there may be difference of opinion of the appraiser and executioner. Supervisor in day to day working understand the employees in a better way. He may suggest for employee to brush up the certain skill for further improvement. But this may be taken by the executioner as a weakness and he may be denied further promotion. This may be taken in different way and can damage the morale, develop frustration and dissatisfaction. It may leads to bitter relationship, creates labour problems and productivity will go done. Ultimately the performance will be poorer further. These advocates say that the performance appraisal should not be linked with the reward and promotion. This should be considered separately on the basis of merit, results and efforts.

(e) The Link to Rewards
Bannister and Balkin said that the employees are more interested in accepting this. They feel that the appraisal system should be linked with the reward and compensation plans. They feel more satisfaction when it is related to the rewards in many organizations. On this point, the others argue that for reward purpose there should be clear communication in appraisal system. In
present practice the reward issues are not discussed in appraisal of employees. It is the responsibility of the management to discuss with every employee over the issue of rewards. Consistency is not maintained in different organizations. This is further increased by conducting separate wage and salary review in which the rises, bonuses and other incentives are decided arbitrarily and often without disclosing the facts to the employees by manager and supervisor.

5. Objectives of Performance Appraisal

Every person differs in his abilities, attitude and aptitudes. There is always some difference in inputs, outputs and quality of outputs when two or more persons are working on the same job. It becomes very difficult to know who is more suitable to the job. Management is putting efforts for proper utilization of men, machines and materials. Except manpower other resources are non-living resources. Once they are in use then full utilization is possible. But in case of manpower, when people are employed their full utilization may be possible sometime. The efforts will be to find out the weak element that contributes to the accomplishment of objectives. The need for contribution assessment of every person has been felt. This is only called performance appraisal. Performance appraisals of Employees are necessary to understand each employee’s abilities, competencies and relative merit and worth for the organization. Performance appraisal rates the employees in terms of their performance criteria.

Performance appraisal takes into account the performance of one year, looks critically into the strength, weaknesses and deficiencies in the performance given. The focus is on improvement in future performance of the employees. Performance Appraisal shows relative worth of an employee. The focus of the performance appraisal is measuring, analyzing and improving the actual performance of the employee and also to find out the potentials of the employees for future assignments. It is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals.

By focusing the attention on performance, performance appraisal goes to the heart of human resource management and reflects the management's interest in the progress of the employees as well as organisation. It is the process of receiving, recording and critically studying information
about the relative importance of employees to the organization. It finds out the present achievements, and failures, personal strengths and weaknesses, and suitability for incentives, rewards and recognition, increased pay scale, promotion or further training. Finally it shows the suitability of the person at present job to the organisation. The objectives of performance appraisal are summarised as follows:

(a) To review the performance of the employees and find out the impact of action plans on performance of employees over a given period of time.
(b) To gather, record and measure and analyse the information relating to the performance given in the current year.
(c) To find out the strengths, weaknesses, difficulties faced during work, performance standards achieved and the deficiencies available.
(d) To judge the gap between the actual and the expected performance standards, behaviour, leadership quality, competencies, initiatives for problem solutions.
(e) To help the management in planning and exercising organizational control.
(f) To support in improving communication process and relationship between people working at different levels.
(g) To identify the need and areas for further training and development of the employees on the basis of deficiencies in competencies of employees.
(h) To provide feedback to the employees relating to the performance they have give in the current year. Their plus and minus points may be communicated to them.
(i) To provide information to assist in the other personal decisions in the organization.
(j) To communicate to employees regarding the expectation from them and the functions they performed in the last year.
(k) To assist in determination of promotion and transfer policies.
(l) To reduce the grievances among the employees.
(m) To make the compensation plans more scientific and rational.
(n) To help in the proper placement of the workers after the completion of their training and probation.
(o) To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
(p) To help the management in developing recognition, rewards, compensation plans and other corrective actions for improvement.

(q) Finally to improve the effective utilization of manpower to meet the desired goals and get the competitive advantages over their competitors in the markets.

6. Performance Appraisals as Career Development

Performance appraisal is considered as a part of career development. "Get paid according to what you contribute" – worldwide this principle has been followed. Further this is expected by the employees also. The focus of the organizations is turning to performance management and specifically to organizational as well as individual performance. Performance appraisal helps to assess the competencies of employees, attitude at work, performance standards achieved to contribute to the objectives of organization, willingness to shoulder responsibility, initiatives to solve problems and leadership quality. Through performance appraisal the relative worth of employees to the organization is found out. It leads to the recognition of the work done by the employees, by rewarding, recognitions and higher compensation packages. Good performers are identified for promotion to the higher jobs. When employees take their own responsibility to work and overcome their weaknesses and improve performance. This opens the gate for further development in career. It plays the role of the link between the organization and the employees’ personal career development goals.

Through Performance appraisal, the talents and potentials of the employees are identified. It helps the management to identify the individuals who can be assigned the new or higher responsibility in future. The performance appraisal process in itself is developmental in nature because the weaknesses, difficulties faced, deficiencies anywhere are identified and remedial actions are taken to overcome these. The objective is not to criticize or punish but to give opportunity to improve over the weak areas. Performance appraisal review opens gate for many other HR processes. It identifies the good performers and poor performers at work. For good performers the HR process like rewards, recognitions, incentives, higher packages, promotion, deputation, job enrichment etc. are initiated. For poor performers wage cuts, deprivation of welfare facilities, demotion, discharge or dismissal, lower rate of incentives etc. these HR processes would be applicable. During performance appraisal feedback is given to every
employee relating to their performance with objective to explain the clear position of the performance of individual. It is with the positive approach to motivate the employees. The employee should take it as an opportunity to shoulder the responsibility to learn more to overcome the weak points so that he can improve the performance. In turn the improved performance would open the door for rewards, promotion, higher packages and other development opportunities. Based on the performance evaluation, employees can develop their competencies, performance, career goals, achieve and chart their career progression. Performance appraisal encourages employees to shoulder the responsibility willingly to learn more, increase their strengths and overcome their weaknesses. Finally the objective of performance appraisal is to develop individual performance, organization performance and career of employees.

7. Factors Distorting Appraisal

Performance appraisal is done by the managers or supervisors. They do this job under different situation, at different place and different state of mind and at different time. Their judgements are likely to be affected. They are human being. Their psychology, liking, disliking, preference, judgement etc. are likely to affect the appraisal of employees. There are chances that errors are likely to take place. But efforts should be there so that these can be minimized. Proper care should be taken to give fair and impartial assessment. Generally the following errors are likely to take place in assessment:

(a) General Bias Errors
It depends upon the attitude of the assessor. Some may be very strict and other may be very liberal during the assessment work. They may not consider the actual performance of the employees for assessment work. It affects everyone in general.

(b) Halo Effect
During assessment when the assessor considers or gives importance to one criterion of the assessment and ignoring the other factor, the error is likely to take place. This is called halo effect. It gives wrong assessment of the employees.
(c) Relation Rating Error
When one task is related to another task then the assessor gives importance to that logical relationship more. It creates the error in the assessment.

(d) Contrast and Similarity Errors
The assessors assess the other employees based on their own assessment. The assessment may be similar or contrast to assessment of the employees.

(e) Central Tendency Errors
When the evaluator does not take the extreme steps for evaluation, he avoids the extreme two ends. He follows the central path and gives an average rating for the performance. The range of assessment is very narrow. It dissatisfies the outstanding performers but protects the poor performers also.

(f) Proximity Errors
When raters assess one high side then he assesses others also high side this is called proximity error. He wants to justify with every one but in the beginning he has done the assessment on the wrong side and that affects the whole assessment.

(g) Rating Inflation
When supervisor’s rating goes very high without any reason is called inflated rating. The supervisor should make that the ratings are on fact basis and not based on emotions or feeling of individuals.

The aforesaid factors affect the performance appraisal individually or collectively. Hence, performance appraisal may not be correct or may be biased. There is no hard and fast rule that these errors will take place with every assessor. But these are like to affect the assessment work of the assessors. The assessors should keep these points in mind and review the rating errors on regular basis. If the proper care is taken then the assessment work will be adequate.

Accountability can be rated as, does not meet standards, needs improvement, meets standards or exceeds standards. One each rating the assessor is supposed to give clear comments on the appraisal form. For example if the person exceeds standard then comment should be, ”very good, keep it up in future also”. Similarly the other criteria like behaviour, leadership, quantity
and quality of output, discipline, commitment to the work, level of competencies etc. are to be rated. Finally the overall performance of the employees is to be rated. It should be followed by the comments from the assessor. The assessor is to sign the assessment form and submit to the concerned cell in HR department.

8. Essential Conditions for Effective Appraisal

The assessors should keep these points in mind and review the rating errors on regular basis. If the proper care is taken then the assessment work will be adequate. Accountability can be rated as, does not meet standards, needs improvement, meets standards or exceeds standards. One each rating the assessor is supposed to give clear comments on the appraisal form. For example if the person exceeds standard them comment should be,” very good, keep it up in future also”. Similarly the other criteria like behaviour, leadership, quantity and quality of output, discipline, commitment to the work, level of competencies etc. are to be rated. Finally the overall performance of the employees is to be rated. It should be followed by the comments from the assessor. The assessor is to sign the assessment form and submit to the concerned cell in HR department. Following are the essential conditions for effective performance appraisal:

(a) Documentation
It is an important activity of performance appraisal process. Special care should be taken to prepare documents and maintain them. The properly prepared and maintained documents provide documentary evidences. On the basis of that ratings will be decided. Further, it may be helpful in performance review. Corrective, development, rewards, incentives, compensation and training plans and programmes.

(b) Objectives and Standards Clarity
The overall objectives, individual objectives and performance standards expected from each employee should be decided and agreed with the managers, supervisors and employees. It makes the things clear to the job performers. They should not have any confusion regards their jobs and performance to be given by them. These should be clear, easy to understand, feasible to achieve, motivating, time bound and measurable. It should be SMART.
(c) Simple Appraisal Format
The appraisal format should not be very long and complicated otherwise it is likely to confuse the raters and further it takes a long time to complete it also. With the simple format the objective can be completed with minimum confusions, time consuming and efforts needed. The effectiveness of appraisal will improve.

(d) Assessment Methods
There are different methods of performance appraisal but at a particular time for a particular job the particular method may not be suitable. While selecting the evaluation method proper care should be taken. This job should be given to the trained managers to select the assessment methods. Otherwise the all efforts may be in vain. For selection of methods the criteria of performance standards should be considered.

(e) Communication: Important Part of Performance Appraisal Process
The objectives and standards of performance should be communicated to the supervisors and employees before they start their work. It is having clear understanding in their mind regarding their job, objectives of their jobs and expectation from them. They will perform accordingly to achieve the desired result. It is possible through proper and timely communication. Proper communication will overcome many problems in the beginning itself. After performance appraisal the feedback also should be communicated in proper language and tone so it works as a motivational tool for employees. The importance of it should not be underestimated by the managers and supervisors.

(f) Training of Assessors
The tasks of performance appraiser are very challenging. To perform this task a high degree of job knowledge, skills, competencies are needed. They should also have good knowledge of human behaviour at work. These traits can be developed with help of training only. Before starting the appraisal they should be trained. Further, with the new trends in appraisal methods in between short term training programmes on appraisal can be arranged. This may contribute in improving the appraisal system.
(g) Feedback
The purpose of the feedback should be to communicate, convince and develop the performance of employees rather than judgmental. To maintain its effectiveness, timely and correct feedback should be given to employees with positive approach. It should be in position to motivate the employees. This should be taken by them willingly and should take own responsibility for overcoming problems and development of performance. It should be totally interactive.

(h) Personal Bias
At work place the personal relations are likely to develop on the basis of blood, sex, caste, creed, language, religion, regions, lifestyle and friendship. The interpersonal relationships are likely to affect the evaluation and the decisions in the performance appraisal process. The personal bias is likely to taken place. Therefore, the evaluators should be trained on the job of performance appraisal process. If we have already trained supervisor for that job then guidelines should be give so that in appraisal process the bias or mistakes can be avoided.

(i) Ongoing Feedback
The purpose of the feedback should be to communicate, convince and develop the performance of employees rather than judgmental. To maintain its effectiveness, timely and correct feedback should be given to employees with positive approach. It should be in position to motivate the employees. This should be taken by them willingly and should take own responsibility for overcoming problems and development of performance. It should be totally interactive.

(j) Rewards to Accurate Appraisers
The appraisal is being done in most of the organizations by the managers and supervisors. When they are doing the jobs they should be motivated to do the job in an effective way. For that purpose their work should be appreciated. Out of the appraisers who work is proper should be rewarded. This will motivate them in their future assignments also. The effectiveness of appraisal can be improved with this technique also.
9. Characteristics of Sound Appraisal Plan

The successful evaluation of any appraisal programme will be governed by the following factors:
(a) The line management must be in complete agreement as regards the need and the purposes.
(b) Complicated plans should be avoided.
(c) The supervisors' co-operation should be enlisted not only in preparing the appraisal form, but also in respect of the weights to be assigned to each factor.
(d) It is desirable that the appraisal plan is completely explained in advance to those who are likely to have an impact because of its implementation.
(e) The supervisors must be provided necessary training for the same.
(f) There must be full cooperation of line and staff employees and also mutual checking of their performance appraisal.
(g) There must be provisions for challenges and review of performance appraisals, if so required by the union representative.

10. Limitations of Performance Appraisal

Though the performance appraisal is a very useful technique it does suffer from some of the following serious limitations:
(a) It is a useful technique of efficiency rating but there are certain personal characteristics which cannot be expressed either in figures or in any other measures.
(b) However systematic and objective a performance appraisal system may be used in the organisation, it is rather impossible to eliminate personal and subjective element from it.
(c) Normally there is the presence of `a halo' effect. This leads to a tendency, to rate the same individual first who have once stood first.
(d) While assigning the factor points or number to the employees, there are some raters who are very strict while some are more liberal. They cannot keep a far distinction between two individuals. Such an approach also nullifies the utility of this system.
(e) Sometimes the outcomes of performance appraisals are not in conformity with the other techniques of motivation, incentive wages plans and so on. Factors are introduced in the managerial appraisal because of a fact possessed by the person concerned who conducts the appraisal.
11. Other Issues Related to Performance Appraisal

(a) Appraisal as Employee Motivation Mechanism
In present time the dissatisfaction and employees turnover rates are increasing. It is very difficult to retain the good employees. Keeping this thing in mind the HR professionals are much worried because a trained person dissatisfied at work or leaving the job adds to the costs to the organization. They have taken performance appraisal as a method for motivation of employees by connecting performance appraisal with rewards, recognition, incentives, pay rises and promotion. Further the needy persons are given chances for training and development. It has proved to a good extent as a motivational tool in the organisation.

Performance appraisals and reviews can be used as a tool to reinforce the desired behaviour by coaching, guiding, communicating, correcting faulty performances and creating fear of wage cuts and punishments. A good appraisal is always accepted by the employees. Some of the employees willing accept their good and bad performances. The take their weakness as a challenge to overcome and they willing taken the responsibility to improve their skills and performance both. When they achieve good performance their work is appreciated and rewarded accordingly.

Errors in performance review can de-motivate the employees, even if there has been an increase in the salary. Such errors can kill the team spirit and initiative in the employees. Similarly, inaccurate performance reviews with wrong decisions regarding rewards, recognition and incentives may increase the level of dissatisfaction and some times they may thing to change the jobs also. The performance appraisal may work in both directions for motivation. If done properly the result will be positive otherwise it may affect the motivation of employees adversely. Employees’ motivation goes high when they accurate performance review with adequate pay rise. Managers should take care for performance appraisal keeping in mind the motivational potential of it. It may be very beneficial for everyone if proper care is taken and it is properly reviewed.
(b) Challenges of Performance Appraisal

Every organization comes across various problems and challenges of performance appraisal in order to make a performance appraisal system effective and successful. The main challenges involved in the performance appraisal process are following:

(i) **Deciding the evaluation criteria:** Identification and decision regarding appraisal criteria is one of the biggest problems faced by the top management. In evaluation process the data to be collected and evaluated very carefully. All data can not be collected because these are not measurable. The data which are not quantified cannot be collected and measured. It is a great challenge to decide the performance criteria.

(ii) **Create a rating instrument:** The performance is to be rated so there is need for creating a rating instrument. It takes a lot of time and high degree of skill is need. That is not possible always. The focus of rater is on the performance appraisal and not appraisal of employees. It is bit difficult to overcome this challenge

(iii) **Lack of competencies:** Top management should go for careful selection of raters, managers and supervisors who are going to evaluate the performance of employees. Management should decide in advance the knowledge, skills and expertise required for this purpose. They should be well experienced and trained persons on the job. But generally very less number of persons posses these competencies. A lot of difficulties are faced in finding out such persons

(iv) **Errors in evaluation:** During performance appraisal different types of mistakes are being done by the appraiser. The reasons may be some errors or biased and due to these the appraisal is not proper. The mistakes can be due to halo effect, central tendency etc. These errors cannot be avoided totally. But the appraiser should special care and objectivity and fairness is to be brought into appraisal.

(v) **Resistance:** When on the basis of performance appraisal the management takes the corrective action then it is opposed by trade unions and employees. Strong opposition is faced in the organization. The management should create awareness of employees regarding the appraisal
process and its objectives. The performance standards expected from them be clearly agreed and communicated. Through proper communication the clarity should be maintained. If not done so the opposition is likely to take place.

(c) Global Trends in Performance Appraisal

The performance appraisal process has become very important function rather it is the heart of the human resource management system in the company. Performance appraisal system defines the objectives, performance standards to be achieved, collect and measure the performance, and analyse the performance of every individual and organization as a whole. It is the basis of corrective, development and planning function for future. It is a very important function of HRM for evaluation of performances. The major issues in it in present time are:

(i) Employees and career development is the major issue at present. Management is interested to develop the organization through development of employees. Efforts are being put to get success so that effectiveness of the group can be improved.

(ii) Improvement in Performance appraisal system is again important concerned. Management is interested to give proper appraisal of performance so the improvements are needed in measuring, rating and review systems. That is why the appraisal formats are well structured and in detail have become more detailed, structured and person specific than before.

(iii) Performance related compensation package is being parts of the strategic planning in major organizations. The management is interested to motivate the people through their compensation that is decided on the basis of performance.

(iv) Multiparty assessment is getting important at present. When the supervisor is doing the appraisal he is likely to commit mistakes. To overcome these mistakes, the assessment is being done by different concerned persons so that the mistakes can be overcome. That is why there is a trend towards a 360-degree feedback system.

(v) Proper implementation of performance appraisal is sought by all concerned parties. The supervisors are appraising the performance but the appraisal implementation is done by second party. There are chances of lapse in implementation and assessment of performance. The anticipated mistakes can be overcome.
(vi) Search of quantifiable indicators is on. The performance is measured on the basis of quantified data. The focus is changing towards the performance indicators which can be measured. The data which cannot be measured then these cannot be evaluated properly. So there is search of such performance indicators.

With the globalization of world markets the level of competition is increasing day by day. It is very difficult for every one to survive, grow, stabilize and excel in the performance. Those who were leader in the market now there positions changed and they are laggard. Now focus has been shifted to the group performance. Those who are in position to give better performance than that of others they enjoy better positions in the market. For improvement in performances the focus has gone to performance appraisal methods. The modern methods of appraisal systems are becoming more popular. These methods are 360 degree method, team performance appraisal, assessment centres, MBO, rank and yank strategy. In rank and yank strategy the performances are identified from best to poor performers. The poor performers are asked to improve performance within the given period. If they do not improve their performance they are asked to exit. This strategy is being followed in leading companies like Microsoft, Sun micro-systems Ford etc. More companies are likely to follow in future to improve their competitive strengths in the global markets.
Chapter 3.5: Performance Appraisal Process and Methods

1. Performance Appraisal Process
2. Methods of Performance Appraisal
3.5: Performance Appraisal Process and Methods

1. Performance Appraisal Process

The performance appraisal is the evaluation process in which the information are gathered, recorded, measured and analysed relating to the performance of the employees. A set of activities are arranged in a logical sequence to perform the task of evaluation. It includes the steps as establishment of performance standards, communication of performance standards and expectations, measurement of performance, comparison, appraisal feedback, corrective, motivation and development action. These steps are explained below:

**Step-1:** Establishment of performance standards: These should have evolved out of job analysis and the job description. The performance standards should be clear to achieve the objectives. Further it is required that these should be understood and measured. Management identify and prioritize the goals of the organization. For accomplishment of the goals the jobs are to be performed. Now, what level of performance is expected from the employees is to be discussed. For fixing the performance standard the comprehensive discussion should be there among managers, supervisors, employees, experts in house and consultants. The performance standard should be feasible to achieve. These should not be very low or high. The performance of slow, fast performer may not be suitable for everyone. That is why the average performance should be taken into account. Performance Standards are the statements that specify what constitutes good work. The all concerned persons involved in fixing performance standards develop the list of specific job tasks then they write statements that specify how the quality of the work will be determined. The performance standards should be specific, measurable, attainable, relevant and time-based. The performance standards should be decided regarding the quality of work, quantity of output, with reference to the time taken, manners of work performed, method of doing the tasks, behaviour and costs involved in performing the jobs. These will give a clear idea to the supervisors and performers regarding what are expected from them on job.
Diagram 3.5.1: Performance Appraisal Process

Step-2: Communication of performance standards and expectations: Once performance standards are established, it is necessary to communicate these expectations. It should not be a part of the employee's job to guess what is expected of them. Unfortunately, too many jobs have vague performance standards. The problem is compounded when these standards are not communicated to the employee. It is important to note that communication is a two-way street. More transference of information from the manager to the subordinate regarding expectation is not communication. Timely and proper communication should be there between managers,
supervisors and employees on jobs regarding the goals, expectation from employees, performance standards to be achieved, the jobs to be performed and methods of performing the jobs. It should clearly explain these things so the clarity should be maintained. Communication takes place, effectively only when the transference of information takes place, is received, clearly understood by the subordinate and he provides the ‘feedback’ to his superior.

**Step-3:** Measurement of performance: The third step in the appraisal process is the measurement of performance. To ascertain what actual performance is, necessary information about it should be obtained. One is concerned with how he measures and what he measures. There are four common sources of information frequently used by managers to measure actual performance; personal observation, statistical reports, oral reports and written reports. Each has its strengths and weaknesses; however a combination of them increases both the number of input sources and the probability of receiving reliable information. It is the responsibility of the immediate manager or supervisor under whom the person is working. The performance can be measured in quality, quantity, time, cost, difficulties faced, competencies expressed during work and initiatives taken for problem solution. Only the trained person can perform this task effectively. Otherwise the objective of the performance appraisal may be defeated.

**Step-4:** Comparison: The fourth step in the appraisal process relates to the comparison of actual performance with standards. In first step the performance standards have been decided and in second stage the actual performance is measured. Now in this step the actual performance is compared with the prefixed standards. The attempt in this step is to locate variations between standard performance and actual performance so that one can proceed to the next step in the process. The deviations in quality, quantity, time, cost, competencies, behaviour, leadership, initiative etc can be identified. The slow and fast working persons can be identified through this comparison. If the comparison is not carried out then the goals and performance cannot be aligned to meet the planning requirements.

**Step-5:** Appraisal feedback: In this step the information gathered relating to appraisal are analysed and discussed with the employee. The appraiser discuss with concerned employee regarding the strengths he has shown during the work. The place where he finds himself in a
good position, the good performance he has given and the required competencies he has at present. Focus is also given on the weak points of the workers and through discussion these areas are identified. Further, discuss the difficulties faced with the work due to him, machines, working procedure of any other reason. The ultimate goal of this is to improve the working of the employees as well as organization. Employees get feedback from the appraiser regarding the performance they have given their positive and negative points. Simultaneously they get the counseling, coaching and suggestions for better working.

**Step-6:** Corrective, motivation and development action: The last step in the appraisal process is the initiation of corrective, motivation and development action when necessary. Corrective action can be taken at the earliest to remove the cause of the problem. The performance may be poor due to workers, machines, working method, environmental etc. The immediate action will be initiated so that the problem can be corrected and it should not affect the performance adversely. Next, the actions will be taken to motivate the persons by identifying rewards, recognition, incentives, compensation and promotion. This will motivate as well as correct the behaviour of employees. Finally, the management take action for further education, training, improvement in working procedure and replacement of old technology. The ultimate goal of this stage is to remove the problems so that in present as well as in future the performance should not be affected.

**2. Methods of Performance Appraisal**

There are a number of methods that are used to evaluate employee's performance. It may be evaluated on the basis of his traits and attributes as well as on the basis of his work or results and objectives achieved by him. Thus his performance may be measured in terms of standards of his traits and general behaviour on the job or in terms of results and goals. Some of the common techniques are given below. Each method has its merits and demerits but one thing is clear that the technique employed has to evaluate mainly his job related performance. The appraisal methods can be classified as follows:
(a) Individual appraisal, group appraisal and other methods
(b) Traditional and modern methods
(a) **Individual Appraisal Methods**

Some of the methods which are widely used to evaluate an individual employee against the standard are as under:

(i) **Rating scale:** This is the oldest and most popular method of evaluating individual's performance. In this technique the appraiser judges the employee's performance along a scale from low to high. The appraiser rates employee's work and traits such as output, dependability, loyalty, initiative, cooperation, attendance and the like as poor, average, good, very good, excellent etc. Rating is the subjective opinion of the appraiser about the individual work or particular trait. This is noted on the appraisal form against each criterion or trait. The ratings may be assigned numerical values or scores, so that an average can be calculated and a comparison be made. For example, poor standard may indicate no or zero score, fair, acceptable, good and excellent rates may have 1, 2, 3 and 4 scores respectively. Score for overall performance can be determined and compared in case of each employee. Sometimes grades A, B, C, D, E may be assigned as a rating measure. A- for excellent performance, B-for very good, C-for good, D- for average and E-for poor performance.

(ii) **Checklist method:** The appraisal form in this technique is a checklist of statements or words which describes employee's performance or behaviour. The rater reads the same and rates the employee against that statement. It is in the form of yes-no response. The rater marks yes if he is in agreement with the statement or description. Marks no if employee does not agree with the statement. Finally the total of yes and no are taken into account. Sometimes, personnel department may assign weights to each item or statement of the checklist according to its importance for evaluating performance. This is known as weighted checklist rating method. Weighting helps in quantifying rating.

(iii) **Forced choice method:** In this case the appraisal form contains different sentences, each of them contains a pair of positive or negative statement relating to various classes of characteristics, such as learning ability, co-operation, leadership, dependability, loyalty, attendance, work performance etc. In each item, the appraiser or rater has to choose that statement out of the two, which fits the employee most. For example, if both the statements in an
item benefit the employee performance, the rater has to discard any one. Hence this technique is known as forced choice method. For instance, take the item - ‘has sound job knowledge.... works hard.’ If both statements benefit an employee, in this method, the rater has to choose only one of the two. The other is overlooked. The appraisal may be faulty on this account.

(iv) Critical incident method: In this technique, the rater records an extreme or extraordinary behaviour displayed by the employee when he works on the job. This will assist him to appraise his performance. The incidents that take place may indicate positive or good behaviour of the employee or his negative or bad behaviour e.g. in case of a fire, the employee might have shown an exemplary courage. Without worrying about life risk he controls the fire. Another example, when there is an income tax department raid in the company office and the finance manager is not available in office. The dealing persons shows the initiative to handle the situation very effectively by explaining every points asked by the income tax inspector. The incidents are noted in a critical incident sheet. These are taken into account while evaluating employees’ performance in critical situations.

(v) Field review method: In this method a specialist of the personnel department goes into the field and helps the supervisor in rating the employee. The work of the employees is observed actually in the field. The observer sees the nature of job, environment in which the job is performed, the climatic conditions, difficulties faced, working conditions, methods used for working, facilities available to the workers, risks involved in the jobs. The specialist prepares an evaluation based on the observation and information provided by the immediate supervisor about the performance of the employee. It is forwarded to the supervisor for review, modification or for discussion with the employee. The only difference is that a skilled specialist fills up the appraisal form.

(vi) Performance test and observation method: The purpose is to test the knowledge and skills of an employee. He is evaluated either by giving him a paper-pencil test or he is required to demonstrate his skill in a practical situation. For example, a baker may be asked to prepare a cake or a mechanical engineer may be required to locate a fault in a defective machine. It depends upon the type of the job. For a typist a letter can be given for typing. On the basis of
work the assessment can be done. A programmer can be give a task to design a program for that task. Receptionist can be given a task to contact vendors or customers and simultaneously the conversation can be monitored.

(vii) **Annual confidential reports (ACR):** These reports relate to the performance of employees and they are kept quite confidential. They are prepared by superiors on the basis of their judgements, observations and intuitions. The subordinate is not permitted to see his report on performance. The whole process is conducted without disclosing any information out of it to any concerned person. The employee does not get any feedback about his performance, shortfalls and strengths. They are kept in dark. The scope for self development is very less in this. Generally it is being used in government organization.

(b) **Group Appraisal Methods**

There are a number of methods that are used to appraise the performance of groups of employees. Generally, these methods are used to rank various employees in a group or groups in accordance of their merits and hence they are, useful for deciding merit, promotion, pay increments, rewards etc.

(i) **Factors and points method:** In this method the factors affecting the performance of employees are identified. The factors may be performance standard achieved, behaviour, competencies, leadership quality, initiatives to solve the problems. There may me other less important factors may or may not be considered. Every factor is given points or marks as per their relating importance. Finally the total of all factors is taken. This has been explained with an example in the table given at the end of this method:
### Table 3.5.1: IBMR Performance Appraisal

*(Assessment Year 2008-09)*

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Surname</th>
<th>Academic Department</th>
<th>Perform. Achieved (20 Marks)</th>
<th>Behaviour (20 Marks)</th>
<th>Competency (20 Marks)</th>
<th>Leadership (20 Marks)</th>
<th>Initiatives (20 marks)</th>
<th>Marks Obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mrs V. Dahiya</td>
<td>Academic Department</td>
<td>18</td>
<td>18</td>
<td>17</td>
<td>17</td>
<td>18</td>
<td>88</td>
</tr>
<tr>
<td>2</td>
<td>Mrs Monika G</td>
<td>Academic Department</td>
<td>13</td>
<td>15</td>
<td>16</td>
<td>12</td>
<td>13</td>
<td>69</td>
</tr>
<tr>
<td>3</td>
<td>Mrs Priyanka</td>
<td>Academic Department</td>
<td>13</td>
<td>12</td>
<td>13</td>
<td>16</td>
<td>13</td>
<td>67</td>
</tr>
<tr>
<td>4</td>
<td>Ms Poonam A</td>
<td>Academic Department</td>
<td>16</td>
<td>13</td>
<td>13</td>
<td>15</td>
<td>16</td>
<td>73</td>
</tr>
<tr>
<td>5</td>
<td>Ms Karishma</td>
<td>Academic Department</td>
<td>13</td>
<td>17</td>
<td>16</td>
<td>13</td>
<td>13</td>
<td>72</td>
</tr>
<tr>
<td>6</td>
<td>Mrs Rajlakshmi</td>
<td>Academic Department</td>
<td>16</td>
<td>17</td>
<td>13</td>
<td>15</td>
<td>13</td>
<td>74</td>
</tr>
<tr>
<td>7</td>
<td>Mrs Pragnya</td>
<td>Academic Department</td>
<td>13</td>
<td>16</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>68</td>
</tr>
<tr>
<td>8</td>
<td>Mrs Kavita</td>
<td>Academic Department</td>
<td>16</td>
<td>12</td>
<td>13</td>
<td>12</td>
<td>13</td>
<td>66</td>
</tr>
<tr>
<td>9</td>
<td>Mr Kiran R K</td>
<td>Marketing Department</td>
<td>14</td>
<td>18</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>89</td>
</tr>
<tr>
<td>10</td>
<td>Mr Gaurav Gandhi</td>
<td>Marketing Department</td>
<td>13</td>
<td>16</td>
<td>13</td>
<td>15</td>
<td>13</td>
<td>70</td>
</tr>
<tr>
<td>11</td>
<td>Mr Ram Yadav</td>
<td>Marketing Department</td>
<td>12</td>
<td>10</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>61</td>
</tr>
<tr>
<td>12</td>
<td>Ms Jaya Ludhani</td>
<td>Marketing Department</td>
<td>13</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>13</td>
<td>62</td>
</tr>
<tr>
<td>13</td>
<td>Mrs Usha Chettiar</td>
<td>Marketing Department</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>65</td>
</tr>
</tbody>
</table>
(ii) Ranking method: It is very simple and easy method of judging the work of employees in a group. Ranks are assigned in order of their performances. In fact the workers on the basis of their performance can be ranked like first, second, third, fourth and so on. This method can be used independently or it can be used with factors and points method jointly. This is explained with the above method. In factors and points method the points are given to each employee on the basis of performance criteria. Further, the ranks of employees’ performance are decided on obtained marks.
Table 3.5.2: IBMR Performance Appraisal Ranking Method  
(Assessment Year 2008-09)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Department</th>
<th>Marks Obtained</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr Kiran R K</td>
<td>Marketing Department</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Mrs Vishal Dahiya</td>
<td>Academic Department</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Mr Baccharam</td>
<td>Administration Department</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Mr. Naresh Bhati</td>
<td>Administration Department</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Mr. Arvind Bhai Parmar</td>
<td>Administration Department</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Mr. Bhadresh</td>
<td>Administration Department</td>
<td>78</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Mr. Deepak</td>
<td>Administration Department</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mr. Jagat Singh</td>
<td>Administration Department</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Mr. Natwar Parmar</td>
<td>Administration Department</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Mrs Rajlakshmi</td>
<td>Administration Department</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Ms Poonam Arora</td>
<td>Academic Department</td>
<td>73</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Ms Karishma Singh</td>
<td>Academic Department</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Mr. Ashok</td>
<td>Administration Department</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Mr Gaurav Gandhi</td>
<td>Marketing Department</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Mrs Monika Gahelawat</td>
<td>Academic Department</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Mrs Pragnya Kaul</td>
<td>Academic Department</td>
<td>68</td>
<td></td>
</tr>
</tbody>
</table>
Employees differ in their performances. The best performer is ranked first and the worst worker is ranked last. The ranks to others are assigned in between the two. Thus in a group of 10 employees, there are 10 ranks to be given to them in order of their evaluation. The best employee may be assigned rank 1, while the weakest rank 10. This method suffers from ‘halo' effect. The evaluation is based on subjective opinion. Moreover it does not bring out the extent of difference between them. Sometimes there may not be much difference between the two, but human bias may play its role.

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Department</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Mrs Priyanka Gohil</td>
<td>Academic Department</td>
<td>67</td>
</tr>
<tr>
<td>18</td>
<td>Mrs Kavita Sharma</td>
<td>Academic Department</td>
<td>66</td>
</tr>
<tr>
<td>19</td>
<td>Mrs Usha Chettiar</td>
<td>Marketing Department</td>
<td>65</td>
</tr>
<tr>
<td>20</td>
<td>Mr. Nilesh Vaishyak</td>
<td>Administration Department</td>
<td>64</td>
</tr>
<tr>
<td>21</td>
<td>Mrs. Bharti Vidhani</td>
<td>Administration Department</td>
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<tr>
<td>22</td>
<td>Ms Jaya Ludhani</td>
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</tr>
<tr>
<td>23</td>
<td>Mr Ram Yadav</td>
<td>Marketing Department</td>
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</tr>
<tr>
<td>24</td>
<td>Mr. Rajendra Chauhan</td>
<td>Administration Department</td>
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</tr>
<tr>
<td>25</td>
<td>Mr. Ramesh Bhati</td>
<td>Administration Department</td>
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</tr>
<tr>
<td>26</td>
<td>Mr. Suken Shah</td>
<td>Administration Department</td>
<td>56</td>
</tr>
<tr>
<td>27</td>
<td>Mr. Laxdeep Raval</td>
<td>Administration Department</td>
<td>55</td>
</tr>
</tbody>
</table>
(iii) **Paired comparison method:** This is a slight variation of ranking method. In this method, performance of each employee is compared with the performance of each of the others and the rater has to select the better out of each pair, taking only one pair at a time. How many times an employee is better pair wise is computed and one who is considered the best is ranked 1. For example, if there are 10 employees in a group, they might comprise 45 pairs amongst them for comparison. The total number of comparison is computed by the formula \(n(n-1)/2\). If the number of employees to be evaluated is 15, then the number of comparisons to be made will be \(15 (15 - 1)/2\) i.e. 105.

(iv) **Forced distributions:** In this method, the employees are rated and classified into categories such as best 10%, next 20%, middle 90%, next 20% and lowest 10% of employees. They are placed in their respective groups or they are categories as outstanding, above average, average or satisfactory, below average and poor respectively in view of the given percentages. The problem with method is that if the employee falls in one category more than specified percentage, they cannot be rated in that category. They will be shown lower or upper category.

(c) **Other Methods Including MBO System**

There are some methods which are future-oriented. They evaluate employee potential for future performance. They also aim at setting future performance objectives. The two important techniques that may have a bearing on future performance goals are self-appraisal, management by objectives approach, BARS, 360 degree appraisal method etc.

(i) **Self-appraisal:** A large number of enterprises use self-appraisal technique for further improvement of performance. Under this method, the employee has to evaluate himself against predetermined standard. Such self-evaluation assists the employee to understand his strengths and weaknesses. He can know the areas where he is lacking and hence requires improvement. Thus self-appraisal leads to self-improvement and self-development and is helpful to personal goals or objectives for future performance. The drawback of this method is that the employees appraise them very high. The appraisal is not realistic. Everyone is interested to show his aggravated rating. That misguides the management.
(ii) Appraisal by results or management by objectives (MBO) approach: In an enterprise the efforts of all the members of the organisation including management, supervisors and subordinates are directed towards realisation of enterprise objectives. These overall objectives are further split into sub objectives, goals or end results to be achieved by various employees. In MBO approach, the performance of a subordinate occupier of a managerial position is assessed or evaluated on the basis of end results achieved or accomplished by him rather than on the basis of traits. The effectiveness or success of management is reflected in the accomplishment or achievement of objectives or end results set by the organisation. Thus the basis of appraisal by results is rooted in the concept "management by objectives".

(iii) 360° Performance appraisal: The appraisal is done by any person with whom employee is in touch for performance of his job, i.e. his appraisal may be done by supervisor, manager, subordinates, employees themselves, customers, consultant etc. Performance can be evaluated on any day and from any angle of his work. Thus the appraisal can be done on all working days in a year, from all angles and by all parties who are connected with the employees. By this method, it is possible to notice all activities on all days and evaluate the same.

(iv) Behaviourally anchored rating scales (BARS): In this method, there is a combination of techniques used in the weighted check list rating and critical incident method. Under BARS, effective and ineffective behaviours are described more objectively. This method takes services of a person who is quite familiar with a particular job to identify major components. He ranks the components and validates specific behaviour for each component of the job.

(v) Cost accounting method: In this method, for evaluation of performance of employee, cost is the base. Both the cost of employee and his output are considered and the relationship is established between cost and benefit. The time, efforts and expenditure are calculated in respect of each candidate. The output and cost in total are considered and then the per unit cost can be calculated. This shows the relative worth of the candidate to the organization.
(d) Traditional and Modern Methods

The traditional methods are almost similar to individual and group appraisal methods. These methods have been explained under earlier topics other methods are similar to modern appraisal methods. The modern methods of performance methods are explained in detail under next topics. The classification of performance appraisal method as traditional and modern is depicted with the help of diagram given below:

**Diagram 3.5.2: Methods of Performance Appraisal**

```
Performance Appraisal

Traditional Methods
1. Rating Scales
2. Checklist Method
3. Forced choice Method
4. Critical Incident Method
5. Field Review Method
6. Performance Test and Observation

Modern Methods
1. Management By Objective
2. 360° Appraisal
3. Assessment Centres
4. Behaviorally Anchored Rating Scales
5. Human Resource Accounting
```