Performace Appraisal System at MAHAGENCO
Chapter No. 9
Performance Appraisal System at MAHAGENCO

9. Performance Appraisal:
Performance at work lies at the heart of growth. Yet, even though organizations try to harness the best of their human resources, they often fail to do so. This is primarily because performance tends to be evaluated & looked at only in the short run & for immediate results. Organizations need to understand that to nurture a creative, motivated & committed workforce, an employee’s performance has to be planned, analyzed, developed & appraised continuously rather than constricted to annual reviews & evaluations.

Performance appraisal is necessary to measure the performance of the employees and the organization to check the progress towards the desired goals and aims. The latest mantra being followed by organizations across the world being – "get paid according to what you contribute" – the focus of the organizations is turning to performance management and specifically to individual performance. Performance appraisal helps to rate the performance of the employees and evaluate their contribution towards the organizational goals. If the process of performance appraisals is formal and properly structured, it helps the employees to clearly understand their roles and responsibilities and give direction to the individual’s performance. It helps to align the individual performances with the organizational goals and also review their performance.

Performance appraisal is an objective system to judge the ability of an individual employee to perform his tasks. A good performance appraisal system should focus on the individual & his development, besides helping him to achieve the desired performance. This means that while the results are important the organization should also examine & prepare its human capital to achieve this result. This holds true even for new inductees.

9.1 Objectives of Appraisal:
Almost all the organizations practice performance appraisal in one form or another to achieve certain objectives. These objectives may vary from organization to
organization or even within the same organization from time to time. It has been found that there are two primary objectives behind the use of this methodology. One is to use it as an evaluation system & second, to use it as a feedback system.

The aim of evaluating system is to identify the performance gap. This means that it helps determining gap between the actual performance of the employee & that required or desired by the organization.

The aim of feedback system is to inform the employee about the quality of his work or performance. This is an interactive process by which the employee can speak about his problems to his superior.

9.2 Criteria for measuring performance at different levels:

The criteria for measuring performance changes as the levels of the employees and their roles and responsibilities change. A few examples for each level are described below:

For top level management

- Degree of organizational growth and expansion
- Extent of achievement of organizational goals

360 degree feedback, also known as 'multi-rater feedback', is the most comprehensive appraisal where the feedback about the employees' performance comes from all the sources that come in contact with the employee on his job. 360 degree respondents for an employee can be his/her peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors anyone who comes into contact with the employee and can provide valuable insights and information or feedback regarding the "on-the-job" performance of the employee.

360 degree appraisal has four integral components:

1. Self appraisal
2. Superior's appraisal
3. Subordinate's appraisal
4. Peer appraisal.

Self appraisal gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance. Superior's appraisal
forms the traditional part of the **360 degree performance appraisal** where the employees' responsibilities and actual performance is rated by the superior. Subordinates appraisal gives a chance to judge the employee on the parameters like communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc. Also known as internal customers, the correct feedback given by peers can help to find employees' abilities to work in a team, co-operation and sensitivity towards others.

![Diagram of 360 degree performance appraisal](source:-source:.appraisals.naukrihub.com)

Self assessment is an indispensable part of 360 degree appraisals and therefore 360 degree Performance appraisal have high employee involvement and also have the strongest impact on behavior and performance. It provides a "360-degree review" of the employees' performance and is considered to be one of the most credible performance appraisal methods.

**360 degree performance appraisal** is also a powerful developmental tool because when conducted at regular intervals (say yearly) it helps to keep a track of the changes others' perceptions about the employees. A 360 degree appraisal is generally found more suitable for the managers as it helps to assess their leadership and managing styles. This technique is being effectively used across the globe for performance appraisals. Some of the organizations following it are Wipro, Infosys, and Reliance Industries etc.

- Contribution towards the society
- Profitability and return on capital employed
For middle level managers
- Performance of the departments or teams
- Co-ordination with other departments
- Optimal use of resources
- Costs Vs. revenues for a given period of time
- The communication with superiors and subordinates

For front line supervisors
- Quantity of actual output against the targets
- Quality of output against the targets
- Number of accidents in a given period
- Rate of employee absenteeism

Performance appraisal is also an important link in the process of change in organization culture. Performance appraisal processes are one of the central pillars of the performance management which is directly related to the organizational performance and have a direct impact on it. Employee performance ultimately effects the organizational performance and objectives.

9.3 Performance appraisals a double edged sword:
Performance appraisal is like a double edged sword for an organization. Although it has many benefits for the organization, various studies have also revealed that performance appraisals have the equal probability of having a bad impact on the organizational as well as the employee performance.

Where the performance appraisal improves the work performance and employee satisfaction, it can also demotivates employee and leaving a bad impression on the good employees. Most of the employees do not approve of continuous performance monitoring and performance appraisals, and also consider it as a burdensome activity. According to Professor Kuvaas "Performance appraisals and other tools which involve feedback and target management should be adapted to the employee's individual needs and characteristics". Otherwise, there is a risk of harming the good employees without being able to help the less good.

Performance appraisal processes can create a sense of insecurity in the working environment and can become an obstacle in achieving the required changes in the
attitudes and the performance of the employees. The element of bias in the appraisals can also worsen the situation.

Therefore, performance appraisals can affect the organizational performance both positively and negatively, and should be dealt with care and expert knowledge and experience.

Therefore the person who is going to do performance appraisal should know the rules & regulations. He should bear in mind that it is being done for improving the performance of the employee & in turn the overall performance of the organization.
9.4 Various Other methods of Performance Appraisals.

PERFORMANCE APPRAISAL

Traditional Methods

1. Essay appraisal method
2. Straight Ranking Method
3. Paired Comparison Method
4. Critical Incidents Methods
5. Field Review
6. Checklist Method
7. Graphic Ratings Scale
8. Forced Distribution

Modern Methods

1. Management By Objectives (MBO)
2. 360 Degree appraisal
3. Assessment Centres
4. Behaviorally Anchored Rating Scales
5. Human Resource Accounting

Source: appraisals.naukrihub.com
9.4.1 Management by Objectives (MBO):

The concept of 'Management by Objectives' (MBO) was first given by Peter Drucker in 1954. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

**Chart No. 6**

The MBO Process

- Define organizational goals
- Defining employee objectives and
- Continuous Monitoring of performance and progress
- Performance evaluation/reviews
- Providing feedback
- Performance Appraisals (Rewards / punishments)
- Define organizational goals

Source: appraisals.naukrihub.com

Unique Features and Advantages of MBO:

The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them,
understand their objectives to be achieved and thus help in the achievement of organizational as well as personal goals

Some of the important features and advantages of MBO are

- **Clarity of goals** – With MBO, came the concept of SMART goals i.e. goals that are:
  
  Specific, Measurable, Achievable, Realistic, and Time bound.
  
  The goals thus set are clear, motivating and there is a linkage between organizational goals and performance targets of the employees

- The focus is on future rather than on past. Goals and standards are set for the performance for the future with periodic reviews and feedback.

- **Motivation** – Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.

- **Better communication and Coordination** – Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period.

### 9.5 Assessment Centers:

Assessment centre refers to a method to objectively observe and assess the people in action by experts or HR professionals with the help of various assessment tools and instruments. **Assessment centers** simulate the employee’s on the job environment and facilitate the assessment of their on the job performance. An assessment centre typically involves the use of methods like social/informal events, tests and exercises, assignments being given to a group of employees to assess their competencies and on the **job behavior** and potential to take higher responsibilities in the future. Generally, employees are given an assignment similar to the job they would be expected to perform if promoted.

The trained evaluators observe and evaluate employees as they perform the assigned jobs and are evaluated on job related characteristics.

An assessment centre for Performance appraisal of an employee typically includes:

- **Social/Informal Events** – An assessment centre has a group of
participants and also a few assessors which gives a chance to the employees to socialize with a variety of people and also to share information and know more about the organization.

- **Information Sessions** - information sessions are also a part of the assessment centers. They provide information to the employees about the organization, their roles and responsibilities, the activities and the procedures etc.

- **Assignments** - assignments in assessment centers include various tests and exercises which are specially designed to assess the competencies and the potential of the employees. These include various interviews, psychometric tests, management games etc. all these assignments are focused at the target job.

The following are the common features of all assessment centers:

- The final results is based on the pass/fail criteria
- All the activities are carried out to fill the targeted job.
- Each session lasts from 1 to 5 days.
- The results are based on the assessment of the assessors with less emphasis on self-assessment
- Immediate review or feedback are not provided to the employees.

An organization’s human resources can be a vital competitive advantage and assessment centre helps in getting the right people in right places. The major competencies that are judged in assessment centers are interpersonal skills, intellectual capability, planning and organizing capabilities, motivation, career orientation etc. assessment centers are also an effective way to determine the training and development needs of the targeted employees

### 9.6 Performance Appraisal In Government Organizations:

The commitment to the performance appraisal system in public organizations in India is very low. Low commitment and lack of accountability are the major reasons for the low institutionalization of the performance appraisal processes in government organizations.
Performance appraisal in Government Organizations is not directly linked to rewards, training or promotions due to which the approach towards the whole process remains unprofessional. There is a lack of the appropriate atmosphere and professional approach towards the performance appraisal system and the objective of the whole exercise is defeated.

The most common method of Performance appraisal that is used in most of the government organizations is confidential report (popularly known as CR) written by the superior of the employees.

The following are the major discrepancies found in the performance appraisal processes being followed at the government organizations.

- Most of the indicators used for measuring the performance the employees are not quantifiable in nature, making it difficult to measure the performance.
- Due to the lack of accountability and job security, most government employees have a lesser fare attitude towards their work.
- Unavailability of the job descriptions for many employees.
- Most of the objectives in government organizations are unchallenging, unrealistic and not timely reviewed and updated.
- It is difficult to measure the average performance of the government employees.
- Unprofessional and unstructured approach towards the process.
- There is often a lot of bias and subjectivity involved in the ratings given by the superiors.
- Lack of complete information on appraisal forms due to expertise and relevant training; often, the appraisals are not conducted on a regular basis.
- In government organizations, team appraisal is often not possible.

Other HR decisions like rewards, training or promotions are not directly linked to the results of the performance appraisal process.

9.7 Performance Appraisal System at Related Organizations:

Performance management process is the driving force behind the National Thermal Power Corporation (NTPC)’s success as it proposes to bring about transparency, enabling the effective engagement of employees. The system is designed for
improving the performance of the employees through objective measures than mere subjective elements. The main features & objectives of the system are

- To align the individual performance indicators with company’s vision & mission
- To cascade employee’s strategic goals to individual level & measure the performance
- To lay adequate emphasis on competence & performance to excel in one’s job
- To develop technical & functional competencies in addition to leadership & managerial competencies
- To develop two way communication between the employees & the reporting managers
- To assess the value shared & practiced by the employees and
- To provide adequate feedback to reinforce good performance & address poor performance by developing plans

NTPC’s five stage performance management process is explained as follows:

Performance planning:
At the beginning of every year, Key Performance Areas (KPAs) are identified, weight ages are assigned, measures are established & targets are clearly stated. The competencies required for fulfilling them are also discussed.

Midyear review:
A joint review on KPAs, competencies, values etc. is held & is well documented.

Annual assessment:
The reporting officer assesses KPAs, competencies, values & potentials. Training & developmental plans are then made. These are subsequently reviewed by review officer.

Moderation / Normalization process:
Parity & integrity are ensured by handling variation across the departments. Objectivity & transparency are ensured in the system.
Feedback:
The employees are appraised on their performance. Feedback is provided to develop performance based on the discussion. Individual developmental programs are arranged to enhance the skill levels of employees.

9.8 Performance Counseling:
The main objective performance counseling is to help the employee to overcome his weaknesses & to reinforce his strengths. In this sense it is a developmental process where the supervisor & the subordinate discuss the past performance with a view to help the subordinate to improve & become more effective in future. Appraisal reports serve as spring board for discussion. One of the fallout effects of this dyadic interaction is the identification of training needs. Counseling provides an opportunity to the supervisor to give feedback to the subordinate on the performance & performance related behavior. Feedback can be effective tool provided.

a) both negative & positive feedbacks are communicated
b) It is not just an opinion but is backed by data. In it should be descriptive & not evaluative.
c) It focuses on behavior rather than on the individual
d) It is timely. Delayed feedback is neither helpful nor effective. On the other hand it might be seen as criticism which may further deteriorated the relationship. As time passes details are forgotten & recall may be jeopardized by distortions.

Some of important conditions for effective counseling are mentioned below.

a) a climate of openness & trust is necessary. When people are tense & hostile attempts should be made to counsel & help rather than be critical.
b) The counselor should be tactful & helpful rather than critical & fault finding.
c) The subordinate should feel comfortable to participate without any hesitation or inhibition.
d) The focus should be on the work related problems & difficulties rather than personality or individual likes, dislikes.
e) It should be devoid of all discussions on salary, reward problems & punishment. Any discussion on compensation changes the focus from performance improvement to the relationship between performance & reward. Since counseling is a difficult activity, the supervisor should be specialty trained in social competence to handle these aspects of his job. The skill required to do well in these situations is often referred to as the use of non directive technique. It is a methodology of generating information & using this information to help employees. Many supervisors hesitate to initiate the performance counseling session because the subordinates may raise uneasy questions for which may not have answers. Or that may question their judgments & decisions which may lead to argument, debate & misunderstanding. That is why there is a need to train supervisors in the techniques of counseling sessions.

One major outcome of performance counseling is identification of the potential of the employee’s skills & abilities not known & utilized by the organization. Potential appraisal is different from performance appraisal as the latter limits evaluation to what the subordinate has done on the job whereas the former on the other hand, seeks to examine what the subordinate can do. i.e potential / capabilities of the employees.

9.9 Observations on Performance appraisal system at MAHAGENCO:

The performance appraisal system currently operating in MAHAGENCO is implemented through the line officials who appraise the different cadres through annual “Confidential Reports”. Confidential Reports is intended to be a general assessment of work performed by an employee subordinate to the reporting authority. Such reports are maintained for the purpose of serving data for comparative merit where the question of promotion, confirmation, GO II, etc arise. As such the current performance appraisal system is not proper in today’s context as it rates almost all the employees in general overall grading system. Also the feedback for improving the performance is not being given by the organization to the employee. On the same line the organization do not seen to be taking some steps for improving the performance of underrated or underperforming employees.
Due to this the employees who justify their work than expected also are put in the same scale to the others who are under performing. Because of this employees who are performing well are getting de-motivated since long as they know that the organization is not passing the extra benefits to the employees who are performing well nor it is taking any steps to improve the performance of underperforming employees.

As in case of NTPC, Reliance, Key Performance Indicators (KPI) for each specific department / job are clearly specified & are conveyed to all concern employees. In MAHAGENCO this activity i.e. defining KPIs is to be carried out first while introducing new performance evaluation system. As this is not the easy task, help of HR consultant can be taken for determining the KPIs.

In MSEB then MAHAGENCO performance of the employee is evaluated on annual basis through CR Rating. The performance grades on which the employees performance are judged are as follows

Average, Good, V. Good, Excellent, & Outstanding. Based on several parameters the evaluators has to rate the performance of the employee. At last the evaluator has to rate the performance of the employee on overall grading. This overall grading regarding the C.R. / performance is communicated to the employees. He is never communicated about the improvement areas, Lacunas etc. on which he can improve upon to improve his performance. Evaluators are found generally rating the employees in V. Good rating. There might be numbers of reasons for which they are doing so. But as a matter of study or collecting the true picture of the employee’s performance, this is found to be not effective. During the survey, most of the employees also pointed out that they are not happy with the performance appraisal system as almost all the employees are rated as V. good. It was also surprising to know from most of the employees, that they have never been communicated the parameters on which there performance is judged.

Whether the employee is outstanding or below average, almost all the employees are found to be in V. good category. By this the outstanding workaholic employees are dissatisfied. They get demotivated. Also the employees who are rated as outstanding are not benefitted. Approximately more than 98% of the employee’s CR is found to be in V. good category. If this is correct, one thing is
clear that the employees are not at fault for the losses which the company is incurring.

To improve the performance appraisal system, new performance appraisal system is introduced by the management. Trade unions had strongly objected to the introduction of new performance appraisal system. Since the works norms are not fixed till to date, most of the employees are reluctant to fill the performance appraisal (PA) forms. As per the trade unions the present performance appraisal forms is introduced before doing any ground work. Also these PA forms are filled at the end of the assessment year where as it should be filled at the start of the year.