CHAPTER - IV

PERFORMANCE APPRAISAL SYSTEM AND LINKAGE TO HRD
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Appraisal and Development is like the weather. Everybody talks about it, but nobody does much about it

---- Anon

4.1 Philosophy of Human Resources and Concept of Development

4.1.1 Human Resources

The strength of any organisation is its people. If people are attended to properly by recognising their talents, developing their capabilities and utilising them appropriately, organisations are likely to be dynamic and grow fast. Ultimately the variety of tasks in any organisation have to be accomplished by people. People are to be treated as resources available for the organisation, perhaps the most important of all resources. By nature, unlike other resources, the human resources are dynamic. Unlike the physical resources, human resources have the capability of expanding to unlimited extents. This is because with proper investments the human capabilities can be multiplied. When the capabilities of people in any organisation are multiplied, the organisation has wider choices to make for performing different functions. Such an availability of resources also helps the organisation in its growth in terms of diversification, expansion, vitality, dimension, etc. Erich Fromm (1977) puts it :-
The wish to make productive use of his powers is inherent in man; and the organisation has to provide the appropriate stimulus to the individual to effectively utilise such powers.

Therefore, understanding of human behaviour in detail becomes essential in order to learn more about such powers, if the objective is growth and development.

Human beings have also a need to grow and develop themselves professionally. Development of their capabilities keeps them to be psychologically vital. This development needs to be monitored in terms of matching it with organisational requirements. Therefore, any organisation, interested in developing the capabilities of its employees, should understand the nature and capabilities required to perform different functions, as well as, the dynamics underlying the development of these capabilities in the organisational context (TV Rao, 1984).

4.1.2 Capability Requirement of People in Organisations

People in any organisation are involved in performing a variety of activities. Performing those activities would require a variety of capabilities. These capabilities can be considered to fall under four categories as per TV Rao (1984). They are :-

(a) **Technical capabilities** - Involve an understanding of and proficiency in a specified kind of activity, processes, techniques, methods, procedures, etc.
(b) **Managerial capabilities** - Involve planning, organising, coordinating, supervising, monitoring, controlling, evaluating etc.

(c) **Behavioural (human) capabilities** - Concerned with the ability to deal with other people, ability to motivate, influence, lead, generate team spirit, resolve conflict etc.

(d) **Conceptual capabilities** - Involve ability to see the enterprise as a whole, visualise the future and give directions.

TV Rao also specifies the level of capabilities required for performance by different categories of employees which is given in Table 4.1.

### 4.1.3 Concepts and Conditions of Development

As per TV Rao (1984), there are three behaviour dimensions involved in most of the capabilities. They are cognitive, affective and active. The cognitive dimensions of a capability involves gaining of an understanding, knowledge, information, insight etc. in order to perform the task. The affective dimension deals with gaining the motivation and desire to use the knowledge and understanding one has. The active dimension deals with the skills involved actually in performing the task.
### TABLE 4.1: Capabilities Requirements for Different Levels of Jobs

<table>
<thead>
<tr>
<th>Levels</th>
<th>Technical</th>
<th>Managerial</th>
<th>Behavioural</th>
<th>Conceptual</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Operator, Skilled Workers Clerks, Typists, Foreman, etc</td>
<td>Very much Essential</td>
<td>Not needed</td>
<td>Some desirable</td>
<td>Not needed</td>
</tr>
<tr>
<td>(b) First Level supervisors, Jr Officers</td>
<td>Very Essential</td>
<td>A few are desirable</td>
<td>Some desirable</td>
<td>Not needed</td>
</tr>
<tr>
<td>(c) Junior and Middle level Managers</td>
<td>Some important Some not essential</td>
<td>Important</td>
<td>Some essential</td>
<td>A few are useful</td>
</tr>
<tr>
<td>(d) Senior Managers, Heads of Depts/Sections</td>
<td>A few are desirable</td>
<td>Very essential</td>
<td>Many are needed Many are important</td>
<td>Desirable</td>
</tr>
<tr>
<td>(e) Unit Heads, General Managers etc.</td>
<td>A few are desirable</td>
<td>Very essential</td>
<td>Many are essential &amp; important</td>
<td>Essential</td>
</tr>
<tr>
<td>(f) Chief Executives</td>
<td>Not needed</td>
<td>Important</td>
<td>Very essential</td>
<td>Most essential</td>
</tr>
</tbody>
</table>
According to TV Rao (1984), development involves acquisition of capabilities. In the organisational context, it involves acquisition of capabilities that would enable a person to perform well in different functions associated with the role he is performing at a given point of time or the role he is likely to perform subsequently. For such development, certain conditions are to be met:-

(a) The individual should himself be interested in developing his own capabilities.

(b) The individual would develop his capabilities faster and better when he is aware of the direction in which he could develop.

(c) The individual should also make clear choice about the direction in which he would like to grow and develop.

(d) He must be aware of his strengths and weaknesses that help him move in that direction.

(e) The individual should identify the opportunities within and outside the organisation for his development with the help of his supervisors and others with whom he interacts.

(f) The individual should then make efforts to develop.

(g) He should then review the consequences of his learning and application of learning periodically with the help of his boss.
According to the above conditions, in order to develop a subordinate should know how he is doing - well or otherwise, he should know what exactly he is lacking to do well and progress. Then he takes the help of his boss to develop his system development capabilities. After due training, he works hard and establishes himself in the new system. Development of managerial and human capabilities requires continuous feedback, review, reflection and action. It is little more difficult to develop behavioural capabilities where he needs continuous help from the boss. Performance appraisals which are development oriented can help the subordinates and thus their career development.

4.2 Performance Appraisal and Linkage to HRD

4.2.1. Human Needs and their Bearing on Performance

ML Monga (1983) describes clearly the human needs and their bearing on performance. Every human being has needs and goals, whether he has rationally recognised them or not. A human need is a personal unfilled vacancy that determines and organises all mental processes and all behaviour in the direction of its attainment. Needs are goals known or unknown, that cause the individual to seek their satisfactory fulfilment. Each human being possesses many of these needs, and those who enter the work force bring needs with them as they come to work.

Every person who works with others (especially those in managerial positions) should attempt to identify his own personal needs and the needs and expectations of those with whom he labours. As the manager recognises his own
goals, he becomes more capable of directing his efforts to their fullest satisfaction. As each manager discerns the need of his subordinates, he is in a better position to provide improved assistance and more personal means of supervision for his subordinates.

What are the basic human needs that call for attention? Among the millions of people now living, there exists a set of needs that may vary in intensity but are nevertheless quite common. The needs are those for physical maintenance, security, affiliation, competence, reputation, power, achievement and hope. This is by no means a comprehensive list of all human needs, but the needs selected do represent factors often exhibited by individuals at work.

It is important to remember that people at work possess these needs and expect to attain at least a part of them while they work. These human needs are directly related to organisation's capacity to a great extent to get satisfied and have a direct bearing on performance:

<table>
<thead>
<tr>
<th>Need</th>
<th>Lower Order</th>
<th>Evaluative</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The Physical Maintenance</td>
<td>Primary Need</td>
<td></td>
</tr>
<tr>
<td>(b) The Need for Security</td>
<td>do</td>
<td>Needs</td>
</tr>
<tr>
<td>(c) The Need for Affiliation</td>
<td>Social Need</td>
<td></td>
</tr>
<tr>
<td>(d) The Need for Competence</td>
<td>Confidence Need</td>
<td>Developmental Needs</td>
</tr>
<tr>
<td>(e) The Need for Reputation</td>
<td>Egoistic Need</td>
<td></td>
</tr>
<tr>
<td>(f) The Need for Power</td>
<td>do</td>
<td></td>
</tr>
</tbody>
</table>
(g) The Achievement Need - Self-Actualisation

(h) The Need for Hope

An attempt to look at the role of these needs in individual’s performance requires no detailed explanation for the answer to the question as to ‘why people work’. In majority of the cases it would be satisfaction of one or more of these needs which have more or less a spiralling relationship as shown in diagram 4.1.

An appraisal system, therefore, is likely to be seen by the individuals as a device to encourage fulfilment of these needs. There appears to be an inherent linkage in the means and ends i.e., means being the performance and ends being the galaxy of needs presented already. As per See Raymond H. Van Zelst (1951), the intensity of these needs tend to have a direct bearing on the performance and as such a system aimed at evaluating performance is likely to be looked at as a device for satisfaction. Therefore, these needs provide a clue that the appraisal system has not only to be evaluative but developmental in nature, as well as, fulfil these individual needs at the work place. It also explains the background reasons behind ineffectiveness of traditional appraisal systems for their being merely evaluative in nature. People show their needs through their actions. In sum, the appraisal process, in view of the galaxy of human needs to be achieved at the work place can be properly viewed as an integral part of the development process in the organisation.
Diagram 4.1: The Spiralling Nature of Human Needs
4.2.2 Objectives of Performance Appraisal and Linkage to HRD

Every organisation develops its own objectives of performance appraisal system based on its perception, importance, need, usage, organisation culture, etc. This aspect was discussed in detail in Chapter I. However, to link the performance appraisal system as a sub-system of Human Resource Development (HRD), the following objectives as given in the Manual on Performance Appraisal and Review of State Bank of India are worth mentioning:

(a) The primary objective of performance appraisal is optimisation of human resources through development of individual employees. It should help the employees to identify and eradicate their weaknesses and improve upon their strengths in the performance of their current and future jobs.

(b) The next important objective is generation of valid data to help decision making authorities for taking personnel decisions like placement, promotion, transfers, training etc.

(c) Another objective is to develop an organisation culture of mutuality, openness, trust and collaboration in the achievement of individual and organisational goals.

In this context, it is relevant to understand what is HRD. Er Shyam Sunder Soni (1997) mentions that HRD as a concept, is a continuous process of enhancing the capability of human beings and helping them to change their attitude to give best results in an organisation. In the organisational context HRD
would mean that employees in an organisation are continuously helped in a planned way:

(a) To acquire capabilities (knowledge, perspective, attitudes, values and skills) required to perform various tasks or functions associated with their present or future expected roles.

(b) To develop their general enabling abilities as individuals so that they are able to discover and utilise their own inner potential for their own and organisational development purposes.

(c) To develop an organisational culture where superior, subordinate relationship, team work and collaboration contribute to the organisation's health, dynamism and pride of the employee.

In a note circulated by the SBI Central office in 1979 it has been stated:

HRD aims at optimisation of human resources. Optimisation depends upon the growth of the individuals in the organisation and the opportunities that the organisation provides for fuller expression and use of potentials of employees. Performance of employees can be improved through a process of helping them to identify their strengths and weaknesses and take steps to improve the strengths and eradicate the weaknesses. HRD also aims at the creation of an enabling organisation. The characteristics of an enabling organisation are organisation-wide openness, trust, mutuality and collaboration.
It is evident that the objectives of performance appraisal system and that of the HRD are complementary. Thus HRD considers performance and potential appraisal as one of the three important sub-systems, the other two being staffing & training and career planning & development.

The nature of performance appraisal and its effectiveness depend a great deal on how the human resources in the organisation are viewed and treated. If the organisation believes that people do not work unless they are closely supervised and controlled, it may tend to have a confidential report form of appraisal. If the organisation believes that every individual has potential and strength and that human capabilities can be sharpened, developed and utilised better by providing a healthy climate, then the organisation would have an appraisal system that attempts to identify, sharpen, develop and utilise the potential and capabilities of its employees.

TV Rao (1984) states that the appraisal systems in most organisations are designed today to meet the following objectives:

(a) To control employee behaviour by using it as an instrument for rewards, punishments and threats.
(b) To make decisions regarding salary increases and promotions.
(c) To place people to do the right kind of jobs.
(d) To identify the training and development needs of the employees.
These objectives though appearing very good suffer from a major disadvantage. That is, they are all, at least give the impression of having been framed from the "management" point of view rather than the 'employee' point of view. This is because there seems to be the following assumptions made in these objectives :

(a) Employee behaviour needs to be controlled and monitored by their bosses.

(b) Rewards, punishments and threats are mechanisms of controlling employee behaviour.

(c) Employee want mainly promotions and salary increments and therefore by using performance appraisals as a basis for them, employees can be motivated to give their best as they need to get good appraisal ratings.

(d) Their motivational levels are likely to be high when they do not know how their boss has rated them. This enhances the control value of appraisals.

(e) The boss is in a good position to rate the appraisee and he does not need any inputs from the appraisee.

(f) The appraiser alone can generate objective data about employee for placement and promotion decisions.
(g) Training needs can be decided through confidentially rated appraisals.

(h) The reviewing authority (normally two levels above the appraisee) is in a good position to moderate the appraisal ratings and decisions of the appraiser by virtue of his position and authority, and therefore may be able to bring in objectivity through his review.

(i) Assessment on a few standard dimensions like honesty, sincerity, drive, job-knowledge, dependability, leadership etc. is sufficient to know about an individual.

Unfortunately most of these assumptions are not true or only partially true. After reasoning out the rationale, TV Rao then lists the new objectives of performance appraisal. According to him the performance appraisal systems can serve the following purposes if designed properly and when the organisation's philosophy on human resources are positive and development oriented:

(a) Help each employee to understand more and more about his role and become clear about his function.

(b) Help each employee to understand his own strengths and weaknesses with respect to his role and functions of the company.

(c) Help in identifying the developmental needs of each employee with respect to his role and function.
(d) Help to increase communication between each employee and his supervising officer so that each employee gets to know the expectation of his boss from him and each boss also gets to know the difficulties of his subordinates and attempts to solve them; and thus they accomplish the tasks.

(e) Help to increase mutuality between each employee and his supervising officer so that every employee feels happy to work with the supervisor and thereby contributes his maximum to the organisation.

(f) Provide an opportunity for the employee for self-reflection and individual goal-setting so that individually planned and monitored development takes place.

(g) Play a role in helping every employee internalise the culture, norms and values of the organisation so that an organisational identity and commitment is developed throughout the organisation.

(h) Help in preparing employees for performing at higher levels by continuously reinforcing the development of behaviours and qualities required for higher level positions in the organisations.

(i) Create a positive and healthy climate in the organisation that drive people to give their best and enjoy in doing so.

(j) Assist in a variety of personnel decisions by generating data about each employee periodically.
Objectives of appraisal becomes important for designing the contents and formats of appraisal forms. With greater professionalisation many Indian organisations in both public and private sector are adopting elaborate performance appraisal systems in order to link performance specifically with individual growth and organisational rewards. Many organisations which have such systems are examining these anew, so as to make them more scientific and fair. In other words, more and more organisations are realising the significance of performance appraisal as a motivational tool. Consequently, a huge amount of effort and time is being expended to develop effective performance appraisal systems and improve the existing ones. In these efforts organisations are beginning to attach due significance to assumption and objectives of HRD and performance appraisal procedures.

4.3 Potential Appraisal

Performance appraisal system has always a dual objective viz. employees evaluation and employee development. Under HRD, the appraisal system lays greater emphasis on the development of employees rather than on their evaluation. This objective is better fulfilled by the potential appraisal system which tells about an employee's capability to successfully assume a new role in future. It is different from performance appraisal which tells about an employee’s present performance in his existing role. Potential appraisal is useful for managerial appointments.

Like performance appraisal, potential appraisal is also done by the employee’s superior who has had the opportunity to observe the employee for
sometime. Potential appraisal may be done either regularly (annually) or as and when some post falls vacant. It has been found that in practice, appraisal is more objective under regular potential appraisal system than under intermittent system. In the former system, the last part of the appraisal form generally deals with the potential appraisal. For example, Part III of Performance appraisal form of Maruti Udyog Ltd solicits information to assess the future potential and ability of the staff.

Udai Pareek and TV Rao (1981) have specified the undermentioned steps to be followed for a potential appraisal:

(a) Role description.

(b) Identifying the qualities (technical, managerial and behavioural) required to perform each of the functions under the role.

(c) Specifying the indicators of the said qualities viz. mechanism of judging those qualities.

(d) Organising the potential appraisal system.

(e) Giving feedback on potential appraisal for career development.

4.4 Confidentiality in Appraisal

One important issue in performance appraisal has to do with sharing or keeping secret the ratings on various items of appraisal report. While many organisations have a system of selective feedback to the employee, the general
policy is not to share the total report with the employee. There are many reasons for this. First and foremost is that each employee expects rewards if the report is better than average. Administratively that may not be possible. An organisation does not automatically reward employees if the reports are good, because some supervisors never give poor reports and because the standards of evaluation across supervisors differ. Secondly, very often supervisors pass the responsibility to top management by saying that while they did give good ratings to the employee, but the top management did not take that into consideration while rewarding him. Thirdly, giving rewards may not be the only objective of appraisal. Given these reasons, it is emphasised that an employee should not be shown the supervisory ratings and they should be kept confidential.

On the other hand, it is claimed that since there will always be differences between the supervisor and employee's perception of the subordinate's job performance, perhaps the employee should fully be aware of how he has been rated. In fact MBO technique was introduced to take care of this problem. Another system introduced is the self-appraisal. Even now in India, barring few progressive organisations which practice partial to fully open systems, most of the rest have partial to fully confidential system of appraisals.

As per Udai Pareek and TV Rao (1981), use of open appraisal system need a change of organisational culture and philosophy on human resources. For use of open appraisal systems the following conditions are essential:-

(a) Corporate management is committed to HRD in the organisation.
(b) It is prepared to make investments in terms of managerial time, a budget for training and some preparedness for job enrichment, rotation and such other programme to make organisational places of learning and make work places more enjoyable and contributing to development.

(c) There is already a reasonably good degree of openness and trust in the organisation and the management is interested for creating more openness and trust and building mutuality among employees.

(d) The organisation believes in developing a climate of openness, mutuality, trust and collaboration and is prepared to orient or reorient its employees through training and such other strategies to achieve these goals.

(e) The organisation believes that the development of human resources will contribute to the effectiveness and productivity.

4.5 Performance Counselling

The term Performance Counselling denotes the appraisal interview or performance discussion and something more. Performance counselling is an integral part of appraisal system, not only includes the appraisal interview which is done at the time of annual appraisal but the sessions undertaken in regular course of performances even when there are no problems. According to TV Rao (1984) 'it is advisable to have performance counselling discussion quite frequently depending upon the needs of each appraisee and the time availability of the appraiser'. Performance Counselling focuses on the entire performance
(tasks and behaviours) during a particular period rather than on a specific problem. However, specific problem may be discussed during counselling as a part of analysing and understanding performance patterns. In performance counselling the counsellor initiates the discussion as a part of appraisal system. It is different from clinical counselling wherein the client goes to a therapist for help on his own initiative and therefore, has a high motivation to solve his problems and improve his capabilities to deal with his environment.

Mirza S Saiyadin (1988) states that the main objective of performance counselling is to help an employee to overcome his weaknesses and to reinforce his strengths. In this sense it is a developmental process. Appraisal reports serve as spring board for discussion.

Counselling aims at development of the subordinate. As part and parcel of appraisal system it involves the following:-

(a) Help the subordinate to realise his potential.

(b) Helping him to understand himself - his strengths and weaknesses.

(c) Providing him an opportunity to acquire more insight into his behaviour and analyse the dynamics of such behaviour.

(d) Helping him to have better understanding of the environment.
(e) Increasing his personal and inter-personal effectiveness by giving him feedback about his behaviour and assisting him in analysing his inter-personal competence.

(f) Encouraging him to set goals for further improvement.

(g) Encouraging him to generate alternatives for dealing with various problems.

(h) Providing him with emphatic atmosphere for sharing and discussing his tensions, conflicts, concerns and problems.

(i) Helping him to develop various action plans for further improvement.

(j) Helping him to review in a non-threatening way his progress in achieving various objectives.

According to TV Rao (1984) counselling is a means and not an end in itself. Development does not occur just because there is counselling. Counselling could be an effective instrument in helping people to integrate with their organisation and have a sense of involvement and satisfaction. Apart from the skills of the Counsellor, the following conditions are necessary for counselling to be effective:-

(a) General climate of openness and mutuality.

(b) General helpful and emphatic attitude of management.
(c) Sense of uninhibited participation by the subordinates in the Performance Review process.

(d) Dialogic relationship in goal setting and performance review.

(e) Focus on work-oriented behaviour.

(f) Focus on work-related problems and difficulties.

(g) Avoidance of discussion on salary and other rewards.

4.6 Objectivity in Appraisal

All appraisal systems come fully equipped, with the built-in bug of human error.

---- Joseph Tripllician (1962)

It should be appreciated that even with the best of intention, it is unlikely that the performance appraisals can ever be made completely objective and accurate. One major reason is that we as human beings have limited information processing capabilities (Jack Fieldman, 1981).

An employee’s self-image, state in the work group, motivation, promotion, career opportunities, merit compensation and commitment to perform and improve, are all linked to the performance evaluation. Consequently, issues associated with the fairness, accuracy and use of performance appraisal results are very important. (Terry L Leap and Michael D Crino, 1989).
George S Odiome (1965) denounces all appraisal methods for their single inherent weakness that they lay emphasis on alikeness and conformity of human performance ignoring measurement of human values. All appraisal methods, according to him, are like quality control systems which force subordinates to conform to certain standards of physical performance without caring for human values which though far less tangible are essential ingredients in the whole process.

Mirza S Saiyadin (1988) while focusing on the reliability and validity of performance appraisal wonders 'how do we know whether what is appraised is what is supposed to be appraised'. As long as appraisal format and procedure continues to involve subjective judgement, this question cannot be fully answered, and perhaps will not be answered completely because no matter how objective a system is designed it will continue to be subjective. He also gives the following problems in appraisal, in not achieving the objectives:

(a) the supervisors have to play, simultaneously, the role of an evaluator and helper. It may be easy to find faults but perhaps difficult to correct them. They may not possess the skill to help employees' development. To avoid this psychological role conflict, often a safer course is not to give extreme ratings.

(b) Supervisors routinely fill the forms with stereotype answers. They do not pay much attention to the form and contents. This is one way to avoid creating problems and dealing with unsatisfied employees.
(c) Generally organisations pay no attention to train the superiors in the art of writing appraisal reports and many supervisors are not professionally ready to undertake this sensitive task.

Air Marshal S Kulkarni (1988) is of the opinion that lack of relevant and sufficient information could be a major impediment to an objective performance appraisal, particularly in situations when the appraisers and the subordinates do not work in close proximity or their functions are substantially different. He calls this as informational inhibitors to performance appraisal. The limitation is applicable to both the quality and quantity of informational input which is required for an objective appraisal. The situation is prevalent in those organisations where the operations are spread over a large area, operations are complex necessitating numerous specialisations, a large number of subordinates working under one superior and the appraisal of a large number of individuals is required to be carried out in a short span of time. In short, information inhibitors arise due to :-

(a) Lack of relevant information (about all attributes, characteristics and performance of the appraisee).

(b) Insufficient data or information.

(c) Inadequate analysis of the available information.

Dayal (1969) feels that generally supervisors fill up appraisal reports just before the deadline or after several reminders from the personnel department.
Objectivity suffers in either case due to lack of time. Considerable time gap exist between appraisal and feedback, making feedback untimely and ineffective.

Winston Oberg (1974) feels that personal judgement about employee performance is inescapable, and subjective values and fallible human perception are always involved. Formal appraisal systems, to the degree that they bring these perceptions and values into the open, make it possible for at least some of the inherent bias and error to be recognised and remedied.

In a survey conducted by TV Rao in 1978 in a large public sector company having confidential report form of performance appraisal, of the 588 officers surveyed, over 60% recognised that it is very difficult to have objective assessment in any form of appraisal because human factor is always involved.

A manager exercising professional judgement may be less interested in providing an accurate appraisal than in motivating or otherwise influencing the behaviour of subordinates. Interpersonnel dynamics are often more important to a harmonious and efficient workplace than an accurate appraisal for a particular subordinate. In addition, managers may stay away from having candidly accurate evaluations filled in an employee's permanent personal folder. An employee's motivation, commitment and possibly entire career may be adversely affected by such statements. These realities make it possible that no organisation, however hard it tries, will be able to eliminate political behaviour from the appraisal process. Such appreciation not withstanding, the appraisal process should not be also missed as merely another example of organisational politics. It is important to realise that performance appraisals will probably always reflect an element of
managerial discretion and that such discretion is not necessarily bad. (Dennis A Gioia and Henry R Sim Jr - 1987). William Weitzel (1987) also feels that limited discretion exercised by trained and responsible evaluators, will help to keep the performance appraisal system flexible, responsive and accurate. In spite of the human limitations on the objective processing of information and the political realities of the work place, it remains possible for performance appraisals to achieve a high level of fairness, accuracy and usefulness in business organisations.

4.7 Psycho-Social Factors and Errors & Bias in Appraisal

4.7.1 Psycho-Social Factors in Appraisal

Any appraisal system is centered round a group of human beings. Any group of persons working in a specific organisation is a part of a larger group and the external environment. No system is, therefore, devoid of the social and external influences which manifest themselves in the thinking and evaluation of the appraisee. The objectivity of the appraisal is affected by certain psycho-social factors which impinge on the thinking of the appraiser while making evaluation. These factors are as below:-

(a) Value System. The appraiser’s sense of values can be of two types i.e. the values acquired by him from his upbringing and his perception of the value systems of the organisation. These values may have an effect on his judgements. However, it is seldom realised that judgements based on value system derived at an earlier phase of time, may go wrong.
Superiors have to reorient and reshape their perception of these values to cover the generation gap and to update such values with the changes in the environment.

(b) Loyalty Concept. Loyalty as an attribute is defined as the degree of subordination of personal interests to those of the organisation and the degree of trust that an employee can live upto. However, loyalty is generally, though mistakenly, viewed as enjoying and sharing common views, objectives, interests and emotional needs. Thus, those subordinates who have similar interests, values and needs as those of the boss might be considered more loyal than others. These needs, interests and values could be personal, professional, social and psychological. With the manifestation of mistaken loyalty based on these factors, an appraiser may tend to judge his subordinates by the extent to which they identify with and conform to his own needs, values and objectives.

(c) Inter-personal Relationships. It is a common belief that any appraisal is ultimately a reflection of the inter-personal relationship between the appraiser and the appraisee. While it is neither possible nor desirable for a superior to completely dissociate or detach himself from personal relationship with the subordinate, the superior does get influenced in his judgement as a result of this inter-personal relationship. Basically inter-personal relationships emerge from personal needs. These are usually affected by the psychological make-up of the superior and the subordinate, as well as, the situational influences. Whenever an inter-personal relationship matures, there develops a mutual emotional bond
between the superior and subordinate. Emotions invariably cloud the judgement. In such a situation there is a tendency to rationalise or ignore the weaknesses and faults of subordinates who are close to the superior. The real worth of their performance thus gets distorted.

(d) **Superior's Dominant Work Orientation.** Based on their upbringing, maturity and experience, different supervisors adopt and manifest a particular type of approach to the work situation and the priorities they hold in their mind. They have a tendency to evaluate others' performance on the criteria of their own priorities or dominant work orientation. Thus, a superior with a dynamic work orientation may rate only such subordinates high as are innovative, creative and full of ideas or action. A supervisor with static work orientation would value those subordinates' performance high who conform to the prescribed rules and regulations and seldom transgress/violate them. A status oriented supervisor will lay undue emphasis on the status and role relationships and will rate a submissive and conforming subordinate high. Any dominant work orientation of the supervisor will create distortions in the appraisal of the subordinates.

(e) **Large Differences in the level of Achievement of the supervisor and the subordinate.** When the superior and the subordinate differ widely in their own levels of achievement, the appraisal process might suffer due to one or more of the following factors:

(i) Fixing of expected levels of performance.
(ii) Limiting the aspiration level of subordinates.

(iii) Restricting the evaluation of subordinates to superior's own level of achievement.

(iv) Creation of hostility feelings between the supervisor and the subordinates, if the subordinate has superior achievement and the superior has low self esteem. Such hostility feelings distort the appraisal.

(f) Lack of Communication. Lack of adequate communication between the superior and the subordinate often results in distorted appraisal. This distortion is all the more pronounced when inadequate communication leads to different perceptions of the goal. Any performance appraisal system is concerned with the goals and when the goals and targets are not clearly defined or perceived, either by the appraiser or by the appraisee, the appraisal is liable to be vague and distorted. Goals need to be defined on four dimensions i.e. in terms of quantity, quality, time and process. Then, they are to be communicated. When these dimensions are not clarified, appraisal becomes difficult and subjective.

It is imperative that an appraiser understands these psycho-social factors and the resultant effect on evaluation of others, so that the appraisal work can be done in an objective manner.
4.7.2 Errors and Bias in Appraisal

Appraisal of performance and behaviour is a function of human judgement. Human judgement is all too often subject to the influences of bias, prejudices and other subjective and extraneous factors. The problem of obtaining objective and accurate assessment uncoloured by these influences becomes difficult. The resultant errors in appraisal are broadly classified as (a) Constant Errors and (b) Rater Errors. However, it is helpful if the appraiser is aware of these likely errors in appraisal and take precaution against them to make the evaluation objective.

(a) Constant Errors. Constant errors are those which result from some systematic bias on the part of the appraiser. These are discussed below:-

(i) Errors of Leniency/Harshness. Every appraiser tends to carry around his own built-in standard or frames of reference which he uses in making performance appraisal judgements. While using their individual frames of reference, some appraisers might be lenient while others might be strict or harsh. The major problem then is to equate different appraisers for differences in their standards so that their ratings can be compared. This error can be reduced by :-

- Referring to the definitions of attributes to be rated while giving gradings
- Referring to the graded description of performance/behaviour on different grades of the scale

- Forced distribution of gradings on different points on scale on the pattern of normal distribution. This is useful when the appraisees are large and will ensure judicious use of all points in the rating scale.

(ii) **Halo Effect.** This error is the tendency to let the assessment of one attribute influence the evaluation of that person on other specific attributes. It is likely to occur in the following types of attributes:

- Attribute not easily observed.
- Unfamiliar attribute.
- Attribute not easily defined.
- Attributes involving inter-personnel relations.
- Character attributes.

The remedy lies in being aware of the error and to rate different subordinates attribute-wise, instead of rating the same appraisee on all attributes together. This error can also be avoided by referring to relevant considerations for each attribute while making evaluation.
(iii) **Logical Rating Error.** A logical error is one in which a rater tends to give a subordinate a high score on one specific attribute, simply because he feels that the subordinate possesses a lot of the second specific attribute and the two attributes are logically related. The true relationship between the two attributes is thus overestimated. The remedy against this error lies in evaluating each attribute independently.

(iv) **Contrast and Similarity Error.** In a contrast error, there is a tendency on the part of the rater to judge others in a manner opposite to the way in which he perceives himself. Thus for example, if he perceives himself as very honest, his tendency would be to rate others slightly lower than his perceived self on 'honesty' variable. The opposite of contrast error is the similarity error in which the appraiser rates others in the same way as he perceives himself. Thus a rater who feels himself to be very honest would attribute high honesty to all other individuals as well. Raters should be aware of the fact that they have to rate others and not themselves.

(v) **Central Tendency Error.** In some cases there may be reluctance on the part of raters in making extreme judgements about others when these are observed. This results in their sticking to the central portion of the rating scale. This kind of error causes a restriction on the usable range of rating scale. The remedy against this error lies in the raters learning to discover and discriminate
between different shades of performance and overcoming their reluctance against giving extreme ratings to those who deserve. Another remedy lies in adopting forced distribution as per statistical norms.

(vi) **Proximity Error.** This error emanates from the way in which various attributes have been listed on the appraisal form. The error results from the influence of the rating on preceding attribute on the rating on the following attribute. The common procedure for minimising this error is to have the attribute rated one at a time in isolation from each other.

(b) **Rater Errors.** Rater Errors are those which are unsystematic or random. These errors arise from many causes based on the personality of the rater, his growing in the organisation, his experience, maturity and character. These errors manifest in the shape of prejudices and bias about which the appraiser is often not conscious or aware. There is no consistent or systematic method to cope with these errors. However, a high degree of awareness on the part of appraiser can help in steering clear of the many factors within his personality which hinder objective assessment. Some of the common rater errors are given below:-

(i) **Stereotyping.** Some raters suffer from a feeling that certain class of people, persons from one's own community, religion, caste or state are superior to others. Thus he, forms in his own mind a stereotype of group and aligns the appraisee with one of the various
stereotypes he has formed in his mind about various groups. This is the worst type of bias an appraiser can suffer from. He must realise that in any group there will be some who would be outstanding or very good in performance while there would be some others who deserve lower rating.

(ii) Work Preferences and Work Methods. Some appraisers place a premium on a particular duty in preference to other duties in the job and then tend to judge the appraisee on the performance of that duty alone rather than his overall performance in various fields. Again some appraisers have a conscious preference for subordinates whose method of work is similar to their own. Such a bias often leads to erroneous judgement.

(iii) Evaluation on the basis of Past. A common bias on the part of some appraisers is to judge an appraisee's performance based on some interaction in the past or his previous record and reputation. To prejudge a subordinate on the basis of old incident is wrong, for the subordinate may have matured or sobered during the intervening period. To go by past record or reputation implies turning a blind eye to the appraisee's current performance and also one's own current judgement.

(iv) Recency Effect. Some appraisers are likely to be influenced disproportionately by the performance of the appraisee in the period immediately preceding the report writing period, thereby ignoring the performance for the past 8 to 9 months. Such a bias
can also occur if the appraiser gives undue importance to some single instance of good or bad work and thus makes assessments disproportionately of performance during the whole period of the report.

(v) **Extent of work/Non-work contact.** Subordinates who have greater work contact may be judged differently from those who have less contact. As a corollary to it, subordinates who have more non-work contact with the appraiser may be judged differently from those who have less contact.

(vi) **Incorrect Logical Deductions.** An appraiser may be favourably biased towards a subordinate who sits late in the office and thus is considered hardworking. Such a deduction, though appears to be logical may not be correct, for this subordinate might be inefficient and incompetent to finish the work in time while the others can. While assessing such subordinate, the appraiser should take into account the quality, quantum, the nature of work and the time frame and then make a balanced assessment.

(vii) **First Impression.** A strong factor which may bias an appraiser is the impression gathered on the first encounter with the subordinate when he joins the new appointment. Such impressions are usually very strong and lasting but often not very correct. Hence the appraiser should not give them undue importance.
(viii) **Social bias.** Social standing of the subordinates in work and non-work areas may bias the appraiser in his assessment. Subordinates with similar socio-cultural background may be judged differently from subordinates with different background and this may hinder objective assessment. An effort should be made by the appraiser to develop a feeling of detachment while evaluating his subordinates.

(ix) **Extraneous considerations.** Non work related opinions, attitudes and contact of subordinates may influence the appraiser in his judgement and the appraiser should guard against this.

(x) **Power Equation.** Where a subordinate has influence at higher levels than that of the appraiser he might use his influence to get a better report for himself. The appraisee should be courageous enough to remain unconcerned by such pressures. Some appraisers may even be carried away on their own by such a 'power-equation' but if they do so they would be deviating from the path of 'objective appraisal'.

(xi) **Consistency bias.** If an appraiser has rendered an earlier report on the appraisee, he may hesitate to make any major deviations in his assessment from the previous report for the fear of contradicting himself even though his opinion may have changed genuinely due to the improved or deteriorated performance of the appraisee during the period of report. This bias towards maintaining consistency
over consecutive periods of report is not borne out by logic. A human being is a dynamic person and has the potential and tendency to change in different periods of time due to changed environments whether social or psychological.

(xii) Suffered Boss Syndrome. Appraisers who have suffered rightly or wrongly, due to their own appraisal reports some time tend to compensate their frustration by giving inflated report to their subordinate, regardless of merit and objectivity. Some superiors, on the other hand, may direct their frustration into victimising their subordinates. Similarly, subordinates who have been overlooked for promotion earlier may either be given inflated reports as a token of sympathy or they may be under-assessed because of bias due to the supersession. Such pitfalls need to be carefully avoided by an objective and unbiased assessor.

(xiii) Personality Bias. There is often greater stress on the man, on his personality rather than on his performance, though the two are separate. An objective assessor should learn to distinguish between the two.

4.8 Managerial and Behavioural Dimensions

It is imperative that any managerial performance appraisal system should have the assessment of managerial and behavioural capabilities as an integral part of it. In a development oriented appraisal system performance ratings are
not the ends in themselves. They are some of the instruments that aid the process of development. Hence, these dimensions should be identified and incorporated in the appraisal form with a view to generate data for developmental purposes. A list of such dimensions taken from the appraisal formats used by different organisations in India are presented below:

1. Planning Ability
2. Organising Ability
3. Coordination
4. Supervision
5. Leadership & Dynamism
6. Initiative
7. Resourcefulness
8. Creativity and imaginativeness
9. Development of subordinates
10. Contribution to team spirit
11. Analytical Abilities
12. Delegation
13. Public Relations
14. Sociability
15. Self-Confidence
16. Decision Making
17. Cooperativeness
18. Flexibility
19. Problem Solving
20. Risk Taking
21. Ability to motivate subordinates
22. Conflict Management
23. Communication Skills (oral & written)
24. Perseverance
25. Hardwork
26. Integrity
27. Drive
28. Empathy
29. Assertiveness
30. Originality
31. Concern for Others

(TV Rao, 1986)

4.9 Appraisal Format

In order to achieve the new objectives of Performance Appraisal, the appraisal format, as suggested by TV Rao (1989), should have the following components:

(a) Identification of KPAs, and target setting through periodic discussion between each employee and boss.

(b) Identification of qualities required for the present and future jobs (higher level) in the Company.

(c) Self appraisal by the appraisee.
(d) Performance Analysis by the appraisee to identify the factors that have facilitated and factors that have hindered the performance.

(e) Performance discussion and counselling to understand each other and assist each other.

(f) Identification of training needs.

(g) Action planning and goal setting for future.

(h) Final Assessment by the supervising officer for administrative purposes.

4.10 Uses of Performance Appraisal Information

Effectiveness of Performance Appraisal system depends to a great degree on how well the data generated by the system are utilised both for organisational needs and for individual needs. According to TV Rao (1984), appraisal data can be used for development decisions, as well as, for personnel management decisions. The Development decisions can be:

(a) Organising company’s training programs.

(b) Sponsoring individuals for external training including advance training in inland and abroad.

(c) Job rotation.
(d) Career Development.

(e) Delegation of authority.

The Personnel Decisions (also called administrative decisions) can be:-

(a) Performance rewards viz. salary increases, outstanding performance awards, appreciation letters/certificate, announcement in newsletters/internal journal etc.

(b) Placement and transfers.

(c) Promotions.

(d) Change of duties.

Terry L Leap and Michael D Crino (1989) has stated another three important uses of appraisal information. They are:-

(a) Performance Feed back.

(b) Validation of selection programs.

(c) Source of documentation for formal grievances that are filled in connection with employee disciplinary actions.
4.11 Essentials of a Good Appraisal System.

According to PC Tripathi (1997) the following are the essentials of a good appraisal system:

(a) It must be easily understandable.
(b) It must have the support of all line people who administer it.
(c) The system should fit the organisation's operations and structure.
(d) The system should be both valid and reliable.
(e) The system should have built-in incentive.
(f) The system should be open.
(g) The system should be participative.
(h) The system should focus more on the development and growth of employees.
(i) The system should be periodically evaluated to be sure that it is continuing to meet its goals.

As per TV Rao and Udai Pareek (1978) an effective appraisal system should be based on:-
(a) Clarity of roles and responsibilities.

(b) Periodic Goal Setting.

(c) Annual or periodic assessment of performance in terms of such goals.

(d) Analysis of the achievement of these goals and identifying facilitating and inhibiting factors, in relation to the achievement of goals and development of action plans for overcoming inhibiting and strengthening facilitating factors.

(e) Periodic review of behaviour which contributes to managerial effectiveness and working out action plans for developing such behaviour.

(f) Identification of developmental needs and preparing plans for employee development through training and related activities.

(g) Implementation and review.

4.12 Making Appraisal Effective

ML Monga (1963) insists that the appraisal process should concentrate on the following :-

(a) the job

(b) the organisational environment

(c) the individual.
Their interplay is depicted through Diagram 4.2.

ML Monga further states that in view of the dynamics involved in the appraisal, especially the role and situation, the problems can be condensed into four major areas relating to:

(a) Design of existing formats.
(b) Subjectivity in appraisals.
(c) Non-participation.

(d) Implementation problems.

These are likely to dominate the appraisal process wherever it is based on formats biased towards traits approach. All these problems are inter-dependent and inter-related and their cumulative effect is that they are likely to produce goal ambiguity, which may result in lack of responsibility, challenge and performance for the individuals governed by such a system. These contribute negatively to the appraisal effectiveness on one hand and organisational effectiveness on the other. Their interplay is depicted in diagram 4.3.
Diagram 4.3: Formats Contribution to Appraisal

- Existing Formats
  - Goal Ambiguity
    - Subjectivity in Appraisal
    - 1. Lack of Responsibility
    - 2. Lack of Challenge
    - 3. Lack of Performance
    - Non-Participation in Appraisal
  - Implementation Problems
    - Appraisal Effectiveness
A study by Clinton O. Longenecker and Stephen J. Coff (1992) has brought out the causes of ineffective appraisals. The summary of the response on the subject from Managers and subordinates are given below in Tables 4.2 and 4.3 respectively:

Table 4.2: Top Ten Causes of Ineffective Performance Appraisal - Managerial Perspective

<table>
<thead>
<tr>
<th>The Managerial Perspective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lack of information on subordinates’ actual Performance</td>
<td>65.5 %</td>
</tr>
<tr>
<td>2. Employee defensiveness/bad attitude</td>
<td>56.6 %</td>
</tr>
<tr>
<td>3. Taking insufficient time to prepare</td>
<td>52.2 %</td>
</tr>
<tr>
<td>4. Not being honest with the subordinate</td>
<td>46.0 %</td>
</tr>
<tr>
<td>5. Unclear standards by which to judge performance</td>
<td>36.3 %</td>
</tr>
<tr>
<td>6. Lack of skill/insufficient rater training</td>
<td>32.7 %</td>
</tr>
<tr>
<td>7. Process not taken seriously by superiors</td>
<td>26.5 %</td>
</tr>
<tr>
<td>8. Insufficient resources to reward performance (money/promotion)</td>
<td>18.6 %</td>
</tr>
<tr>
<td>9. Unrealistic expectations on the part of the subordinates</td>
<td>16.8 %</td>
</tr>
<tr>
<td>10. Lack of employee involvement in the process</td>
<td>13.3 %</td>
</tr>
</tbody>
</table>
Table 4.3: Top Ten causes of Ineffective Performance Appraisal - Subordinates' Perspective

<table>
<thead>
<tr>
<th>The Subordinate Perspective</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Process not taken seriously by the managers</td>
<td>57.4%</td>
</tr>
<tr>
<td>2. Unclear performance standard/subjective ratings</td>
<td>51.6%</td>
</tr>
<tr>
<td>3. Manager has insufficient knowledge of subordinate's performance</td>
<td>49.0%</td>
</tr>
<tr>
<td>4. Lack of on-going performance feedback</td>
<td>40.6%</td>
</tr>
<tr>
<td>5. Manager lacks sincerity / honesty</td>
<td>39.4%</td>
</tr>
<tr>
<td>6. Manager not being prepared</td>
<td>36.1%</td>
</tr>
<tr>
<td>7. Ineffective discussion of employee development</td>
<td>30.9%</td>
</tr>
<tr>
<td>8. Managers lacks skills in doing appraisals</td>
<td>25.2%</td>
</tr>
<tr>
<td>9. Too much criticism / negativism</td>
<td>20.6%</td>
</tr>
<tr>
<td>10. Unclear / ambiguous language</td>
<td>18.7%</td>
</tr>
</tbody>
</table>

The Research suggests that having a technically sound appraisal system and procedure is no guarantee that the process will be effective. To be effective, Clinton O Longnecker (1992) suggests that managers and subordinates must have a shared perception of the purposes and functions of the process and a shared belief that it is useful to them on an individual basis. Thus an effective appraisal system is one that satisfies the needs of the parties involved in the process. In
addition, the system to be effective, managers must have not only the skills necessary to conduct effective appraisals but also the willingness to do so.

As per Diboye RL and dePontbriand (1981), performance appraisals have been characterised by employees as acceptable fair and effective when:-

(a) opportunities to challenge or rebut evaluations exist.
(b) two-way communication is encouraged.
(c) raters are familiar with the work of subordinates, and
(d) there is a consistent application of performance standards.

According to Niazi (1979) there are three elements involved in any appraisal process. These are administrative matters related to appraisal, appraisal itself and identification of potential. According to him there is a need to delink them from each other.

As per TV Rao & Udai Pareek (1978) the following actions need to be taken for smooth implementation and maintenance of the performance appraisal system :-

(a) Training of employees in the working of the Appraisal System.
(b) Encouragement to officers and managers to be innovative in exercising performance review and in feedback sessions.
(c) Training of raters to reduce bias and differences in perceptions.

(d) Communication of bias (such as 'too liberal' or 'rather liberal' etc) to raters to improve their rating abilities.

(e) Adjustment in personal records to correct such bias, through statistical procedures.

(f) Periodical statistical procedures.

(g) Stress on a positive relationship between performance and rewards.

Mirza S Saiyadain (1988) suggests the following steps to improve the appraisal system and make it more effective:

(a) The supervisors should be told that performance appraisal is an integral part of their job duties and that they themselves would be evaluated on how seriously they have taken this exercise.

(b) To help them to do this task well, they should be provided systematic training on writing performance reports and handling performance interviews.

(c) Conduct job evaluation studies and prepare job descriptions/roles and develop separate forms for various positions in the organisation.

(d) Design the system as simple as possible so that it is neither difficult to understand nor impossible to practise.
(e) Follow-up is to be maintained after performance interviews.

(f) The appraisal system should be reviewed every now and then and updated.

Patz (1975) suggested four basic steps for effective form of Performance Appraisal as below :-

(a) keep it simple by having fewer categories of rating.

(b) keep it separate from rewards and promotion.

(c) keep it contained by restricting it to appraisal of past performance and an estimate of potential.

(d) keep it participative by giving due weightage to the subordinate’s point of view.

Wayne F Cascio (1986) lists relevance, sensitivity, reliability, acceptability and practicability as the requirements of an effective appraisal system. For years, personnel specialists have searched for the ‘Perfect’ appraisal method as if it were some kind of miraculous cure for the many pitfalls that plague performance appraisal in organisations. Such a method does not exist. In tomorrow’s world of work, far more emphasis needs to be placed on the ‘process issues’ in appraisal, such as, rater-ratee acceptability of the system, participation in the process for setting standards and rater training in behaviour observation and feed back. Factors such as appraisal purpose, timing and
frequency are no less important. In sum, performance appraisal is a dialogue involving people and data; both technical and human issues are involved. Neither can be overemphasised at the expense of the other.

A brief summary of the literature tells that a performance appraisal system must address itself not only to the organisational needs but also to the needs of individuals. It must follow a humanistic and not merely a legalistic or mechanistic approach. It must blend organisational needs with individual needs and need not over emphasise performance evaluation but potential for development too. It should provide opportunities of participation to individuals governed by it for nobody enjoys being rated only by his superior. Opportunities to provide self-feed back in the form of appraising of own performance leads to satisfaction. Frequent and accurate feedback enhances the level of performance. Wide spreadover of appraisals at times causes tension and complicate the process. Therefore it is opined that strategies for designing effective appraisal system must focus on behaviour, format and processes simultaneously (AL Monga, 1983).

4.13 Appraisal System and Linkage to other functions of Personnel Management

A close linkage is desirable between the appraisal system and other essential functions of personnel management in any organisation. These linkages as described by Air Marshal S Kulkarni is given in Diagram 4.4. He observes
Diagram 4.4: Appraisal System and Linkage to other
Functions of Personnel Management
that inadequate linkages of the appraisal system with other tasks of personnel management is ‘One of the least highlighted shortcomings in the present appraisal system’. Needless to emphasize that optimal benefit from a system could only be obtained if the required linkages are structurally inter-woven. This needs to be kept in mind if organisations want appraisal systems to be effective and useful.

4.14 Appraisal Practices in Indian Industries

According to PC Tripathi (1997) the systematic assessment of employee’s performance is a comparatively recent development in India. As per YK Shetty (1970) in a study of 36 firms in 5 major industrial towns in India conducted in 1965 by AR Nagandhi and Bernard Estafen, it was found that only 21 units used a formal and systematic personnel appraisal programme in respect of white collared employees. The number for blue-collared employees were even less. Others had no formal system of appraisal. Rewards and punishments in all other organisations were entirely based on the impressions of supervisors and top management. The various uses to which the performance appraisal programme were put to is given in Table 4.4.

As a result of yet another survey of performance appraisal practice of 82 organisations in India in 1968 and a resurvey of 49 of these organisations in 1976 done by Prof Malathi Bolar, it was revealed that performance appraisal continued to be used in a large number of organisations for controlling employees rather than for developing them. There was complete absence of counselling or appraisal interview with the ratee. Very little feedback was given to him and he
was left in the dark as to how he was doing and what he could do in the future. This generally increased his anxiety, lowered his morale and had reduced his commitment to work.

Table 4.4 : Purposes of Personnel Appraisal Programme

<table>
<thead>
<tr>
<th>Purpose</th>
<th>White Collar Workers</th>
<th>Blue Collar Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No of Cos</td>
<td>%</td>
</tr>
<tr>
<td>Total companies with formal appraisal</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>1. Determining wage increase</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>2. Promotion &amp; Transfer</td>
<td>16</td>
<td>80</td>
</tr>
<tr>
<td>3. Discovering Supervisory Personnel</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>4. Establishing Training needs</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>5. Informing the employee where he stands</td>
<td>5</td>
<td>25</td>
</tr>
</tbody>
</table>

In a few progressive organisations, however, the performance appraisal system has lately moved from the personality/behavioural traits approach to that of linking up performance with either goal-setting or management by objectives. It was around 1976 that the National Productivity Council set up MBO in Indian industries in the private and public sectors. The team visited a number of
companies in different industries in the country and collected histories of a textile mill, a cigarette factory, a chemical firm, a light engineering unit and a company marketing fertilisers and animal feedstocks. On the basis of its study, the team highlighted the importance of the two prerequisites for the success of MBO programme viz. firm commitment of top management to the philosophy and an outside adviser in the initial period to reconcile the differences between managers at various levels regarding goals, standards, priorities etc. Some of the important Indian organisations who have introduced MBO are:

(a) Glaxo Laboratories Ltd., Bombay
(b) Hindustan Lever Ltd., Bombay
(c) Indian Tobacco Co Ltd., Calcutta
(d) Imperial Chemical Industries (P) Ltd., Calcutta
(e) Union Carbide of India Ltd., Calcutta
(f) Bharat Heavy Electricals Ltd., Trichy
(g) Indian Aluminium Co Ltd., Alwaye
(h) Madura Mills Ltd., Madurai

In the last two decades many organisations have reviewed and changed their executive appraisal forms. Some others are actively involved in changing them. For example, Sundaram Fasteners, Bajaj Auto, Voltas, Sundaram Clayton, Crompton Greaves, Indian Oil, Bank of Baroda, Eicher, SBI, L & T, SAIL, IDBI, NDDB, BHEL, ITC, IFFCO and NTPC are some of the organisations that attempted substantial changes at some time or
the other. Even Indian Airforce has gone for a review of their appraisal system and introduced a new one in 1998.

Interestingly, a large number of these organisations are PSUs. Almost all of them have given a developmental thrust to their appraisal systems. Unlike the confidential report systems used in the past, the new systems in most cases were intended to help executives plan their performance systematically every year and review it at the end of the year (including mid term reviews in some cases). Employee participation in the appraisal process is sought to be increased by making the appraisee play an active role in planning his own performance (through KPA, KRA, work Plans, tasks, targets, key contribution activities etc) and by a dialogic process of review with the appraiser. Self appraisal is used as an essential step before final review by the appraiser. Even training and development needs are to be identified jointly by the appraisee and appraiser in most cases.

Deepti Bhatnagar (1991) feels that though many Indian organisations have started realising the significance of HRD and a number of organisations are in the process of introducing scientific performance appraisal systems. Performance counselling which should form an integral part of such systems, has largely been ignored.

According to TV Rao (1984), performance appraisal practices in Indian organisations are quite varied. They vary from almost ‘no appraisal’ to a ‘sophisticated multipurpose, multi-component based appraisal systems’. In some of the small and medium sized organisations it is not uncommon to find that there
are no formal mechanism of appraising performance. Informally appraisal reports are given by senior officers to the top management. At the time of promotion decisions, top management takes the views of appraisers into consideration. At the other extreme, there are organisations that have performance appraisals that aim simultaneously at different objectives like the data generation for personnel decisions like rewards, promotions, job-rotation, transfers etc. and for creation of new organisational culture of openness, trust, mutuality, etc and generation of enabling capabilities and employee development on the job etc and use different components (KPAs, objective setting, managerial and behavioural dimensions, self assessment, performance analysis, counselling, identification of training needs, etc). A good example of such a system is the one followed by Larsen & Toubro Ltd and SBI and its associate banks. Between these two extremes, on one side are organisations having ACRs (Annual Confidential Reports) which take into consideration only certain traits to be shown by the employee (e.g. sincerity, punctuality, hard work, appearance, leadership, drive, loyalty etc) and ignore fully the job-related accomplishments of the employees. On the other side of the continuum are organisations that have semi-confidential formats and that require the appraisee to state his accomplishments, and that take into account such statements of the appraisee for final assessment by the boss which is on work-related dimensions, as well as, behaviours of the employee and that require the appraiser to discuss with the appraisee before his final assessment.

Most of the government departments fall into earlier category whereas forward looking private companies and PSUs tend to fall in the latter category. In between these two sets, there are again organisations having appraisals with
various degrees of sophistication. Some have performance-cum-trait based confidential report format, whereas, some others have performance-cum-trait based appraisals open to the appraisee for discussion and require him to make his comments before they are sent to the reviewing authority and then to the Personnel Department. In our defence services, the Indian Airforce falls into the former category while the Indian Army falls into the latter category for their officers' appraisal.

TV Rao (1982) in a survey of appraisal practices conducted in 45 different organisations (34 private and 11 public sector) observed that about 50% of the organisations seem to profess the purpose of their appraisal as regulating employee behaviour as well as developing employee capabilities. About 30% of them still use appraisals only for controlling and regulating employee behaviour whereas only about 10% seem to use appraisals mainly for development purposes.

Banking services is one sector in India where a great degree of attention is being paid to performance appraisal systems. Several of the nationalised banks have changed their performance appraisal system. SBI and its associate banks have gone in for a development oriented system.

According to Udai Pareek and TV Rao (1981), Indian organisations are yet to focus their attention on potential appraisal. Systematic appraisal is a time consuming activity and few organisations have incorporated potential appraisal for managerial qualities. In India Crompton Greaves first had taken a step to develop a proper potential appraisal for their senior executives for higher level
promotions. The need for having a separate potential appraisal system is being felt slowly in many Indian organisations. While some have started introducing this, it may take sometime to come in practice.

4.15 New Trends

Douglas McGregor (1973) implies a more positive approach in performance appraisal by shifting the emphasis from ‘appraisal’ to ‘analysis’. No longer is the subordinate being examined by the superior so that his weaknesses may be determined, rather he is examining himself, in order to define not only his weaknesses but also his strengths and potentials. McGregor also insists that the accent is on performance on actions relative to goals. There is a less tendency for the personality of the subordinate to become an issue. The superior, instead of finding himself in the position of a psychologist or therapist, can become a coach helping the subordinate to reach his own decisions on specific steps that will enable him to reach his targets. McGregor feels that the superior will gain real satisfaction as he learns to help his subordinates integrate their personal goals with the needs of the organisation, so that both are served.

TV Rao (1991) emphasises that it is high time that organisations move away slowly from ‘appraisal’ culture to a planning, reviewing and developing culture. To him the phrase ‘Performance Appraisal system’ should be replaced in spirit and word by ‘Performance Planning, Analysis and Development system’. Having realised performance appraisal as an important technique or tool in the context of HRD function, a large number of organisations have reviewed their managerial appraisal system. The new systems indicate a shift from the traditional judgmental process to a participative process. A comparison of the
old and the new aspects in the changing trend of appraisal system is indicated in Table 4.5.

Table 4.5: Trends in Appraisal

<table>
<thead>
<tr>
<th>Factor</th>
<th>Former Emphasis</th>
<th>Present Emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Terminology</td>
<td>Annual Confidential Report</td>
<td>Performance Planning Analysis and development system</td>
</tr>
<tr>
<td></td>
<td>Merit Rating</td>
<td>Performance Planning Review and Development System</td>
</tr>
<tr>
<td></td>
<td>Performance Appraisal</td>
<td></td>
</tr>
<tr>
<td>2. Purpose</td>
<td>Pay Increase, Promotion, Transfers etc</td>
<td>Development of the Individual</td>
</tr>
<tr>
<td>3. Application</td>
<td>Only low level Staff</td>
<td>Applicable for Technical Professional and managerial Staff</td>
</tr>
<tr>
<td>4. Factors of Rating</td>
<td>Mostly personality traits</td>
<td>Results, Performance accomplishment of tasks/targets, potential development</td>
</tr>
<tr>
<td>5. Method</td>
<td>Fully Confidential / partially confidential</td>
<td>Fully open or partially open</td>
</tr>
<tr>
<td>6. Emphasis</td>
<td>Judgmental process only by the superior</td>
<td>Participative process by both the superior and appraisee</td>
</tr>
<tr>
<td>7. Post-appraisal interview</td>
<td>Superior seek appraisee to confirm to his views</td>
<td>Superior gives feedback and helps the appraisee</td>
</tr>
<tr>
<td>8. Performance Counselling</td>
<td>Arbitrary</td>
<td>Compulsory</td>
</tr>
<tr>
<td>9. Training &amp; Development</td>
<td>Identified by the Boss</td>
<td>Jointly identified by the superior and subordinates</td>
</tr>
</tbody>
</table>
There is a great degree of awakening taking place in the managerial world about the potential uses of performance appraisals. The role they can play in developing employee capabilities, creating an open culture, strengthening superior-subordinate relationship, developing process skills and paving way for increased managerial and organisational effectiveness is being slowly recognised. Unlike in the west where training is perceived as the most important mechanism of developing employee, in India appraisal systems are being recognised as an equally (and sometimes a much more) potential tool for development. In coming years, there is likely to be more and more experimentation with new appraisal systems that contribute to improvements in the quality of work life, as well as, to the development of human resources. The seeds have already been sown at several places.