Chapter 1

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1.1.1 PERFORMANCE APPRAISAL SYSTEM

It is one of the most crucial, productive aspects of performance management for various decisions with regard to promotion, transfer, increment, training, and development is based on it. It is a periodic process of evaluating or assessing the efficiency and performance of employee in term of job requirement. A comprehensive, balanced and effective development oriented appraisal system is essential requirement for achieving high level of motivation and satisfaction among the members of an organization. Thus performance appraisal assists the organization in the achievement of its goal and objectives.

In an organisation which employs people to achieve its task and objectives, the employees have to perform. It is a basic need of a human being who would like to know how he is performing, what his superiors think of him and his work, what his organisation expects from him, how far he is contributing to the organizational goals and objectives, and if he is doing well, what rewards does he receive for his performance. The organisation has to develop a system to find answers to these questions on the one hand and on the other it has the responsibility to identify the potential, strengths and weaknesses of its employees and accordingly develop them for their optimum utilization.

Appraisal of performance is an important tool in the hands of the superiors to assess their subordinates. It is a systematic evaluation of an employee by some other
qualified person who is familiar with the employee's performance. It is also an important prerogative in the hands of the seniors which the subordinate respects.

Performance appraisal provides a linkage between the organisation and the person, through a process of enabling him/her to determine the kinds of specific contributions, which she/he would be making for the achievement of the organizational goals and objectives.

1.1.2 HISTORY OF PERFORMANCE APPRAISAL

The history of performance appraisal system can be traced back to as early as the third century A.D.

It is believed that formal appraisal of an individuals performance began in Wei dynasty (A.D.221-265) in China with an Imperial ratter appraising the performance of members of the official family.

People also believe that the performance appraisal system was probably started with the east India Company that started to keep some kind of record in the form of confidential roll (C.R.); government organisations still continue to have the word C.R. for the confidential report of their employees.

Employee evaluation or appraisal techniques are believed to be first used during World War I when, at the instance of Walter D.Scott, the U.S. Army adopted the man to man rating system for evaluating military personnel. Subsequently during 1920s, the adopted policy was of giving grade wage increments to hourly paid workers in industrial
units on the basis of merit. After 1950, attention was drawn towards the performance appraisal of professional, technical and managerial personnel. Performance appraisal philosophy witnessed drastic changes in recent years. Now the personnel appraisal on the development of the individual and evaluates professional, technical and managerial employees. On the other hand, merit rating—the older term is restricted to a large extent to the evaluation of hourly paid employees and is used quite often for developing the criteria for wage adjustments, promotions, transfers, e.t.c. At present, it is a common practice to use the term 'performance appraisal' instead of any other terminology.

As far as the use of appraisal system for managerial personnel in Indian industries is concerned, researches reveal that Union carbide had such a system in operation as far back as 1940. The Tata Iron and Steel Company (TISCO) and Volta’s introduced such systems in 1953 and 1954 respectively. Public enterprises which were established after independence had a confidential reporting system almost from their very inception and this was an extension of the government practice in respect of civil servants.

Locher and Teel (1988) Performance appraisal system was more widespread in western countries. USA increased from 89% of organisations (1970) who adopted this system to 94% by the mid of 1980. It was widespread in London also with same speed.

UK Randek (1989) identifies it first use via the ‘silent monitor’ in Robert Owen’s textile mills.
Hitachi (1993) A comparative, literature search of one year alone in USA reports a 'conservative figure of eleven articles per month appearing with 'Performance Appraisal' in their titles.


It was common in non-western countries such as China (Chow-1994) Hong Kong (Snape et al, 1995), Japan in the form of Satei (Seeendo, 1994), Africa (Astur et al, 1995) and India (Lowler et al, 1995).

It is more prominent in some industrial sector in UK, mostly in the financial services (IRS, 1994, 1999). The last decade has seen its introduction in schools, hospitals, universities, local authorities, the civil services e.t.c. An introduction of new approach of performance management in the USA is the so called 'Stretch management'. It involves setting demanding objectives of 'Stretch targets for the organisation.

Upward appraisal is recent addition to performance appraisal practice in U.K. More common in USA companies such as Federal Express, Standard Chartered bank and AMEX. U.K companies such as WH Smith, The body Shape and parts of UK public sector are adopting upward appraisal.
1.1.3 DEFINITIONS

According to Beatty and Schneier, “Performance Appraisal is one of the most problematic areas in personnel administration. No matter whether the organization is large or small, business, government or educational, the performance of its members must be evaluated in order to take decisions on wage and salary levels, promotions, termination, training needs and other important programmes”.

Donald B. Summer states that it is an extremely useful communication tool. It provides employees with the opportunity to ask questions and discuss their difficulties. It enables the manager to help employees to recognize their strength and weaknesses. Written appraisals as reviewed by several levels of management provide additional upward communication and an awareness thought the organization of employee’s capabilities.

According to B.N. Sinha, “Performance appraisal lies at the heart of motivation, because it is through the appraisal interview that the employee receives feedback from his superior his performance.”

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2 Summers, Donald B. Personnel Management in Banking McGraw Hill Book Co., Chapter 4, p.104.

Heyel\textsuperscript{4} observes, "It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purpose of administration including placements, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally."

Alan and Kenneth\textsuperscript{5} state, "Personal evaluation plans are meant primarily to measure latent and manifested abilities of employees in order to help the management to understand the employees compatibility vis-à-vis the organisation. By proper appraisal the gap between 'existing level of efficiency' and 'expected level of efficiency' can be established and necessary steps taken to improve the efficiency.

Flippo\textsuperscript{6}, Performance Appraisal is "a systematic, periodic and so far as humanly possible, an impartial rating of an employee's excellence in matters pertaining to his present job and to his potentialities for a better job".

\textsuperscript{4}Heyel, Carl, Appraising Executive Performance, American Management Association, New York, 1958.


Dale Yoder⁷, "Performance Appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organization. It is continuous process to secure information necessary for making correct and objective decisions on employees.

Performance Appraisal is also considered as a ‘process of establishing or judging the value, excellence, qualities or status of some object, person or thing. Quite often, such appraisals are labeled as ‘rating’ where one individual, after comparison with another, is ranked or rated as “excellent, normal or average”. Such ratings are generally used for ascertaining an employee’s eligibility for promotion. Hence, employee’s evaluation or rating is the appraisal of the relative worth of the enterprise of an employee’s services on his job.

Performance Appraisal is known as employee evaluation, employee efficiency rating, performance rating, merit rating, employee development programmes, development report, personnel development or progress record or report, personnel performance record, employee progress report, employee service rating, employee ability rating and they all mean the same thing.

It is a systematic orderly and objective method of evaluating the present and potential usefulness of the employees to the organization. As said initially, the performance appraisal system is considered the hallmark of modern organization and not only in the western countries

but also in India more and more organizations are striving to have systematic appraisal of the performance of their employees.

According to Dave Day⁸, "the best approach is to educate supervisors to follow performance management techniques - techniques that make performance appraisal a daily process and prevent end of the year surprises for employees."

According to McGregor⁹, in the traditional approach the supervisor is placed in the position of "playing Gods", he judges and at times criticizes the personal worth of his men.

Therefore, emphasis has laid upon providing mutual goal setting and appraisal by progress on the part of both the appraiser and the appraisee. This approach is based on the behavioral value of fundamental trust in the goodness, capability and responsibility of human beings.

Dr.A.A. Niazi¹⁰ has suggested an approach that while developing a system for appraisal one has to consider and provide for the means to the appraisers to make a reliable assessment of subordinates.

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The crucial decision for the management is not whether to appraise or not but rather how to do so. The first and perhaps the most important decision in performance appraisal must come when the management decides what to measure—what it will base the performance appraisal on?

Traditional rating systems place a heavy emphasis on the rating of ‘personality traits’ which range from traits such as initiative, reactivity and innovativeness to integrity and honesty etc.

An evaluation of personality traits despite detailed definitions and evaluation on well granted scales is still not reliable as research has proved that evaluation of any personality trait is influenced as much by the personality traits of the individual who is evaluating as by the personality of the employee being evaluated. Number of organizations which have shifted to rating of behaviour indices such as ‘relations with subordinates’, ‘relation with colleagues’, ‘relation with supervisors’ and ‘relations with customers’ etc.

Approaches to measurement have been changing Schneider suggested a policy of rating by multiple rater groups, e.g. peers may be in the best position to assess rate’s competence in interpersonal relations, superiors to assess technical expertise, and subordinates to assess leadership effectiveness. According to him the use of raters from different groups offers certain

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advantages. Firstly, multiple raters facilitate the identification of extremely biased or out of line rating. Secondly, multiple rater groups allow for the assessment of performance from multiple perspectives.

Sometimes rating for the same individual obtained from two or more raters are pooled. There is evidence from a study by Bayroff, A.G., Haggerty and Rundquest to support the contention raters generally are better than single ratings. However, it is frequently the case that the most competent raters available are the supervisors of individuals being rated.

Mitchell also has suggested that in some cases peer reviews, self rating or outsider assessment may be appropriate. When individuals rate themselves and this rating is used as part of the evaluation there is frequently an increased sense of commitment and feeling of fairness on the part of the employees. Outside raters are often seen as unbiased and perhaps fairer than one's own supervisor. Peer rating can also be important especially where the supervisor is frequently separated from the group and group member trust one another.

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The best strategy is to gather different types of rating i.e., rating from supervisor, peers and self and use each rating as a source of valuable information.

According to McConkey, “the most effective method is measuring by results or measuring by objectives. Once the commitment has been made to measure by results, the actual rating process become more accurate and more meaningful and the entire process is facilitated”.

Ferris and Gilmore\textsuperscript{14} say, “accurate performance appraisal require more than good performance appraisal rating tools. Employee involvement is needed to ensure that underlying causes of performance are identified. Employee self appraisal helps to identify differences of opinion and can be used to identifying causes of performance. Once the causes of performance have been identified, the supervisor and subordinate can jointly decide what needs to done in future.”

The purpose of self appraisal should be clearly understood and used. Rao holds that “self appraisal is intended to promote a process of ‘introspection’ and ‘reflection’ on the part of the appraisees which is the most important step for the development process. In most of the banks, self appraisal and its purpose are not being understood properly. Self appraisal should be used as an opportunity to communicate more about himself to his appraisers rather than as an instrument

to communicate his grievances to the personnel department or the corporate head office to respond to all his needs."

With the lapse of time the philosophy of performance appraisal has undergone tremendous changes. There is no doubt that during the past decades many developments have taken place and many innovations have been made in managerial appraisal systems. Still many issues remain unsolved. Available literature on the subject reveals that even in countries like USA and UK where systematic appraisals have been widely practiced over a much longer period than in India, and where a fair amount of empirical as well as theoretical research on the relevant issues has been conducted, serious doubts continue to persist about various aspects of appraisals.

According to T.V. Rao\textsuperscript{15} there is a great degree of dissatisfaction all around with performance appraisals. Rarely does one come across managers who are satisfied with appraisal system in their organizations. When such a great degree of unhappiness exists about the system then why should we continue to have the same? But the managers also find it difficult to do without these because in the absence of an appraisal mechanism, howsoever weak it may be, it is difficult to get work out of people. It is a good mechanism to have

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control over employees. Employees want promotions, salary increments and good working conditions. They would like to be placed in prestigious positions, would like to be transferred to place of their choice and would love jobs providing them to maximum satisfaction and so on. Therefore, if the employees achieve what they desire, they should also satisfy the expectation of their bosses. Thus the bosses at every level strive for better rating of their own performance by assessing the performance of their subordinates and thus controlling their behavior.

Harper\textsuperscript{16} holds that “the first step towards developing an effective performance appraisal program is to drop the word “appraisal” puts employees on the defensive and connotes a “rear-view-mirror” or “after-the-fact” approach to managing. Instead of conducting “performance appraisals”, managers should be involved in “performance review and development” sessions. Performance Review and Development” is entirely different in its approach and philosophy. First of all, it is future oriented. It concentrates on improving performance rather than just evaluating it. Second, it actively involves the employee in developing ways to improve his or her performance. Third, it is a far more comprehensive and continuous process than the traditional annual performance appraisal”.

After researches in many companies, Rao\textsuperscript{17} found that if performance appraisal system is properly


designed, it can help each employee to understand more and more about his role, strengths and weaknesses. It can also increase the communication between each employee and his supervising officer and can help in identifying the developing needs of each employee and prepare them for higher level jobs. In addition it can assist in a variety of personnel decisions by generating data about each employee periodically.
INTRODUCTION

One of the widely debated human resource development (HRD) mechanisms that go a long way in systematically improving the performance level of an individual as well as organisation is the performance appraisal system (PAS). Many organisations are in urgent need of revitalised commitment to collaborative performance and, in pursuit of excellence, to develop an effective management style and to evolve comprehensive managerial culture through “quality management”, “continuous quality improvement”, “restricting”, “reinventing”, “managerial and corporate reengineering”, “down sizing”, “benchmarking” and an array of cost cutting measures. Therefore, if PAS is implemented well, it can take the organisation on a fast development track and faster productivity through committed, motivated or competent people. Research finding indicates that performance appraisal system has a bearing on employee growth and productivity (Lathem and Wexley, 1982). In a recent past, research studies show that only few organisations are satisfied with their existing performance appraisal systems, and the dissatisfaction is all the more greater. Research has also indicated that, quite often, appraisal system practices are ill designed in most organisations (Lathem and Wexley 1982 and Rao 1992). This is mainly due to the fact that the existing system is not effective, reason being the objective of this system is not spelt out, nor made known to the employees.
Research indicates that the perception, feeling and attitudes of appraisees with respect to the effectiveness of overall appraisal system practices and appraiser/supervisory behaviour is an area that has attracted many researchers in the recent past, which is also the domain of interest in present study.

The general purpose of reviewing the related study is to develop a through understanding and insight into the work already done and areas left untouched or unexplored. These studies also enable to search out many more related problems as suggestions for future research. It is presumed that the survey of such studies will make the present investigation more direct and to the point. So, the different studies investigating most of the aspect on the subject published in the form of books, articles and research papers have been studied. The important among then have been briefly reviewed in this chapter.

**Swalapurkar**¹⁸ (1964)

Survey of merit rating practices in and around greater Mumbai reveals that companies having merit-rating programmes are satisfied about the validity and reliability of the system and successfully using merit-rating system as a performance appraisal system.

A study was conducted in 36 firms in 5 major industrial towns of India, to know the systematic assessment of an employee's performance. It was found that only 21 units used a format and systematic personnel appraisal programme in respect of white collar employees, the number for blue collar employees was even less, others had no formal system of appraisal. Rewards and punishment in the entire organisation were entirely based on the impression of superiors and top management.

It was found that only 21 companies were using an appraisal programme for determining wage increase, only 80 percent made this programme a basis for promotions and transfers. Only 50 percent of them were found to use an appraisal programme either for establishing training needs or for informing an employee where he stands.

According to the research conducted in a company, it was found that appraisals are made through the use of structured forms (for workman and office staff below supervisory level.) and unstructured forms for staff in the supervisory and management level. Traits like 'cooperation' 'discipline' and job related 'attributes' are measured.

AR Negandhi and Barnard Estafen\(^\text{19}\) (1965)

KK Anand. & Anita Bajaj\(^\text{20}\) (1972)

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Surveying in 38 organisations of USA and Canada, he observed that most frequently used evaluation parameters in the performance appraisal system are perception, creativity, salesmanship, listening skill, risk taking management control, use of delegation, problem analysis, leadership, communication skill, organising and planning, decision making, attitude towards peers and subordinates.

**Parther** (1974)

He has stated that if a new appraisal system is developed with an objective to correct some or all the appraisal problems then the newly designed system invariably become ineffective with two or three years. Research also indicates that the perception, feeling and attitudes of appraisee's, with respect to the effectiveness of overall appraisal system practices and appraiser/supervisory behaviour may change over time. It has been further reported that the success of appraisal systems is prevalent in the organisation. Trust transparency and leadership styles have all been identified as key factors that influence the effectiveness of appraisal system.

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Schuster and Kindaipa (1974)

A study was done in 500 Fortune's largest industrial corporations. It was found that PAS has generally been employed for administration purposes, confirmed in 403 companies responded to the survey. 316 (78 percent) reported the use of some type of formal appraisal plan meant for administrative and development purposes.

Fletcher (1976)

Survey, Eleven organisations put as one of the main objectives 'Discussion of job problems', 'Improving assessment of performance' and 'Letting him know how he stands'. Ten organisations listed 'helping to improve performance during the next year' and five added 'Discussing his objectives during the next year' and only four organisations mentioned 'Discussion of training needs'.

Basu (1976)

Surveyed in Indian organisations, finding most Indian organisations are using appraisals for a multiple set of objectives. The public sector enterprises use appraisals for promotion (83 percent), Training and Development (50 percent), Placement and Transfer (33 percent). The four most important objectives in the private sector are decisions on

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Salary progression (50 percent), Promotion (47 percent), Training and Development (25 percent), Placement and Transfer (25 percent). Thus, it can be said that performance appraisal result can be used for number of purposes i.e. from personnel decisions to development of employees.

**Malathi Bolarse (1978)**

A survey was done in 49 organisations; it has been revealed that programme appraisal continues to be used in a large number of organisations for controlling employees rather than developing them. This is because of a narrow understanding of potential of the appraisal systems, unimaginative personal managers, and lack of commitment from top management to the development of human resources.

**Kulkarni, Nangia & Prakasan (1980)**

Kulkarni, Nangia & Prakasan of the National wide opinion survey of the bank employees of various personnel issues. Their survey of 6,800 bank employees drawn from various nationalised banks revealed that only about 14 percent of the employees stated that they were aware of the basis on which their work in the annual confidential reports of the remaining 55 percent had no idea at all of the criteria. about 68 percent of the employees felt that the data filled in

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the Annual Confidential reports do not focus on the job performance. About 73 percent of the employees felt that the appraisees should be interviewed about his performance and gives an opportunity to provide inputs for his performance assessment.

**Sing, Maggu, & Warrier**\(^{28}\) (1981)

Research has been done on the six industrial units (Two from steel three from Engineering and one from coal). A sample of five hundred eighty Managers i.e. 319 from the public and 216 from private sector drawn from six industrial units. It was found that the satisfaction of employee with performance appraisal system with the fairness and accuracy of employee evaluation, different hierarchy roles in PAS and appraisal characteristics.

**Diphoye & Pontbriad**\(^{29}\) (1981)

Diphoye and Pontbriad survey in R & D organisation. A sample of 971 employees was taken for the research purpose. The finding of research was the perceptions about job relevance, Favourability of appraisal, participation, and goal orientation.

**Rao and Iqbal**\(^{30}\) (1982)

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\(^{28}\) *Singh, P., Maggu, A and Warrier SK, PAS: A critical analysis, Indian Journal of Industrial relations, 16(3) 1981, page.no.315-343*


They surveyed the appraisal practices of over 25 banks and financial institutions. It was found that all the banks have some form or other of performance appraisal. However, almost all of their use appraisal for salary and reward administration. The survey reveals that about 50 percent are at different stages of introducing open systems of appraisal that may contribute to staff development. The main indicator of this openness is showing the appraisal rating to the appraisees and getting his comments.

Almost all banks use appraisal for reward administration. However, they few use it to identify training needs. In fact, in some organisations, the appraisal forms are not accessible to the training department. As a result, the opportunity to plan programmes that might help to improve performance in areas of weakness indicated by the appraisals.

The survey indicated that while rewards are given, there is very little attention paid to the many in which there are administered. When an employees has to be rewarded for performance, it is best for a senior executive to call him, point out the areas of his contributions, compliments him and then inform him of the management’s decision to reward him. However, very few banks practise this kind of a personalised reward system. Most just hand out a letter which does not have the same impact. As result, the impact of the reward is lost. If rewards have to serve development goals, the person receiving the reward should know which accomplishments are being complimented.
Lawer, Mohrman and Resnick (1984)

A research was done to see the effectiveness of present performance appraisal system in the General Electrical company. (GE India). A research has been done on the 720 managers-subordinate pairs from all levels of management including all functional areas from General Electrical Company. They concluded that organisational climate, job contents, pay discussions, appraisal forms, work planning, employees rating and subordinate input responsible for overall effectiveness of appraisal process.

Laud (1984)

Laud research was about the design of PAS. Survey of 267 respondents (by different level and function i.e. Vice President, Directors, Managers/Supervisors, Administration etc.) drawn from fortune 1300 i.e. 1000 from industrial and 300 from non-industrial companies. This research found that design and effectiveness of performance appraisal process is related with the measurement approaches, appraisal link to compensation, goal and strategy, career planning and training.

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A survey of 180 R & D Engineers in an Electric Firm comprises all the levels including Managers/Supervisors and workers. The research revealed that effectiveness of performance appraisal system depends on frequency of evaluation, supervisors, knowledge, trust-in supervisor, action plans, and relevance to performance.

Mukherjee and S. Chatterjee (1986)

After survey of 1500 employees of different organisations of India, they found that in most of the organisations, the main deciding factor for promotion was confidential report of appraisal system. Most of the decisions related to the promotions are depend on appraisal system.

Russel & Goode (1988)

Research was done on 531 managers of various educational institutes to know about the system satisfaction and supervisory satisfaction. The research revealed that appraisal rating satisfaction, feedback, and improvement value are the important variables of this research.
Doobins, Cardy & Platz-vi-eno\textsuperscript{36} (1990)

Doobins, Cardy & Platz-vi-eno surveyed one hundred & sixty banks tellers of three banks to find about the appraisal satisfaction of the bank employees. They found that appraisal satisfaction depends on rater participation, development of action-plans, rater training, and supervisory variables.

Giles & Moss holder\textsuperscript{37} (1990)

A survey of 510 employees of Textile Company conducted to find the employee satisfaction with present appraisal system of the company. The main findings of the research were goal setting participation, supervisory support, implementation, follow up are the main variables to satisfy the employees with present appraisal system.

Ferris and Gilmore\textsuperscript{38} (1992)

Research done by these two researchers for many years. In a study of performance appraisal, conducted at nine different dimensions of the General Electrical Corporation about 90 percent of the managers and 86 percent of the subordinates. Self appraisal should be


\textsuperscript{38} Ferris, Gerald. R, and David C. Gilmore op.cit pp. 199-203, 1992
Srinivassan\textsuperscript{39} (1994)

Research has been done on the manufacturing companies. A survey of five hundred ninety one managers in the manufacturing companies revealed that managerial satisfaction with performance appraisal system is related to the appraisal system characteristics and the organisational context component variables.

Roberts\textsuperscript{40} (1995)

Roberts surveyed two hundred forty personnel professionals of municipal government uncovered that the performance appraisal system would be effective only when the appraisal system structure, administrative and developmental value perceived user acceptance.

Verma \textsuperscript{41} (1996)

Verma surveyed of two hundred and seventy employees in a Bongaigaon refinery and petrochemicals limited. He concluded that satisfaction comes through process content outcome and organisational context variables, fairness and accuracy of the system.


\textsuperscript{41} Verma Parmod (1996), "Performance Appraisal System for Executives and Workmen of Bongaigaon Refinery and Petrochemicals limited", "Publication division IIM Ahmedabad."
In the study of performance appraisal system in public enterprise, only 8 respondents out of 39 said that annual appraisal were discussed with them. All those who said their appraisal forms were not discussed with them came out in favour of open discussions for the sake of improvement in performance.

Kushdeep Kaur\(^2\) (1996)

A study on the performance appraisal system of leading Nationalised Banks and Insurance companies of Chandigarh. A sample of four banks and four insurance companies were taken for research. It was found that in all the selected organisations ‘work knowledge’ and ‘work performance’ were given priority while appraising the employees. It was studied that insurance companies are more lenient while doing self-appraisal on ‘Job Knowledge’, ‘Work Performance’, ‘Decision Making’ and ‘communication’ skill.

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\(^3\) Kushdeep, Kaur., "A study of performance appraisal of employees in selected banks and insurance companies of Chandigarh". 1996.
Investigated through a survey conducted in a North India Synthetic yarn producing organisation to know the managerial perception of various dimensions of an effective performance appraisal system. The data revealed that managers perception and expectations of issues related to nature of the appraisal process, guidance and counselling sessions, assessment of performance appraisal in key result areas and rating by supervisors and feedback presentation varied greatly at all levels, thereby posing challenges for the HRD department in designing an effective PAS. Result of present study also indicated that if the performance appraisal system is perceived as complex, than it is likely to have a negative effect on perceived effectiveness of the performance appraisal system.


A survey was conducted in a State Bank of Hyderabad in Hyderabad and Karnataka area to know the Performance Appraisal System in commercial banks. A sample of 230 employees representing the 21 percent of total population of bank. The population is restricted to employees of clerical and officer level. The main findings of the study was in both levels, if a new Key performance Area called, concern for developing the subordinates, is introduced in the appraisal system, the employees realise the need for developing the


45 Vijaya, B., Paramashivaiah, P. and Ar vind, S., Performance Appraisal System in Commercial Banks, A case study of State Bank of Hyderabad, Page no.216 to 233
subordinates was introduced in the appraisal system, the employees realise the need for developing the subordinates as part and parcel of their duty, with the existing organisation culture, this experiment may also be tried as the same system has yielded rich dividends in the corporate sector.

Ravindra Jain & Sachin S. Kamble (2005)

The present study was conducted with reference to eight large and medium size manufacturing organisation belonging to private sector located with the jurisdiction of three industrially advanced districts (viz. Belgaum, Dharwad & Uttar Kannada) of North Karnataka region in India. The selected organisations represent variety of industries which manufactures different products, belong to different business groups fall in varying age groups and which also have different level of profits, employee strength etc.

The study was based on the cross section perception analysis of employees. However, the study was confined to the perception analysis of the personnel in the managerial cadre. Senior and Middle managers in the role of the appraisers; and middle level and junior managers in the role of appraisers were considered for such analysis.

appraisers and 778 middle and junior level managers were found to be in the role of appraisers. Out of 296 such appraisees 120 (40.0 percent of the population) and out of such 728 appraisees, 338 (43.0 percent of the population) were selected to respond to two specifically designed and well structured questionnaires.

The findings of the present study clearly indicate that there are variables in the three categories (viz. Design content variables, process variables and outcome variables) perceived invariably by both the appraisers and appraisees to be taken care of only to the moderate extent. Fortunately, 'Identification of training needs and career planning and development have been claimed invariably by both the appraisers and the appraisees as the prime objectives of the performance appraisal system. This mutual understanding between the appraisers and the appraisees may be used as momentum in fostering to make continuous improvement in the matter as it is easier to ensure deep involvement of all concerned managers in such process. Organisation may be better served by using a combination of different performance improvement measures to capture high performance of its employees. And an improved performance appraisal system regardless of the potential solutions generates necessary support in this directions.

Sumita Gupta and Manisha Aggarwal\textsuperscript{47} (2006)

Examined the relationship between the organisational performance appraisal system and process facets, members perception of the effectiveness of the performance appraisal system. The sample for the study consisted of managerial participants belonging to a private sector aluminium producing company, situated in the state of Uttar Pradesh. A survey was conducted on the personnel serving above the first line of supervisors in the organisation. Findings showed that among the system facets of performance appraisal system openness and system commitment, were positively related with perceived effectiveness of the PAS, while all the process facets, namely, multiple inputs, session planning and session feedback were also positively corrected with perceived effectiveness of performance appraisal system.

S Mufeed

Surveyed in the largest and foremost central public undertaking in the Jammu and Kashmir. For this purpose, the total managerial population of HMT was targeted for research on stratified basis of their different PS scales as workers were taken department wise including ministerial staff. Out of 60 managers chosen for sample, only 55 managers were found to be worthy of analysis and interpretation purposes and the rest were treated as ill-responsive. In case of workers, only 150 workers were chosen for the study. This study supports the views that besides serving the traditional purpose of administering a promotion transfer or reward or penalty.

48 Dr. Mufeed S. Evaluating Employee performance: A successful Instrument for HRD
Performance appraisal can be useful instrument for improving job performance, development of employees and improving organisational effectiveness. The present research study strongly suggests that the answer to doing a performance appraisal is more effective and result oriented.

The MBA students of Pune University conducted survey on Performance Appraisal. MBA students have studied the Performance Appraisal System that exists in the industrial organisations in and around Pune and after through analysis of nearly 125 organisations, the main findings of the research were:

In the entire organisation, it has been found that the appraisee’s consider the system quite effective, whereas the appraisee does not feel so.

Overall the students have found that the PAS are not developmental oriented as they ought to be. They are merely an annual ritual.

Performance Appraisal system should be a tool to improve understanding between a boss and his subordinates and it should be able to help them to solve various problems, on the job as well as off the job.

**RESEARCH ON ACCURACY AND FAIRNESS IN PAS**

Issues for the accuracy and fairness in performance appraisal have been one of the core research interests in the area of human resource management. Here, review of literature on performance appraisal is studied that focuses mainly on the internal causes of rater error and biases (test theory perspective and cognitive
perspective), external causes of rater biases such as rating inflation (political and goal-oriented perspective), and due process perspective that mainly focuses on the fairness issues.

**TEST THEORY PERSPECTIVE**

Many of the early research on performance appraisal are based on the test theory perspective. The main assumption of this perspective is that there is an objective performance and people can measure such performance accurately if appraisal instruments are appropriate. This perspective focuses on the issues of reliability and validity of performance constructs (e.g. Austin et al. 1993; Smith, 1967), performance standards (e.g., Bobko & Collela, 1991; Huber), rating format (e.g., Latham & Sarri) and so on.

With regard to the reliability and validity of performance constructs, Smith (1976) proposes the importance of "criterion-problem" suggesting that relevancy, reliability and practicality are required for performance criteria and that criterion contamination and criterion deficiency should be avoided. Campbell and his colleagues (e.g., Campbell, 1990) propose the theory of performance, which suggests that performance is basically multidimensional and behavioral. They propose the model in which job performance is determined by the multiplicative function of (1) declarative knowledge, (2) procedural knowledge and skills, and (3) motivation. Also, they propose the latent variables of job performance such as core job proficiency, non-core proficiency, demonstrative effort, personal discipline, and so on. Their model is similar to what Borman & Motвидло (1993) propose as task performance (TP) and contextual performance (CP).

In order to increase the reliability and validity of performance measurements, various approaches are recommended such as
multiple raters, combination of objective and subjective criteria, and so on.

With regards to the performance standard, Bobko & Collela (1999) suggest that performance standard are external to the individual and for evaluative purpose and that it is different from individual goals as a person’s internal aim. They propose the importance of the employee reaction and acceptance of performance standards. Huber and her colleagues suggest that performance standards should be clear and specific in order for raters to evaluate performance accurately using such standards.

There were also many studies about rating scales. The major concern was, "What kind of rating scales increase rating accuracy?" Behavioral Anchored Rating Scale (BARS), Behavioral Observation Scales, and other similar scales were proposed to increase the rating accuracy. However, as Landy and Farr (1980) suggest, rating scales appear to have little impact on increasing rating accuracy. Rather, researchers started to focus on the information processing aspect of human being that may affect rating error and biases.

In sum, test theory perspective focuses on the importance of performance definition, performance standards, and rating instruments such as rating format and multiple raters.

**COGNITIVE THEORY PERSPECTIVE**

One of the earliest models of the cognitive perspective is Wherry (1952)'s model, which consists of (1) ratee performance and random errors, (2) rater observation of the performance, and (3) rater recall of the performance. The basic premise of this approach is that human being is a information processor (Landy & Farr, 1980).

Many models have been proposed by cognitive researchers which consist of selective attention, encoding and storage, retrieval
and integration, and judgment (e.g., De Nisi & Williams, 1988). The seminal work by Feldman (1981) is prominent in this area. He suggests that there are automatic and controlled processes in human cognition and in many cases, people rely on automatic process, which may cause various rating error or biases. Because individual’s information processing, especially automatic process, rely heavily on the schema, prototype or categories, these prototypes play an important role in rating accuracy. That is, if important information is screened out in the selective attention process, and the behaviors in prototypes are recalled instead of actual ratee’s behaviors, these cognitive processes will result in inaccurate observation, recall, and judgment.

Other researchers focus on the specific rating biases such as halo and leniency. For example, Cooper (1981) suggests that halo (i.e., the correlation among different performance dimension) has both true halo and illusory halo and that illusory halo can be caused by the cognitive distortion of the rater. Some researchers found that there was individual difference in rating leniency.

In sum, researchers in cognitive area suggest that human cognitive process play a major role in rating accuracy and biases. In order to increase rating accuracy, researchers recommend the frame of reference (FOR) training or attribution training, utilizing observation methods such as using performance diary, and so on.

**POLITICAL AND GOAL-ORIENTED PERSPECTIVE**

Researches such as Banks & Murphy (1985) suggest that accurate judgment and giving accurate rating is different. That is, people might be able to judge ratee performance but they might be motivated to giving biased ratings (e.g., leniency). This perspective focuses on the context in which performance appraisal is conducted. Also, other researchers such as Ferris and his colleagues focus on the
political behaviors of the employees and suggest that political behaviors such as impression management affect the rating accuracy and biases.

According to the Murphy and Cleveland's (1995) goal-oriented perspective, the goal of performance appraisal is important. The goals of performance appraisal can be (1) personnel decision-making, (2) development of the employees, (3) effective communication, and (4) legal defensibility. Research shows that if performance appraisal is conducted as administrative purpose, the rating inflation will occur. Because supervisors are reluctant to give negative rating that leads to negative personnel decisions or they fear other negative outcomes such as retaliation or loss of reputation, they tend to give higher rating in performance appraisal that is for administrative purpose.
The general purpose of reviewing the related study is to develop a thorough understanding and insight into the work already done and areas left untouched or unexplored.

Review of literature reveals that a large number of researches have been conducted on performance appraisal system in India. However, only few researches conducted so far on the PAS of the heavy engineering industries. Performance appraisal system requires a lot of improvement and awareness among the employees at heavy engineering industrial units of Haryana. It reveals that there still exists a need to highlight some of the aspects of performance appraisal. There is still need of comprehensive, balanced and effective development oriented appraisal system as an essential requirement for achieving a high level of motivation and satisfaction among the members of the organization. Hence a research on the problem “A Study of Performance Appraisal System in Heavy Engineering Industrial Units with Special reference to Selected Heavy Engineering Industrial Units of Haryana” has been taken.

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

The following are the aims and objectives of the study:-

- To critically evaluate the existing performance appraisal system in the heavy industrial units of Haryana.

- To study the difference in P.A practices between different heavy engineering industrial units of Haryana.

- To study which traits/attributes are given more importance by appraisers while appraising the performance of lower and high level staff also to study which traits/attributes should be given more importance according to appraisees.

- To study how successfully the self-appraisal and MBO system is working.

- To study the reaction of employees to the performance appraisal system.

- To study how far the decisions regarding promotion, transfers, increments, identification of training needs and selection of executives for meritorious service depend upon the result of performance appraisal.

- To study the influence of personnel bias and leniency on appraisal.
1.5 Hypothesis of the Present Study

- 'Work Knowledge' is given priority by both the appraisers and appraisees as compared to other traits/attributes while appraising performance.

- Personnel relationship of appraiser with appraisees influences the rating.

- Self-appraisal is a causative factor of leniency in rating.

- 'Negative feedback' is a causative factor of 'Job dissatisfaction'.

- Performance appraisal is a causative factor of improving the present performance of employees.

- Increment decisions are mostly based on performance appraisal results.
1.6-Significance of the Study

The main significance of the study is to examine the negative aspects of the present systems and to suggest methods for the improvement in the existing system with introduction of improved appraisal system.

Taking into account the importance of the performance appraisal in the heavy engineering industrial units of Haryana, the research undertakes the study on it under the topic "A study of Performance Appraisal system with reference to selected heavy engineering industrial units located in Haryana".

Survey of literature on various aspects of the subject reveals that there is still exists a need to highlight some of the aspects of the performance appraisal. The importance of performance appraisal is being increasingly realized in industrial and service organizations both in India and abroad. A great deal of knowledge available in this regard is found in research results abroad. Indian researches are rather few; a few of these are not published as companies conduct them for internal consumption.

This study examines the effectiveness of performance appraisal system for the various HRM decision like incentives, promotions, wages, transfer, training and development. This research is regarding various types of appraisal systems adopted by various industrial units selected for research.
The focal point of this study is to examine the performance appraisal system in various selected heavy engineering industrial units of Haryana. Systematic appraisal systems are very necessary in organisation especially with large structures which are diverse staff functions and which are seriously concerned about management development.

Present study attempts to sketch a picture of the performance appraisal of selected organisations. The study attempts to critically examine and compare the various aspects of performance appraisal system of selected companies.

The study attempts to find importance given by appraisers to various traits/attributes while appraising the performance of lower and high level staff and also study which traits/attributes should be given more importance according to appraisees.

The study attempts to examine the working of self-appraisal, feedback and MBO system. The influence of personal bias and leniency in appraisal system is also examined in the study.

The study also highlights the various decisions regarding promotion, transfers, increments, identification of training needs and selection of executives for meritorious service depend upon the result of performance appraisal.
1.8-Research Methodology of the Present Study

Research design was prepared for this research. It dealt with the nature of research and success of data collection and total plan of the research.

Sample Design: - The researcher has planned to focus on various heavy industrial units making different types of industrial products.

The five major industrial units were taken as a sample for the study.

Therefore interview schedule was prepared for HR managers/ concerned authorities of these selected industrial units and data was collected through interview schedule. While interviewing HR managers/ concerned authorities observation of present PAS was carried out. The understanding of each PAS was done through discussion with concerned authorities.

Research Design: - This research work is based on primary data. A preliminary survey was made in industrial units located in Haryana. Information was obtained from the personnel departments concerned and through informal interviews with the managerial personnel, supervisors and workers. On the basis of information thus obtained two types of structured interview schedules were constructed, one for the appraisers and the other for the appraisees. These schedules were protested at the ISGEC, United Precision Engineering Company, Yammuna Gases & Oriental Engineering Limited and NHK Spring India Limited.
The interview schedule for Appraisees consisted of 6 sections i.e. Section ‘A’ to Section ‘F’. Section ‘A’ dealt with the general opinion about the system and various traits adopted to evaluate the performance. Section ‘B’ dealt with appraisers biased attitude while appraising the performance. It also dealt with the impact of negative feedback on appraisees if they were given negative ratings. Section ‘C’ dealt with various decisions based on performance appraisal’s results. Section ‘D’ dealt with the effect of performance appraisal’s result on their future performance of employees and factors affecting the appraisal system. Section ‘E’ dealt with ‘self Rating’ by employees regarding their duties and functions performed during the last year and their achievements. This section also dealt with the satisfaction derived by employees from salary and other monetary benefits and their interest in their work. Section ‘F’ dealt with the working of ‘Self Appraisal’ systems of performance appraisal and their success. This section also dealt with the awareness of the employees regarding the Annual Appraisal Report forms and their usefulness.

The interview schedule for appraisers consisted of 7 sections, i.e. Section ‘A’ to ‘G’. Section ‘A’ dealt with the confidential Report System and its effectiveness. Section ‘B’ dealt with the biased and lenient attitude of appraisers while doing appraisal. It also dealt with the perception of appraisees if they were given negative feedback. It also deals with various sources of information on which appraisers rely the most while writing a report. This section also comprised of questions regarding steps taken by appraisers to eliminate bias. Section ‘C’ consisted of questions regarding importance given by appraisers to various traits adopted to evaluate the performance of the supervisory and managerial staff. Section ‘D’ dealt with the training programmes attended by appraisers regarding performance appraisal and the success of these programmes in correctly
identifying training needs. Section ‘E’ dealt with decisions taken on the bases of performance appraisal results.

Section ‘F’ dealt with the effectiveness of performance appraisal. It comprised question regarding effect of performance appraisal on future performance and self development of employees. It also comprised of factors affecting the performance appraisal system. Section ‘G’ dealt with the awareness of employees regarding Annual Appraisal Report forms and their usefulness.

The data pertaining to the history and development, business growth, organizational set up and strength of employees of companies was obtained from the Annual Reports, and other published literature on Industry.

Lastly, survey was made in the following heavy engineering industrial units located in Haryana. These involve:-

- Indian Sugar and General Engineering Corporation (ISGEC)
- United Precisions Engineering Company (UPEC)
- Den sons Yammuna Gases and Chemicals Pvt. Ltd. (YGCL)
- Oriental Engineering Pvt. Ltd (OEPL)
- NHK Spring India Limited.
The study mainly depends on primary and secondary data published in annual reports and other literature of selected units.

The opinions expressed by various human resource department heads and other personal interviews were their own opinion.

The period of study is only 2006 to 2009.

Only published data and data collected through interviews and discussions were analysed and interpreted.

The researcher did not have any access to the internal records of the day-to-day working of the companies.

During interview a general feeling of suspicion and hesitation among management people and workers to provide required information.
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