Chapter 6: Conclusions and Suggestions

Indian Railways follows a structured Performance Appraisal System to evaluate the performance of its employees. This study focuses on this Performance Appraisal System adopted for the Group C supervisory category of employees. Following the learning in the previous chapter, here are the highlights of some suggestions which may be helpful to improve the existing system of performance appraisal in Indian Railways.

Employees’ performance appraisal is an interesting area of research in public sector organizations considering the different challenges faced by such organizations. At the national level, to sustain the quality of service the positive contribution of public sector employees is a very crucial factor. The roles and responsibility of the employees to perform at the highest level of their competencies is influenced by their motivation by the various organizational polices. Performance appraisal is considered as one of the important human resource management tools: a useful device to measure performance and plan a better career path for the employees. Appraisal reports written objectively and systematically can prevent grievances and develop sense of confidence amongst the employees. Once they are convinced of the impartiality of the evaluation, the acceptability of the appraisal system will also increase. The performance of the employees should be evaluated both in terms of how proficiently they do their task and how they are contributing to furthering teamwork and system improvement of the organization.

Studies on comparing the opinion of both the raters and ratees in an appraisal system have received very little attention in the performance appraisal literature. An appraisal system will be ineffective if the organization and its employees are not benefitted by the appraisal system followed by it. At its best, performance appraisal will be effective when both raters and ratees have shared perceptions about the functions of an appraisal system. This survey tried to gather the opinion of both the raters on the extent to which 8 predefined objectives are fulfilled by the PAS of IR. The perception of the sampled respondents gathered on a 5 point likert scale show that, most of the raters and ratees agree that the PAS does not fulfill 4 of the stated objectives namely share feedback, take corrective measures, provide ratees opportunity to share their opinion and motivate the employees through monetary reward. Moreover a positive evaluation of PAS fulfilling 4 other objectives like excellent...
performers are rewarded, motivates ratees for higher performance, acts as an effective communication tool and helps to improve the working relationship are given by most of the raters. The adverse opinion of the ratees relating to all the eight functions implies that ratees are not fully agreeing that the Performance Appraisal System serves the eight functions that the PAS of IR is expected to fulfill. Hence, based on the postulation that an appraisal system will be effective if both the raters and ratees have shared perceptions about all its function, this can be inferred that this appraisal is partially ineffective to serve the functions of the system.

The goal of an effective Performance Appraisal System is to coordinate and bring people together within hierarchical structure, where superior-subordinate interactive relationships are transcended into team work with dual focus on goal attainment and greater employee commitment. In this research it is found that only 46% ratees and 60% raters fully agreed that the appraisal system acts as an effective communication tool. This predominance of the raters’ thinking that the PAS acts as an effective communication tool indicates that the raters presume that communication is well achieved whereas the receivers of such communication opine otherwise. Following the study it is suggested that the organization may try to enhance the rater-ratee interaction, so that it can act as an effective communication tool. A trustful and caring relationship between the rater and the ratee can motivate the employees to stay in the organization and overcome its problems.

An appraisal system plays a crucial role in developing a cordial relationship between the rater and the ratee which is a necessary precondition for the growth of an organization. The distance between the rater and the ratee creates a negative attitude towards the evaluation system and it’s acceptability to the ratees. If the employees can share their problems and get advice from the raters on a continuous basis as part of an appraisal system, it can improve the relationship between the rater and the ratee. It is observed that only 47% ratees and 67% raters fully agreed that the present appraisal system helps to improve the working relationship. A significant difference in the opinion of the raters and ratees about the PAS acting as a vehicle of achieving cordial superior-subordinate relationship is observed. The subordinates as ratees may be feeling distantly removed from the superior and this may bring about disharmony in relationship. Hence it is suggested that raters should not only
play the role of evaluator but also act as a guide to the ratees. The guidance on a
continuous basis will bring the raters close to the ratees and will help to develop the
working relationship between the rater and the ratee. It may be submitted that a certain
section of raters are unable to assess their role in the PAS of IR and actually believe that
the PAS helps in improving working relationships between rater and ratee, whereas ratees
think otherwise.

The success of a Performance Appraisal System depends to a large extent on the
methodology of performance appraisal followed. The appraisal methodology to be
effective must ensure the maintenance of documents relating performance, clearly stated
purpose and evaluation standard, job related evaluation criteria covering all aspects of job.
This study reveals that significant majority of the ratees are not fully agreeing that the
present appraisal methodology is an effective one. As the raters are more familiar with
appraisal method their perception about the appraisal methodology is better than the
perception of ratees.

The accuracy of an appraisal methodology can be ensured through maintenance of proper
records of performance throughout the year. In Indian Railways annual Performance
Appraisal System is followed, which creates a long gap between the performance and the
time of evaluation. Hence the appraisal methodology should ensure that the appraisal is
performed based on proper records of both positive and negative performance incidents
maintained throughout the year for each employee. Proper records of performance
throughout the evaluation period help in documentation and restrict the raters to evaluate
the performance as per their whims. This study reveals that only 52% ratees and 63% raters
are fully agreeing that the record of performance is kept throughout the evaluation period.
This study suggests extensive maintenance of records of employees’ performance
throughout the year to support the evaluation made by the raters at the end of the year.

It is inferred by the researchers that raters and ratees must have a shared perception of the
purposes of the Performance Appraisal System. The employees react more favorably to the
appraisal process when the purposes of performance appraisal are discussed openly with
them. In absence of clear perception about the purpose of an appraisal system neither will
the rater take the matter seriously nor will the ratee be motivated by the appraisal system.

Conclusions and Suggestions | P 223
Unless the purpose of appraisal system is clear to the rater they will not give proper attention to accurate rating also. It is observed that only 26% raters and 50% ratees are fully agreeing that the purpose of appraisal is clear to them. This in turn, gives an indication 74% of the raters do not fully understand the purpose of this PAS and hence it remains a meaningless exercise to them. Hence the organization should arrange for proper counseling for the raters and ratees to understand the purpose of the appraisal system.

Performance appraisal standard is the measuring rod for evaluating the outcomes of employee’s performance. If the raters themselves are confused about the standard used to measure work performance, they will fail to evaluate accurately. The standard of performance to be followed should be well articulated to both the raters and ratees. It is observed that only 43% ratees and 56% raters are fully agreeing that the evaluation standard is clearly defined in this appraisal system. In absence of clearly defined standard i.e. how will ratees be evaluated by the raters? Ratees may also fail to achieve the desired feedback. Moreover as the evaluation system puts more importance on various subjective issues more attention is required to restructure the items to make it more objective job related criteria based evaluation. The discussion by the raters about how the ratees have been evaluated may also give a clear idea to the ratees about the standard followed by the raters.

Literature provides that when the employees are evaluated on job related criteria it increases the level of satisfaction of the employees with the appraisal system. As only 51% ratees and 62% raters are fully agreeing that the items of evaluation are job related proper attention needs to be given to design the appraisal criteria. IR should take initiative to redesign the appraisal criteria best suited to the diverse nature of job performed by the employee.

Thus research shows that only 52% ratees and 72% raters are fully agreeing that in this appraisal system all aspects of job are considered. From this difference in the opinion of the raters and ratees we may notice that a significantly larger percentage of ratees are dissatisfied in the context that all aspects of job are not considered in case of the PAS. As in this appraisal system the organization follows a standard appraisal form with a very little variation for a wide range of employee, the organization needs to be more careful in
designing the comprehensive appraisal criteria considering the specific nature of the diverse job.

Raters’ credibility increases the acceptability of the Performance Appraisal System to the ratees which in turn contributes to the effectiveness of an appraisal system. Raters’ willingness along with necessary skill to conduct appraisals is a necessary precondition for an effective appraisal system. Ratees’ trust and satisfaction with the raters’ credibility influence their perception about the effectiveness of an appraisal system. At the same time raters’ skill ensures the accuracy of the performance appraisal process.

Raters’ knowledge about the ratees’ performance also contribute towards increase in raters’ credibility. Raters’ knowledge about their ratees’ performance is considered as a necessary precondition for improving the ratees’ perceptions of fairness and rating accuracy. All the raters must be familiar with their ratees’ work responsibilities and frequently observe and record their performance during the appraisal period. A reporting officer having more knowledge in general is better qualified to accurately appraise performance than the reviewing officers who are too far from the ratees being rated. Appraisal by the reporting officer and reviewing officer also sometimes create unsatisfactory inter rater agreement on performance rating assigned by different rater at different levels. It is to be ensured that the performance of employee is to be evaluated by those raters who have sufficient knowledge about the performance of the ratees. As per the general rule, assessment of the performance of an employee at more than one level has been prescribed with a view to ensure maximum objectivity. The reporting officers are the direct supervisors of the ratees’ performance. But the reviewing officers are not the direct officers of the ratees. Such distance according to the hierarchy of the organization sometimes creates gap in acquiring the perfect knowledge about the performance of the ratees. It is observed that only 50% raters and 48% ratees fully agreed that the raters have full knowledge about the performance of their ratees. Hence this is suggested that the system should ensure that the reviewing officer should review the appraisal report of the reporting officer after having a clear idea about the ratees’ performance. Hence the interaction between all the raters and ratees should be ensured in the IR.
Raters’ credibility also depends on raters’ extent of knowledge about the appraisal methodology and their capability to convince the ratees about the methodology followed by them. Unless ratees have clear perception about the appraisal methodology the effectiveness of Performance Appraisal System will be jeopardized. In absence of knowledge about the appraisal methodology neither the raters will be able to evaluate performance properly nor will the ratees be satisfied with the raters’ evaluation. When conducting performance appraisal raters should also clearly convey their evaluation methodology so that ratees understand how to achieve the desired standard. It is observed that only 43% raters (self apprised) and 40% ratees have fully agreed the raters have knowledge about the appraisal methodology. Hence this study suggests that the IR should arrange for proper training to let the participants know about the appraisal methodology so that both the raters and ratees have clear idea about it and moreover the ratees have confidence in the raters.

To avoid conflict most of raters generally avoid the discussion about the appraisal feedback with the ratees. But one of the important criteria of an effective appraisal system is that rater should spend sufficient time to discuss the appraisal feedback with the ratee explaining why a particular grade is given. Unfortunately it is observed that only 38% raters and 30% ratees are fully agreeing that the raters spend sufficient time with the ratees to discuss about the performance while giving feedback. The system of IR should ensure that instead of giving the feedback in the appraisal form the raters should also discuss the feedback with the ratees to explain why a particular grade is given to the ratee. Hence it is suggested that in the IR at the time of giving the feedback along with handing over the full appraisal report the rater should also discuss with the ratees about his/her strength and weaknesses.

One of the important criteria of raters’ credibility is that the raters should openly and honestly discuss with the ratees about their performance irrespective of the grade given to a ratee. This may improve the relation between the rater and the ratee and accuracy of the results of the Performance Appraisal System. But, only 36% raters and 40 % ratees are fully agreeing that the raters openly and honestly discuss the performance with the employees. The system of the IR should ensure mandatory verbal open and honest
discussion about the appraisal feedback by the raters. Open and honest discussion will also increase the ratees’ confidence about the raters’ credibility. Hence this study opined that to get the benefit of an effective Performance Appraisal System the organization should concentrate on the development of appraisal methodology and the raters’ credibility.

As the appraisal system is a year-end exercise in Indian Railways the time gap between the performance and the evaluation may also influence raters’ memory and acts as a hindrance to evaluate each employee’s performance more accurately. Employees’ performance evaluation should be a continuous process in the organization. Therefore it is needed that the performance of the employees should be monitored on a more frequent basis rather once a year. This will ensure the continuous improvement of performance of the employees; help to identify the gap between the actual performance and standard performance; help to identify the opportunities that can assist employees with unfamiliar task or challenges; help to identify the difficulties in advance to achieve the existing standard; help to collect data relating employees’ performance for documentation at the time of final appraisal.

In such an annual Performance Appraisal System the time lag between the actual performance and the evaluation time often become responsible for the recency errors. The recency effect means letting a recent act of the employee to blind the rater to what the ratees’ performance has been over the years. It is suggested therefore that the perennial evaluation in the IR is needed, based on the whole year performance of the employees. The evaluation of performance by the raters based on selective memory can be eliminated by reducing the time gap between the performance and the evaluation. Hence the organization may take initiative to conduct the reviews on a more frequent basis.

Attitude of the raters is an important issue in the success of the Performance Appraisal System. The high prevalence of central tendency error may occur in this case due to the raters’ belief that the appraisal is waste of time, as the pay structure is not directly linked with the performance level and in most of the cases the reviewing officers are not even fully aware of the performance of their subordinates. Moreover to avoid conflicts with subordinates and also evade the burden of accountability to explain the reason for giving below average grade they usually prefer to give a middle level grade thus central tendency
error occurs. Proper training to the raters about the appraisal purpose can reduce this error. An appraisal system to be effective must also focus on the development of the employees and not merely the evaluation for the administrative purposes. Hence it is suggested that Indian Railways though conducting appraisal annually should concentrate more on how the ratees can be benefitted.

This study has been enriched further and theorized with the help of regression analysis. We have tried to evaluate to what extent the functions that the PA system is expected to meet is influenced by the methodology followed and the credibility of the raters. The results of the regression conducted over 395 respondents including both raters and ratees indicate that with advancement in the appraisal methodology and an increment of the credibility of the raters, it is expected to bring about significant effectiveness of the functions that the PAS is meant to serve. It may be interesting to submit here that the independent variable rating error has been dropped as it has no significance in bringing about the effectiveness or otherwise of the PAS.

We tried to find out if this finding about the methodology and credibility of raters having significant influence on effectiveness of appraisal in anyway differs when the responses of the ratees alone are considered. So another regression analysis is conducted with functions of appraisal system as a dependent variable and appraisal methodology, raters’ credibility and rating errors as the independent variables with a set of 309 responses (ratees only). It is found that ratees’ perception about the predicting variables of effectiveness of appraisal system interestingly matches the overall perception as above. In the same tune, they also perceive that the appraisal methodology and raters’ credibility is the significant contributor of effectiveness of this appraisal system, whereas rating error does not influence significantly the effectiveness of the appraisal system.

Simultaneously we also conducted another regression with 86 respondents (raters). The raters’ perception about the significant determinants of effectiveness of Performance Appraisal System is in the same tune with the ratees’ perception as well as the overall perception. Thus it is inferred that this appraisal system is affected significantly by the appraisal methodology and raters’ credibility.
Comparing the three regression models we find that the ratees are of the opinion that, in order to improve the PAS, significant restructuring of methodology is required and the credibility of the raters has to be enhanced. One of the main focuses of restructuring the methodology should be in the lines of perennial assessment based on job related factors, clearly defined purpose and standard and objective records of performance. In order to enhance raters’ credibility it is required that the direct supervisors are the raters, having knowledge of performance expected and the raters must have increasing capability to share feedback with the ratees in open and honest manner.

On the other hand the regression conducted with raters’ responses only was to an extent connected with responses about self assessment; the raters were unable to point the finger at them as much as the ratees held them responsible for the ineffectiveness or otherwise of the PAS. The raters also consider the appraisal errors have not been an influencing variable. This probably leads to think that the raters would suggest requirement for a professional training to improve their credibility and an improvement in appraisal methodology could maximize the effectiveness of PAS to the absolute satisfaction to the stakeholders.

This study attempted to explore the various factors which are responsible for the reducing the effectiveness of Performance Appraisal System. Thus focuses lies on the items which should be developed to increase the effectiveness of Performance Appraisal System in Indian Railways. The scale used here to evaluate various factors have been found to be highly reliable. These scales could be helpful to other researchers to discover the factors of ineffectiveness of Performance Appraisal System in other organizations. Further research may be conducted how the present Appraisal system can be made more objective by reducing its subjectivity.

Research endeavors tend to be inheritably plagued by inherent limitations. This study is cannot be considered free from limitations. The identification of these limitations is also pertinent as they constitute areas worthy of investigation for future research. The conclusions and implication drawn from this study should be interpreted considering those limitations.

Conclusions and Suggestions | P 229
The findings from this study should be viewed cautiously due to the limited sample size. Indian Railways are the country’s largest public sector organization and the largest employer of the country. There are a variety of employees. This study is based on the primary data collected from Group C supervisory category of employees in the head quarter and few divisions under this head quarter of South Eastern Railways only. Therefore it must be submitted that it is a study focused on appraisal system based on perceptions of employees of one zone of the Indian Railways. Further studies may be conducted, however, with same category of employees in other zones in order to determine whether the current results generalize to other samples, and enable comparative analysis.

Another limitation of this study is that very low positive correlation is found between the effectiveness of Performance Appraisal System and the error committed by raters. This is not in conformity with available literature, therefore additional research may be done which corroborates or contradicts the present findings. This would provide additional evidence for understanding the causes behind the appraisal errors and management of rating.

This study has taken all care to process the information properly and to analyze systematically. Despite the limitations, the results are important since there is very much limited research regarding the effectiveness of Performance Appraisal System in Indian Public Sector organizations. Hence, the research may prove useful for guiding future researches. Future research may also highlight various other reasons or causes of ineffectiveness of Performance Appraisal System in public sector organizations. This experiment may be replicated and extended in a field setting using different subjects covering subjectivity of rating criteria, delay periods in rating and amount and type of information observed, way of keeping records of performance throughout the year. Future studies may also address the relation between the raters’ training and the appraisal errors. Future studies are needed to investigate the effects of rater training on the accuracy of performance ratings offered by individuals in real situations. Symbolic changes like change in appraisal format is not enough to increase the effectiveness of an appraisal system. It may felt necessary to change the basic foundation of the appraisal system. In
reality, the road to advancement of research though contributing towards the development of a quality driven appraisal system is bumpy but not impassable.

Management control systems in most of the public sector organizations reflect an old structure of government. Mostly the system is dominated by political interference, statutory provisions, complicated seniority bound procedures, fiscal stringency and the proliferation of agencies which operate at cross purposes without any clear division of work. Increasing competition and reducing the budget constraint enforce some discipline but the performance will not be affected until their salaries and job are affected. Hence variable pay linked to performance should be introduced. For this purpose regular appraisal with clear performance related target should be introduced.

A time has come when the objectives of the employees as well as the organization need to be clearly spelled out. The task of making Indian Railways reach the commanding heights of the economy is a task not to be achieved by rhetoric or simplistic solutions. The work force is, by and large, unmotivated and alienated and devoid of any role except as 'cogs in the wheel'. To design an effective Performance Appraisal System the involvement of the scientists, managers and workers is an inescapable must.