Conceptual Perspectives of Performance Appraisal

3.1 Introduction:

The transformation in global economy has opened ample avenues to the developing nations, particularly India, China and Brazil, in the area of international business, trade and commerce and generated immense scope for the indigenous companies towards creating a global image. As a place having its’ own vast reservoir of competent, committed workforce, the country has attracted a substantial amount of foreign direct investment in diverse fields of commerce. But, the international competitive business environment has forced the companies to produce quality goods and services with value addition and deliver results to the customers, stakeholders and society at large. Due to high competition in the market, the sustainable growth is dependent on innovative, committed and competent bottom line workforce of the organization. For survival, growth and development of the companies in the market and to face challenges, it is very much imperative to the companies to snatch the customer from other competitor through customer delightment. It is possible only when customers fulfil their desire to have the product which is comparatively higher in quality and lesser in market price and also incomparable services rendered by the employees of the concerned companies. In such situation, companies can earn the efficacy to achieve sustainable capacity to remain in the market for the period

\[1\] (Ulrich, 1997)
\[2\] (Dhayalan, 2005)
so long customers remain delighted. This also brings a situation of maximization of profit through obtaining sustainable competitive advantage. So, the importance of human capital is now being more and more acknowledged by the companies to procure a sustainable competitive advantage and maximization of profit.

It is thus obvious for attaining business excellence, achieving strategic goals, performance management has occupied very crucial and important place because it is wellnigh impossible for any company to show its’ business strength overlooking the people competence for performance. It means the company needs to frame strategy on the basis of long term/ short term plans looking to its’ internal – external environment for accomplishment of excellent performance of the people. In this process, strategic performance management has gained importance. This will help the company to face challenges in the international market and obtain a sustainable competitive advantage and for this the human resource of the company must (i) add positive value to the firm, (ii) be unique, rare among the current potential competitors, (iii) be imperfectly imitable, and (iv) can not be substituted by other resources of the competitor firms.

To sustain for long term in this continually changing business environment, organizations have to be different from their competitors. A number of researchers opined that an organization can achieve competitive advantage through the practice of explicit knowledge management that tends

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3 (Prahlad, 1983)
4 (Schuler & Mac Milan, 1984)
5 (Barney, 1991)
towards providing incomparable output. It occurs that such situation arises when business excellence is attained when there is an alignment between corporate strategy and people’s performance, looking to the different environmental aspects. It is seen from the various studies, that an organization can attain excellence in people performance when people expectation and organizational commitment towards people are harmonious. Various models like economic value added model\textsuperscript{6}, capability maturity model\textsuperscript{7}, balanced score card method\textsuperscript{8} have integrated individual performances with other operational functions as well as organizational performance as a whole. Now the question of implementing performance management systems arises from the organizations that need to sustain the competitive advantage. Analysis of some research studies reveals that in order to make performance management system effective and efficient it needs to improve individual performance, the organization’s performance and also to integrate between individual and organizational performance.

It is thus obvious that people performance appraisal system emerging from performance management system has its significance in people’s contribution towards attaining excellence in organizational activities.

Performance appraisal is a powerful tool to calibrate, refine and reward the performance of the employee. It helps to analyze his achievements and evaluate his contribution towards the achievements of the overall organizational goals. It is the process of obtaining, recording, and analyzing information about

\footnotesize{\textsuperscript{6} (Stewart III, 1980) \\
\textsuperscript{7} (Kennerley & Neely, 2003) \\
\textsuperscript{8} (Kaplan & Norton, 1996)
the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure ‘what an employee does’ to manage it. Performance Appraisal System is traditionally used as a control mechanism to monitor the performance of the employees and provide corrective feedback to them⁹. But in the modern organization, the same system is used to encourage development, continuous learning, organizational growth ¹⁰ and controlling people activities/ behavior.

Being a typical service oriented business; the success of the IT companies solely depends on excellent performance of its workforce. In service marketing dimension, seven important P’s viz. Product, Price, Place, Promotion, Physical evidence, Process, and most importantly, people ¹¹ contributes towards accomplishment of organizational objectives/ goals. ‘People’ are the utmost important asset of the companies. The fastest changing software and hardware environment have forced the IT service organizations to consider all round development of their human resources. Hence the management of performances is a prime concern in these organizations. Being project oriented in nature, the operation of the companies tends to be very complex as performances of members in a team is interwoven and interlinked to each other. Fast passage of business activities in aggressively changing situation, across the world has made the requirement of diverse human skills very important to the individual as well

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⁹ (Anthony, 1965)  
¹⁰ (Simons, 1990)  
¹¹ (Lovelock)
as the organizations. To sustain in the long run, the IT companies have to create a core competence in the area of human resources by making a competent, motivated dynamic workforce. The design of the appraisal process is critical to the success of the man management process.

A rigid attachment to a single appraisal technique cannot serve the complex purpose of the companies to identify measure and manage the employee competencies. Hence it is an important requisite to use a mix of various appraisal techniques for the better and effective employee performance management.

It is now pertinent to provide a theoretical framework from the viewpoint of approaches that various companies hold for introducing a well designed performance appraisal that can contribute to the attainment of goals through performance management system.

3.2 Approaches to Performance Appraisal

Various companies have strategic approach based on their own philosophy, principles, values, vision, and mission to introduce performance appraisal in their respective organization. So it is obvious that the design and implementation of performance appraisal differs from company to company. In organizational settings, companies intent to achieve performance goals through the use of performance appraisal in line with the concerned organization’s objectives. Appraisal methods in the organizations are used based on their philosophical ideas and also corporate objectives. So approaches to which the
companies rely on for performance appraisal are different and obviously the techniques used for such evaluation of performance vary from organization to organization. Several researchers endeavored to summarize and relegate different techniques of appraisal system over various approaches.

Some approaches on the basis of which techniques are used are discussed in order to deeper understanding the performance appraisal techniques.

Monga (1983) has given the emphasis on six approaches that are relevant to some organizational performance appraisal activities. Such approaches include\textsuperscript{12}:

- **Intuitive approach**: Employees are appraised by the supervisor or managers predicated on their perception about employees’ external demeanour.

- **Self-appraisal approach**: Employees are given scope to let the management know their strength and weaknesses for their performances.

- **Group approach**: The employee is evaluated by a group of persons.

- **Trait approach**: People performance is evaluated on the basis of personality traits such as integrity, honesty, dependability, punctuality, etc.

- **Result based approach**: Appraisal is based on result yielded by employees on through, concrete, measurable, work achievements judged against fine-tuned targets or goals set mutually by the subject and the assessor.

\textsuperscript{12} (Monga, 1983)
**Behavioural approach:** This approach appraises the behavioural parameters demonstrated by the employees in the due course of their action.

Rock & Lewis, 1970, have developed model for appraising people performance on the basis of past records. The model is divided into two broad categories narrow interpretation and broad interpretation. The ‘narrow interpretation’ is past oriented approach, where the supervisor links the past performance of the employee looking to the various factors like competence, objectivity and joint participation. The ‘broad approach’ focuses on the appraisal of the process of achieving end result and also linkage with corporate objectives. The narrow approach encompassed rating scale, ranking method, employee comparison method and performance standard method. The broad interpretation includes management by objectives or management by end results through continuous assessment of the employees throughout the year.

Robbins has indicated three approaches for evaluation of people’s performance, such as (i) single trait, single subject measure (check list, the numerical and graphic scale method) (ii) single trait, multiple subject measurement (Group order ranking, individual ranking, pair comparison) (iii) Multiple trait, single subject (forced choice rating) offered for evaluation.

The most prevalent and widely used categorisations were given by Strauss & Sayles, 1971, where they relegated performance appraisal methods under two broad heads: traditional method emphasising on the rating of personality traits
and modern methods emphasising on evaluation of work results aimed at counseling and individual developmental need.

According to Noe, Hollenbeck, Gerhart, & Wright, 2007, management of the performances is possible by focussing on employee attributes, behaviour or results or quantifying performances in a relative way. Various techniques cumulate to compose different approaches towards developing strategic congruence, validity, reliability, acceptability and specificity according to organizational necessity. The are ranking, forced distribution method, paired comparison into comparative approach, graphic rating scale, mixed standard scale, into attribute approach, critical incidence, behaviorally anchored rating scale, organizational behavior modification, assessment center and finally result approach including MBO, productivity measurement and evaluation system (ProMES) and quality approach.

Dr. Ghosh, 2006 has provided the most elaborate deliberations on the various approaches. The diverse techniques the appraisal systems are grouped into four approaches: Independent approach, comparative approach, result approach, and cost contribution. Under independent approach the appraisal techniques include essay appraisal, check list, critical incidents, forced choice appraisal, confidential report, graphic rating scale, behaviourally anchored rating scales, assessment center, 360 degree feedback, field review, comparative approach consist of ranking, forced distribution, paired comparison. Result based approach includes MBO and human resource accounting comes under cost contribution approach.
The following table in reference to Ghosh, 2006, describe the various approaches of appraisal and the diverse techniques categorised under each approaches.

Figure 3.1 Performance Appraisal Method (Ghosh, 2006)
• **Independent Approach:**

Performance Appraisal is a technique to compare the performance of employees either individually or in a group with respect to the benchmark set by the appraiser/ personnel department as per the corporate objective or as per requirement of the job. Hence, inter-individual or intra-individual comparisons are inevitable in the context of measurement and management of performances. The administrative decisions like promotion, increment, incentives are administered by inter-individual comparisons, whereas, identification of developmental need, competency management, implementation of individualistic HRD interventions are resulted from intra-individual comparison of performances. Under ‘Independent approach’, the individual performances are not compared to other employees/ group members in order to measure the work, rather the individual job behavior, skill and expertise, potential, innovation, intelligence, etc., are measured/ compared with a predefined general statement or on the basis of supervisors observations.

This approach does not have any linkage to in relation to people’s performance, how the team members are working or how much they have contributed considering the input towards people engagement was invested. This approach is totally different one having its’ individual characteristic and entity.

• **Comparative Approach**

In comparative approach appraisal is based on the comparison of individual performance with the others, by the rater. The overall performance of an individual is compared with other members in a group. Generally, ranking
method, forced distribution, and paired comparison method. The comparative approach is an effective tool as it virtually eliminates the problem of leniency, central tendency, and strictness.

This approach is also important from the perspective of accomplishing the goals/ targets achieved by the individuals as system develops to make comparative analysis about the performance of the people working in a team. Each and every individual in the process strives hard to achieve goals/ show excellence in result as it will be highlighted in the team performance. People also may get momentum, motivation, self inspiration for goal achievement.

- **Result Approach**

  In the two approaches discussed above, i.e. independent as well as comparative approach the involvement of the employee/ ratee is always absent as appraisal systems focused only to rate the employees, and there was no involvement of the employees. The last two approaches generally focus on the fulfillment of administrative purpose, facilitating a little about the developmental issues. The concept of joint goal setting, or standard settings are absent from the independent as well as comparative approach; though some appraisal method endeavors to facilitate the employees development through the feedback system but such feedback system does not yield to effective direction for improving performance/ reinforcement of vital areas of performance.

  McGregor advocated towards adding the human resource elements to the rating process. In his theory Y, McGregor proposed that performance should be managed not measured. The objective of performance appraisal should be
developmental in the context of achieving outcome through an agreed principle set up in the organization. In such case the management needs to work as facilitator to arrange the organizational conditions and methods of operation so that people can achieve their own goals best by directing their own efforts towards the organizational objective. Participation of employees in objectives/targets setting is the core principle of this approach. Employee can evaluate own performance against the self set objectives annually or biannually. Under this approach the result/outcome is expected to generate through a climate of mutuality based on common understanding and a process of achievement of goals/targets set jointly by management and subordinate. It means subordinate himself is considered an appraisee in an agreed pattern of organizational work.

Employee himself is a part of appraisal process in this approach, thus it fulfill his ‘esteem’ and ‘self-fulfillment’ need and motivates the workforce.

- **Cost Contribution**

The result based approach of performance appraisal advocated that the performances of employees are more productive when the goals are set jointly and clearly known to the role incumbents, continuous performance feedback and coaching. McGregor and Drucker advocated to the fact that if the contributions made by the employees are taken into account, they feel highly contented and productivity increases. The overall objective of performance appraisal in independent approach or comparative approach is always administrative rather developmental, and hence these methods has a little scope to consider the individual contributions made by the employees. Contribution to cost approach is
positive in nature, as it advocates for strength identification and employee involvement in the organizational process.

Earlier approach did not laid emphasis on the people’s contribution relative to the investment made by the company. It happens that company spends a colossal amount of money towards people engagement and functioning without regard to the contribution they make to the company through their work performance. It is obvious that no company can survive not to speak of its growth and development if the people do not contribute through excellence of their performance in consideration of investment the company makes towards them. So the philosophy of how much the company has spent towards employment of people and how much the company has gained from people’s work/ activities, is of much significant and that can be derived from cost contribution approach.

The various performance appraisal techniques/ methods mentioned under different approaches to performance appraisal as given in the figure 3.1 are discussed in brief in order to have clear understanding and knowledge about the techniques commonly used by many organizations in our country.

3.3 Various Methods of Performance Appraisal

3.3.1 Essay Appraisal:

The simple, easy and the first recorded attempt to assess the performance of employees is the essay method, which was denominated as “Global Essay appraisal”. It provides an overall estimate of the employee performance without referring to any performance dimensions. Assessment of
performance, written in the form of essay generally concentrates on strengths and weaknesses of individuals; training needed; technical knowhow; team spirit; human skill; potential of the individual\textsuperscript{13}. The statements are composed by the appraiser alone or in collaboration with each other. The techniques equip the supervisor with the freedom to express the impression about the employees in their own word\textsuperscript{32}. The method was most popular to appraise the employees in most of the traditional companies during 1950s and also in the early 1970s. Some of the companies like BPL, Birla 3M, Wheels India, BATA follows the method to appraise performance of the employees\textsuperscript{14}.

The instrument is merited with its’ simplicity in nature, less rigidity in structure, flexibility, ease in functioning; less expensive and non requirement of rater’s training. The process is characterised by open ended descriptions of traits emphasizing on the issues, perceived as important by the rater.

This method is criticised for the subjective approach, heavy dependence on the supervisor’s style and competence to narrate the employees’ competence, the deviation from quantitative approach, making the exact assessment of employee performance level difficult. The assessment technique is also criticised as an excessive emphasis on overall assessment of employee potential and sometimes shifts the concentration from the job performance and activities, impeding the actual performance result\textsuperscript{15}.

\textsuperscript{13} (Ghosh, 2006)
\textsuperscript{14} (Rao, 2000)
\textsuperscript{15} (Ghosh, 2006)
3.3.2 Checklist appraisal

The method, in which a list of behaviour based description in the form of statements for the employee performances under evaluation are recorded by the supervisor, is known as checklist method\textsuperscript{32}. Checklist is a presentation of employees’ characteristics and performances. Set of questions based on the observed behaviour of the employees are prepared by the rater. ‘Yes’ and ‘No’ are attached to each statement. The statements are attached with scale value and each scale values are furthered by weightage\textsuperscript{16}. The rater marks the ‘yes’ or ‘no’ based on the observed behaviour of the subordinate. The personnel department officers finally scores the ratings provided by the rater and decides the individual performance developing need and reverts the decision again to the rater/ boss.

The method is a simple method to administer and less biased due to anonymous information to the rater about the scores/ weightage attached to the final evaluation to the employees. But the method is criticised as an expensive and time consuming method; requiring two different entities to check/ evaluate and rate the performance and thus making it inconvenient to operate\textsuperscript{38}; the qualitative approach makes it in-feasible to assemble, analyze and weigh a number of verbal expressions about employee characteristics and contribution\textsuperscript{17}.

3.3.3 Critical Incidence

Critical Incident technique consists of a set of job behavior collected from direct observations of human behavior in such a way as to facilitate their potential usefulness in solving practical problems and developing broad

\textsuperscript{16} (Chhabra, 2005)
\textsuperscript{17} (Flippo, 1976)
psychological principles. Flanagan suggested that, to record actual behavior, the managers must keep one record book (“black book”) where positive or negative day-to-day examples of subordinate’s behavior should be recorded. The daily based records kept about the job behavior of the ratee over a period of time manifest in finding the key factors which make a difference in performing job efficiently.

This method was developed to find out critical incidences during 1947 for US air force official. This was a systematic study of human behavior. This is an objective assessment technique used for appraising for people’s performance on the basis of daily activities more particularly remarkable and distinctive activities, both positive and negative. It is thus free from biasness/limitations as usually emerged from rater’s individual characteristic. Some errors which may possibly be cropped up in other techniques like recency error, halo effect error and the like may not have the chance to influence the rater in this rating activities. Since this method gives equal weightage to both positive and negative activities the chance of influencing the rater’s judgement is remote and in the process, it creates confidence among the rater and ratee.

This method cannot be taken as granted from its limitation points of view, as it happens in most cases that raters area generally influenced by the negative activities of the rates on some occasions, though such ratee may have on different occasion, cases of excellent performances. This way, the performance rating

\[18\] (Flanagan, 1954)

\[19\] (Armstrong & Baron, 2002)
results may not manifest the real picture of performance of the rates during the whole assessment period of the ratee’s performance.

This method may not work as an effective tool to make comparative analysis of the people in the department/ the organization as a whole looking to the positive as well as negative aspects of this method for its’ application in the organizational settings, it may give an indication to use this method in the small and medium sized organization effectively. The proposition on this point arises from the fact that it becomes a troublesome activity for the managers in large size organization to maintain/ keep proper diary of subordinate’s incidences of activity. This may be possible in small and medium sized companies.

3.3.4 Forced Choice Method

This method had generally originated from the practices of promoting army officials to higher position during World War II. Situation generated in the early period of World War II to look to the people qualitative attributes and behavioral perspectives of the subordinates for promoting them to the next cadre, not looking to the perspectives under traditional methods. It was thus at that time felt pertinent to judge the subordinates worth and value of performance on the basis of some statements comprising of both positive and negative incidences/ statements. The raters, who were not aware of the marks of each statement, were required to give judgment of the subordinates working under them on the specific statements. This makes the system unbiased for the rater’s personal influences, likings, disliking, rejecting, and accepting the subordinates
in the performance activities do not play any role in the sphere of performance appraisal.

This method looks to the objective aspects of the assessment. In this case statements are prepared and designed in such a way that the rater himself gets confused to give judgment on the concerned subordinates performance area. So, it works mostly as bias free tool and gives the scope to the rater to make an objective standard of rating.

Though this appraisal tool has lot of positive aspect in application in organizational settings, it has some draw backs particularly from the context of raters, rating on some vital areas which the rater themselves know are aware of. So, in this case raters are forced to give their rating on some statements which are critical in nature. So the possibility of giving a wrong judgment by the rater may not be ruled out. It also occurs that a subordinate who is basically an excellent performer or a deadwood cannot be identified/ located by the rater as, preparation of statements, allocating marks to various statements addition the marks assigned by the raters and all these are done by personnel/ HR department. So in this case because of confusing nature of statements particularly critical negative incidences of statements proper performance rating may not occur.

Notwithstanding some limitation in the appraisal tool itself, this method works effectively in some organizations, though some are of the view that this measurement tool has not been recognized as one of the measurement devices.
3.3.5 Confidential Report

This technique is an oldest method where a confidential report is prepared by the supervisor describing the strength, weaknesses, achievements, failures, intelligence, conduct, character, etc., of a subordinate. The report is a result of the thorough observation made by the supervisor/ boss about the behaviour of the subordinate. It occurs that the rater develops an understanding and some concept about the subordinate’s activities and it gives an indication of listing the subordinates as performer, non performer, excellent performers like that. In most Government organizations, particularly Government department and some private organization this method was in great practice in 70’s and 80’s. Even today this tool is being used to look to the subordinate’s worth in their job role, activities in some government department in some states and also in some government undertakings.

This tool is very much efficacious and useful for the organization looking to its simplicity and easy application in organizational settings and also cost perspectives. But most organizations based on the philosophy of global competitive approach using sophisticated world class system tools, process and human resources are in practice of using some other methods that can make the human resources happy, contented and satisfied. In those organizations, who want to attain competitive advantage in global market, the use of this tool is very much restricted rather is absolutely absent because of its bias prone rater’s approach.
3.3.6 Graphic Rating scale

In 1922, Donald Peterson introduced Graphic Rating Scale\(^{20}\). In this measure, rater assigns a numerical scale to some set criteria. In Graphic Rating scale, each trait or characteristic to be rated is represented by a scale and rater indicates the degree to which an employee possesses a trait\(^{21}\). Graphic rating scales can provide a number of different points (discrete scale) or a continuum along which the rater places mark (continuous scale)\(^{22}\). Graphic rating scale also provides scope to give feedback to the appraisee.

This method has wider application in organizations. Various parameters are decided for judging a person’s performance/ outcome and services. Various scales are used to indicate the concerned person’s strength as perceived by the rater. The most important/ significant part of this method is incorporating a feedback system. Under this, looking to the strength and weaknesses of concerned subordinates, the weak areas are pinpointed and for reinforcing/ strengthening the deficiency, various measures are taken. This trait rating scale is inexpensive, simple to develop and administer, results are quantifiable. More than one performance dimension are standardized, results are compared across the divisions\(^{23}\).

Most of the organizations are using the performance appraisal tool because of lot of positive results derived by the companies. it has some weaknesses/ limitations which in no way can be ignored in the context of proper

\(^{20}\) (Landy & Farr, 1983)
\(^{21}\) (Bohlander & Snell, 2007)
\(^{22}\) (Noe, Hollenbeck, Gerhart, & Wright, 2007)
\(^{23}\) (Cascio, 1991)
evaluation of people’s performance. Particularly, the parameters which are linked to subjective elements that becomes very difficult to measure and differentiate accurately. Besides different raters may indicate assessment differently looking to the perception of a particular scale, like assessing a particular subordinate’s work as ‘good’ or ‘very good’. Here lays the judgment to make accurately whether it should be good or very good.

From the observation of the weak areas of this appraisal tool it may sound its’ inapplicability to the organization but in reality it occurs that a lot of organizations are in favor of using this device looking to its’ unbiased approach and convincing way to generate confidence among the subordinates in respect of its accurate evaluation.

3.3.7. **Behaviourally anchored rating scale**

Simple rating systems like employee – to – employee comparison, rating scale method, or essay method gives a subjective rating of employees’ job behavior and they are less reliable as the rating criteria are not based on the behavioral aspects of raters. The rater cannot provide feedback about the ratee’s performance or the strength areas or weak areas of their performance as there is no clear description of job behaviors, and most importantly raters do not know about the quantitative rating scores to be given, commensurate to the job behaviors.

Forced choice method and critical incident technique provide psychometric analysis that endeavor to reduce rater’s bias. The complexity to implement these methods restricts them to be popular. A devise which has the
qualities of behavioral descriptions as well as rating scale properties, was promoted by Smith and Kendall (1963) as ‘Behaviorally Anchored Rating Scale’. In this tool, performance dimensions are clearly defined and are based on more observable behaviors. Behavioral descriptions reduce the rating on the basis of generalized assumptions about personality traits, and focus attention on specific work. The method is rigorous in its structure and in its development process. This method is much more reliable as the people’s behavioral traits are taken together to design this method and it is observed from various studies that almost all the necessary behavioral descriptions are considered on the basis of day-to-day behavioral incidences. Furthermore, the expert’s involvement is much more in framing this method. So, the possibility of ignoring the necessary quality is remote. The scale values are explicitly described, to make the raters understand easily the scale values attached to the behavioral descriptions. It becomes easy for the rater to identify the weaknesses of the rates and to provide necessary feedback and necessary reinforcement required for the development. The behavioral descriptions also remove the inter-rater differences to rate the subordinate, on specific areas as any rater, can comprehend easily the descriptive elements and can rate the subordinates without confusion.

Various literatures reveal that many organizations practice such methods looking to its design and coverage of this method that ensures bias free evaluation. This method is not free from limitations and weaknesses for its application in organizational settings, as this method consumes long period of

\(^{24}\) (Armstrong & Baron, 2002)
time to complete this process and also is not very much comprehensible to understand the traits in their true spirit.

Researcher through interaction with the targeted personnel in different IT sector has gathered information regarding the effectiveness/ use of such methods and it was found that most of the sample people were in favor of such methods looking to its descriptive traits linked to their specific job roles.

3.3.8 **Assessment Centre**

The mechanism was initiated by The American Telephone and Telegraph Company in 1960, and was used to identify the employees’ potential and hence create a competent and contented supervisory line to lead the company\(^{52}\). This mechanism is very much in use to identify the executives for their selection and promotion through a series of activities/tests based on some qualitative criterion suitable o the particular field of activities. This is not only a method of selection and identification of people but also a process/ technique used for evaluating people’s performance by various assessors.

Many organizations in our country use this technique by adapting various modes of activities like in-tray, out – tray, group discussion, role playing, personal interview management, games etc., and in all these, the participants scores are taken together to make a final judgement.

In this assessment centre, the people selection is made. Emphasis is given to find out people’s strength on communication skill, leadership ability, analytical ability, decision making skill etc., and selection is made looking to the people’s competence level needed/ required for particular job area in the organization. In
some organizations on the basis of people competence level in different areas, potential developmental judgement is taken to assign them higher responsibilities.

Looking to the transparency, openness of this method and also its effectiveness towards making the participants convinced about their strength and weaknesses in the whole assessment process, this technique has gained popularity in organizational settings.

Though this method is time consuming and expensive, some organizations are in favour of using this method for appraising people’s level of performance and also their potential to take a higher responsibility. Such perception was gathered by the researcher at the time of personal interview carried on and also responses made through administration of questionnaire.

3.3.9 360° Appraisal Method

Some organizations have felt the necessity to appraise the performance of people by a group of people who have a stake to employee’s activities/ performance. A general idea has originated with regard to people’s performance from the concept that the employee’s performance may not be perfectly assessed, if it is done by the boss or boss’s boss, as such process may tend towards biasness. It is also likely to happen in a situation where single rater is involved. As in some cases the boss (with a single rater) may be biased towards subordinates resulting in reflection in performance assessment. The authors like Locke & Latham, Lepsinger & Lucia, and others have developed idea in favor of multisource assessment. Under this 360° appraisal system people who are
involved in employees performance such as boss, peers, subordinates, customers/ clients and others required to assess the concerned employee performance.

It is based on the idea that such people are real judge who may opine perfectly about the concerned employees’ performance. The situation like being biased/ influenced in assessment by all the stakeholders involved may not likeley to crop up and hence the results/ judgement on the concerned people may show its perfection and accuracy. Though application of such method need lot of time and also a colossal fund to complete the exercise. It gives a lot of positive effect in proper evaluation of people’s performance.

The personal survey made by the researcher in different organization under IT sector has given the idea/ understanding that this system is by far the best appraisal technique as compared to other methods used/ practiced by various organizations as opined by the target group.

3.3.10 Field review

This method is directly related to the field survey of the officials of HR/ personnel department. It is basically a survey exercise to get to know the strength and weaknesses of people working under supervisor. So the results of people’s performance arise out of interaction between officials of HR/ personnel department and concerned supervisor.

Conceptually, this is basically an observation method for the experts to have the idea of the people’s performance working in the department. No direct interaction between employee and the experts is made, the supervisor acts as a
media to make the experts know the people’s performance level. The experts in this case, make the people’s performance level under three categories excellent/outstanding, satisfactory and unsatisfactory.

No behavioural indicators are measured under rating scale on the descriptive qualities. The only emphasis is given to assess whether the concerned employees performance is up to the mark or below average or excellent. Since this rating process does not depict the real picture of people’s performance. Its’ uses in organization are very much restricted as the concerned employees’ performance activities are not judged. On the basis of job role performance or subjective activities, the question of accurate and proper evaluation of performance is debated.

The researcher has not found the application of such technique in the sample units in IT sector.

3.3.11 Forced distribution method

This method is developed for evaluating people’s performance on the basis of predetermined concept of distributing the people in five categories like: poor, below average, average, above average, outstanding/ excellent.

Under such system it is decided by the corporate strategy makers that what percentage of excellent/outstanding or average or the other category people a particular department should have, on much early the process starts. It seems to be very much confusing and also impracticable to apply the predetermined percentage of people. This process helps the management to take decision in the
area of reward management, discipline management and career planning and progression.

It may happen that in a department may not have poor or below average people, but it terms of the system of the process, department needs to show/ make the people poor/ below average. It also creates a state of mutual distrust and lack of confidence amongst boss and subordinates affecting the dyadic relationship to a great extent. A demotivated, uncommitted, disloyal workforce appears to manifest their activities in the performance arena. This may affect in long run, in attaining business excellence and achieving its goals.

Despite lots of limitations/ weaknesses prevalent in the system, this method is largely used in the IT sector as it is evident from the personal interaction of the researcher had with the concerned people and also from the responses of the sample respondents in different organizations under IT sector in West Bengal.

3.3.12 **Ranking Method**

Ranking is a simple method assessing employee performance in comparison with all other employees in the department/ section and then, ranking them from highest performer to poor performer and finally assigning a score. Ranking method generally focuses on the individual job performance, traits, characteristics, job position, etc. All employees belonging to the same group are judged on some parameters used for all employees, irrespective of their job group.
The old ranking method was introduced by W. D Scott, who invented man – to – man comparison scale for US army during 1923. In US army, for designing ranking tool, some criterions were chalked out and emphasized like: Physical quality, intelligence, leadership, personal qualities and general value to the service.

For application of this method in the organization, it seems to be easy, simple and less costly. Even no training is required to be imparted for judging performance level of employees. It acts as motivating tool for the employees when they become aware about their strength and weakness as compared to their colleagues/ peers. In the process, they can take necessary measure to strengthen and reinforce their weak areas for growth and development in the organization.

From personal survey and the information gathered by the researcher that some sampled employees were not in favor of such methods for its application in organizational settings particularly in situations where the boss, subordinate relationship is poor and the boss is considered as biased. So the method is most suitable in cases where congenial and conducive method is prevalent and dyadic relationship is very much cordial, that emerge from healthy organizational climate/ culture.

It was also experienced by the researcher through opinion survey that in a diverse complexity of work activities, it becomes difficult to make comparison of work of employees as in very few cases similar in nature is performed by the employees in the department under project work structure.
3.3.13 Paired comparison method

Under this method a comparison of performance of one employee is made with all other employees in the department based on some characteristic qualitative traits. It does not require to compare with so many people in different ways, basically it needs to compare with \( n(n - 1)/2 \) ways. In the process of comparison when the person is better than other a ‘+’ sign is given compared to others. So, highest number of ‘+’ sign of the employees gives the indication of best performer/top performer. Some organizations like Godrej soaps, OTIS; NOCIL follow this ranking method for appraising employee performance\(^\text{17}\).

It is revealed from the study that most of the BPO companies are using this method. They opine that this gives the best result in the context of people performance.

3.3.14 MBO

This is a result oriented method based on joint goal setting, discussion, feedback, supervision/constant watch over the performance and therefore continuity in the performance. Organization in corporate level, designs/frames objectives looking to mission, vision of the company under SWOT approach, where both internal/external environment are given due consideration. In the changing competitive situation where customer delightment occupies a pivotal place for survival, growth, development of an organization, people’s activity, desires, problems faced need to be considered during the goal setting process. So, after the corporate objective is fixed, it needs to be percolated down to the hierarchy and to fix the target for the employees under a process of joint
discussion, interaction and final setting of targets. So it is basically a top down approach and is not exclusively imposed upon the subordinate but in a participative way goal setting is made. The process works in a cyclic form like planning- goal setting – performance – feedback – assessment.

This method has gained importance in the organization particularly in IT sector which relies on achievement of goals through performance throughout the year on weekly, monthly, quarterly basis. It encourages the employees/subordinates to accept this method as their concern relating to problems, difficulties, limitations are given weightage for setting formal goals. Since there is a system of feedback, they develop a feeling of doing together that enables them to achieve their goals. The great difficulty in application of this method arises in the organization where boss – subordinate relationship is not cordial and a state of mutuality is totally absent.

So, in unhealthy industrial relation situation where the congenial working climate is not prevalent, this method does not work effectively.

3.3.15 Human Resource Accounting

This is method of assessment is based on the cost contribution approach, and based on assessing the contribution made by the employees against the cost that the company is bearing for them. The concept of ‘Human Resource Accounting’ was first delivered by Sir William Petty in 1691, but the concept was popularized by the research work of Rensis Likert in 1960\(^{25}\). Under this method, the cost value of the human resources in the organization are assessed by

\(^{25}\) (Aggarwal & Mitra Thakur, 2013)
measuring the productivity (performance) and promotability and thus, provides a framework to effective and efficient utilization of the manpower of the organization. The employees are treated as assets/resources under this process. HRA is the process of assigning, budgeting, and reporting the cost of human resources incurred in the organization. It assesses the performance of the employees on monetary basis. The expenses related to the man like: compensation, recruitment – selection cost, induction and training costs are calculated as total cost incurred for the employee. On the other hand the total value added/contributions by the employees are also calculated in monetary terms. The difference between the cost and contribution is calculated as the performance of the employees. The employee performances are calculated in terms of percentage, and the contribution can be more than the cost (surplus) or can be less than the cost (deficit).

The method helps the organization to decide allocation and utilization of resources through better human resource planning by identifying job-fit person. The method also provides an understanding of return – on – investments for each employee. Focus on productivity and employee contribution improves the self esteem as the initiatives of the employees are counted and creates a motivated, loyal employee pool. Identification of talents and skills help the organization to make an effective and efficient succession planning.

From the personal survey, the researcher has gathered the idea that there is a little use of the method in the IT industry.
From the preceding deliberation it comes to light that different techniques for appraising peoples’ performance are used looking to the objective approaches, the companies follow. A summary of such approaches/ objectives followed is given hereunder in table 3.1 to focus its significant areas of some important appraisal techniques.

<p>| Table 3.1. A comparative exposition of dimensions under some important performance appraisal technique |
|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|</p>
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Techniques</th>
<th>Merit Rating</th>
<th>Graphic Rating Scales</th>
<th>Forced Choice Method</th>
<th>Critical Incident Method</th>
<th>MBO</th>
</tr>
</thead>
</table>
| Objective | Measuring Performance | Measuring performance, providing feedback | Measuring employee behavioral dimension critical to success | • Performance evaluation  
• Proficiency Measurement  
• Selection training, job redesigning Criteria | • Employee Motivation  
• Commitment  
• Understanding of goal and  
• self contribution towards job | • Self evaluation  
• Empowerment  
• Feedback from all parties in association |
| Approach | Administrative, Administrative | Administrative | Administrative, Administrative, Administrative, Administrative, Administrative | Administrative, Administrative, Administrative | Administrative, Administrative, Administrative | Administrative, Administrative, Administrative |
| Appraiser | Top level Management | Supervisors | Personnel Department, Supervisor | Supervisor | Supervisor, Employee | Supervisor, Peer, Self, All Role customers |
| Supervisor’s Role | Inspector, Evaluator, Evaluator | Inspector, Evaluator | Inspector, Evaluator | Facilitator, Coach, Leader | Facilitator, Change Facilitator, Developing Agent |

Source: (Sanyal, Ghosh, & Bose Biswas, 2010)

It is thus evident that use of techniques for a particular organization is dependent upon the objectives of the company, design and frame of approaches, they make and level of approaches, who can appraise and the nature of role of...
boss for evaluating performance. During the field study the researcher has
developed an understanding that the appraisal techniques used by different IT
companies are widely varied as the various units under IT sector work differently
looking to its’ size, business focus and management practices. In small
organizations, it seems that they are in favor of simple ranking method whereas
some big organizations have introduced MBO in a different form designed by the
organization looking to its need and suitability. It also seems that some
organizations have started using 360° method as they are in the view that this
method works as motivator to enhance people level of performance. The
management of such organization thinks that the employees consider such
method unbiased and give accurate judgment about their performance. It is very
much apparent from the field study through interview system that most
organizations desire/ introduce the method that may link to goal setting,
feedback, and performance throughout the year in order to attain business
excellence. So a great emphasis is laid on MBO in its’ real terminology.

Some organizations are in the practice of using forced distribution method
to assess people competence and continuity of their job in the organization. The
BPO companies understudy was found to take performance tests to assess the
progress in performance. The executives of those companies informed the
researcher that the performance test is generally taken almost every month for
the junior executives under probation. Based on the performance in that test, the
employee performances are ranked.
So, this is very much clear from the study that overall emphasis is given for assessing peoples performance on the appraisal technique like 360°, MBO, forced distribution method. Other methods are also used by different companies looking to corporate objectives, strategies, size and nature of activities.

3.4 Premises of Appraisal

There is a strong linkage between strategic goals of the organization and the individual performance. The modern trends have forced the organizations to implement performance measurement and management so that the workforce can cope with the complex business requirements and will be adaptable to the continuously changing scenarios. The organizations are in continuous search of processes which can help them to cope with this competitive environment to sustain in long run in the market.

Various researchers have acknowledged the importance of continuous reviewing and changing the performance measurement system to cope with the rapidly changing competitive environment taking into consideration the internal and external environment into account. According to Bititci, Turner, & Begemann (2000), the performance measurement system must be characterised by external and internal monitoring system. External monitoring system looks to the environment in the organizations generated from the global environmental perspectives influencing the performance activities of the organization, whereas the internal monitoring system gives emphasis on stakeholder expectation, performance and also developmental need to face the challenges to achieve goals of the organization and achieving business excellence.
The internal factors/ premises that influence the performances of the individuals are taken into consideration for effective and efficient development and use of appraisal mechanism. Silverman (1970), emphasised over the straight effects of internal and external environment on the organizational performances and its moderated effect mediated by managerial plans and action, organizational structure on the organizational performances. Armstrong (2002), expressed his views regarding premises of appraisal that, five major factors are very much significant to contribute to the individual performances. These factors include: (i) Personal factor that looks to individual employees’ competence, commitment and motivation, etc. (ii) Leadership factor that embraces coaching, feedback, support from the boss/ line management (iii) Team factor emerge from empathetic and sympathetic behavior of peers and their support. (iv) System factor considers the system in its’ entirety. (v) Situational factor that covers the environmental aspects both internal and external.

Landy and Farr (1980) in their research work have given lot of emphasis on some factors that influence individual employees’ performance in the organization. These factors like organizational characteristic, rating instruments and rater – ratee characteristics contribute a lot to performance achievement and on such basis they presented a model of performance appraisal.

A study from various literature and also through interaction with officials of different grades in IT sector, gives an idea that individual performance can be accurately measured from the perception of various personalities like peers, customers, team, boss and also boss’s boss also.
It is also revealed from the research study that individual performance vis-à-vis departmental and organizational performance is based on some factors that influence the individual employees, team members and the organizational system, culture/climate and external situational milieu. This is presented in figure 3.3, gives an overall view about the factors that affect individual performance and also organizational performance.
Fig. 3.3: Different factors affecting the organizational performances of IT companies

- Clear Understanding of the process and job knowledge
- Motivation
- Involvement
- Individual objective
- Perceived Values & belief
- Role expectation
- Self Perception
- Organizational Policies & Culture
- Philosophy and Strategy of management
- Infrastructure provided by the organization
- Market Competition
- Change in technology & business situation
- Changed economic and political situation, international policy
- International Govt. policy
- Skills & Experience
- Capabilities
- Competencies
- Engagement
- Personal
- Performance
- Team
- System
- Organization
- Situational
- Drivers
- Groups' demand & Bargaining Power
- Immediate Supervisor’s participation Prompt effective guidance & supervision
- Senior management’s participation & willingness to motivate employees

Source: (Sanyal, Ghosh, & Bose Biswas, 2010)
3.4.1 Premises of individuality

Individual performance is a function of competences, engagement to the job and individual attitude and behavior. The individual competences are made by the acquired knowledge, skill, and expertise on the job. Skill and expertise can be improved through continuous monitoring and feedback system, a structured training process and prompt and immediate guidance from the line managers. A culture of knowledge sharing can also improve the employee performance level. But, to improve individual performance quite often more emphasis is given more on skill and competency building. But, comprehension about the job itself, clear understanding about the process of the job and the role expected from him can improve performance. The employee will be motivated only if he can ally the organization objective with his own objective and view himself as the partner of the improvement process that will keep him engaged. Knowledge about the type of skill requirement in future can also help him to be ready to cope with the changes through self learning and development. Performance feedback and continuous interaction with the supervisor, performance planning, understanding of corporate goals and hence the individual target, the constraints to achieve the target, if discussed with the supervisor can improve the individual performances.

The sense of belongingness reciprocates if empowerment is given to the employees and participation acknowledged. This feeling generates self control
and desire to develop. A clear understanding of job, organization objective and scope to use his own creativity gives him an internal reward which energizes him to give his fullest potential. So engagement in the job increases from internal motivation, involvement to the job, team, and organizational activities. The organizational citizenship behavior promotes the involvement not only to the job related performances but also to the non job specific behaviors and leads to the individual involvement integrating self objective with organizational objectives.

Every individual is coming from an external societal background. The attitude reflects the set of perceived values and beliefs related to job, society, organizational processes and outcome. The job characteristic model advocates that internal satisfaction is a process where, the outcomes: internal motivation, improved productivity and employee contentment are obtained through experiencing meaningfulness of work, responsibility for work outcome and knowledge of results. Skill variety, task identity and task significance to an individual provides meaningfulness of the work to the employees. Autonomy on the job provides a sense of responsibility and feedback on the job provides knowledge about the results attained by the employee. Self perception and self identity with the job increases internal motivation. Also the clear understanding of role expectations from self as well as other role incumbents and finally from the organizations reinforces a positive attitude which increase productivity in turn.
To increase the performance at micro level the individual factors must be taken into account. Researchers in various studies have explored the relationship between performance appraisal and organizational citizenship behavior, mediating through organizational commitment emerged from performance appraisal system and process facets\textsuperscript{26}. Several studies have distinguished the performance appraisal into two components: process facets and system facets. Process facets enclose interpersonal communication related to observation, feedback, and performance planning between supervisor and subordinates\textsuperscript{27}. System facet includes system openness, system complexity, multiple inputs, system commitments etc\textsuperscript{28}.

System openness means individual freedom to know the information in the appraisal file creates faith in the process. A clear understanding of appraisal system complexity and uncertainty in operation, i.e. the information about appraisal criteria also increases faith in the process. Multiple inputs, i.e., involvements of more than one appraiser, who assesses the performance of the individual creates confidence among the employees/apraisees. Top level management support/involvement reflects the system commitment and it creates positive reinforcement.

The process metaphors encourages participation of employees in performance planning through joint goal settings, understanding the process

\textsuperscript{26} (Hai & Mian, 2007)
\textsuperscript{27} (Folger & Konovsky, 1989)
\textsuperscript{28} (Giles, Findley, & Field, 1997)
constraints, obtaining the prompt performance guidance. This improves the employee morale as well as it improves the individual performance. Continuous monitoring of performance, observation and acknowledgement of best performances improves the morale of the employees. Performance coaching addresses the developmental issues which increase the productivity of the individual employees.

Hence the performance appraisal should be designed in such a way that can generate faith and motivation among the workforce and facilitate growth and development of individual through continuous performance coaching, etc.

3.4.2 Premises of Coherence

Various Research studies have established the fact that the success of contemporary business organizations depends on highly motivated, coherent and self-managed team performances. The work groups become team when a sense of shared commitment is developed within the group. Team is the basic unit of work. The result of the activities/ projects undertaken by team is not a function of any individual under the team, but it is the joint effort of the entire team. The modern organizations are using various interventions to increase the efficacy of the team members and the overall team performances. The organization is highly influenced by the group performance and the inter-unit linkage. Groups consist individuals. So the realization of ultimate result can only be possible if the small individual units as well as the group performance are enhanced. Individual
performance is often modified by peer pressure and group objectives. Group cohesiveness and influence of the informal group regulate one’s performance. So to normalize individual performance and increase organizational effectiveness the groups must be managed and inspired to achieve the objective.

Various researchers opined that the team performance depends on group cohesiveness, group composition and heterogeneity, familiarity within the group, leadership, team motivation and group goals. The team performance increases when there is mutual trust and respect, high level of collaboration, clear communications of role expectations between the team members. These in turn increase the group cohesiveness. Researchers have established that team performance increases on the basis of group composition. More homogeneous groups perform better. If the teams are composed of homogeneous culture/background/status quo, the intergroup processes, contextual factors like managerial support are efficiently managed. But if the team is heterogeneous on the basis of age, experience, personalities, gender, it can be a potential team regarding creativity, innovation, decision making, etc. Leadership within the team plays a very vital role. As the informal teams are often the decision makers to accept different organizational policies and practices. Positive leadership within a team can be effective as well as productive to achieve the corporate goals. Individual motivation within a group depends on the internalization of

29 (Guzzo & Dickson, 1996.)
30 (Campion, Medsker, & Higgs, 1993)
group goals and norms, identification of self image with respect to importance to achieve the group goal, position of self within the group, individual as well as group reward for achieving the corporate goals improve the employee motivation.

Hence performance of the team must be taken into consideration nurturing the appropriate performances, promoting inter-team collaboration to achieve the organizational goals. The performance of highly capable and motivated employees in a team provides a synergetic effect on the organizational performance.

To promote team performances, the organization must develop an organizational culture integrating individual expectations with team expectations on performance factors and on other determinants. Every individual member has specific role to play, a particular function to operate within a team, and has their own contribution towards the overall performance of the team which must be recognized.

Performance appraisal helps the individual to understand every one’s role to achieve a team goal, while setting the team objectives. Role clarity and understanding each one’s position, responsibility and importance to achieve the team goal inspires individual to provide the best output and also helps the team leader to form a cohesive team. The work system must ensure a clear discretion and opportunity to every team member to contribute to the team goals. Though the final outcome of the team will be considered in the context of achievement of
the corporate objective, every team member’s contribution to the group goal must be individually monitored and acknowledged through the appraisal process. The continuous monitoring of every individual’s performance and clear communication across the team facilitates to achieve the group goals easily. The immediate conciliation/ mediation to solve/ manage the workforce issues can create a high performing team. Empowerment to the team and reward for effective teamwork can increase the team motivation. Autonomy to plan, implement and control, if provided to the team, can enhance the satisfaction and also coherence among the group members.

3.4.3 Premises of association

Organizational performance is based on the individual as well as the excellent team performance. If every individual unit of workforce is highly skilled and committed, the synergy effect in turn creates a committed and high performing team. The total effect on the organizational performance is obviously positive and productive. But the organizational performance is not the only function of individual or team performance but some other contextual factors like environmental factors, organizational structure, policies also influence the total organizational performance. The overall performance of the organization is based on different macro factors related to the organizational system, structure and the operational activities. The organizational performance is also affected by the uncertainties in the external environmental factors. The organizational
factors which directly influence the organizational performances have three basic components: (i) System factor, (ii) Situational factor, and the (iii) Drivers\textsuperscript{31}.

The system factor consists of organizational policies and culture, philosophy, strategy, infrastructure of the organization. The success of the organizational performance depends on organization’s mission, vision, values, beliefs and culture. To promote a high performing work setting, the organization must create a culture conducive to innovation, autonomy, empowerment, and employee participation in management. Practice of the culture is not possible if the organizations do not believe on the role of the culture to improve the productivity. A sound performance appraisal system must take into account the organizational philosophy and vision. The practice of continuous performance monitoring, coaching, performance planning, involvement of the employees in the appraisal process can help to improve performance. The performance appraisal process must be designed aligning with the corporate objectives and strategies, policies. The quality policy adopted by the company must be taken into account while designing the appraisal process.

The situational factors encompass market competition, change in technology and business situation, changed economic and political situation, international policy, government policy, client’s demand and bargaining power. Situational factors also embrace market situation, change in technology and

\textsuperscript{31} (Kandula, 2009)
business, changed economic and political scenario, client’s demand and bargaining power, international market. These parameters are complex and diverse in nature in such a way that it is difficult to prepare a congruent analysis of prediction. To sustain against these odds, the organization needs to improve continually. Hence a sound but flexible appraisal system assessing individual, teams as well as for the organization performance needs to be prepared.

The drivers are the line function and the senior management, who are responsible for the effective and successful utilization of individual as well as team performances. Supervisors can motivate, encourage, construct, train, strengthen and modify subordinate’s behavior through regular interaction with subordinate. Continuous monitoring and regular performance coaching to communicate the right process of doing work, can train subordinate in his daily activities. Supervisor can correct, comment and suggest on the task performed by the subordinate and thus improve the subordinate’s performance. The success of appraisal also depends on the top management’s belief in appraisal process, line functions active participation and willingness to provide guidance and motivate employees.

It is thus clear that excellence in organizational performance is very much dependent on several factors that affect individual, team and organization. Hence to prepare an excellent and effective appraisal system, the premises must be taken into consideration.
3.5 *A bird’s eye view on the process of performance management vis–a–vis performance appraisal system*

It is thus felt the necessity to find out the various perspectives of performance management process and also performance appraisal process as all this will give a clear indication of rational factors contributing to peak performance.

Performance management is a holistic approach. To achieve organizational excellence, PMS must be seen as a system approach. It is a general concept that performance management relates to performance excellence in the organization from various perspectives. Armstrong and Baron (2006), reiterated that it’s a strategic, integrated approach focusing on the developing the capabilities of the workforce and thus providing a sustained competitive advantage in any equation delivering value to the customers and society.

Performance management works in a cycle like plan – act – monitor – review to achieve sustained goals. This is shown in the figure 3.4. It also works as system approaches as in a planned and systematic way the objective of any organizations in the context of performance management is achieved.
Some experts considered performance management concept from quality point of view. Deming, proponent of quality management expressed that quality needs to be managed through PDCA cycle, i.e. Plan, Do, Check, Act, while Juran’s emphasized on quality management as a concept that embodies quality planning, quality control and continuous improvement.

Performance appraisal system is a comparative analysis of individual’s present performance in comparison with the standards set by the top level management according to corporate objectives. This is a method of systematic description of employees’ job behavior, evaluating the talents of the workforce to identify the developmental needs and to use for administrative decisions.

Performance appraisal being a part of management works in a systematic form that follows a cycle like performance planning, performance expectation and acceptance of performance goal communication, performance monitoring and feedback, performance evaluation and implementation in HR decision making and appraisal feedback.
Personal survey of the researcher corroborates the fact that the largest sized companies under IT sector in West Bengal practice the appraisal system in such cycle.

![Diagram showing the performance management system process](image)

Figure: 3.5 Performance Appraisal Systems in IT companies

A model proposed on performance management system on the basis of literatures published and also, the research survey made by the researcher has been presented in figure 3.6 that indicates how performance management system works in process activities like input – throughput – output under the influence of internal and external environment in context of corporate philosophy, strategy, policy.

This model tries to categorize prerequisite issues to PMS as input, throughput in the conversion process, which transforms capabilities and competencies of workforce to achieve output. This entire process if controlled
properly with feedback and corrective measures can lead to a desired outcome. The inputs and process needs to be planned and corrective actions and feedback to be taken immediately prompt and continuous mediation to improve the performance, group dynamics and organizational culture as a whole.

The performance management scheme starts from setting up the organization’s objective which requires previous settlement of organizations mission, vision and strategy. The data available are: organization’s HRP data, manpower inventory, job analysis report, individual career plan, etc. Role expectations from the employee and also from the management need transparency. A thorough concept about the job and the process is a necessity for the employees that together makes an important part in joint goal setting process. Different developmental schemes like coaching, mentoring, thorough training, periodical counseling and continuous interactive sessions can transform the employees KSA (Knowledge, skill, attitude). Continuous learning, effective and prompt feedback, positive reinforcement, equality in appraising, communication, prompt appreciation of innovative ideas, positive stroking, are the throughput of transformation. Controlled use of input and throughput and continuous use of remedial measures at each step ensures the achievement of ultimate result.
Figure 3.6 Performance Management System – The proposed Box model

Source: (Sanyal, Ghosh, & Bose Biswas, 2010)
The following section shows the appraisal practice in the IT companies in a flow diagram as observed and understood by the researcher during the personal survey.

**Phase: I** Business objective is translated to the job requirement, quantity and quality of people, performance standard and the role expectations for individual and group. The gap is analyzed comparing the requirements with the data available about job and type of employee available. If there is any deficiency or scope of improvement observed, then the performance improvement decision is taken. If no further requirement is needed, then the performance should be monitored and controlled.

**Phase: II** But before the performance decisions are taken, the maturity level of the organization is defined. The organization is in maturity level 1, when the jobs and roles are not defined and people are not emotionally attached to the organization, there is no group cohesiveness, infrastructure is poor. The organizations try to improve and to move to the level 2, where, the organization focuses on the individual competence building, clear identification of role expectation and role reciprocity expectations. Once the level achieved, the organization focuses on team building through improvement of individual competence through proper training, developmental schemes and continuous monitoring, the effort is directed to achieve level 3. Level 4 includes management of individual potential according to the organization’s future objective. Finally, it
leads to change management, level 5. Innovation, creativity leads to change in the process, structure of workforce, and roles.

**Phase: III:** In phase III, the organization’s objective and the performance objective along with the defined maturity level, are communicated to the employees as performance expectations from them. Managers review the result areas, jointly drafted by the supervisor with employees. If the KRA meets the cost effectiveness, specificity, and other requirements then jointly the goals are set.

**Phase: IV:** After jointly the performance targets are set, the performance management system implemented. But the process should be monitored, reviewed and corrected continually. As the process is in progress, the competencies are reviewed and improved through continuous monitoring, prompt feedback, performance related pay, training and development, continuous feedback, stroking. The development plans are drafted according to the required competence level. If the process is achievable and cost effective, then it is implemented. Otherwise, the plan should be redrafted. Then the program continues and helps to plan the next.
Reason behind the gap

Phase I

Organizations’ Objective

Requirements:
- Type of task, Process
- Quality and quantity of people
- Performance Standard
- Role expectation from individual & group

Data Available on
- HRP
- Manpower Inventory
- Job Analysis
- Previous Performance results

Matching the data with requirement

Gap observed in:
- Performance
- Job structure
- Related to group interaction
- Role clarity
- Attitude & Behavior of employees
- Organization structure
- Other areas

Phase: I setting performance management decision on the basis of organization’s objective gap?

No

Go to Phase IV

Reason behind the gap

Need Further Development?

Yes

Set priority for areas of improvement

Type of Development defined

Deficiency defined

Deficiency

Yes

Performance Management decisions taken

No

Set priority for areas of improvement
Phase – II: Maturity Level defined

Performance Management decided

Determine the expected Maturity level of the organization

Finish

Level 1 exists?

Yes

Improve Infrastructure at unit level
provide Resources
Managing Performance and develop skill
Recruit right people at right place at right time
Help to improve commitment

No

Achieved level 2?

Yes

Develop organization wide infrastructure
Define strategic objective of the organization
Translation of strategy to business plan
Improve competence of workforce to achieve strategic objective

No

Achieved level 3?

Yes

Determine the capabilities required for future
Use HRD interventions to improve potential of individual and team

No

Achieved level 4?

Yes

Encourage continuous learning
Innovation, Empowerment

No

Achieved level 5?

Yes

Maturity level defined

Level 1: (Initial stage)
- Poor infrastructure and poorly equipped organization
- Poor performing workforce
- Undefined and unambiguous responsibility
- Emotionally detached workforce
- No group cohesiveness

Level 2: (People Management)
- Focus on unit level
- Defined roles and responsibilities
- Acceptance of responsibilities by individuals
- Prioritize activities
- Improve specialization

Level 3: (Competency Management)
- Aligning units to objectives with organization strategy
- Deciding Strategy
- Formation of team
- Improvement of skills

Level 4: (Capability Management)
- Predict the capabilities required
- Manage the capabilities
- Form competency based work force

Level 5: (Change Management)
- Continuous learning
- Continuous improvement
Phase – III: Development of Performance Objective

Organization’s Objectives → Performance Management Decision → Translation of performance expectations set according to maturity level → Performance expectations communicated to employees → Employee draft the KRA’s and performance goals → Manager reviews the performance

Are the KRA’s achievable, specific, measurable, and cost effective?

Yes → Joint goal setting

No
Phase – IV: Implementation and Monitoring

1. Set Target
2. Performance Expectations
3. Implementation of the process
4. Check
5. Is the process right?
6. Yes
7. Any further development?
8. Yes
9. Draft improvement plans and identify competencies
10. Identify the competencies needed for development
11. Will developing the identified competencies help employees to improve KRA?
12. No
13. Employee, Manager re-identifies the competencies
14. Continuous monitoring and feedback
15. Are the competencies cost effective?
16. Yes
17. Development Plans finalized
18. Development process implemented
19. Employees’ overall performance improved?
20. No
21. Change in job or role
22. Job Redesign or Job Change
23. Yes
24. Further development plan prepared and implemented
3.7 Use of Appraisal

Performance appraisal has a wide application in the IT companies whether small, medium or big. During the personal survey with the HR personnel and the other officials, the researcher has understood that a variety in application of the appraisal system across the industry depending on their size, nature of business focuses.

- **Salary Decisions:** The top performers are identified on the basis of achievement of targets, job behaviour, and acceptance and performing challenges, innovative ideas which help the organization to achieve the strategic goals. Based on their performance reports they become eligible to get increments and incentives. Sometimes the punitive measures like loss of privileges, demotion decisions are also taken on the basis of appraisal data for the poor performers. Consistently poor performance in several consecutive appraisal sessions can also lead to a separation decision.

- **Promotion Decisions:** Appraisal data are mostly used to administer the promotion decisions. The final performance score provided on the basis of assessment of employee attitude/behaviour, job performance and potential which are essential for the success of the future and higher role responsibilities to be performed by the employees. The final score provided by the supervisor based on the continuous observation and interaction with the subordinates easily helps
the HR department to identify the best performer and/or the employee potential to manage the future higher responsibilities.

- **Identification of training needs:** Identification of training need from performance appraisal findings is the most widely practiced use of assessment of employee's performances in the IT companies irrespective of size. Training needs are identified in three ways: (i) identification of the training need by the supervisor, (ii) assertion for a specific training by the employee for specific, individual, need, (iii) training need arises due to changes in company policy, technology, or job redesign, HR mandates like quality training etc.

  The appraisee is rated on the job specific behaviours/criteria of appraisal set by the management and supervisor according to the organizational and job specific need. The standards expected from the role incumbent are also specified during performance planning phase jointly with the subordinates and informed to the appraisee. The information obtained from appraisal report about the gap of performance related to specific criteria provides information about training need on those particular criteria.

- **Designing training:** Performance appraisal provides the information about the performance gap between standard expected performance from the job and the performance of the role incumbent. The technical/managerial skill requirement analysis for future projects provides information about the requisite skill level to perform the job effectively and performance
appraisal provides the information about the current performances of the role incumbent. This comparison provides the information about the 'skill – space' of the employee and type of training needed to manage the skill requirement to perform the job effectively and efficiently.

- **Competency development:** The IT organizations today are striving for three important practices: identification development and maintenance of competences of the workforce those are unique and incomparable in the market. Performance appraisal provides the information about the unique set of capabilities in the individual those are, if nurtured, can lead to distinct strategic advantage over the competitors. This information helps the organization to ascertain the development programs for the individuals.

- **Assigning specific tasks:** The modern sophisticated organizations today work in projects requiring specific skill sets, expertise and specialised knowledge base. Performance appraisal provides the information about the existing skill sets, trainings taken by the individual employee's. The identification of the employees with specialised knowledge and skill set is done on the basis of appraisal report for the next projects.

- **Employee Motivation:** As the performance appraisal results in the reward system, incentives, increments, continuous monitoring of the employees’ contribution, it increase the employees’ motivation. Clear
communication of expectations, performance standards, and regular feedback helps to motivate employees.

- **Better management:** The management of administrative decisions are possible through the performance appraisal system. The appraisal system clearly identifies the best performers and also the poor performers. So the utilisation of manpower in other job areas i.e., redeployment of people to other jobs, identifying people for downsizing decisions, career planning of the workforce, human resource planning decisions are efficiently managed.

- **Self Development:** The appraisal feedback and regular monitoring of the performances of the employees provides individual information about their own strength to and weaknesses to recover. As the employees are aware about the areas to improve they try to progress through self development.

- **Control mechanism:** Performance appraisal system is used as a control mechanism from time immemorial. In MBO process, the team jointly with the supervisor set the goals. The team together control the performances through regular review of the performances. The individual performance, goal achievements, information about strength and weaknesses help the management to take the corrective actions, or the punitive measures.

- **Succession planning:** The information about the individual strength, weaknesses, potential, and specialisation helps the management to
formulate an effective succession planning. When there is a vacancy is created in the organization, the internal reservoir of manpower will supplement the vacancy immediately if the personnel department has the information about the best suitable person for the post based on his performance.

- **Management of Dyadic Relationship:** Through the appraisal process, the most interacting relationship is the boss and subordinate. From the goal setting through the daily performances to the final appraisal score and the appraisal feedback session, there is a continuous interaction between these two. The mutual relationship develops through the constant interaction during goal setting, discussing the uncertainties, reviewing the performances, continuous and prompt feedback, counselling, and reinforcement.

- **Ascertaining the effectiveness procurement mechanism:** Appraisal process helps the management to understand the effectiveness of the procurement process, as the performances of those who are procured into the organization provides the information about the efficacy of the system. A robust and efficient procurement system undoubtedly recruits capable performers/workers, so continuous good performance scores of the new incumbents proves the efficiency of the system.

- **Introduction of Esprit-de-core:** Performance appraisal is a two way sword, if practiced with fairness and integrity, employee’s participation, line management’s willingness and involvement in productive feedback sessions,
can produce a band of contented employee pool. If the top management believes in the appraisal process as a development tool, and prepare the employees to accept the change, it can develop a sense or organizational citizenship and a sense of belongingness within the workforce.

3.8 Limitations of Appraisal Process

Appraisal process is always criticized by the experts, researchers as well as the practitioners due to its’ biased and error prone nature. From personal survey made by the researcher it is gathered through interaction with the officers in the sample units of IT sector in West Bengal, that the performance management system particularly performance appraisal system is not free from limitations that emerged from the companies policy/ strategy, system itself and also raters individual characteristic.

During the personal survey it was found that some of the companies are using multi rater source to appraise their employees. In some of the cases, the respondents expressed their dissatisfaction as they opined that accurate rating cannot be judged if it is made by various appraisers who have different dispositional ego state structure. A liberal rater can rate his subordinates very liberally without looking to the actual performance made by them. In a situation where the rater/ appraiser is very rational, unclear performance reflection is made accurately, thus giving different rating structure which is against standard norms of performance management.
Appraisal system is again criticized in the sampled IT companies for the power – politics denominations. As the tool is linked to the decisions like increment, incentives, etc., sometimes the organizations, are using this more to exert power and as control mechanism. As the operation of the method directly depends on the dyadic relationship of the supervisor and subordinate, the method is biased. Existence of politics in assessing the employee performance creates ambiguity, reduces the faith on the system and leads to the failure in achieving the objective. The developmental objective of the appraisal process is often hampered in the organization due to the practice of power and focus on control.

The most important requisite for effective practice of an appraisal system is the promotion of an organizational culture conducive to growth. The culture must be promoted and supported from top management as well as the line function, and must practice a reliable, fair and just appraisal system. Often, it is observed that practice of appraisal system, is failed due to negligence, and non interest in the process on the part of rater as well as ratee. In some of the organizations respondents’ criticized their existing system of appraisal on the grounds of favoritism, leniency error on the part of rater, cultural differences, rater’s personality, evaluator’s unwillingness, and inability which are leading to an unsuccessful appraisal system. The raters also often are not aware about the process of appraisal due to lack of training. Insufficient time spend for the
feedback by the rater makes the process less constructive in some of the companies particularly in small IT companies under study. The feedbacks provided by them are often ambiguous, complicated and non significant. Performers have a little to say in own defense, this reduces the credibility of the process to the ratee. Ambiguous goal set, complex processes, poor and old methods of appraisal also decreasing the effect of appraisal.

Though there are several limitations of the appraisal process, still the organizations do not have any other alternatives of the process. In the changing technological scenario, where the sustainability of the company depends on the employees’ competency, the method is serving as most widely used tool in different forms/ structure/ process of administration, to measure and manage the employee performance in all of the sampled IT companies in West Bengal, whether big or small in size and irrespective of their business focus.

During appraisal process, emphasis should shift from measuring and controlling their performances to its management through self development by way of generating a culture of employee involvement, empowerment and participation that result in the creation of the reservoir of committed, contented and loyal workforce. All such workforce can be able to provide rare, incomparable value addition in service and product that can help the organization to obtain a sustainable competitive advantage to the organizations. The effect of volatile national and international economy, project wise changing team, inherent
drawbacks of rater’s characteristics and organization’s policy and system need to be addressed. Performance culture of OCTEPACEC (openness, confrontation, trust, empowerment, proacting, authenticity, collaboration, experimenting, and continuous interaction) may help the IT companies to introduce an accurate and bias free rating of performance by raters.
Fig. 3.8. Organizational Culture – Performance linking model