8.01 **Public Sector in India.**

The public sector in India is not a post-independence phenomenon. What is new since independence is the vast expansion by Government agencies in the form of manufacturing, mining, trading, banking, insurance enterprises, besides a great extension of the pre-independence enterprises such as railways, transport, communications, irrigation and electric power systems.

The organisational structures within which different public sector managements are set to function are varied. For the railways, there is a whole ministry of the Central Government managing the railway system of the country through the Railway Board, with a separate parliamentary budget of its own. Many other enterprises are departmental agencies directly under a ministry; others are statutory corporations set up by an Act of Parliament while a large majority of the public enterprises function as limited liability companies under the Companies Act. In fact, the company has been found to be the preferred form of management organisation, providing a more flexible system of management and control than the other forms.
By the year 1978, as the national economic effort proceeded from the end of the Fifth Five Year Plan period towards the beginning of the Sixth Five Year Plan period, the investments already made in the public sector by the Central Government had reached about Rs.10,000 crores with an annual turn-over of over Rs.14,000 crores, and a gross profit of over Rs.800 crores a year. The investments have been increasing at an exponential rate over the last twenty-five years and are more than likely to continue to increase in the same way, whatever the texture of the government in office and whatever the economic policies that may be pursued.

At the same time, the states of Union of India have been going into business in the industrial field, establishing and running public enterprises of many different kinds; until the investments made in the public sector by the states have been rapidly catching up with the total investments of Central Government.

The sheer size, extent and variety of the Public Sector enterprises have demanded the deployment of managerial skills at all levels, quantitatively far beyond anything that might have been contemplated in the pre-independence era, or even in the first few years of independence, the early nineteen fifties, when it was uncertain whether the public sector in India would survive, let alone expand in the way it has done.
The early difficulties, the controversies, the battles that raged over the whole concept of the public sector in industrial, trading and banking activities, have passed into history. The public sector is firmly established, this is underwritten now by practically everyone, in the political, social or administrative establishments, and renders idle and of mere academic interest the kind of controversies that still seem to haunt national and international conferences as to the justification of the public sector. Overmuch attention to out-of-date issues like this and to equally idle comparisons between private and public sector, between comparative efficiencies in the management of public and private enterprises, have in fact tended to obscure, and to divert attention from the real problems that subsist in public sector management.

The management and control of public enterprises is beset by a vast array of problems, problem areas and issues upon which there are no final solutions yet in sight. Although the problems as a whole are part of the integral whole of management, yet for practical treatment it seems necessary to be selective in dealing with them.
There are three main problem areas each of which is of current as well as lasting concern to all who are involved in the management of public enterprises, including the government, the legislature, the administrative establishments and the managerial echelons within the public sector. They are: profitability and pricing; administrative and financial control and parliamentary accountability.

One of the most complex problems in the whole field of public enterprise management is the matter of formulating more effective personnel policies for the public sector. The complexity arises partly because this issue is inevitably tied up with the subject of industrial relations and ultimately the whole question of what precisely are the socio-economic goals to be achieved by public enterprises.

Till recently personnel management in various organisations was taken for granted and was not considered as a separate subject requiring special attention of the management. However, with the growth and development of the modern management sciences, this area is assuming an increasingly important place in almost all organisations. In the government in a democratic country, where the accountability of the administration to the people is much more pronounced, a scientific and rational
personnel management to get the best out of the government is even more necessary. To draw up on the talent from within, particularly in view of the experience gained in the organisation, the management is compelled to have a promotion policy which is mostly dependent on an appraisal system. The appraisal system may take the form of cumulative assessment indicating the potential and the capabilities of the individuals for shouldering higher responsibilities or may be an instant appraisal system through interviews or lateral entries. In order to ensure that the appraisal system is objective and fair, both to the organisation and individuals, a clear definition as well as understanding of the purpose of the performance appraisal is a pre-requisite.

8.02 Appraisal system

Performance appraisal has been defined in many ways but broadly we may take appraisal to mean a regular and continuous evaluation of the quality, quantity and styles of performance and an assessment of various factors influencing the person's performance and behaviour. It also means an appraisal of the growth potential of an employee, with a view to providing information to the organisation leading to positive action and enabling feedback to the individual aimed at his performance improvement,
personal growth and job satisfaction. The device would help feed the organisation regarding its output performance and suggest a rational development and promotion policy of its constituents. As such the performance appraisal is expected to result in an assessment of (a) growth potential of an individual, (b) corresponding training needs, thus helping the organisation to evolve a suitable training programme (c) performance and capabilities of individuals for their placements and promotions and (d) conduct, discipline etc. of the appraisees to enable the organisation to evolve a control mechanism.

However, appraisal is a means and not an end by itself. It should lead to improved organisational health, vitality and growth through optimum utilisation of the human resources in the interest of the organisation. Simultaneously, it should also motivate the appraisee towards giving his best to the organisation and feed him back with the level of his performance in order to enable him to improve and grow.

It is evident that if it is desired to install an effective managerial appraisal system in an organisation, we must first set our house in order. This means a clear definition of organisational objectives, targets and priorities, a participative style of objective-setting; clear definition of roles
and responsibilities, preferably through a dialogue between the manager and his boss; effective managerial manpower planning; effective selection and placement policies and procedures; career planning; realistic training and development programmes; a satisfying and imaginative reward system. These are the prerequisites of a model managerial appraisal system. The appraisal system cannot be conceived of as a system independent of its environment or unrelated to the work system as the appraisal is highly conditioned by the external as well as internal influences of the environments.

In government and Semi-Government organisations, however, the appraisal system is a purely control mechanism to discipline the appraisees and is held as a stick over their heads rather than as an instrument for improving the organisation as well as the individuals. It is for this reason that the appraisal system has been named as "Annual Confidential Report" or "Confidential Character Roll". The two obvious characteristics of performance appraisal in government organisation are secrecy and fairness. Whereas secrecy emanates out of the strict hierarchal structures of the government and its impersonal character, the fairness of the system has been in question for a long time. Subjective attitudes, personal bias, favouritism and outdated value system
have been pointed out as the main faults of the appraisal system in government.

Using it as a control mechanism as well as instrument of providing correct incentive to the appraisees, the appraisal system has become a basis for rewards and punishment in the government. In 1956, it was decided as a matter of government policy that promotion to higher grades should be made on the basis of merit rather than on seniority alone. For this purpose, the system of grading as "outstanding", "very good", "good", "fair" and "poor" was introduced so that the persons graded as "outstanding" by the departmental promotion committee could be promoted enblock over others who did not rate that grading. These were to be followed by those who were graded as "very good" and so on. Since the only instrument to evaluate the performance or potential for promotion of an individual was his performance appraisal report, the annual confidential report assumed undue importance in the eyes of the appraisees as well as the appraisers. This not only aggravated the already prevailing suspicion regarding the fairness of the system, but also gave rise to groups of sycophants mutually supporting but excluding all other co-workers or colleagues. This also resulted in a concentration on design of appraisal system purely for the purpose of promotion to the exclusion
of all other objectives. The fact that this system puts one person in the position of being a judge for the future of another creates tremendous psychological tensions and anxiety in the mind of the evaluator as well as the evaluatee. The question that taxes the mind is whether the appraisal system is to aid human judgement thereby reducing the responsibility of the superior in evaluating the subordinates. The impersonal system of the government tends to favour the latter rather than using the appraisal system as a tool for managerial judgement. The design of the format, which treats the persons at all levels in the same manner irrespective of the requirements of the job and the personal attributes necessary for it, does not even take into account the purpose for which the appraisal system is installed, namely, an evaluation of the growth potential and training needs of the individual, his performance in the existing job, his potential for promotion and his behaviour and conduct particularly his role in inter-personal relationship.

It may not be necessary that the qualities required for a lower job would carry the same importance as for the higher or more responsible jobs. For example, adherence to rules, obedience, amenability to discipline may be higher desirable qualities among
those who are at the operative levels. There perhaps innovations and initiatives may not be noticeable or important. However, at high levels, it will be initiative and innovative abilities which would be much more desirable and important than mere obedience or adherence to rules. As such, the qualities observed and the degree of their presence assumes significance only in relation to the job which a person is holding and the job for which he is being considered or assessed. The present system does not even identify the necessary weightage to be given to appraisals by different persons.

During the past few years, a number of organisations have attempted to revise the rules and procedures, as also the appraisal forms, with a view to ensuring objectivity, but they have discovered that it is not possible to achieve their goal by merely changing rules and appraisal forms any more than it is possible to make people more honest in paying taxes by changing tax rules and tax forms. The experience gained till now, however, has at least revealed that if the performance appraisal has to be made more objective and development oriented, it is necessary to develop a proper format for performance appraisal. The villain of the piece, if one could describe it that way, is 'subjectivity' in appraisal.
Elements of subjectivity:

Some of the factors that introduce subjectivity in the appraisal are:

1. **Superior's value system**:
   One obvious factor is the value system of the superior who writes the assessment report. As human beings, we tend to measure other people against the yardstick of our own value system, however imperfect it may be. This makes it exceedingly difficult to understand and appreciate people who have a different socio-cultural value system. If one examines a dozen or more performance appraisal reports written by a superior on various subordinates, one can notice not only the behavioural profile of the employees, but also the profile of the superior himself. It is rare that the personality of the superior and his value system are not reflected in the reports he writes.

2. **Dominant work situation**:
   Most superiors and subordinates - reveal, what can best be called, a dominant work orientation in their assessment of other people. This dominant orientation overemphasizes certain aspects of work role. The basic elements of this orientation may be:

   - dynamic task orientation - a preference for work of dynamic nature involving growth and learning,
   - static task orientation - a preference for maintenance and routine work,
- Status orientation — an undue emphasis on status and role relationships (remarks like "submissive" and "loyal", etc.)

- Interpersonal orientation — an undue emphasis on interpersonal relationship in assessment (like helpful, extrovert, etc.),

- Non-work orientation — an undue emphasis on qualities which may not have functional utility; and

- Conformity orientation — an undue emphasis on conformity to the ideology of the organisation or superior.

The dominant work orientation may consist of one or more of the above elements which tend to create distortions in the appraisal of subordinates.

(3) **Interpersonal relationship.**

Another important factor is the state of interpersonal relationship between superior and subordinate. The psychological make up of the superior and subordinate considerably influences this relationship, apart from the situational influences. For example, a basically dependent subordinate may seek to establish a relationship where the superior is a kind of mother figure with the result that the subordinate tries to seek the approval of the superior in all his actions and judges himself according to whether the action is approved or not. This may be psychologically satisfying to the superior, or may cause resentment or aversion in him, depending on his psychological make up. A dependent boss and
an independent minded subordinate will react to
produce an altogether different behaviour. The
relationship which is established may be psychologically
satisfying to both, or one of them. Such a
relationship may or may not have any work utility
or promote work involvement. The existing performance
appraisal system promotes high adoptibility of
behaviour on the part of the subordinate to the values
and attitudes - which include whim and fancies - of
the superior.

(4) **Loyalty**

The precise functional utility or dis-utility
of "Loyalty" is difficult to determine, but in Indian
context it produces considerable influence on the
work situation. Cases of various types can be cited
to show its utility or otherwise, but it really
depends on the nature and quality of loyalty. Loyalty
may be due to values, objectives, interests and
emotional needs of the persons concerned. Loyalty
normally brings the superior and the loyal subordinates
nearer, but this process more often than not, also
increases the distance and distrust between the
superior and other subordinates. It is necessary to
examine whether the particular relationship of loyalty
is "work based" or "interest based" or both. The
superior in such cases judges the subordinate by the
extent to which the subordinate identifies himself with the superior and the subordinate, too, considers identification as a means of increasing his functional utility. The precise components of loyalty will vary from person to person, but in a large number of cases, it involves high mutual trust, high degree of compliance and adjustment to the personality, values and work needs of the superior, and a protective attitude on the part of the superior — an element of quid pro quo.

(5) **Level of achievement**

The superior's own level of achievement will always affect his appraisal of others. Where the actual difference between the levels of achievement of superior and subordinate is quite wide, it can create problems of adjustment and objective evaluation. The superior's own level of achievement can affect the performance appraisal by:

- influencing the fixing of expected level of the manager's performance;
- limiting the aspiration level of the manager;
- affecting inter-personal relationship, e.g. creating hostility if the subordinate has superior achievement and the superior has low self-esteem; and
- restricting the support to subordinate to his own level of performance, e.g. an essentially maintenance man may object to research and experimentation by not providing support facilities.
8.03 Factors affecting objectivity:

Besides the above factors contributing to subjectivity, there are several common factors which hinder objective assessment. Some of these are:

1. Stereotyping - a feeling that some class of people are superior to others - like promotoes, direct recruits, officials of one's own service, specialists, etc;

2. Work preference - a subordinate may have to perform various types of duties, but he is judged not by the overall performance but by the specific aspects which the boss considers important. These items may or may not be important from the functional point of view;

3. Work methods - some superiors have a conscious or unconscious preference for employees whose method of work is similar to their own;

4. Past record of the official;

5. Past reputation; (as distinct from the record) of the official;

6. Extent of non-work contact - people who have more non-work contact with the superior may be judged differently from those who have less contact;

7. Social standing of the subordinate in work and non-work areas;
(8) extent of work-contact - subordinates who have greater work-contact may be judged differently from those who have less contact;

(9) non-work related opinions, attitudes and conduct of subordinates;

(10) where a subordinate has influence at a level higher than that of the superior, he may use this influence to get a better report for himself, or the superior himself may, on his own, be influenced by the "power equation";

(11) if the superior has earlier written a performance appraisal report, he may hesitate to write a widely different report for the fear of contradicting himself, even though his opinion may have changed genuinely;

(12) fear of unpopularity or a desire for popularity at the conscious or unconscious level, may inhibit the superior in making a correct assessment;

(13) superiors who have suffered adversely - either rightly or wrongly - due to performance appraisal, sometimes tend to compensate their frustration against the system by giving good report to their subordinates, regardless of merit;

(14) there is often a greater stress on the man and his personality rather than his performance;
(15) The superior's capacity to express himself in clear and precise language can vitally affect the performance appraisal report. Sometimes superiors write differently from what they intend to convey; and

(16) Some organisations themselves create barriers in effective evaluation of performance appraisal reports every year, and these sometimes include performance appraisal reports on managers whom the appraiser had never met.

8.04 Performance appraisal in private sector:

Unlike in the public sector, the management (which include the semi-government organisations) of firms/companies is on a different footing in India. The public sector undertakings/companies have definite governmental safeguards which the private companies do not have. They have to face procedures, statutory regulations and healthy/unhealthy competitions. The management in private sector is therefore of an intricate nature. In private sector -

(1) Practical rules simply do not exist which can be applied in an automatic or mechanical fashion to actual problem,

(2) At the present stage of knowledge, management theory is of far more practical use in diagnosing situations than prescribing
(3) the practice of management involves skills — skills that have become thoroughly incorporated in the manager’s personality — rather than merely intellectual knowledge,

(4) practical recommendations for action always depend upon the values of a person making the recommendations.

In view of the foregoing, the end results is a dominant criterion of performance appraisal and the appraisal systems in private sector are viewed differently compared to those in the Government and Semi-Government organisations.