CHAPTER 7

PERFORMANCE APPRAISAL

Appraisals are judgements of the characteristics, traits and performance of others. In industry, performance appraisal is a systematic evaluation of personnel by supervisors or others familiar with their performance because employers are interested in knowing about employee performance. Performance appraisal thus is a systematic and objective way of judging the relative worth or ability of an employee in performing his task. In other words, it is the process of collecting, analysing and evaluating data relative to job behaviours and results of individuals.\textsuperscript{1} Formal appraisal of an individual's performance began in the Wei dynasty (A.D. 221-265) in China, where an Imperial Rater appraised the performance of members of the official family. In 1883, the New York city civil service in U.S.A. introduced a formal appraisal programme.\textsuperscript{2}

7.1 THE NEED FOR PERFORMANCE APPRAISAL

An appraisal of the employee is undoubtedly necessary at the time of his employment. However, an appraisal on a continuing basis during the working life of such an employee is very desirable and useful. It would be wrong to assume that a good employee is forever a good employee. This assumption is often the consequence of judging a person and not his performance. In fact, it happens quite often that the more successful a person is, the more sure he is of the correctness of his own way of doing things, and the more fixed he becomes in his habits he deteriorates. Hence the need for reassessment and training.\textsuperscript{3}
No firm has a choice as to whether or not it should appraise its personnel and their performance. It is inevitable that the performance of the hired personnel will be evaluated by someone at some time. The choice is one of method. Performance appraisal helps to identify those who are performing their assigned tasks well and those who are not, and the reasons for such performance. Basically, performance appraisal provides feedback for employers and employees. Employers need to know that acceptable standards of performance are being maintained by employees. Employees also need to know the results of their efforts, whether positive or negative. If appraisals indicate that employees are not performing at acceptable levels, steps can be taken to simplify jobs, train workers, motivate them, or dismiss them depending upon the reasons for poor performance. Organizations use performance appraisal for (1) administrative purposes (pay increases, promotions, demotions, terminations and transfers), (2) employee development purposes (to guide and motivate employees and to identify specific training needs) and (3) programme assessment purposes (to see how effective, recruiting, selection and placement have been in supplying a qualified workforce).

7.2 SETTING UP A PERFORMANCE APPRAISAL SYSTEM

The evolving of a performance based reporting system is by no means an easy task. Different approaches are possible in this regard and an organization should choose a system which is best suited to its specific culture and requirements. Performance appraisal can be either formal or informal. Informal appraisals are unplanned,
often just chance statements made in passing about an employee's performance. The common approaches in performance appraisal are:

1. A casual, unsystematic and often haphazard appraisal.

2. The traditional and highly systematic measurement of
   (a) employee characteristics (b) employee contributions
   or (c) both

3. Mutual goal setting through a management by objectives programme.

A popular management technique is management by objectives. This requires a clear definition of the goals expected to be achieved by the subordinate as well as a measurement of the actual achievement of such goals by the subordinate. The visualised goal and actual performance have thus to be compared. The modern trend in business organisations is to place responsibility on individuals to set performance goals and also to appraise the progress towards them. An initial appraisal by the individual employee himself to be followed by an interview with his superior in which both of them together arriving at an agreed appraisal is the practice fast gaining currency.

Regardless of an organisation's specific needs for performance appraisal, five general requirements must be met by an appraisal system, if it is to accomplish its objectives: reliability, validity, practicability, fairness and impact. Reliability is the consistency of a measure over time and across different raters. Validity is the degree to which a measure measures what it is supposed to measure. In order to meet the practical requirement, an appraisal system must be acceptable to both evaluators and
evaluatees. Fairness requires that employee must feel that appraisals are conducted fairly and that the consequences of appraisals (raises, promotions etc.) are fair. An appraisal system must have significant impact. Without it, the system loses its credibility. 11

Appraisals are viewed from two angles: (1) Every employee rightfully expects to be assessed in a fair and objective manner on the basis of his performance on the job and the results he has achieved, and (2) Performance appraisal also enables the organization to maintain an inventory of the number and quality of all employees and to identify and meet their training needs and aspirations. An appraisal involves the superior performing the following tasks:


2. Assessing the factors which have affected his subordinate's performance, and

3. Predicting his subordinate's future performance potential. 12

The assessment of the superiors shall be based on the data on performance and shall not represent purely impressionistic judgments. For this purpose, reasonably clear role descriptions shall be prepared and indicators of performance defined. 13 A very important part of the personnel manager's responsibility for general administration of the personnel programme is the establishment and maintenance of many standards by which performance can be judged. A 'standard' can be defined as an established criterion or model against which actual results can be compared. 14
7.3 PROBLEMS IN PERFORMANCE APPRAISAL

None of the methods of appraising performance is absolutely valid or reliable. Each has its own strengths and weaknesses. Most appraisal methods involve judgements of one kind or the other. Some major issues and problems in performance appraisal are:

1. There is often a tendency to rate not only the performance of the employee but also the job.

2. Errors are introduced in the appraisal because of a defect or bias in the person conducting the appraisal.

3. There is generally the presence of a halo effect which leads to a tendency to rate the individual on the basis of an overall impression.

4. As appraisals are in fact opinions, it is difficult to remove from them the subjective element whilst making the judgement.\(^\text{15}\)

5. Very often appraisers tend to rate the person and not his performance.\(^\text{16}\)

Many are reluctant to pass judgement on employees. Others dread face-to-face appraisal interviews, especially when they must give negative feedback to a subordinate. Many managers and supervisors very carefully consider the consequences of their appraisals before they complete a formal evaluation of a subordinate. In making subjective calculations, evaluators frequently take the approach that is most rewarding or least punishing for themselves in the short run.\(^\text{17}\) The appraisal reports are, therefore, never objective when it comes to the negative features of an employee. See no evil, hear no evil and speak no evil is the usual approach.
adopted by the appraisers. As regards positive aspects also, appraisal reports are influenced more by personal relations than by work performances. Person to person relations come to overshadow the role-to-role relationship and this gets reflected in the performance appraisals. Naturally, appraisals are not based on the performance of an employee, but often it is the likely repercussions of a report that ultimately determines its contents. More than anything else, the appraisals reveal the appraiser's own ignorance, incapacity to judge people, inability to express well, poor understanding of areas of assessment, lack of clear and coherent thinking, prejudices and bias, idiosyncrasies, poor inter-personal relations, drawbacks in decision-making, defects in job relations etc.

Many appraisers feel that management is reluctant to give the due weightage to performance appraisal, probably because it deprives them of their right to judge who is good or bad in performance. A research study conducted by Hina Shah and Vaghul (1975) showed that 65 percent of the employees in banks feel that the appraisal system is not fair to the individual being appraised.

There is no alternative to human judgement with all its fallacies and errors. We shall be certainly better off in determining whether productivity is rising or falling with the help of even a crude index than with having none. Judging people is probably the single, most difficult managerial task. Yet it has to be carried out in spite of its limitations. It can never be completely objective. The best that can be attempted is a fair assessment and to neutralise the inevitable personal bias of the
assessor. For this purpose, it is necessary:

(i) To keep the form brief and simple. The greater the amount of headings and sub-headings introduced, the more complicated, the assessment becomes and the greater is the play of entirely subjective considerations.

(ii) To define the purpose. The purpose of performance appraisal is to assess performance, not the person.

(iii) To ensure that the criteria should be relevant to the task. Qualities and attributes which do not affect performance should not be included. To the extent possible, the criteria should be tangible and not abstract.

7.4 POSITION OF PERFORMANCE APPRAISAL IN INDIAN BANKS

A study conducted for the Banking Commission revealed that 'while 22 banks used performance appraisal as a yardstick for rewarding good performance and/or as a tool of development, 6 banks also considered it as a tool of discipline. The banks sought to make appraisal objective and to minimise subjective element by various methods such as (i) by having the appraisal done by the supervising officer and its review by another officer one cadre above the reporting officer, (ii) by making two officers record independent reports which were reviewed by a committee at the head office, (iii) by checking the reports which were either very favourable or very unfavourable, (iv) by calling self-evaluation sheets from the concerned officers on a voluntary basis (practice followed by some foreign banks), and (v) by asking the branch inspectors to make appraisal on branch managers. In most of the banks
the appraisal was done with reference to the job content, duties
and responsibilities of the officer appraised, and it sought to
assess weaknesses, strengths and potentialities of the appraisee.
The weaknesses were brought to the notice of the concerned officer
to enable him to improve his performance. Sufficient opportunities
were also provided to him for on-the-job training. In a few banks,
the findings of the appraisal were discussed with the appraisee so
as to reduce divergence between the appraisee’s own expectations
and achievements, and the institution’s expectations'.

P.K. S. Menon says, "In banks there are two types of performance
appraisals side by side: One which the managers write but they
do not believe and another which they believe, but seldom write.
The first one is the formal appraisal, whereas the latter is in-
formal. When it comes to rewarding an employee it is the formal
assessment as it appears in black and white that is taken into
account. When assignment of responsibilities come, however the
hyper sensitive bosses rely more on the informal assessment of the
employee.... Even in case of merit oriented promotion, test and
interview are the major hurdles to be crossed and performance on
the present job hardly has any relevance. Neither good remarks
bring any rewards nor adverse comments result in any loss".

Sonalker, observed: It will be obvious that a dependable
employee appraisal system would be indispensable in a bank. Un-
fortunately, today appraisal reports are most unhelpful and the
whole exercise becomes almost a farce, thanks to the soft options
exercised by the appraisers. There is need, therefore, for pena-
lising weak appraisers. But Bakhshy reports that performance
appraisal system has been adopted by all banks for officers and
that the Indian Banks' Association has circulated a format with the approval of the government for adoption by all public sector banks.

7.5 CRITERIA FOR APPRAISAL

Differentiating between individual is easy, provided one knows what aspects to take into account. Irrespective of the level, by and large, most companies use eleven performance measures: quantity of work, quality of work, waste and breakage, money earned, job knowledge, job tenure, absenteeism, rate of advancement, self judgement, judgement by peers and judgement by supervisors. These measures can be classified into three broad categories: personal data, production data and judgemental data. Early graphic rating scales evaluated workers on individual traits or personal characteristics which were presumably related to job performance. Initiative, aggressiveness, reliability and personality are examples of traits on which employees have been rated. One problem with trait rating is that the traits themselves are difficult to define and may be subject to varying interpretation by evaluators. The Banking Commission states:

"Employee appraisal is a systematic evaluation of an individual with respect to his performance on the job and his potential for development. The appraisal should aim at measuring performance rather than personality, but such personal traits as co-operativeness, dependability, attitude, initiative and ability to get along with others have a bearing upon the employee's value to the organisation and should be evaluated. The appraisal should relate to
various attributes such as job knowledge, efficiency, behaviour, power of expression, administrative ability, mental alertness, judgement and initiative. Potentiality of the employee to shoulder increased responsibilities is also be judged.  

Rating employees according to job behaviour is based on the assumption that there are effective and ineffective behaviours and these have been identified for each job or type of job. Behaviours are judged effective or ineffective in terms of the results the behaviours produce (either desirable or undesirable). For example, a customer service representative could be judged on the amount of patience shown to irate customers. Evaluating employees along behavioural dimensions is especially important for employee development purposes. Results indexes are also often used for appraisal purposes if an employee's job has measurable results. Examples of job results indexes are volume of sales, amount of scrap and quantity and quality of work produced. When such quantitative results are not available, evaluators tend to make appraisal based on employee behaviours and/or personal characteristics.  

A large bank used the following characteristics for rating the employees: production, accuracy, promptness, neatness, thoroughness, industriousness, supervision required, ease of learning, knowledge of own work, memory, co-operation, self control, persistence, attitude toward job, personal appearance, health, punctuality etc. P.K.S. Menon states that the tendency among banks is towards adopting conventional government type confidential reports with their stress on personality factors like integrity, intelligence, loyalty, adaptability, honesty, mental alertness,
personal relations, judgement, decision making, vision etc., instead of evolving a performance appraisal system for evaluating the achievements and development potential which will be more suited to the ethos of a business organisation. The Appraisal system in many organisations involves an evaluation or estimation of a person's present knowledge and abilities to determine his effectiveness in achieving future objectives, for which as manager he might be held responsible.

To be really useful, the reporting should take into account two factors, performance and potential. It is not advisable to make the assessment very abstract by introducing terms such as loyalty, integrity, co-operativeness, flexibility or open-mindedness. What criteria should be introduced in any particular reporting form must depend on the organisation and the job. Whatever criteria are considered appropriate, it is important to keep the form simple. Elaborate forms in which numerous personal attributes have to be assessed on a six or seven point scale cannot serve any practical purpose.

In 1986 The Indian Banks' Association gave the following guidelines to member banks regarding the performance appraisal system for officers:

(i) The performance appraisal form should provide sufficient weightage for operational assignments.

(ii) The assessment should be based as far as possible on performance which is quantifiable. Where this is not possible and where certain traits have to be assessed based on observations during the year, the reporting authority may maintain a diary to
keep a record of such incidents/events.

The attributes that are assessed by the banks for the purpose of performance appraisal could be classified into those relating to (a) bio-data, (b) personal traits, (c) job knowledge/behaviour and (d) staff relations. Table 7-1 shows the total number of questions in fourteen performance appraisal forms being used by the banks under study, and their division into these different classes. It shows that bio-data and service particulars together constituted the largest number of questions. Next came personal traits of the employee. Though the object of performance appraisal is evaluation of performance of the employee on jobs, these appraisal forms contain only very few questions relating to job knowledge and behaviour. In one form, there is not even a single question relating to job behaviour or job knowledge. Behaviour of the employee in relation to staff relations is considered relevant only in one half of the cases.

Bio-data and service particulars to be furnished in the performance appraisal reports include age, academic qualifications, position regarding CAIIB, date of appointment, cadre of appointment, date of confirmation, service, emoluments, leave availed, present designation, date of promotion to the present grade, date of assuming the present charge, details of punishments awarded, disciplinary action proceedings initiated against the employee, etc. The personal traits assessed include general intelligence, initiative and resourcefulness, dependability, sociability, appearance and dress, conduct, manners, health, personality, neatness, sincerity, willingness to accept responsibility, leadership, punctuality,
TABLE 7-1
CLASSIFICATION OF QUESTIONS IN THE PERFORMANCE APPRAISAL FORMS
USED BY THE BANKS

<table>
<thead>
<tr>
<th>Cadre</th>
<th>FBL</th>
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<td>Total number of questions</td>
<td>29 29 20</td>
<td>29 23</td>
<td>25 26</td>
<td>31 29 23</td>
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<td>Number of questions relating to:</td>
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<td>Bio-data and service</td>
<td>10 9 9</td>
<td>8 10</td>
<td>14 11</td>
<td>12 10 8 8 10 12 12</td>
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</tr>
<tr>
<td>Personal traits</td>
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<td>11 6</td>
<td>1 7</td>
<td>9 1 5 3 7 4 4</td>
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<td>Job knowledge/behaviour</td>
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<td>4 5 3 2 3 4 2</td>
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<tr>
<td>Staff relations</td>
<td>2 2 -</td>
<td>1 -</td>
<td>1 1</td>
<td>2 - - - 2 - -</td>
<td></td>
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<tr>
<td>Others</td>
<td>4 4 3</td>
<td>4 3</td>
<td>7 5</td>
<td>4 13 7 2 4 2 1</td>
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</table>

M = Managers; O = Officers; A = Award Staff; C = Clerks; S = Subordinate staff.

Adaptability, ability to work in crisis, knowledge, co-operativeness, discipline etc. Job knowledge/behaviour appraised relate to job knowledge, supervision, business capacity, ability to assess sound business propositions, capacity to canvass deposits, decision making skills, quality of work, quantity of work, using of discretionary powers, compilation of branch budget, quality of correspondence, speed of work, etc.

Staff relations cover relationship with junior colleagues and senior colleagues. Only one bank has included relations with colleagues in the appraisal of award staff. The appraisal form
for managers in a bank does not include any question pertaining to staff relations. In one bank, appraisal of performance relating to handling of staff is made by personnel department while the appraisal regarding other aspects is made by the line superior.

The other questions in the appraisal forms relate to relationship with public, loyalty to the institution, attendance, general remarks etc.

In one bank, reports on the business and housekeeping at the branch are the main data asked in the performance appraisal reports on officers posted as managers and assistant managers. These data are regarding aggregate deposits and advances, complaints from public and head office, balancing of books, adjustment of long-standing entries, disposal of correspondence, deposit accounts, advances to various sectors, irregular accounts, etc. The positions as on the date of assuming charge by the reportee and as on the date of report are to be furnished by the reporting authority. There is only one question regarding appraisal of performance, as 'brief comments on the performance'. In two of the banks, the appraisal report on branch managers should include a separate statement regarding the business position of the branch.

Four out of the fourteen appraisal forms examined ask for the comments regarding training needs. While the original appraiser has to make the suggestion in one form, in the other three forms the responsibility has been assigned to the reviewing authority. Similarly, appraisal regarding potentiality is included in eight of the fourteen appraisal forms—in four to be made by the appraisers, and in the other four by the reviewers.
Eight of the forms contain specific questions regarding good performance, and nine have special questions on bad performance. Questions regarding good performance include: any specially good work done during the year, commendations and awards during the year, any special achievements worth mentioning, contributions made for the improvement of bank's business, profitability etc. requiring special mention, areas of strength, efforts for self development, etc. Those relating to adverse remarks are: areas of weakness, heavy business loss, any bad remarks, whether due to his negligence or incompetence any loss or fraud has occurred, complaints received against him from constituents, any action which may have resulted in the issue of warning or reprimand, etc.

In five of the forms, appraisal report is to be given in narrative style. In seven forms rating scales are used, and two forms use narration and rating scales for different questions. The number of points in the rating scales used varies from four to seven. While in three forms the points in the rating scale are also briefly explained, the other six forms use the general rating scales. Terms used in the rating scales vary with the trait rated. The scales used by the banks include:

1. Excellent - Good - Above average - average - below average.
2. Exceptional - very good - good - adequate - barely adequate - unsatisfactory - unproved.
3. Excellent - good - above average - satisfactory - poor.
4. Outstanding - very good - good - fair - poor.
5. Outstanding - more than adequate - adequate - requires coaching - inadequate.
The appraisal form of one bank asks about comparative performance i.e. to compare his performance with that of the previous year.

There was a time when the performance of an employee was evaluated largely on the basis of the amount of deposits mobilised by him. But at present this factor hardly enters into appraisal. A perusal of fourteen appraisal forms used by the banks shows that only in two cases 'deposit canvassing' forms one of the criteria: in one bank the aptitude for deposit canvassing is considered in the case of award staff and in the other, the appraisal form for clerks asks for a statement of deposits canvassed by the employee.

Generally, the questions are framed so as to cover only one trait or behaviour in one question. But there are also exceptions. For example, the whole work behaviour of clerks is appraised by one bank through two questions. One question is - 'Work (application, diligence, accuracy, neatness, speed)'. The other question is regarding 'dealings with bank's constituents'. In the same bank, one question in the performance appraisal form for officers is regarding 'business development ability', and the appraiser is asked to make the assessment 'based on the ability of the officer for deposit mobilisation, credit administration, internal control, profitability etc.' Another question in the form is regarding 'administrative ability', and the instruction is that this is to be assessed 'based on job knowledge, job performance, customer service, inspection comments etc.'
7.6 PERFORMANCE APPRAISAL FORMS

An important question to consider in determining the appraisal system is why an organisation wants to evaluate performance. Different purposes for performance appraisals necessitate the collection of different kinds of appraisal data and therefore affect choice of an appraisal instrument or system. The major aspect of validity in performance appraisal is 'content validity'. An appraisal instrument has content validity to the extent that it includes most of the important job behaviours and/or results of the job. Many appraisal instruments attempt to cover too many different jobs. Such instruments would include only the most general factors or those based on personal traits. Ratings of such factors are likely to be very unrelated to actual job behaviours and/or performance. Hence it can result in some employees being evaluated on criteria not related to their jobs, and vice versa. The Banking Commission (1972) suggested that standard forms and methods for evaluating job performance of various categories of bank employees should be devised on the basis of research on the subject for use by banks.

In the early years the performance appraisal reports, usually called confidential reports were submitted by the controlling officers in narrative form. There were no specified forms on contents. Now, all the banks use printed appraisal forms. They use different forms for different categories of employees. While two of the banks use different performance appraisal forms for clerical and subordinate staff, in the other three banks the same form is used for employees of both these cadres. However, all the banks
have special appraisal form for the appraisal of officers. While CSB bank uses the same form for all categories of officers (with additional information sheet to be filled in the case of branch managers), the other banks use different forms for officers holding different positions. The various classes of officers formed by different banks, for the purpose of performance appraisal include:

1. Trainee officers
2. Probationary officers
3. Junior officers
4. Managers and Assistant Managers
5. Departmental heads at head office
6. Senior executives
7. Specialists like agricultural officers, engineering officers etc.

NBL uses a master form for all categories of officers and different annexures depending upon the grade/post of the officer. In PCB, there is a two-tier performance appraisal system for branch managers - one is a general appraisal by the controlling officer, and the other by the different departmental heads at head office regarding the performance in their respective areas. Separate forms are used for the two appraisals.

Some banks have special appraisal forms to get the evaluation report for special purposes like absorption into regular service after training period, confirmation in service, promotion etc.

7.7 THE APPRAISER

In most situations, the most competent person to rate is the immediate superior of the person to be rated. Because of frequent
contact, he or she is most familiar with the employee's work. In addition, many organisations deem it essential to support the leadership and authority position of the supervisor by considering employee appraisal as an integral part of the supervisory work. Supervisor ratings are often reviewed and approved by higher management, thereby maintaining hierarchical control over the appraisal process.37

The Banking Commission (1972) suggested: "the essence of a good appraisal system is that it should be objective and the bias of the appraiser or personal relationship should not be allowed to play any part. One way of doing so would be to provide that appraisal should be made independently by the immediate superior of the employee and by the officer next in rank above the superior and finalised by them by mutual consultation or with the help of a third official".38 An ideal situation would be where the reporting authority before giving his assessment on performance sits with the official and jointly reviews the performance for the year. Such an ideal situation may not be practicable in the organisation unless the reporting authority and the reporter work in close proximity.39

If more involvement is deemed desirable, the appraisal process can be undertaken by a group of raters. Members of the group can be superiors, peers and subordinates. But it is important that all the members of the committee must be familiar with the work of the person being appraised.40 Under a joint involvement system the assessee is afforded an opportunity to discuss his performance with the assessors at a formal appraisal interview.41 Under another
system a group of executives would give a rating to the officials on certain pre-determined dimensions based on the self-appraisal and the assessment by the reporting authority. 42

Another possibility which is most behavioural in orientation is to allow subordinates to rate themselves. The major values of self-appraisal lie in the development and motivation areas, it being claimed that this approach (1) results in superior upward flow of information (2) forces the employee to become more personally involved and to do some systematic thinking about self and work (3) improves communication between superior and subordinate and (4) improves motivation as a result of greater participation. 43 What is contemplated through the process of self-appraisal is not judgment by an official of his performance but more an analysis of his performance which forms the basis for judgemental decisions to be taken by the bank. 44

A few firms have given serious consideration to evaluation by peers. In peer evaluation methods, employees judge the performance of their co-workers. For example, agents of life insurance companies can be asked to nominate three other agents with whom they work, in connection with such questions as "who would you prefer to have accompany you on a tough case?" Such nominations would help in identifying future successful assistant managers. 45

Ratings by subordinates find their chief usefulness in the selection process for promotions. 46

In all the banks studied the performance of all staff at branch offices is appraised by the branch manager. Regarding the personnel employed at regional offices/head office departments,
the regional manager/head of the department is the appraising authority. Officers of the grade of branch manager and above are appraised by their supervising officers, in all banks. In FBL, the appraisee should have worked under the appraiser for at least six months. In this bank, the appraisal system in the seventies comprised of a self evaluation by the employee and an independent appraisal by the controlling officer.

The above analysis shows that in all banks, the appraiser for award staff and junior officers is the head of the office/department. At most of the branches/offices, the personnel would comprise of subordinate staff, clerical staff and junior officers in addition to the head of the office. In such offices the supervising officers of the award staff are very often the other officers and not the branch manager. Hence, the appraiser in their case is the boss of the supervising officer.

7.8 REVIEW

Validity of performance appraisal is concerned with the truthfulness of the measurement results. How can we be sure that the ratings obtained are true and representative of the ratee? Sometimes the same process of checking with other informed raters is utilised to determine validity. In the design of rating programmes, it is frequently recognised that there may be drawbacks to placing the entire burden on one manager. Such considerations as the tendency for raters to differ in their standards and thus to be "tough" or "easy" appraisers have led to having a manager's ratings either reviewed by others or supplemented by other ratings. Frequently, staff industrial relations specialists are included in
the merit rating process. These specialists probe and question each manager as he goes through the ratings for individuals.\textsuperscript{48}

With the object of ensuring the fairness of appraisals, the banks have introduced a system under which the appraisal made on the employees is reviewed by a higher authority. All the banks have provisions to review the appraisals on officers. While in four of the banks the superior of the appraiser is the reviewing authority, in SIB review is made by the executives at head office. In the case of award staff only two of the banks have provision for review. In the other banks, the appraiser sends the report direct to the staff department at head office. In one bank, if the reviewing authority disagrees with the original appraisal on award staff, it should be referred to the next higher authority for final disposal. In another bank, in a case where the reviewer totally disagreed with the original appraiser, the rating of the reviewer was accepted without even a communication to the original appraiser.

Among the 14 appraisal forms analysed 10 had provision to record the remarks of the reviewer. In one of these forms the reviewer has to record his remarks regarding each entry in the report. In the others the reviewer records only general remarks at the end of the appraisal report. In one bank, the performance appraisal reports on officers are submitted for perusal by the Chairman, with the comments of all superior officers in the hierarchy.

7.9 COMPOSITE RATING

With the exception of global ranking methods, performance appraisal
methods produce ratings of employees on a number of different factors of job performance. This raises the issue of combining ratings on different factors to form a single composite rating for each employee, or simplify using the multiple factors. Composite evaluations can be obtained in many ways. One way is simply to add the ratings for each factor and use the total as the composite, another is to average the factors to obtain a mean. A more sophisticated composite weights each performance factor according to its contribution to job effectiveness.49

Only five out of the fourteen forms analysed provide for composite rating. In four of these, the composite rating is made by the appraiser himself as a general remark or as an overall assessment at the end of the appraisal report. In the other, the rating is made by the Chairman after taking into account the reports of the appraiser and the reviewer and the comments of other higher officers. None of the forms visualise this as the composite rating combining the ratings for different factors. The forms using rating scale for the other factors use similar rating scale here also. In the case of final rating by Chairman also, he simply rates the employee in a four point scale. The points in the scale are: outstanding, above average, average and below average.

The above analysis shows that the composite rating system followed by the banks is improper. A system that depends solely on the intuition of the rater is bound for mistakes and unreliable ratings. In such a system, the rating awarded to an employee depends more on the impressionistic judgement of the rater rather than on the real performance of the employee.
7.10 FOLLOW-UP

Evaluation whether positive or negative can be very useful, if it is communicated to the employee. By this the employee also gets a chance to "explain", which is important in the case of negative evaluation. This takes care of the process of natural justice. Indian Banks' Association advised the member banks on 15-10-1986 that, 'it is desirable to appraise the appraisee of the appraisal made on him. If the banks have reservations about this, they may not do so immediately but in any case any adverse noting made against him must be advised in writing'. The Banking Commission recommended that the good or bad points observed should be discussed with the employee in a post-appraisal interview in order to give him an opportunity for self development by overcoming the weaknesses and harnessing the strengths. The primary objective of the appraisal system is the improvement in the performance of an individual which would facilitate his career growth and development and this objective can be met only through feedback on performance. An interview can be arranged designed 'inter alia' to afford the assesses an opportunity to take stock of his own strengths, weaknesses, development needs and the assistance he expects from his seniors. The interview must be conducted in a constructive, problem-solving manner with a genuine desire to understand the barriers which in the assesses's view stand in the way of his development or more effective performance. His objectives for the subsequent years are also broadly determined at such interviews.

Follow-up action on the basis of performance appraisal varied from bank to bank. In none of the banks there is the system of
formal communication of appraisal through appraisal interview. While some banks communicate adverse remarks, others keep it strictly confidential. Some keep the reports in the personal file of the employee and the others keep them in a separate file. While in four of the banks, the Chairman sees the report, in one bank it is not even forwarded to the head office. In some banks the system for dealing with performance appraisal reports is different for award staff and officer staff. The practices prevailing in the banks are described below:

FBL Performance appraisal reports on award staff are handled by the staff department, while those on officer staff are received and acted on by the Chairman's secretariat. Though there is no communication of the report to the employee, if there is any adverse remarks in the report, the reporting officer is usually asked to send more frequent periodic reports on the progress of the employee.

SIB Adverse comments, if any, in the performance appraisal report would be brought to the notice of higher authorities upto the Chairman, by the Staff Department. Explanation of the employee on the adverse remarks, may be sought and appropriate action upto issue of warning, may be taken. Such action taken would be noted in the service record of the employee. Performance appraisal reports are filed in the personal files of employees.

CSB The appraisal report on officers is prepared in duplicate—one copy is filed in the personal file of the employee and the other is kept by the Chairman. The report on award staff is filed in the personal file. The staff department submits the report on
each officer along with the personal file and a brief report regarding disciplinary actions if any taken against him previously, for perusal and necessary orders by the Chairman. There is no communication with the employees regarding performance appraisal reports.

**NBL** Appraisal report on officers is prepared in duplicate - one copy is filed in the personal file at the office of employment and the other at the office of the reviewer. Reports on award staff also are filed in personal files, after review. Adverse comments are communicated to the employee. The direction of the bank to the appraisers is that 'all possible guidance and assistance should be rendered to them (the assesses) for improving their performance'. One instruction regarding performance appraisal is that the reviewing authority shall communicate the adverse entries provided they are remediable. A copy of the communication with the acknowledgement of the employee has to be kept on record.

**PCB** Performance appraisal reports are kept strictly confidential and are handled by the Chairman's secretariat. No communication of any sort is issued to the employee. The reports are filed separately and are not put in the personal files of employees.

The above analysis shows that performance appraisal is not viewed in these banks as an effective tool of employee development. There is unnecessary secrecy about the reports in most cases. Appraisal interview, and remedial measures through follow-up action are conspicuous by their absence.

### 7.11 ORGANISATIONAL USES OF PERFORMANCE APPRAISAL

Performance appraisal is a personnel function closely related to
other personnel functions. Job analysis has an important input into the performance appraisal function. Descriptions of job content, which are the end product of job analysis, provide the dimensions on which an employee's performance is evaluated. Performance appraisal provides input to five personnel functions including training, human resource planning, selection, career planning and compensation. Training often precedes an employee's first formal appraisal. Appraisals in turn indicate the need for further training. It is appropriate to examine the observations of a few authors about the uses of performance appraisal:

(a) The basic purposes of having employee merit rating programmes from management's stand point are (1) to improve the effectiveness of employees' performances on their current jobs and (2) to help in the administration of personnel functions such as wage and salary administration, promotions, transfer or termination of services and manpower development.

(b) The objective of performance appraisal are: (1) to identify areas for further training needs (2) to help determine promotions and transfers (3) to reduce grievances and (4) to improve job performance.

(c) A performance appraisal which results in a performance rating can be used for salary adjustments, future job assignments and promotions. The most important purpose of an appraisal is however developing the subordinate by examining his work habits, skills, attitudes and personality characteristics with a view to improve him with the help of adequate counselling and an appropriate development programme.
(d) The strengths and weaknesses of the employee come into sharp focus through the detailed appraisals and these could be usefully integrated into the overall training plan of the bank.56

(e) Besides assessing performance, the internal appraisal has another purpose, the assessment of potential. The fact that a person has performed well at a particular level is not sufficient indication of his suitability for higher level, as is frequently assumed.57

(f) Appraisal has two important uses. First, it ensures a systematic evaluation of performance of individuals without which no reward, penalty system can be effectively applied. Secondly, it brings out in a methodical, well considered manner the strengths and weaknesses of employees. It gives an indication of the human capacity available to the organisation. It also draws attention to training needs so that courses can be designed to correct the weaknesses or develop the strengths which are discovered.58

Every bank has its own system of performance appraisal. There is not much of a difference in the practices followed by major banks for appraising individual performance of employees, though variations may be observed when it comes to specifics of the systems. A periodic informal assessment of the performance of an employee under the heads of various traits and skills by the employee's immediate superior is the essence of the performance review system obtaining in banks today. They are intended to help management decisions on confirmation, increments, efficiency bar, promotions, transfers, training etc.59

Organisational use of performance appraisal in the banks
under study is only in the area of promotion of employees. The weightage given for performance appraisal reports in promotion of personnel varies from bank to bank and cadre to cadre. The practices in these banks are described below:

**FBK** In promotion of clerical staff and subordinate staff no special weightage is given for performance appraisal reports. However, it is provided in the code of promotions that "notwithstanding the order of merit of an employee, if the committee of directors considers in its judgement that such employee is not promotable on the grounds arising out of perversity of the performance report and the interview assessment, and/or such other reasons, it may exclude the name of the employee from the merit list". But in the case of promotion of officers of lower grades, special weightage is given for performance appraisal - at the lowest grade it is 20 percent of the total points and at the next higher grade, 40 percent. In promotions from higher grades, performance rating is the major consideration. However, there are no specific criteria for awarding points for performance, though it is provided that rating will be 'on the basis of personal records and performance appraisals'.

**SJB** There is no specific provision regarding any weightage for performance appraisal. However, in the matter of promotion of officers above the first grade, a committee of assessment awards 20 percent of the total points. Though there are no specific provisions with regard to the norms of assessment, one report of the committee states: "the assessment was made on the basis of qualification, deposit mobilisation, management of advances, character and conduct, dealings with staff, public relations and ability to hold higher positions etc. The shortfalls, lapses and misconduct
on the part of the officer and punishments given if any, as recorded in the personal files and known from other reliable sources have also been taken into account".

CSB There are no points for performance in promotion of subordinate staff. In promotion of clerical staff 'past performance' gets 5 percent points. In the case of officers, it gets greater weightage and the share in the total points rises at higher grades. Thus while in promotion of officers of the lowest grade, performance has 30 percent points, in the case of officers of higher grades, it gets up to 50 percent. The points for performance are awarded on the basis of performance appraisal reports for the past five years as follows: At first, points are awarded for the rating of each year and the average is worked out. The points for different ratings are as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>100</td>
</tr>
<tr>
<td>Above average</td>
<td>80</td>
</tr>
<tr>
<td>Average</td>
<td>60</td>
</tr>
<tr>
<td>Below average</td>
<td>40</td>
</tr>
</tbody>
</table>

Based on this average, proportionate points are awarded. For example, an average point of 68 will be taken as 34 points for promotion from Grade IV to Grade V since the weightage for 'performance' in promotion in this grade is 50 percent of the total points.

NBL Only in promotion of clerical staff to officer cadre, provision exists for giving points on the basis of performance. In the ranking of candidates, 10 points out of a maximum of 250 points i.e. four percent is awarded for service record. There are no norms fixed regarding awarding these points. The criterion for promotion
of sub-staff is the score in written test, and the tools for promotion of officers are seniority and interview.

Performance appraisal does not directly enter into the decision of promoting clerical and subordinate staff. However, in promotion of officers, performance is given some consideration. The regulation with regard to this is: "promotion to different grades will be after evaluation of the previous service, performance and interview". However, no norms are laid down for this purpose.

Other than in the matter of promotions as discussed above, for no other purpose performance appraisal is made use of by the banks. However, one bank listed its objectives of performance appraisal system as follows: '(a) assess the performance on the present job, (b) identify the strengths and needs of the officer, (c) determine the ability to perform other duties, (d) identify training needs, (e) locate outstanding/below average performance and (f) plan development programmes'.

Though sanctioning of increment has become automatic in all banks, the practice in one bank is that 'if there is any adverse remark in the performance appraisal report, sanctioning of increment needs the approval of the Chairman'. In another bank the rule is that 'all appraisals are to be placed before the Chairman for remarks, and annual increments will be sanctioned only after the approval of the Chairman'.

The above analysis shows that: (1) organisational use of performance appraisal is limited to promotion decisions only. Even with regard to this, in most of the cases the scheme of weightage is not clearly stated. (2) In the banks where the weightage is specifically stated, it shows a direct relationship with
the grade of the post i.e. in promotion of award staff, weightage is either nil or negligible, and in the case of officers, it is more, and also rises at higher grades. (3) Only in one bank the points for performance appraisal are awarded on the basis of performance appraisal reports of past period. In the other banks, no norms exist with regard to it.

7.12 TIME OF APPRAISAL

Though informal performance feedback can come at any time from one's boss or co-workers, formal performance appraisal usually occurs after six months or a year on the job. A consulting organisation recommended that each employee be rated three months after being assigned a job, after the sixth month on the job, and every six months thereafter. In this way, ratings of all employees will not fall due on the same day. When the supervisor must rate twenty to thirty employees at the same time, the pressure of other duties will probably prevent him or her from giving adequate time and attention to this task. The advice of I.B.A. to member banks is that the periodicity of the appraisal should be annual preferably calendar year.

Previously, when annual increments were not automatic, performance appraisal reports (called confidential reports) used to be collected by the staff departments of all the banks before the increment dates. Special reports were also collected before crossing efficiency bar in pay scales. Later, granting of increments became automatic for award staff first, and subsequently for officers. However, the banks continued to collect the reports
before the increment dates for some more time. Now also perfor-
mance appraisal is annual in all banks. Only in one bank the
previous practice of collecting reports prior to the date of in-
crement prevails as regards officers. Except this, in all banks
and for all cadres performance appraisal is made annually as on
specified dates. Table 7-2 shows the due dates of performance
appraisal in the banks under study.

**TABLE 7-2**

**ANNUAL DUE DATES FOR PERFORMANCE APPRAISAL IN THE BANKS**

<table>
<thead>
<tr>
<th>Bank</th>
<th>On award staff</th>
<th>On officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>FBL</td>
<td>As on 31st March</td>
<td>As on 31st December</td>
</tr>
<tr>
<td>SIB</td>
<td>As on 31st December</td>
<td>As on 30th November</td>
</tr>
<tr>
<td>CSB</td>
<td>As on 31st December</td>
<td>As on 31st December</td>
</tr>
<tr>
<td>NBL</td>
<td>As on 30th November</td>
<td>As on 30th November</td>
</tr>
<tr>
<td>PCB</td>
<td>As on 31st December</td>
<td>Prior to the date of increment</td>
</tr>
</tbody>
</table>

It could be seen that (1) while two of the banks have fixed
the same dates for officer staff and award staff, the other banks
have fixed different dates for the two categories of employees,
(2) the calendar year is the most favoured period, (3) though
efficiency bar in pay scales has been abandoned and increments
have become almost automatic, one bank continues the previous
practice of 'appraisal prior to the date of increment'. In this
bank, for the timely receipt of appraisal reports, the staff de-
partment writes to the appraiser in advance, enclosing the appraisal
forms. Thus, though there is no special benefit arising by this practice, it leads to additional work and cost. In one bank, the General Manager has to submit quarterly appraisal reports on the working of the Deputy General Managers and the sections under them.

In addition to the annual appraisal, there are also special appraisals before confirmation and promotion, in all the banks. In one bank, the branch managers were asked to report monthly on the performance of probationary officers.

7.13 TRAINING THE RATER
Studies have shown that managers can be trained and helped to improve their ability to rate and discuss ratings with employees. Very often the evaluators have no significant input into the appraisal system used, they are not trained how to use it, and the real purpose and uses of their appraisals are not explained. The initial training of raters must incorporate complete explanations of the philosophy and nature of the rating system. It has been found advisable to stress certain negative aspects of the rating process and to warn the raters about the more common errors in order that they may be on guard against them.

One of the banks studied issues along with the performance appraisal forms a detailed memorandum of instructions for perusal by the evaluators before writing the report. Among the 14 forms analysed, four contain general instructions regarding filling the form, and two forms give brief notes under each factor to be assessed. In all other cases the training for the raters is confined to the instructions that are contained in the circular letters issued by the bank on different occasions. Such instructions are issued usually when a new system is introduced or when there is a
material change in the instrument used for appraisal. These in­
structions mainly relate to implementation of the system. Other
than these, there is no system in any of the banks to enlighten
the raters about performance appraisal.

7.14 ROLE OF PERSONNEL DEPARTMENT

Personnel manager's responsibilities for performance appraisal
fall into three major categories: (1) setting up a performance
appraisal system, (2) implementing the system, and (3) collecting
and storing appraisal data. The ratings must be made by the
immediate superiors of the raters, but a staff department can assume
the responsibility of monitoring the system. The personnel depart-
ment should not change any ratings. They do have the obligation
to point out certain inconsistencies to the rater, such as harsh-
ness, leniency, central tendency, inconsistencies etc.

The role of staff department in performance appraisal function
varies from bank to bank as shown below:

NBL. The role of personnel department is limited to the issue of
performance appraisal forms to the appraisers. The reports are
received and acted upon by the controlling line executives.

PCB. Personnel department issues the performance appraisal forms.
Reports are received at Chairman's secretariat and after scrutiny
by the Chairman, they are sent to the personnel department for
filing.

FBL. Reports on officers are received and all follow-up action is
taken by the Chairman's secretariat. But the reports on award
staff are received and filed by the personnel department.
All performance appraisal reports are received by the personnel department. The reports on award staff are filed in the personal file of the employee. Those on officers are submitted by the personnel department along with the personal file of the officer, for perusal by the Chairman. The personnel manager may also record his comments in the performance appraisal report.

All reports are to be sent to the personnel department. Reports containing any adverse remarks are brought to the notice of higher executives by the department, and follow up action is taken as ordered.

The above analysis shows that the role of personnel department in the performance appraisal function of most of the banks relates only to record keeping and clerical duties.

7.15 FINDINGS

1. Performance appraisal system has got general acceptance among the banks of Kerala. However, the system varies in design, function and scope from that envisaged by personnel management scientists.

2. There are no well defined norms to appraise performance. The performance appraisal forms mainly ask about the bio-data and personal traits of the appraisee.

3. The composite rating is not based on a systematic combining of the ratings under different factors. It is a final impressionistic judgement given by the appraiser himself or the reviewer.

4. For many junior officers and for most of the award staff, the superior officer of the supervising official is the appraising
authority. As such the appraiser does not have a first hand in-
formation about the performance of the employee. Similarly, the
controlling officer of the appraiser is the reviewing authority.
Very often, the appraisee and the reviewer work in different offices,
and in most cases, there is no occasion for the reviewer to deal
with the employee and directly know about his performance.

5. Practically there is no organisational use of performance
appraisal reports. The only context in which some reference is
made to performance is promotion. Even there, generally no cri-
terion exists regarding how performance appraisal is to be given
weightage.

6. Performance appraisal system in banks is a confidential
affair with an unnecessary secrecy about it. There is no feedback
or follow-up action. The employees in general are neither invol-
ved in nor bothered about it.

7. The appraisers do not get any training or enlightenmet
regarding the performance appraisal system or the procedure.

8. The function of personnel departments in connection with
performance appraisal relates to record keeping and clerical duties
only. Role of personnel department as the monitor of the system
has not got acceptance among the banks.

7.16 SUGGESTIONS

1. The primary responsibility for performance appraisal should
be fixed on the supervising official of the employee. Because of
frequent contact, he is most familiar with the employee's perfom-
ance and hence, is the most suitable person to evaluate it. Such
delegation is also essential to support the leadership and authority position of the supervisor. The reviewing authority also should be familiar with the employee's work.

2. It is desirable to supplement the performance appraisal system with a self evaluation by the employee. One of the major objects of performance appraisal is employee development. A self-appraisal system serves this object by providing the employee an opportunity to examine his own strengths and weaknesses. It also tells the employee the criteria against which he is judged. Comparison between the appraisals made by the employee and his superiors would also unearth the defects in the appraisal system, errors in appraisal and strained staff relations. The Indian Banks' Association also suggests a three-tier system consisting of self appraisal by the officer (appraisee), an appraisal by the immediate boss (appraiser), and a further appraisal by the boss of the boss (reviewer).

3. A rescheduling of the time of appraisal would help to improve the quality of appraisal. If the appraisal of officers, clerks and subordinate staff are fixed for different months, the appraiser would get more time to make a fair appraisal. It is also desirable to spare the busy months like the month of annual closing of accounts.

4. One basic requirement of a good performance appraisal system is defining the criteria against which performance is to be appraised. It makes the expectations of the bank clear for the employee as well as the appraiser. This would also make the appraisal more objective. It is also necessary that the criteria are
determined based on job analysis and the organisational philosophy.

5. It is necessary to make effective use of performance appraisal reports. It serves two purposes: (1) it helps the bank in taking wise and judicious decisions relating to the personnel functions of training, compensation, promotion, human resource planning, etc, and in evaluation of effectiveness of recruitment system, and (2) the appraisers find the time and effort spent for appraisal worthwhile when they see that their reports are given due consideration and weightage. This leads to improving the quality of appraisal.

6. The composite rating should be the sum total of the ratings under individual factors. It is also desirable to assign weights to each performance factor according to its contribution to job effectiveness.

7. Training of raters must be given due care and attention. It should not be forgotten that judgement of people requires traits and skills much different from those required for general banking business.

8. A basic change is needed in the approach to performance appraisal. It should be viewed as an ardent pursuit for growth and development, and not as the spiteful exercise of a pessimist. The system should also aim at identification and recognition of talents. Appraisal interview should be made an inherent part of the system. In any case, the employee should get feedback from the appraisal.

9. The personnel department is to be assigned a greater role in the administration of performance appraisal system. An efficient
system needs intensive study before setting up and continuous evaluation after installation. In addition, there is also the need to analyse performance appraisal reports for chalking out personnel programmes, providing feedback to appraisers and revising the system if necessary. The personnel department can be entrusted with these functions.

REFERENCES AND NOTE


4. Manappa op cit p. 163.


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32. Menon op cit p.131.
33. Devar op cit p.163.
34. Basu op cit p.97.
37. Flippo op cit p.272.


41. Davar op cit p. 165.

42. Vaghul, "Employee Appraisal in Banks" op cit p. 536.

43. Flippo op cit p. 273.

44. Vaghul, "Employee Appraisal in Banks" op cit p. 535.

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52. Stone op cit p. 277.

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54. Davar op cit p. 199.

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60. Stone op cit p. 277.

61. Flippo op cit p. 274.
63. Flippo op cit p.274.
64. Stone op cit p.279.
65. Flippo op cit p.277.
66. IBA Guidelines dated, 15th October 1986, issued to member banks.