CHAPTER-2

LITERATURE - REVIEW

2.1- Review of conceptual and theoretical Framework

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

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

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

**Heyel** observes, “It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purpose of administration including placements, selection for promotion, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally.”
Alan and Kenneth state, "Personal evaluation plans are meant primarily to measure latent and manifested abilities of employees in order to help the management to understand the employees compatibility vis-à-vis the organisation. By proper appraisal the gap between 'existing level of efficiency' and 'expected level of efficiency' can be established and necessary steps taken to improve the efficiency.

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

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

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

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

It is a systematic orderly and objective method of evaluating the present and potential usefulness of the employees to the organization. As said initially, the performance appraisal system is considered the hallmark of modern organization and not only in the western countries but also in India more and more organizations are striving to have systematic appraisal of the performance of their employees.

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

According to McGregor, in the traditional approach the supervisor is placed in the position of “playing Gods”. He judges and at times criticizes the personal worth of his men.

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

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

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

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

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

Approaches to measurement have been changing. Schneider\textsuperscript{xi} suggested a policy of rating by multiple rater groups, e.g. peers may be in the best position to assess rate's competence in interpersonal relations, superiors to assess technical expertise, and subordinates to assess leadership effectiveness. According to him, the use of raters from different groups offers certain advantages. Firstly, multiple raters facilitate the identification of extremely biased or out of line rating. Secondly, multiple rater groups allow for the assessment of performance from multiple perspectives.

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

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

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

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

Ferris and Gilmore say, "accurate performance appraisal require more than good performance appraisal rating tools. Employee involvement is needed to ensure that underlying causes of performance are identified. Employee self appraisal helps to identify differences of opinion and can be used to identifying causes of performance. Once the causes of performance have been identified, the supervisor and subordinate can jointly decide what needs to done in future."
The purpose of self appraisal should be clearly understood and used. Rao holds that “self appraisal is intended to promote a process of ‘introspection’ and ‘reflection’ on the part of the appraisees which is the most important step for the development process. In most of the banks, self appraisal and its purpose are not being understood properly. Self appraisal should be used as an opportunity to communicate more about himself to his appraisers rather than as an instrument to communicate his grievances to the personnel department or the corporate head office to respond to all his needs.”

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

According to T.V.Rao⁴⁴ there is a great degree of dissatisfaction all around with performance appraisals. Rarely does one come across managers who are satisfied with appraisal system in their organizations. When such a great degree of unhappiness exists about the system then why should we continue to have the same? But the managers also find it difficult to do without these because in the absence of an appraisal mechanism, howsoever weak it may be, it is difficult to
get work out of people. It is a good mechanism to have control over employees. Employees want promotions, salary increments and good working conditions. They would like to be placed in prestigious positions, would like to be transferred to place of their choice and would love jobs providing them to maximum satisfaction and so on. Therefore, if the employees achieve what they desire, they should also satisfy the expectation of their bosses. Thus the bosses at every level strive for better rating of their own performance by assessing the performance of their subordinates and thus controlling their behavior.

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

After researches in many companies, Rao\textsuperscript{xvii} found that if performance appraisal system is properly designed, it can help each employee to understand more and more about his role, strengths and weaknesses. It can also increase the communication between each employee and his supervising officer and can help in identifying the developing needs of each employee and prepare them for higher level jobs. In addition it
can assist in a variety of personnel decision by generating data about each employee periodically.

2.1.1- Theoretical Aspects of Performance Appraisal

Performance appraisal is one of the oldest and universal practices of management. It refers to all the format procedures used in working organizations to evaluate the personalities and contributions and potential of group members. The approach resulted in an appraisal system in which the employee's merits like initiative, dependability personality, etc. were composed with others and ranked or noted. More recently, emphasis has been given to measuring the results by the employee's performance.

Performance appraisals have been traditionally connected to rewards and punishment in the organizations. In recent times however, the concepts of developing employee's bases on the appraisal has gained popularity. While a system of performance appraisal can be very effective and productive in the organizational content, the problems in appraisal are related to its application and implementation. It can, therefore be said that a well designed and well-implemented performance appraisal system adds value to the organization xviii.

Performance appraisal is an objective system to judge the ability of an individual employee to perform well. Performance appraisal system should focus on the individual and his development, besides helping achieving the desired performance. This means that while the results are important the organization should enhance and prepare its human capital to achieve this result. This holds true even for new inductees. There is a strong linkage between induction, training and appraisal. In a large number of firms, worldwide recruit is expected to discuss his schedule of work in achieving his induction objective.
This schedule of work becomes a part of his job for the next few months. Performance appraisal is the step where the management finds out how effective it has been at hiring and placing employees. An effective use of materials, machines, money and human resources is essential to achieve higher level of productivity in an industry. While other resources has limitation, the most vibrant and active human resources has unlimited potential. Hence, for optimization of human resources, measuring its performance continuously is of paramount importance, performance appraisal may be defined as:

"It is the process of evaluating the performance and qualification of employees in terms of requirements of the job for which he is employed, for purpose of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguish from actions affecting all members equally."\cite{1}

There are two parties to the appraisal process: the organization, the individual who is being apprised. The appraisal system must generate adequate, relevant, timely and clear information and result in action program that would be helpful to both the parties. The appraisal should lead to improve organizational health, viability and growth through optimal utilization of human resources in service of organization. It should also be instrumental in motivating the appraisees towards giving his best to the organization.

It is evident that if we wish to install an effective appraisal system in an organization, we must first set our house in order. Organization should decide its target as whole and unit wise and individual employees as well. It should decide upon its resources, information, and sufficient guidance to employees to use them efficiently. It should provide effective supervision and relevant relatively objective appraisal.
Performance appraisal is the process of evaluating the performance of an employee and communicating the results of the evaluation to him for the purpose of rewarding or developing employee. An employee in his job can define performance as the degree of accomplishment of tasks. In some organizations, it is a measure of the results achieved and targets accomplished whereas in others, it is a measure of employee efforts and behavior. However, most organizations use a combination of both efforts and results. Performance appraisal is also termed as performance review, annual review or annual appraisal.

The dictionary meaning of the verb 'to appraise' is 'to fix a price for' or to value an object or thing. The term Performance appraisal is concerned with the process of valuing an employee's worth to an organization, with a view to increasing it. Hence, most appraisal systems are linked to rewards systems as well as employee development system. The commitment of the management and acceptance by the employee determine the success of an appraisal system in any organization. It is also important that the appraisal system match the organizational culture. For example, 360-degree feedback system would not deliver results if implemented in a traditional organization with rigid hierarchies.

2.1.2- Objectives

Almost all organizations practice Performance appraisal is one form or another to achieve certain objectives. These objectives may vary from organization to organization or even within the same organization from time to time. It has been found that there are two primary objectives behind the use of this methodology. One is to use it an evaluation system and second, to use it as a feedback system.
The aim of the evaluation system is to identify the performance gap. This means that it helps and determines the gap between the actual performance of the employee and that required or desired by the organization.

The aim of feedback system is to inform the employees about the quality of his work or performance. The employee can also speak about his problem to his superior by this interactive process.

From the viewpoint of individual objective, the performance appraisal should talk about the following question.

(a) What task the individual is expected to do?
(b) How well the individual has done the task?
(c) How can his performance be further improved?
(d) His reward for doing well?

From the organizational viewpoint, a performance appraisal should generate work force information, improves efficiency and effectiveness serve as a mechanism of control and provide a national compensation.

2.1.3-Purpose of Performance Appraisal

The purpose of appraisal is to make the most effective use of its human resources by developing them in a systematic way, in the interest of both the organization and the individuals being appraised. Performance appraisal is used as an instrument to control employee behavior for rewards, punishment and threats.

Thus, Performance Appraisal System helps serves several useful purposes.

-26-
• It can serve as a basis for job change or formation. By establishing whether the worker can contribute still more in a sufficient or a higher job, it helps in his suitable promotion and placement.

• By identifying the strength and weakness of an employee, it serves as a guide for formulating a suitable training and development programmes to improve his quality of performance in his present work.

• It serves as feedback to the employee. By letting the employee know how well he is doing or where he stands with his superiors, it tells him what he can do to improve his present performance and go up in the management hierarchy.

• It serves as an important incentive to all the employees who are by the existence of an appraisal system assured of the managements continued interest in them and their continuous possibility to develop. The employees realize that not only are they being continuously observed but that they have not been forgotten.

• The existence of a regular appraisal system tends to make the supervisors and executives more observant of their subordinates because they will be expected periodically to fill out rating forms and would be called upon to justify their estimates. This knowledge results in improved supervision.

• Performance appraisal often provides the national foundation of the payment of piece – work wages, bonuses etc. The estimates of the relative contributions of employees or of them characteristics help to determine the rewards and privileges.
• Performance appraisal serves as a means for evaluating the effectiveness of devices for the selection and classification of workers.

• Permanent Performance appraisal records of employees help the management to give up sole reliance upon personal knowledge of supervisors who may be shifted.

2.1.4-Choosing the Appraisal Criteria

The appraisal should measure performance in accomplishing goals and plans as well as perform as a manager. No one wants a person in a managerial role that appears to do everything right as a manager but who cannot turn in a good record of profit making, marketing, controllership, or whatever the area of responsibility may not be nor should one be satisfied to have a "performer" in a managerial position that cannot operate effectively as a manager. Some star performers may have succeeded through the fault of their own.

1) PERFORMANCE IN ACCOMPLISHING GOALS

In assessing performance, system of appraising against verifiable pre-selected goals has extraordinary value. Given consistent, integrated and understood planning designed to reach specifying objectives, probably the best criteria of managerial performance relate to the ability to set goals intelligently, to plan programs that will accomplish those goals, and to succeed in achieving them.
ii) PERFORMANCE AS MANAGERS

The system of measuring performance against pre-established objectives should be supplemented by an appraisal of managers as a manager. The primary purpose for which managers are hired and against which they should be measured, however, is their performance as managers that is, they should be appraisal based on how well they understand and undertake the managerial junctions of planning, organizing, staffing, leading, and controlling.

There are a number of performance criteria, which may be used to measure the proficiency of an employee. These criteria may be classified into two main categories, objectives and subjective criteria. Amount of quality of production, work sample test, length of service, amount of training necessary, absenteeism, ace dents etc. are all examples of objective criteria.

PERFORMANCE CRITERIA FOR OPERATIONS

- Quality & Quantity of output in a given period.
- Work sample tests.
- Rating of supervisors
- Length of Service.
- Amount of training necessary.
- Number of ascendants in a given period.
- Number of absents in a given period.

PERFORMANCE CRITERIA FOR FRONT LINE SUPERVISORS

- Quantity and quality of output in a given period.
- Labour cost per unit of output in a given period.
- Material cost per unit of output in a given period.
- Total cost per unit of output in a given period.
• Absenteeism rate for a given period.
• Turnover rate for a given period.
• Man shifts cast due to stoppage of work in a given period.
• Number of ascendants in a given period.

PERFORMANCE CRITERIA FOR MIDDLE LEVEL MANAGERS

• Quality & quality of output in a given period.
• Labour cast per Unit of output in a given period.
• Material cast per unit of output in a given period.
• Total cast per unit of output in a given period.
• Rational use of overhead facilities.
• Coordination among supervisors.
• Degree of knowledge among supervisors about corporate goals and policies.
• Extent to which front line supervisors regard themselves as managers and behave likewise.
• Extent of upward communication of ideas, information and queries from front line supervisors.

PERFORMANCE CRITERIA FOR TOP MANAGERS

• Return on capital employed.
• Labour productivity indices (improvements in labor productivity arise from capital investment, better work methods, better policies, etc. all of which originate at the top echelons of management.
• Degree of knowledge among middle level managers about corporate goals and policies.
• Extent of upward communication of ideas, information and queries from middle level supervisors.
• Contribution to the socio-cultural values of the environment.
2.1.5- Need for Performance Appraisal

Performance appraisal is needed in order to:

- Provide information about the performance tasks basing on which decision regarding salary fixation, confirmation, promotion, transfer and demotion are taken.

- Provide feedback information about the level of achievement and behaviour of subordinate.

- Provide information that helps to counsel the subordinates.

- Provide information to diagnose deficiency in employee regarding skill, knowledge, determine training & development needs and to prescribe the means for employee growths provide information for correcting placement.

- To prevent grievances and in disciplinary activities.

2.1.6- Approaches to Performance Appraisal

Generally speaking, three approaches are used in making performance appraisal.

(a) **A casual, unsystematic, and often haphazard appraisal:** This method was commonly used in the past, but now it has given place to a more formal method, the main basis being seniority or quantitative measures of quality and quantity for the regular members’ person.

(b) **The traditional and highly systematic measurement of**

   (i) Employee characteristics.
According to McGregor, in the traditional approach the supervisor is placed in the position of a playing God. He judges and at times criticizes the personal worth of his men. Therefore, emphasis has been laid upon providing mutual goal setting and appraisal of progress by both the appraiser and the appraisee. This approach is based on the behavioral value of fundamental trust in the goodness, capability and responsibility of human beings.

THE APPRAISERS

Traditionally appraisal has been the job of the supervisor with the employee himself having no role to play in the process. However, the whole concept has changed today and the appraisee has an important role in the process. He, in coordination with his supervisor, determines the performance objectives and standards. Again, at the end of the appraisal period, the employee assesses his own performance, in comparison to the pre-determined objectives. The supervisor offers his opinion at the end of the appraisal and together they finalize the appraisal results. The areas of development are identified and future action planned.

In more recent concepts like 360-degree feedback, the peers/colleagues of the employee, his suppliers, his customers/clients and even his subordinates play a role in assessing his performance. This gives a more holistic view of the performance and helps in easy identification of problem areas. The different appraisers are discussed in the following paragraphs.
SELF-APPRAISAL

Self-appraisal is a common practice today, with the employees being given a role in evaluating their own performance. The employee himself is best equipped to evaluate his performance because he understands his strengths and weaknesses the best. He can easily identify the problem areas that need training and development. The employees however have to be trained to be national and critical in their appraisal.

SUPERVISORS

It is the responsibility of the supervisors to ensure that his subordinates perform their jobs well. Even today, the supervisor has a very important role to play in the appraisal of his subordinates. Many supervisors dread the exercise, as they do not want to spoil their relationship with the employee. The organization has to develop an open and professional culture where the process of appraisal is held in a healthy and constructive manner.

PEERS

Peer evaluation is a very sensitive area as it may lead to false and unhealthy appraisals, because of the competition among peers. The organization has to reach an advanced stage of development before it can handle peer appraisal. Peer appraisal has to be used to assess the communication and interpersonal skills of the employee, which can affect the team performance.
CUSTOMERS/CLIENTS

The performance of an employee as alienist and immediate impact on his customers, either internal or external. In service organizations like banks and hotels, customer feedback has become the most important tool in evaluating employee performance. In manufacturing organizations, the internal customer evaluates the performance of the employees. For example, the customer of a worker in the assembly line is the next worker in the line, who may assemble the parts provide by the farmer. Today, when service is an increasingly important source of competitive advantage customer/client appraisal is becoming extremely relevant.

SUBRODINATES

The concept of the subordinate evaluating the performance of his supervisor is get to gain acceptance in most Indian companies. The Indian culture does not encourage the idea of a subordinate appraisal. However, with more and more multi-national companies operating in the country today, this concept is likely to given ground. The 360-degree feedback system, which enables appraisal by subordinates, is being adopted by many Indians organizations, especially the new economy players. However, this needs a high level of organizational as well as employee maturity for its successful and effective implementation.

2.1.7-Procedure

The details given above may vary from organization to organization, but these steps usually form the principal steps/features of a social evaluation programmes. The performance appraisal process follows a set pattern and it consists of the following steps:
ESTABLISHING PERFORMANCE STANDARDS

The appraisal process begins with the setting up of criteria to be used for appraising the performance of employees. The criterion is specified with the help of job analysis, which reveals the contents of a job. This criterion is clear, objective and in writing. It is discussed with the supervisors to ensure that all the relevant factors have been included. Where the output can be measured the criteria is clear.

If work performance can be measured, the personal characteristics, which contribute to employee performance, are determined. These characteristics include work quality, honesty, reliability, cooperation and teamwork, job knowledge, initiatives, leadership, safety consciousness, attendance learning ability, adaptability, judgment, sense of responsibility, health and physical condition etc. These standards are indicated on the Appraisal Forms.

COMMUNICATING THE STANDARDS

The performance standards specified in the first step are communicated and explained to the employees so that they come to know what is expected of them.

MEASURING PERFORMANCE

Once the performance standards are specified and accepted, the next stage is the measurement of actual performance. This requires choosing the right technique of measurement, identifying the internal and external factors influencing performance and collecting information on results achieved. Personal observations, written reports and face-to-face contacts are the means of collecting data on performance.
COMPARING THE ACTUAL WITH THE STANDARDS

Actual performance is compared with the predetermined performance standards. Such comparison reveals the deviation, which may be positive or negative. Positive deviation occurs when the actual performance exceeds the standards. On the other hand, excess of standard performance over the actual performance represents the negative deviation.

DISCUSSING THE APPRAISAL

The results of the appraisal are communicated to and discussed with the employees. Along with the deviations they are also analyzed and discussed. Such discussion enables an employee to know his weaknesses and strengths. Therefore, he motivates to improve himself.

TAKING CORRECTIVE ACTIONS

Through mutual discussions with employees, the steps required to improve performance are identified and indicated. Training, coaching, counseling etc. are examples of corrective actions that help to improve performance.

2.1.8- Typical Appraisal Summary

An appraisal summary is a brief synopsis of the description of an individual employee. According to Miner and Miner, this summary generally lowers the following data:

1. **Personal Background**
   - Age
   - Marital Status
   - Children
Education
(a) Specialization and degrees.
(b) Extra-curricular activities and officers held

Work History
Employees Position, titles and duties
Social accomplishments
Honours and awards
Organization membership
Publications, if any
Special limitations, if any
Health
Family Problems
Hobbies and recreational activities

2. Nature of work - A generalized statement based on organization planning and job analysis data.
   - Committee assignments
   - Number and titles of people supervised.

3. Job performance and Personal qualification - A general statement of an employee's value to the company and his probable future contribution.
   a). Technical performance
      Evaluation against exceptions in each of the key areas rated in the job description.
   b). Motivation in current position
      Attitude towards the company, supervisors, job acceptance of, and desire for, responsibility. Personal desire for accomplishment and drive self-relieved in making decisions. Degree and fairness of competition loyalty to the company.
   c). Intelligence as manifested on the job
      Selection of realistic goals and methods of goal attainment
- Ability to learn more techniques.
- Emotional stability
- Leadership skills

4. **Overall performance rating** - Individual rating relating to what is expected. Raking among others at the same level doing similar work.

**Potentially** - Promotability and expected rate of progress. Actual job qualified for long-range potential.

5. **Recommended Action**
   (a) Changed in placement.
   (b) Ideal duration of current placement.
   (c) Development needs plans based on a comparison with the knowledge and skills.

2.1.9- **Methods Techniques or Tools for Appraising Performance**

Several methods and techniques of appraisal are available for measurement of the performance of an employee. The methods and scales differ for opinions reasons. **First**, the differ in the sources of traits or qualities to be appraised. The qualities may differ because of differences in job requirements, statistical requirements and the opinion of the management. **Second**, they differ because of the different qualities of workers who are being rated, viz, factory workers, executives or salesperson. **Third**, the variations may be caused by the degree of precision attempted in an evaluation. **Finally**, they may differ because of the methods used to obtain weightings for various traits.

There is little agreement on the best method to evaluate managerial, professional or salaried performance. Different authors have suggested different approaches. For example, Rok and Lewis
have classified the methods into two broad categories, viz the narrow interpretation and broad interpretation of appraisal. His superior considers the former as a best worker of a subordinate’s performance during a pre-determined period, often the preceding year. It involves assessment of performance vis-à-vis such as the traits or characteristics rating scale the ranking method, the employee comparison method and performance standard method are included under this category. The letters also know as accountability management, management by objectives of management by end-result, involves a broad purview, and aim at improving the entire managing process and the individual managers a year round basis.

2.1.10- Methods of Performance Appraisal

RATING SCALES

This is the most commonly used method of performance appraisal. Under this method, factors to be rated are employee features include quality such as initiative, leadership, cooperativeness, dependability, industry attitude, enthusiasm, loyalty, creative ability, decisiveness, analytical ability, emotional ability and coordination.

The degree is usually measured on a scale that can vary from three points (good, average, poor) to several points. The anchor points in most cases are labeled excellent, poor, high, low or never always, depending on the format.

The rating methods may permit two employees to have the same total rating, though on specific traits they might get different ratings e.g. Employees A and B may have a total score of twenty, but there
distribution on specific features may vary. Let us look at the
distribution given below.

**Table 2.1**
**Rating Method**

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Employee A</th>
<th>Employee B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of job</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Ability to get work done</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Sociality</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Personality</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Responsibility</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Cooperation</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

If one were to act only on total score, recommendations for A should be similar to those for B. Yet A is poor in work related aspects but strong on interpersonal behavior while reverse is true for B. The solution for this problem may be to assign various features according to the organization.

**RANKING METHOD**

It is the oldest and the simplest method of measuring the performance. Which considers the man and his performance as an entity by the rater? No attempt is made to his performance ‘the whole man’ is compared with the ‘whole man’ that is, the ranking of a man in a work group is done against that of another. The relative position of each man is tested in terms of his numerical rank. Ranking a person on his job performance against that of another member of a competitive group by placing him as a member one may also do it or
two or three in total group person are tested in order of merit and placed in a simple grouping.

**PAIRED COMPARISON METHOD**

In this method, each employee is compared every trait with all the other persons in pairs one at a time the number of times each individual is compared with another tailed on a piece of paper. These numbers yield the rank order of entire group. The supervisors are provided with a bunch of slips each containing a pair of names. The rater puts a tick mark against the individual whom he consider the better in two and final ranking is determined by the number of times that individual is judged better than the others. The formula \( N (N-1) / 2 \) indicate the maximum numbers of pairs, where 'N' is the total number of employees to be evaluated. For example, if five employees A, B, C, D, and E are to be evaluated, then above formula five (5-1) / 2 give 10 pairs, which are:

- A with B,
- A with C, A with D,
- A with E, B with C, B with D,
- B with E, C with D, C with E and D with E to his score.

**CRITICAL INCIDENT METHOD**

The essence of this system is that it attempts to measure workers performance in terms of certain events or episodes that occurs in performance of rates jobs. These events are known as 'critical incidents'. This technique involves three steps. A test of noteworthy on the job behavior, usually of specific instances is prepared. A group of experts than assigns scales value to them, depending upon the degree of desirability of the jobs. Last step is constructing a checklist that includes incidents, which defines good and bad workers. This method helps to identify key areas in which employees are weak or strong. It emphasis rating of objective evidence rather
than on subjective evaluation of traits, finally the supervisors finds counseling easier since he knows subordinate weakness.

**FORCED DISTRIBUTION METHOD**

In this method, the rater is forced to distribute his subordinate in to performance category such as good, poor etc. the individuals rated are distributed along one or more scale and fixed percentage of employees are assigned to the best and worst end of the scale and to the middle bracket. A five-point scale for job performance is used. One end of the scale represents best job performance whereas other and poorest job performance. The supervisor is asked to allocate approximately 10% of his men to the best end of the scale, 20% in the bracket next to low end and 10% in low bracket.

**JOB PERSONAL SCALE FIELD REVIEW METHOD**

Under this method, a trainer employee from personal department interviews line supervisors to evaluate their respective subordinates. The appraisers is fully equipped with definite test questions, usually memorized in advance, which he puts to the supervisors. The supervisors is required to give his opinion about the progress about his subordinates, his weakness, good points, outstanding ability, promote ability and the possible plans of action in cases requiring further consideration. The questions are asked and answered verbally. The appraiser takes detailed notes of the answers, which are then approved by supervisors and placed in employee’s personal folder.

**ANNUAL CONFIDENTIAL REPORTS**

In most of the government departments and public enterprises in India, performance appraisal is done through annual confidential
reports. These reports differ from department to department and from level to level. A very casual attitude is found among raters while filling A.C.R. s of employees working under them. Confidential reports combine different techniques of rating. The confidential report if written for a unit of one year and relates to performance, ability and character of the person during that year. The most important factor on which the success of confidential report depends is objectivity. The object of maintenance character is to put an officer on proper line by pointing out the defect. Irremediable defects touching integrity and morality are not to be communicated.

Confidential reports have a far-reaching influence on the career of employees since their future prospects depend upon such reports and therefore these should be handled scientifically.

**WORK STANDARD APPRAISAL**

This method of appraisal is more suitable in a manufacturing scenario where the goals are pre-determined work standards. These work standards can be set based on the average output of a typical employee in the organization or by benchmarking against the work against the work standards of a competitor in a similar business. The advantage of this approach is that the goals to be measured are very objective and quantifiable. The disadvantage however is that the work standards for different job categories cannot be compared.

**ESSAY APPRAISAL**

In the essay appraisal method, the appraiser prepares a document describing the performance of the employee. Question or guidelines are provided to the appraiser, based on which he analyses and describes the employee’s performance. The advantage of this system is that the appraiser can empress his entire mind on the
employee’s performance without any constraints impressed by the system.

**POINT ALLOCATION METHOD**

In this method of appraisal, the appraiser has to allocate points to different members in his team. He has at his disposal, a specific number of points, which he has to distribute among his team members, based on their performance during the appraisal period. The best performer gets the highest score and the last one in the group gets the least score.

**CHECKLIST**

In this method, the master has to respond ‘Yes” or ‘No’ to set of questions which assess the employee’s performance and behaviour. Normally, requites are attached to each of these questions based on which the final appraisal score of the employee is calculated. Such through the requites are not known to the appraiser, the positive or negative connotation is evident in the question and hence the response may be quite biased. Another disadvantage of this method is that different. Checklist may have to be designed for different jobs or job categories, which might make the whole exercise very cumbersome and complex.xv

**FORCED CHOICE METHOD**

This type of rating form contains a semi of groups of statements, and the rater checks how effectively the statement describes each individual being evaluated. Of course, each statement carries a weight or cease which is not indicated to the rater. This basic method has a number of variations. Sometimes all the statements may be either favorable or unfavorable. In another variation, from your
statements – two positive and two negative the rater picks the most appropriate and the most inappropriate for the person being rated.

**COST ACCOUNTING METHOD**

This method evaluates performance from the monetary returns the employee yields to his organization. A Relationship is established between the case unvalued in keeping the person, and the benefit the organization desires from him. While evaluating the performance, the following factors are carefully considered.

- Average value of production or service units.
- Quality of object produced of services accomplished overhead cast.
- Errors, accidents, spoilage, wastages, change to machine through unusual wear and tear etc.
- Appearance, manners, friendliness, sociability etc. for a public relation job.
- The cost of the time of supervisor and other personnel taken by the appraisee to perform his job.

**FORCED DISTRIBUTION METHOD**

**GROUP APPRAISAL** - under this method, a group of appraisers appraises an employee. This group consists of the immediate supervisor of the employee to other supervisors who have close contact with the employee’s work, manager or head of the department and consultants. The head of the department or manager may be the chairperson of the group activities. This group uses anyone or multiple techniques discussed earlier. The immediate supervisor
enlightens other members about the job characters, demands, standards of performance etc. Then the group appraises the performance of the employee, compares the actual performance with standards, finds out the deviations, desires the reasons therefore, suggest ways for improvement of performance, prepares action plans, studies the need for change in the job analysis and standards and recommends change, if necessary. This method is widely used for purposes of promotion, demotion and retrenchment appraisal.

MODERN METHODS

BARS (Behaviorally Anchored Rating Scales)

The BARS method combines elements of the traditional rating scales and critical incidents methods. Using BARS, job behaviors from critical incidents - effective and ineffective behaviors are described were objectively. The method employs individual who are familiar with a particular job to identify its major components. They then rank and validate specific behaviors for each of the components.

MANAGEMENT BY OBJECTIVES (MBO)

The main aspects of MBO are clear and well-defined goals, a definite time-span to achieve the goals, an action plan and finally, timely and constructive feedback also called the goal setting approach, MBO is more commonly used for managers and professionals. The goals are set with the active participation of the employee and his supervisor. These goals have to be in alignment with the organizational goals and have to contribute to their achievement.
**ASSESSMENT CENTRE**

This method of appraising was first applied in German Army in 1930. Later, business and industrial houses started using this method. This is not a techniques of performance appraisal by it self. In fact, it is a system of organization, where various experts do assessment of several individuals by using various techniques.

In the approach, individuals from various departments are brought together, to spend two or three days working on an individual or group assignment similar to the ones they would be handling when promoted.

**HUMAN RESOURCE ACCOUNTING**

HRA deals with cost of and contribution of human resources to the organization. Cost of the employee includes cost of manpower planning, recruitment, selection, induction, placement, training and development, wages and benefits etc. Employee contribution is the money value of employee service that can be measured by labor productivity or value added by human resources.

**360° FEEDBACK**

It is the combination of peer, *subordinates* and *self-appraisal* system. This system is rising rapidly one of the reasons being is the trend of *fewer management* layers. With so many more employees reporting to one supervisor it is just not possible for the supervisor to everyone accurately is out of the system with to days emphasize on teamwork and participate management.

This system helps both the supervisors and the workers to go over the list and isolate the cause of any performance difficulty. Self-
review helps workers to gain insight into the causes of performance problems. The pears and the subordinate's judgment help the supervisors to know whether he is aware of or sensitive to the impact of certain factors on the workers performance\textsuperscript{xxvi}.

The timing and the culture of the organization have to be right for the introduction of these feedback processes. The adoption of a full 360\degree approach needs to stem from a steady evaluation in appraisal and development practice. Many organizations have for some years included a few very mild gesture in this direction headings on the appraise pre pertain. From, inviting them to identify things that management could do to help them improve performance. It is very unlikely that a 360\degree scheme would be accepted where there has been little or no history of appraisal of any kind-it would represent to radical a step.

2.1.11- Benefits of Appraisal

Perhaps the most significant benefit of appraisal is that, in the rush and bustle of daily working life, it offers a more choice for a supervisor and subordinate to have "time out" for a one-on-one discussion of important work issue that might not otherwise be addressed. Almost universally, where performance appraisal is conducted properly, both supervisors and subordinates have reported the experience as beneficial aid\textsuperscript{xxvii}.

- Performance appraisal can have profound effect on levels of employee motivation and satisfaction-for better as well as for worse.

- Performance appraisal offers an excellent opportunity-perhaps the best that will ever occur-for a supervisor and subordinate to
recognize and agree upon individual training and development needs.

- Appraisal data can be used to monitor the success of the organization’s recruitment and induction practices.

- Though often understated or even denied, evaluation is a legitimate and major objective of performance appraisal.

2.1.12- Ethics of Appraisal

M.S. Kellog has suggested the following do's and don'ts.

- Do not appraise without knowing why the appraisal is needed.
- Appraise on the basis of representative information
- Appraise on the basis of sufficient information
- Appraise on the basis of relevant information
- Be honest on your assessment of all the facts you have obtained.
- Do not write one thing and say another
- In offering an appraisal, make it plain that this is only your personal opinion of the facts as you see them
- Pass appraisal information only to those who have good reason to want it.
- Do not imply the existence of an appraisal without knowing the basis on which it was made.

Kellog maintains that these "ethical standards are most certain to be met if appraisals are accomplished by such qualifiers are:-

- The factor which an appraisal is based
- The time period covered
- The purpose for which an appraisal is made
- The situational factors that shed vision the facts presented.
- The nature of the appraisers working relationship with the appraised; and
- An explanation of how and where the facts were obtained.

**Edward Deming on Performance Appraisal**

Towards the end, it is worthwhile to note Edward Deming's view on performance evaluation. Deming is opposed to employee assessment, because it-

- Rewards people for manipulating the system rather than improving it.
- Is often self-defeating
- Is inconsistent with team work
- Acts as a substitute for proper management
- Is inherently unfair

His alternatives to performance appraisal are-
- Meticulous selection of leaders
- Educate workers about their obligations and improved training and education after selection.
- Getting leaders to function as colleagues rather than as judges
- Subordinate performance to be assessed using statistical data
- Annually, three to four hour interviews with subordinates aimed at support and encouragement
- Accommodation to love workers

**2.2 Performance Appraisal Practice in Indian Industries.**

Contemporary literature labels India as one of the fastest emergent economics of the world. (Budhwar and Bonye, 2004). India
could avoid the financial crises of 1997-98. Current figures rank India as the fifth largest economy in the world, it is projected to be the fourth largest by 2020 (Budhwar, 2001, Fusilier & Durlabliji, 2001). The present growth rate of Indian economy ranges between five to seven percent. However, literature suggests that it is possible that this growth rate will climb up to ten percent in the near future (Gopalan & Rivera, 1997, Guha, 1999).

In this connection, some factors have affected managerial practices in India in recent past. Among the most noticeable changes, there has been the transition of human resources management (HRM) practices and policies of Indian organizations.

2.2.1- HRM in India

Available literature indicates the human resources management practices from a role of documentation to a role where it decides firm level approaches in achieving business excellence (Budhwar 2001, Budhwar & Sparrow, 1997, Yadapadithays, 2000). According to Machin & Wood(2005), HRM today serves as a substitute for various activities, such as trade unionism that were previously domains of personnel management, so much so that the trends of current HRM practices reflect customer orientation is that, HR practitioners view coworkers as internal customers and outsiders as external customers (Arogyaswamy & Dyles, 1987). According to recent findings by Biswas (2006) the answer lies in the affirmative. Moreover the issue of 'fit' and 'alignment' of HRM practices vis-à-vis overall business strategy and the increasing importance of high performance work systems (HPWS) has also give a new direction to the present policies and procedures followed to implement HRM in organizations (Becker and Geshart 1996).
Furthermore, with regard to HRM in India, there exist differences among sectors, such as the private versus the public sector, or the manufacturing versus the services sector and so on. (Amba-Rao, Patrick, Gupta, & Vonder Embse; 2000, Bordia & Blau, 1998; Mathur, Aycan, & Kanungo; 1996; Sharma, 1992)

2.2.2 Appraising the Performance Appraisal- The Indian Scenario

Performance management is the backbone of the Human Resource Management practice in any organization. There is widespread realization that performance management practices have the capability to determine the motivational level of employees and could be a powerful vehicle in conversion of employee's potential into performance. The effectiveness of performance appraisal is thus strongly related to the effectiveness of organization.

In Indian companies boast of having an extensive performance management system. But most of them are not more than form filling exercises. Appraisals are more about increments and separations rather than contributing to employee development. The middle managers already know the kind of increments that the top management would allow the tailor their appraisals to justify the predetermined increments. In the fast changing business environment there is urgent need for a shift from judgmental oriented appraisals to developmental oriented appraisals.

The Indian organizations have to change the way they look at their appraisal system. It should not be looked as an administrative activity. For appraisals to be justified, they contribute to the organizational bottom line. To contribute to the bottom line they must check attrition rates and add to the improvement in
employee performance. Though, there are countless problems in the Indian appraisal systems, those with most detrimental effects are:

Low frequency of appraisals, Lack of clear performance expectations from employees, Limited focus on results or outcomes - no proper feedback, forced distribution of employees according to predetermined criteria, and inadequate focus in identifying aptitude and interest of employees.

Performance appraisal practices in Indian organizations are, quite improved. The vary of almost 'no appraisal' to a 'sophisticated multipurpose- multi-component based appraisal systems. In some of the small and medium sized organizations, it is not uncommon to find no formal mechanisms of appraising performance. Informal appraisal reports are given by senior officers to the top management. At the time of promotion decisions the top management takes the views of appraisals into consideration. Simultaneously at different objectives, such as data generation for personnel decisions like rewards, promotions, job-rotation, transfers and creation of a new organizational culture of openness, trust, mutuality and generation of enabling capabilities and employee development that use different components (KPAs, objective setting, managerial and behavioural dimensions, self-assessment, performance analysis, counseling, identification of training needs, etc.)

2.2.3- Performance Appraisal System in Indian Industries

EICHER - Performance Appraisal System reflects the human resource function. Emphasis has been on the quality, teamwork, and process of development. Eicher has done away with term Appraisal and focusing on development.

- 53 -
The appraisal system at ICICI highlights a practical development approach and peer appraisal is component and reverse appraisal are one of its noteworthy feature.

THE GRASIM INDUSTRIES of Aditya Birla Group was gearing itself towards environmental changes through introduction of more participative appraisals. The current system has moved from the trait-oriented subjective system to a more objective form.

TELCO - Performance Appraisal System at TELCO is Management By objectives based and the process is mostly closed. But still the appraiser and the appraisee get a chance to discuss the result portion of the appraisal and also parts of the development plan.

BOKARO STEEL plant has brought about great objectivity in the assessment of executive against present tasks and targets in their performance appraisal system.

UTI has adopted an appraisal system where aim is the primary development of the - boss-subordinate relationship. Broadly the performance appraisal system has three parts, first focus on self-appraisal of appraisal of performance, second focus on confidential aspect of potential as well as traits and third part is a view of the appraisal.

VISHAKHAPATNAM STEEL PLANT has introduced a new development-oriented appraisal system. Its main components are target-setting/task assignment, periodic performance monitoring and feedback, self-appraisal and discussions, identification of training and development needs and performance assessment.
CMC LTD. is a leading PSU in the IT sector also has an appraisal system that focuses on the development of employees called the performance and development review (PDR) system. The three main parts of it are performance planning, performance review and development review. Some of the distinctive features which make it a more effective mechanism includes emphasis on planning and development, the process, planning for development, developmental role of managers and periodic interaction and follow up.

MODI XEROX - In Modi Xerox performance management system linked to career development, succession planning and management of maturation through rewards. The performance planning and appraisal is based on the companies roles and responsibilities which are filled for every appraisee. The areas taken are customer satisfaction, employee satisfaction, business results and quality. The performance planning and appraisal also centers around development action planning (DAP).

VOLTAS LIMITED - Since formation in 1954, Voltas has had a system of appraising managerial performance. The performance appraisal system in Voltas has undergone several changes in the years because of continuous efforts by Voltas to review its system periodically and ensure that it leads its employees to grow, develop and contribute to organization excellence. The PAS in Voltas is based on the belief that “the strength of an organization ultimately depends on its capacity to develop people”. The appraisal system in Voltas recognizes communication and counseling as important aspects of development through self-improvement. Such communication and counselling are also expected to lead to the strengthening of basic role.
The managerial appraisal system of Voltas focuses on the appraisal of the employee first on the job performance-related areas followed by an assessment on managerial/behavior dimensions. Performance on job related areas is assessed by recording the "objectives" set for the relevant years, and assessing the achievements in relation to these at the end of year, and recording the reasons for variations, if any. More importantly, it will facilitate a purposeful dimension between the assessor and the assessee so that the development process through improved performance is enhanced.

**LARSON AND TOUBRO LIMITED** - In the year 1976, a development oriented performance appraisal system was introduced in Larson & Toubro. This system was based on the philosophy of the company the main strength of the company is its human recourses and there should be continuous efforts made to develop their capabilities. Since then performance appraisal system has undergone some changes in the light of the experience gained during its operation. The main purpose of the appraisal system is to help an employee to improve his performance and develop himself.

PAS at Larson and Toubro is based on the rating system. The main indicators of rating are Outstanding, Very good, Good, Adequate, Inadequate.

Part A of performance appraisal form contains the significant achievements made by appraisees and factors that influenced their performance. Part B on the agreed objectives and targets or activities and result achieved. Part C is an appraisal of overall performance and critical attributes by the immediate superior. The important overall performance and attributes are overall performance, job knowledge, planning skills, organizing skills, initiative creativity, interpersonal and team relationship and development of subordinates. Part D of appraisal form regarding development and training needs-to be filled.
by the immediate superior. Part D contains the areas of involvements, Development recommendation (other than training programmes).

The PAS of Larson and Toubro has undergone some more changes recently. There have been six revisions of the appraisal system between 1976 and 1982. In all these revisions, the objectives were not changed but modifications have been made in some of the components and mechanics. The appraisal system presented here is in practice between 1982 and 1991. Because of this interval review, some changes have been introduced to make the system (for met) simpler and more meaningful.

LARSEN AND TOUBRO LIMITED (ECC CONSTRUCTION GROUP) L & T construction group is a part of Larsen and Turbo Limited, before ECC merged with L & T Limited they used to follow the old system of performance appraisal (i.e. confidential report system). L & T (ECC) construction group decided to change its appraisal system as consequences of a series of organization development discussions the top management had, beginning the year 1983. The new system was constructed in 1985 to review existing system. After conducting a structured survey they made some preliminary recommendations and subsequently decided to revalue a system that facilitates various other efforts they are making in their company. A task force which was constituted to review the existing system interviewed a large number of managers, examined various systems existing in the country including that the L & T and come up with a system which was titled as 'Performance Analysis and Development System'.

CROMPTON GREAVES LIMITED (CGL) - The appraisal system at CGL was designed after a good deal of debate, discussion and research. The HRD department designed the system. A noteworthy feature of this system is its emphasis on the building and use of peer
rating or internal customers. The main aim of PAS attempts to assess the values, assessment of performance in key Performance Areas (KPS), leadership, team building and contribution to team spirit, innovation and risk taking. A rating system is used to assess the performance of the individual.

**SAIL (STEEL AUTHORITY OF INDIA LIMITED)** - Sail produces about nine million tones of crude steel every year, at seven plants spread over the country. It is fact, the largest manufacturing organization in India. The annual budget of SAIL is higher than that of any state barring U.P and Maharashtra. The steel it produces goes into making an immense variety of products— from teaspoon to a Vijayanta tank, from sewing needle to an oilrig. SAIL utilizes the skills of engineers of every discipline, plus professionals in marketing, finance, materials handling, personal, medicine, education and more. It directly employ over 2,35,000 people including 18,000 managers.

SAIL has changed its performance appraisal system in the year 1986. The change in the performance appraisal system of SAIL took place at a time when the work culture at SAIL itself was undergoing a change. Arising out of felling that SAIL has not measured up to the expectations of the country in terms of its performance as well as managerial contributions to its objectives. The top management initiated a series of meetings and discussions with unit management with a cross-section of middle management, front line supervisors, workmen on the shop floor and union and associations. Based on the feedback and discussions a ‘priorities’ for action programmes was initiated.

**ONGC (OIL & NATURAL GAS CORPORATION)** - It is the flagship company of India with the targeted turnover of US $ 50 billion in five years. To make ONGC as an Indian Integrated Energy Multinational (PSU), a dedicated team of nearly 40,000 professionals toils round the
It is the toil, which amply reflects in the performance figures and aspirations of ONGC. The Company has adopted programme policies in scientific planning, acquisition, utilization, training and motivation of the team. At ONGC everybody matters, every soul counts.

Performance at ONGC is assessed for the calendar year from Jan 1 to Dec 31, which coincided, with memorandum of understanding (MOU) signed ONGC with the Petroleum Ministry. The PAR has two different formats for various levels of executives. i) E-1 to E-3, ii) E-4 to E-6

The appraisal format envisages only three levels i.e. reporting, reviewing and accepting officer’s. General Manager will normally be the final accepting authority for executives, up to E4 and the Regional Director will be so for executives up to E5. The functional Directors will be associates with the appraisal of executives of E5 level and so on.

In the year 2004-2005, a new Performance Appraisal format was introduced at ONGC, which linked to Performance contracts; Potential Appraisals, Introduction of 360 degree feedback phase wise. The changes are not confined for E-1 to E-6 level executives, for the first time many changes have been affected in appraisal system pertaining to class-II, class-III and class-IV employees. From 2004-2005 assessment year onwards class III and IV employees are having a distinct appraisal system.

The current system adopted by ONGC compiled with an aggressive campaign has resulted in creation of a positive work culture with a successful implementation of the new appraisal system; ONGC is setting an example for other PSUs.
BPCL is an oil company engaged in refining and marketing the full range of petroleum products in India. The company's most valuable assets are its 12,700 people, based in all corners of the country.

The new appraisal system was a major shift from a confidential appraisal system to an objective and transparent performance management system. It attempts to bring about a shift in the way we look at our own performance against benchmarks and the value we create for the corporation, individually and as a team. The performance appraisal system was developed, based on the principles like, business driven, teamwork, communication, development, transparency and consistency.

The system was developed with the active support of top management, business and functional heads and feedback from employees, which was obtained through climate surveys, Human Resources workshops and personal discussions.

TITAN - In TITAN, performance management is both a process and a system. It is a work environment in which people are able to perform to the best of their abilities. The performance management system is whole work system that begins when a job is defined as needed. It ends when an employee leaves an organization. Many writers and consultants are using the term Performance Management (P.M) as a substitute for traditional appraisal system. At TITAN we took the terms in the broader work system context. We considered the goal of performance is to achieve the company's vision and accomplish the needs of individuals by continuously adding value to his organisation and to himself/herself.

INFOSYS - INFOSYS believes in meritocracy and it has built a high performance work culture among its workforce. In order to align the
performance of employees with the business goals of Infosys regular system driven appraisals are conducted.

Infosys has three tracks for performance management, Track -I deals with performance reviews based on personality/technical competencies. Infosys is managing to a role - based structure and competencies for each of the roles, with standard excepted levels of behaviors have been identified. Training needs are derived based on the tasks evaluations and competency feedback. This is a bi-annual process and covers the entire organization. Performance a workforce based system designed in-house is used to capture the data on the performance reviews.

Track-II is the senior management appraisal; people in management roles undergo this annually. Here, the employee fills up a self-appraisal form and carries it forward to a panel discussion. The panel includes the head of the department, the immediate superior of the appraisee, as well as a senior person from another department. Promotions are decided on the bases of this review.

Track-III constitutes the 360-degree appraisal. In 2001-2002, over 600 managers were through the process of 360-degree appraisal in Infosys. The feedback from 360-degree appraisals are used as a developmental input and leaders of Infosys are helped in converting these feedback into personnel development.

**NATIONAL STOCK EXCHANGE OF INDIA** - It has followed a very simple system of performance appraisal for over four years from 1996-2000. The main objective of the performance appraisal system is to provide a performance culture and to provide teamwork, sense of belongingness and ownership.
Performance culture is intended to be proved through periodic planning, review identification of development gaps and development needs. Team excellence is to be provided by extending performance planning and review from individuals. Employee competencies are to be development planning, periodic feedback, training and other development intervention. The 360-degree feedback is intended to support these development efforts. A sense of belongings and ownership are expected to be promoted by providing appropriate content for performance and helping individual and teams see the linkage between their performance and organizational performance. Performance assessment will be linked to variable performance linked pay.

**Dr. REDDY'S LABORATORIES** - Performance Appraisal System in DRL is based on key result areas and setting goals for the current year. Every employee at the beginning of the year is required to define the key result area KRA. KRA is a set of responsibilities, which drives individuals towards business objectives. Routine responsibilities are not considered as KRAs.

**NOCIL (NATIONAL ORGANIC CHEMICAL INDUSTRIES)** - NOCIL was established in 1964. It is a large multi-location company engaged in the manufacturing and marketing of petrochemicals, industrial chemicals, polymers, rubber chemicals and plastic products. The present turnover of the company is Rs 1,100 crores and it has 2,400 employees. The formation new NOCIL in 1994 through the merger of NOCIL and PIL (Polyolefin Industries Limited), two successful joint venture with renowned foreign partners Shell and Hoechst respectfully in the Arvind Mafatlal group.

Performance appraisal system at NOCIL is based on the Performance Planning Development Review and Management System (PPDRM). The system was implemented through a large-scale
intervention process, which was used, perhaps for the first time. It included eight one-day workshops. The workshops architecture was such that there were about 100-200 participants across division/level/functions in the company. These workshops were conducted by the consultants and in-house human resources professionals. The employees were explained the total system and in particular how to set and evaluate Key performance Areas, identification of training needs, rating of competencies and experience sharing. The system is now in the fourth year of its operation. It has worked well and met the desired objectives. The system has created the necessary base for introducing further innovations in the area of personnel management.

STATE BANK OF INDIA (SBI)\textsuperscript{dix} - In 1979, the SBI decided to adopt a new system of performance appraisal. For this purpose, the experiment was done in the Regional Officer at Ahmedabad. The first step of the experiment was an orientation workshop. The main purpose was to explain the basic concepts to the managers. During this workshop, it was found that while manager largely did not like confidential reports the response was quite positive to the new system. After orientation programmes, the branch managers were required to identify their key performance areas and settle objectives in consultation with their reporting officer. As a part of the demonstration, discussions of key performance areas settlement were held between the regional managers and some branch managers. In the year 1982, it was extended as an experiment to nine modules covering about 27 regions. In 1983, it was further extended to 19 modules and by 1984; it was extended to cover entire country.

In 1986, the SBI modified the PAS by modifying the system of identification and settlement of KPA. Two types of format were used to be filled for every officer. In one format, managerial performance was used to be evaluated on certain qualitative dimensions/attributes like
decision-making, delegation, management, problem solving, communication, customer relations, initiative etc.

Another format was related to planned achievements and actual achievements and these factors, which facilitated performance, and those, which hindered performance. The formats filled by the reporting authority were reviewed by the reviewing authority according to carefully planned review and rating sessions.

Appraisal system at SBI was again reviewed in 1993. According to the new system, the format is data based and comprehensive and the rating is done by the working system. There is only one reporting system covering all officers and there is provision for self-appraisal. In SBI, for the clerical staff, there is an annual confidential reporting system. The employee’s performance is on 16 parameters. Rating is done on 5 point scale i.e. Exceptional, Very Good, Good, Average and Below Average.

‘Attributes’ based appraisal is also done in the SBI besides appraisal of Business Performance and Qualitative Aspects.

ALLAHABAD BANK\textsuperscript{1} – Allahabad Bank has introduced a system that aims at helping officers to identify their strengths and weakness and encourage improvement of performance on the job. In this system officer are assessed in three specific areas: (a) job performance; (b) job knowledge/skills and personnel characteristics; and (c) potential ability and development. The appraisal is to be initiated by the appraisees with a self-appraisal.

THE INDIAN OVERSEAS BANK\textsuperscript{2} – The Indian Overseas bank has a system in which a branch manager gives a self-appraisal on business growth. The reporting officer makes comments on each of these areas and gives his final assessment using five-point scale on seven factors.
(general intelligence, job knowledge, managerial ability, business development, public relations, expenditure control and dependability.)

**THE UNION BANK OF INDIA** - The UBI has an appraisal system in which the reporting officer is required to assess each of his appraisee officers on technical skills, human skills and conceptual skills. All these are defined for different categories of roles and the assessment has to be made on five-point scale.

**THE PUNJAB NATIONAL BANK** - The PNB has a primarily development-oriented appraisal form. There are 10 different formats available for 10 different categories of employees. PNB has started with a self-appraisal system by the appraisee. For example, in the self-appraisal to be made by regional managers/AGMS/DGMS working in zones they are required to comment on the following: Job Satisfaction, Suitability of Duties, Important achievements, Compliments received, Training attended, growing needs and Plans for improving capabilities.

**LIFE INSURANCE COMPANY** - In LIC, there has been an annual confidential reporting system for clerical and managerial staff. Separate confidential report forms are designed for superintendents, for non-supervisory employees and for typists and stenographers. A five fold grading scale (out standing, above average, average, below average and poor) is given in which the reporting officer indicates his assessment of the employees against each individual trait.

**ZEE TELEVISION LIMITED** - At zee, a good performance assessment system is a strategic tool towards achieving the objectives of the organization. It forms the basis for employee training and development, further progression as well as increment to remuneration packages.
The performance appraisal is based on specific performance objectives, which are jointly determined by subordinates and their superiors and progress towards these objectives is periodically reviewed. Rewards are granted based on progress towards achieving their goals.

RAINBOW INFORMATION TECHNOLOGY™ - Appraisals are a monthly affair at Rainbow, “every thing is employee-driven effort at Rainbow, where HR just plays support functions facilitating the employee’s wishes”. The company is a services and solutions provider for securing exercise and the internet.

HINDUSTAN LIVER LIMITED™ - The Hindustan Liver Limited has one of the most sophisticated performance appraisal system in India. The form runs into four pages and you are to spend all of four hours per employee filling it up- and discussing what is written on it.

Corporate India agrees. However sophisticated your appraisal system is. At the heart of good performance, appraisal scheme is the manager’s ability or willingness to give people not just good news but the news about their weakness that they do not know. The problem, as Douglas McGregor said in the Harvard Business Review Classic. An Uneasy look at performance appraisal, managers is uncomfortable when they are put in the position of playing God. The do not pass judgments on the personal worth of their team members.

The article was written years ago but it is still very much relevant in the Indian context. “It is in our drama, we all want to be nice guy at the end of the day and take refuge in an extensive form filling exercises,” says HR consultant. The consultant, who takes a very dim view of existing performance appraisal in Indian companies, says most management goes through the motion of this “annual ritual” and treat it as nothing more than an exercise to fill up
countless forms”. The middle managers already know the kind of increments that the top management would allow and tail or their appraisals to justify the pre-determined increments.

In India companies, using appraisal for salary increase is a problem for many reasons. First, money clouds the open dialogue between manager and an employee. While managers are focusing on performance, employees are focusing on how much money this is going to mean in their pocket. Also managers are often forced to be dishonest on appraisals in order to ensure that the employee get something. The would like to avoid the inevitable conformation associated with telling an employee that he merited no increase. According to Anil Sachdev, founder and CEO of Grow Talent Company, “Giving honest and direct feedback is still a problem. Most managers hesitate to give negative feedback to their juniors as they lack the coaching skills necessary for the purpose”.

Some of the multinationals in India use ‘bell curve’ concept sounds similar to the rank and yank strategy being practiced by around 20 percent companies. The companies in India practice bell curve are Microsoft, Ford, GE, Pepsi Co, Coke, Cisco and Sun Microsystems-the crucial difference is this : while Jack Welch, who pioneered the scheme at GE, actually sacked the bottom 10 percent and kept raising the bar, Indian companies only succeeded in creating de-motivated guys who get average increments and continue to do routine manner.

Varda Pendse, director, Cerebus Consultants, prefers a performance “management” system and says appraisals have commonly become a tool to give increments rather than a tool to build a culture. This is why appraisals capture everything except the extent of coaching and support, which the manager has given to the employees. Most of the Indian companies give importance to the
robust performance appraisal system in the growing importance to variable pay. Employers are increasingly finding that the 80:20 principle really applies to their workers—20 percent of the staff generating 80 percent of the profits—and those people should be adequately rewarded. Anecdotal evidence suggests that quite a few Indian companies especially promoter driven ones, has a long way to go in this regard.

Despite the obvious problems, the encouraging sign is that many Indian companies are increasingly becoming conscious of the problems of a form-driven approach to performance appraisal and are willing to weight their systems against global benchmarks. Leading the change brigade are companies like GE India, Coco-Cola India and LG, among others. All these companies have installed in their organizations a relentless need to hire and foster the world’s best talent and to continuously evaluate, differentiate and reward exceptional performances. At GE India, session C, as the appraisal process is known forces a detailed measurement not only of the performance of the people but also the alignment between how the company rates its employees and how it rewards them while supporting the overall goals of business. At LG India, the appraisal system has three parameters—performance, attitude and knowledge.

At Tata Teleservices, which figured in the great places to work list compiled by Grow talent, a third party research report on the company’s appraisal system and its fairness, showed employees scores were 80 percent and 84 percent, respectively. Take Johnson & Johnson. Every year, the HR team in the company undertakes a Credo feedback survey to test the climate and culture within the organization. Wipro follows a unique practice of rewarding the best mistake made by employees. This practice brings with it two benefits: it helps one recognize one’s weaknesses and second understand one’s worth in organization.
New Trends of Performance Appraisal

The two most popular forms of appraisal are 360 degree feedback and upward assessment, the latter being a relatively new concept in India. First the 360 degree. Almost all leading companies use this system, as they believe that the days of traditional supervisor-subordinate performance evaluations are numbered. Rather than having a single play judge (the boss), a 360-degree appraisal acts more like a jury. The biggest benefit of the 360-degree feedback is that it helps discover whether an employee is an effective performer in all interactions—or whether the worker is simply an effective performer when the boss is around.

The main problem that the 360-degree method faces is that it does nothing to reduce the fears that people have about a group of anonymous people determining their raises, promotions, and standing. The solution to use it as a performance development tool has been found by companies like Infosys and Wipro, which make the appraisers as broad based as possible and supplement this system with other appraisal methods.

Upward assessment is another such method being practiced by several companies, including HDFC Bank Ltd. HDFC HR head says, subordinates are encouraged to provide feedback on how they rate their supervisors on three critical areas:

Communication, where employee writes on things like: Does the boss listen attentively? Is he or she responsive to the subordinates concern?
like whether the boss gives appropriate recognition, whether he gives proper feedback on the gaps and weaknesses, etc.

**Empowerment**, under which one is asked questions like whether the boss is empowering his direct reports to carry out the job adequately, etc.
References


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


Dr. Ghanekar, Anjali. HRM, Managing Personnel. The HRD way, Everest publishing House, Pune.

Mamoria, C.B. and Gankar, S.V., Personnel Management text and cases, Himalaya publishing House, Mumbai

Dr. Ghanekar, Anjali. HRM, Managing Personnel. The HRD way, Everest publishing House, Pune


Ibid

www.eicherindia.com

www.ICICI.com


Guidelines for the PAS- booklet circulated by HRD Department, Central Office SBI, Mumbai, 2005-2006.


Appraisal report manual of LIC India.


www.expressitpeople.com